

# Blackpool Council

19 November 2019

To: Councillors Burdess, Callow, Collett, Cox, Critchley, Farrell, Galley, Mitchell and Roberts  
Ms Yvonne Russell, Independent Member

The above Members are requested to attend the:

## AUDIT COMMITTEE

Wednesday, 27 November 2019 at 6.00 pm  
in Committee Room A, Town Hall, Blackpool

## A G E N D A

### 1 DECLARATIONS OF INTEREST

Members are asked to declare any interests in the items under consideration and in doing so state:

(1) the type of interest concerned either a

- (a) personal interest
- (b) prejudicial interest
- (c) disclosable pecuniary interest (DPI)

and

(2) the nature of the interest concerned

If any member requires advice on declarations of interests, they are advised to contact the Head of Democratic Governance in advance of the meeting.

### 2 MINUTES OF THE LAST MEETING HELD ON 12 SEPTEMBER 2019 (Pages 1 - 6)

To agree the minutes of the last meeting of the Audit Committee held on 12 September 2019 as a true and correct record.

### 3 STATEMENT OF ACCOUNTS 2018/2019 (Pages 7 - 184)

To consider and approve the audited Statement of Accounts for 2018-2019.

**4 MANAGEMENT REPRESENTATION LETTER** (Pages 185 - 194)

To note the contents of the Management Representation Letter for 2018/2019.

**5 RISK SERVICES QUARTER TWO REPORT** (Pages 195 - 222)

To provide the Audit Committee with a summary of the work completed by Risk Services in quarter two of the 2019/2020 financial year.

**6 COVERT SURVEILLANCE POLICY** (Pages 223 - 270)

To consider the revised Covert Surveillance Policy (formally known as the RIPA Policy).

**7 DATE OF NEXT MEETING**

To note the date and time of the next meeting of the Committee as 23 January 2020, commencing at 6pm.

**Venue information:**

First floor meeting room (lift available), accessible toilets (ground floor), no-smoking building.

**Other information:**

For queries regarding this agenda please contact Elaine Ireland, Democratic Governance Senior Adviser, Tel: 01253 477255, e-mail [elaine.ireland@blackpool.gov.uk](mailto:elaine.ireland@blackpool.gov.uk)

Copies of agendas and minutes of Council and committee meetings are available on the Council's website at [www.blackpool.gov.uk](http://www.blackpool.gov.uk).

### Present:

Councillor Galley (in the Chair)

Councillors

Burdess  
Callow

Collett  
Critchley

Hugo  
Mitchell

Roberts

Ms Russell, Independent Member

### In Attendance:

Mr Andrew Foot, Head of Housing

Ms Tracy Greenhalgh, Head of Audit and Risk

Neil Jack, Chief Executive

Mr Mark Towers, Director of Governance and Partnerships

Mr Paul Turner, Head of School Standards, Safeguarding and Inclusion

Mrs Elaine Ireland, Senior Democratic Governance Adviser

Mr Nick Raynor, Senior Manager, Deloitte

### Also Present:

Councillor Mrs Callow, Chair of the Scrutiny Leadership Board

## 1 DECLARATIONS OF INTEREST

Councillor Galley declared a personal interest in relation to agenda item 3 Strategic Risk Register – Unsustainable Local Economy and Increased Deprivation due to his position as a Non-Executive Director on the Board of the Blackpool Entertainment Company Limited and his position as Chair of the Board for Blackpool Transport Services Limited. He also declared a personal interest in relation to agenda item 7 Tramway Audit Follow-Up due to his position as Chair of the Board for Blackpool Transport Services Limited.

Councillor Roberts declared a personal interest in relation to agenda item 3 Strategic Risk Register – Unsustainable Local Economy and Increased Deprivation due to his position as a Non-Executive Director on the Board of Blackpool Airport Operations Limited.

## 2 PERMISSION TO SPEAK

**The Committee agreed:** that Councillor Mrs Callow, Chair of the Scrutiny Leadership Board, be given permission to speak at Audit Committee meetings due to her role and the involvement of the Audit Committee with the Scrutiny Leadership Board.

**3 MINUTES OF THE LAST MEETING HELD ON 25 JULY 2019**

The Committee agreed that the minutes of the meeting held on 25 July 2019 be signed by the Chairman as a true and correct record.

**4 STRATEGIC RISK REGISTER - UNSUSTAINABLE LOCAL ECONOMY AND INCREASED DEPRIVATION**

The Committee considered a progress report outlining the individual risks identified within the Council's Strategic Risk Register – Unsustainable Local Economy and Increased Deprivation.

Mr Paul Turner, Head of Service for School Standards, Safeguarding and Inclusion, introduced the progress report in relation to the sub-risk of Lack of Educational Attainment/Appropriate Training to Meet the Needs of the Economy. Mr Turner reported that GCSE results had largely remained static overall in comparison to the previous year's results, with St George's School and Aspire Academy seeing a marked improvement. Committee members noted that Key Stage 4 results were consistently lower than national averages.

Mr Turner informed members that a town-wide Inclusion Plan was in place aimed at improving inclusion across schools for pupils with Special Educational Needs and Disability (SEND). Mr Turner explained that exclusion rates were on the increase and that many young people with SEND exhibited behavioural issues which impacted on exclusion rates. Members were informed that Blackpool Council was in a good position to influence schools via the provision of guidance and advice.

An issue of significance raised by Mr Turner was that of the use of the Pupil Referral Unit. He highlighted that the number of referrals had decreased and assured members that a plan was in place to reduce numbers yet further, recognising that the removal of pupils from mainstream education was not desirable as a course of action.

Mr Neil Jack, Chief Executive, stressed that pupils within Blackpool's primary schools were performing better, with the decline in attainment occurring from Key Stage 3 onwards.

The Committee queried the exact numbers of pupils who were electing for home education and also what proportion of those children attained GCSE qualifications. Mr Turner advised that the number of pupils educated at home was in the region of 300, which he indicated was twice the national average. He went on to explain that the legal requirement was merely for parents to provide 'a suitable education' and that examinations were not a mandatory part of that. As GCSEs would require that parents self-funded the examinations, Mr Turner concluded that the associated costs were a significant barrier to low income families.

It was queried whether parents needed to seek permission from the Council prior to withdrawing their child for home education. The Committee was informed that parents were required to submit a deregistration letter which would prompt enquires as to the

## MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 12 SEPTEMBER 2019

reasons behind their request for home education.

The Committee raised the question of whether examples of best practice from the better performing schools within Blackpool were being utilised to improve the attainment levels in other Blackpool schools. Mr Turner confirmed that best practice was shared amongst the schools and that each academy had its own improvement plan. In addition, Mr Turner explained that bespoke training tailored specifically to each school or academy was being provided via Teach Blackpool, who worked directly with teachers to improve the standard of teaching being provided.

Members of the Committee questioned what the identified key barriers to learning in Blackpool were, with Mr Turner advising that the most significant barrier was parenting. He further explained that work was underway to offer support to families to encourage their engagement. In addition work was ongoing via the Literacy Strategy aimed at improving literacy skills within households.

The Committee questioned whether those academies and schools not providing sufficient support for pupils with SEND could be identified and the shortcomings addressed. Mr Turner confirmed that such information was currently only shared with the Schools Commissioner and Ofsted. Mr Jack further explained that there was a balance between holding the schools to accounts whilst also protecting their wider reputation. Mr Turner stated that more detailed data around SEND provision was available and could be shared with the Committee if requested.

The question was raised of whether the recruitment of teachers across Blackpool required improvement or a change of approach. Mr Turner advised that alternative methods of teacher recruitment were being implemented next year, with the aim of recruiting and training the best teachers. In addition he made the Committee aware that as pupil numbers increased so too would funding levels, which would allow for more competitive teacher salaries to be offered. Mr Jack informed members that effective training and nurturing of teachers was a more beneficial approach as had been demonstrated at St George's school, where the headteacher recognised the importance of nurturing his teaching staff in order to improve and develop their teaching skills.

The Committee noted that the Children and Young People's Scrutiny Committee had planned to undertake a review of inclusion in education and requested that the issues which had been raised be forwarded to the Scrutiny Committee for members' information.

Mr Andrew Foot, Head of Housing, referred the Committee to the Strategic Risk Register data addressing housing targets. Mr Foot highlighted that the large amount of poor quality private rented properties within Blackpool was a long-standing risk, with the need for intervention and improvements identified and acknowledged.

The Committee questioned how the issue of identifying available land within Blackpool was dealt with, as a large percentage of land had already been built on. Mr Foot explained that the Council had determined the building target within its five-year plan and a requirement was that evidence be provided to demonstrate sufficient available land to meet that target.

## MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 12 SEPTEMBER 2019

Following the five-year period, Mr Foot explained, the target may need to be revised. Committee members queried whether sufficient need for new homes had been identified and whether residents would be able to afford to move into the properties. Mr Foot stated that prescriptive national guidance enforced how the need for homes was calculated, further advising that new national guidance was in the process of being introduced for future calculations.

The question was raised of whether there were sufficient properties that were suitable for older residents. Mr Foot advised that sheltered housing stock was to be reviewed and would be included in the Housing Strategy, in addition to the building of bungalows being included at the Troutbeck development.

The Committee queried whether the development of brownfield sites across Blackpool was a viable option. Mr Foot explained that whilst it was important to make the best use of brownfield sites wherever possible, the associated remediation and demolition costs often made it economically unviable without extra grant funding from Government which was currently not available in low value areas such as Blackpool.

Mr Neil Jack addressed the Strategic Risk relating to increased deprivation and unemployment. In relation to the development of the conference centre at the Winter Gardens, Mr Jack suggested that the Committee may wish to undertake a tour of the works once they had progressed further. Committee members queried whether the original target for completion of March 2020 would be achieved. Mr Jack advised that a revised target of summer 2020 was being worked towards.

The use of local suppliers was queried, with further explanation requested of the process. Mr Thompson, Director of Resources, explained that during the tender bid process, an additional 20 per cent was allocated to a bidder's score if they could demonstrate that they used local suppliers.

The Committee requested an update on the work of the Lancashire Enterprise Partnership (LEP). Mr Jack informed members that the LEP had appointed Steve Fogg as its new Chair, which would allow a greater level of independence from Lancashire County Council. The Committee extended an invitation to Councillor Blackburn to attend a future meeting of the Audit Committee in order that he could provide members with an update on the work of the LEP.

Members questioned whether Project 30 would be repeated, with Mr Jack stating that based on the financial data, Project 30 would be re-introduced.

With regards to the corridor work on Topping Street, reassurance was sought by the Committee that the various works would be coordinated across the projects. Mr Jack confirmed that a project group would ensure that all works were mapped out and coordinated with each other, including works undertaken by external agencies such as United Utilities. In addition, wherever possible, planned works avoided the busiest times so as to mitigate the impact on users.

## MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 12 SEPTEMBER 2019

[Mr Turner and Mr Foot left the meeting on conclusion of this item.]

### 5 ANNUAL AUDIT LETTER

Mr Paul Thomson, Risk Advisory Partner at Deloitte advised the Committee that until the final Statement of Accounts for 2018/2019 had been agreed, the external auditors were unable to issue the Annual Audit letter.

### 6 STATEMENT OF ACCOUNTS 2018/2019

Mr Paul Thomson, Risk Advisory Partner at Deloitte informed the Committee that the potential financial impact of the McCloud ruling had been resolved, however a further query with regards to the Council's accounting reserves had prevented the external auditors from agreeing the final Statement of Accounts for 2018/2019.

Mr Thomson informed the Committee that the external auditors were still awaiting corrections from the Council in order that further analysis of the data could take place. Mr Thomson confirmed that the query did not involve a loss of a specific sum of reserves, but rather questions over how the figures had been accounted. He also reported that 45 per cent of local authorities had not signed their final accounts by this year's deadline and that the consensus was for a return to the previous September deadline.

The Committee queried whether the Council would incur any additional charges as a result of the extra time spent reviewing the accounts. Mr Thomson stated that as there had been additional reviewing time by Deloitte, then there could be an associated charge for the time involved.

[Mr Thomson and Mr Raynor, Deloitte, left the meeting on conclusion of this item.]

### 7 RISK SERVICES REPORT QUARTER ONE

Mrs Tracy Greenhalgh, Head of Audit and Risk, introduced a summary of the work completed by Risk Services in quarter one of the 2019/2020 financial year.

Mrs Greenhalgh highlighted that the adequate updating of departmental Business Continuity Plans was still an area of concern, stating that whilst 96 per cent of plans were in place across the Council, only 78 per cent had been sufficiently updated over the past 12 months.

With regards to the changes in relation to disabled parking concessions, the Committee questioned whether an increase in the risk of fraudulent use could be expected. Mrs Greenhalgh confirmed that the widening definition of the use of disabled parking permits would be likely to result in an increase in blue badge fraud and as such was an area of significance. Mr Thompson informed the Committee that applications for blue badges were expected to increase by 50 per cent.

Clarification was sought on the number of outstanding Priority 1 Audit recommendations.

## **MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 12 SEPTEMBER 2019**

Mrs Greenhalgh informed members that she would circulate the details to the Committee following the meeting.

The Committee received data in relation to sensitive insurance claims and Mrs Greenhalgh informed members that this data would be reported to the Committee going forward. Specific details of the nature of the sensitive claims were requested, which Mrs Greenhalgh stated she would circulate to Committee members outside of the meeting.

The Committee noted the report.

### **8 TRAMWAY AUDIT FOLLOW-UP**

The Committee received a progress report on the recommendations made in the internal audit report of the tramway extension project. The scope of the audit was to review the project and contract management arrangements in place to ensure the effective delivery of the tramway extension including the interaction with other associated regeneration projects. Internal audit considered the current controls to be adequate, with some risks identified and assessed and some changes identified as necessary. The review identified scope for improvement in the operation of the project board being more closely aligned to their documented roles and responsibilities.

Mrs Greenhalgh acknowledged that the project management structure had been well managed, but that the coordination of the schemes required more detailed documentation to evidence the work done. Mrs Greenhalgh informed the Committee that the review had resulted in beneficial clarity around the roles and responsibilities of the project board via agreement of the board's terms of reference, as well as improved documentation of the coordination of works across the town.

The Committee noted the report.

### **9 DATE OF NEXT MEETING**

The date and time of the next meeting of the Committee was noted as 14 November 2019, commencing at 6pm.

### **Chairman**

(The meeting ended at 7.55 pm)

Any queries regarding these minutes, please contact:  
Elaine Ireland, Democratic Governance Senior Adviser  
Tel: 01253 477255  
E-mail: [elaine.ireland@blackpool.gov.uk](mailto:elaine.ireland@blackpool.gov.uk)

|                          |                                       |
|--------------------------|---------------------------------------|
| <b>Report to:</b>        | <b>AUDIT COMMITTEE</b>                |
| <b>Relevant Officer:</b> | Steve Thompson, Director of Resources |
| <b>Date of Meeting</b>   | 27 November 2019                      |

## STATEMENT OF ACCOUNTS 2018-2019

### 1.0 Purpose of the report:

1.1 To consider and approve the audited Statement of Accounts for 2018-2019.

### 2.0 Recommendation(s):

2.1 To approve the audited Statement of Accounts for 2018-2019.

### 3.0 Reasons for recommendation(s):

3.1 To enable the Committee to approve the Statement of Accounts in line with the Accounts and Audit Regulations (England) Regulations 2015.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

None, as the Committee is required to approve the Statement of Accounts.

### 4.0 Council Priority:

4.1 The relevant Council Priority is:

Deliver quality services through a professional, well-rewarded and motivated workforce.

### 5.0 Background Information

- 5.1 At the meeting of the Audit Committee on 25 July 2019 the Committee agreed to approve the Statement of Accounts for 2018/2019 subject to no material changes resulting from the outstanding work still to be completed. Should any material changes resulting from the outstanding report become apparent, the Committee would refer the agreement of the accounts to a future meeting of this Committee.
- 5.2 The audit is nearing completion and the audited Statement of Accounts 2018/2019 is attached at Appendix 3(a)
- 5.3 A number of material changes have been made since the Statement of Accounts were presented to this Committee on 25 July 2019. A breakdown of the main changes to the Comprehensive Income and Expenditure Statement and Balance Sheet is attached at Appendix 3(b). The net effect of these changes on the Comprehensive Income Statement and the Balance Sheet is a total movement of £1,630,000. These changes also feed through to the relevant Notes to the Accounts, Housing Revenue Account, Collection Fund and the Group Accounts. Although these are material changes, they are technical accounting adjustments or presentational changes and do not affect the level of working balances available to the Council.
- 5.4 As reported to this Committee on 25 July 2019, Deloitte have issued a qualified opinion due to the significant Value for Money (VFM) risk over the delivery of the improvements required as a result of the Ofsted inspection of Children’s Services.
- 5.5 Once the Statement of Accounts has been considered and signed by the Chair of the Audit Committee and Director of Resources, and the Management Representation Letter has been signed, the final audited accounts can be published.

Does the information submitted include any exempt information?

No

**List of Appendices:**

Appendix 3(a) - Statement of Accounts 2018-2019

Appendix 3(b) - Material Changes to the Core Financial Statements

**6.0 Legal considerations:**

6.1 None

**7.0 Human Resources considerations:**

7.1 None

**8.0 Equalities considerations:**

8.1 None

**9.0 Financial considerations:**

9.1 None

**10.0 Risk management considerations:**

10.1 None

**11.0 Ethical considerations:**

11.1 None

**12.0 Internal/ External Consultation undertaken:**

12.1 None

**13.0 Background papers:**

13.1 None

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# Blackpool Council

## Statement of Accounts For the Year Ended 31<sup>st</sup> March 2019



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## Introduction by Director of Resources – Steve Thompson

Blackpool Council's accounts show the financial results of the Council for the financial year 2018/19 and the financial position as at 31<sup>st</sup> March 2019.

It is intended that these accounts will provide a useful and important source of financial information for the community, stakeholders, Council Members and other interested parties. The style and format of the accounts complies with CIPFA standards and is similar to those of previous years.

The 2018/19 Budget was again challenging with a budget savings target of £5.5m on the back of successfully delivering £137.8m over the previous 7 years. This Budget underwent detailed consideration and scrutiny over a lengthy formulation period. From the very outset this involved the Council's Cabinet Members, who ensured that resources were aligned more than ever before to the Council's specific priorities, followed by extensive engagement and consultation with key stakeholders such as the trade unions, business representatives, equality and diversity forums and, of course, our residents.

Despite the financial constraints, the Council made sufficient provision within the Budget to accommodate:

- internal pay level rises on average 2% for the period from 1st April 2018 to 31st March 2019 in line with the employer's pay offer and the payment of at least the National Living Wage to all contracted staff;
- the payment of annual increments;
- voluntary 5 days' unpaid leave on average to continue;
- a non-pay inflation contingency, to address contractual commitments and valid non-pay pressures @ 2.2%;
- the most recent estimates of Settlement Funding Assessment;
- slow interest rate rises but rates remain at low levels; and
- the Council fulfilling its statutory obligation to balance its Budget.

These were all big challenges, but by working more collaboratively across Council directorates and indeed with other public sector partners where appropriate we have achieved common goals and efficiencies together.

The Narrative Report provides information about Blackpool, including key issues affecting the Council and its accounts. It also provides a summary of the financial position as at 31<sup>st</sup> March 2019.

Steve Thompson  
Director of Resources

## Narrative Report

### An Introduction to Blackpool

Blackpool is a seaside town situated on the north-west coast of England. It is the world's first mass market seaside resort, with a proud heritage stretching back over 150 years. It covers an area of approximately 13.46 square miles and has a population of around 139,870.

In addition to its sandy beaches, Blackpool's major attractions and landmarks include Blackpool Tower, Blackpool Illuminations, the Pleasure Beach, Blackpool Zoo, Sandcastle Water Park, the Winter Gardens, and the UK's only surviving first-generation tramway.

### Key Facts about Blackpool

The profile of the local population dictates the direction and substance of the services provided by the Council, for example, there is an increasing demand for children's and adult social care in Blackpool.

The Mid 2017 population estimate shows older people (65 years and above) account for a greater proportion of Blackpool's population than observed at national level.

|           | Total Population | Aged 0 - 14 years |      | 15 - 64 years |      | Age 65 and over |      |
|-----------|------------------|-------------------|------|---------------|------|-----------------|------|
|           | Number           | Number            | %    | Number        | %    | Number          | %    |
| England   | 55,619,430       | 10,048,364        | 18.1 | 35,540,555    | 63.9 | 10,030,511      | 18.0 |
| Blackpool | 139,870          | 24,232            | 17.3 | 87,094        | 62.3 | 28,544          | 20.4 |

Source: Office for National Statistics – Mid-year population estimates

### Political Structure

Blackpool Council is split into 21 wards each represented by 2 Councillors elected every four years. The political make-up of the Council during 2018/19 was as follows:

|                    |                |
|--------------------|----------------|
| Labour Party       | 26 Councillors |
| Conservative Party | 12 Councillors |
| Independent        | 4 Councillors  |

Following full elections on 2<sup>nd</sup> May 2019 the political make-up of the Council will be as follows:

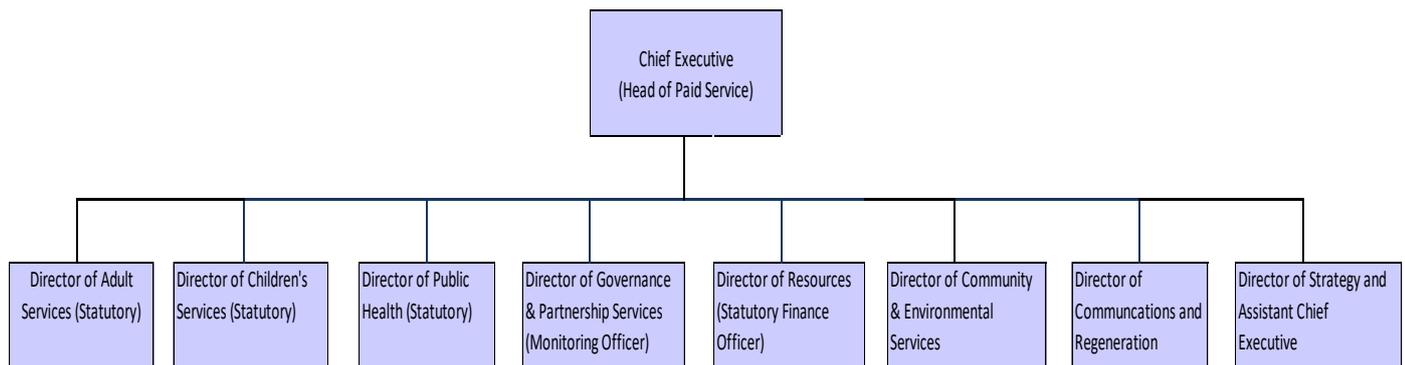
|                    |                |
|--------------------|----------------|
| Labour Party       | 23 Councillors |
| Conservative Party | 15 Councillors |
| Independent        | 4 Councillors  |

The Executive is the part of the Council which is responsible for most day-to-day decisions. The Executive is made up of a Leader and a Cabinet of nine other councillors whom the Leader has appointed. The Leader of the Council has also appointed one of these Cabinet Members as his deputy along with a Cabinet Secretary.

When major decisions are to be discussed or made, these are published in the Executive’s Forward Plan in so far as they can be anticipated. If these major decisions are to be discussed at a meeting of the Executive, this will generally be open for the public to attend except where personal or confidential matters are being discussed. The Executive has to make decisions which are in line with the Council’s overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide.

**Corporate Leadership Team**

Supporting the work of the Councillors is the Corporate Leadership Team which is led by the Chief Executive Neil Jack. The make-up of the Corporate Leadership Team is as follows:

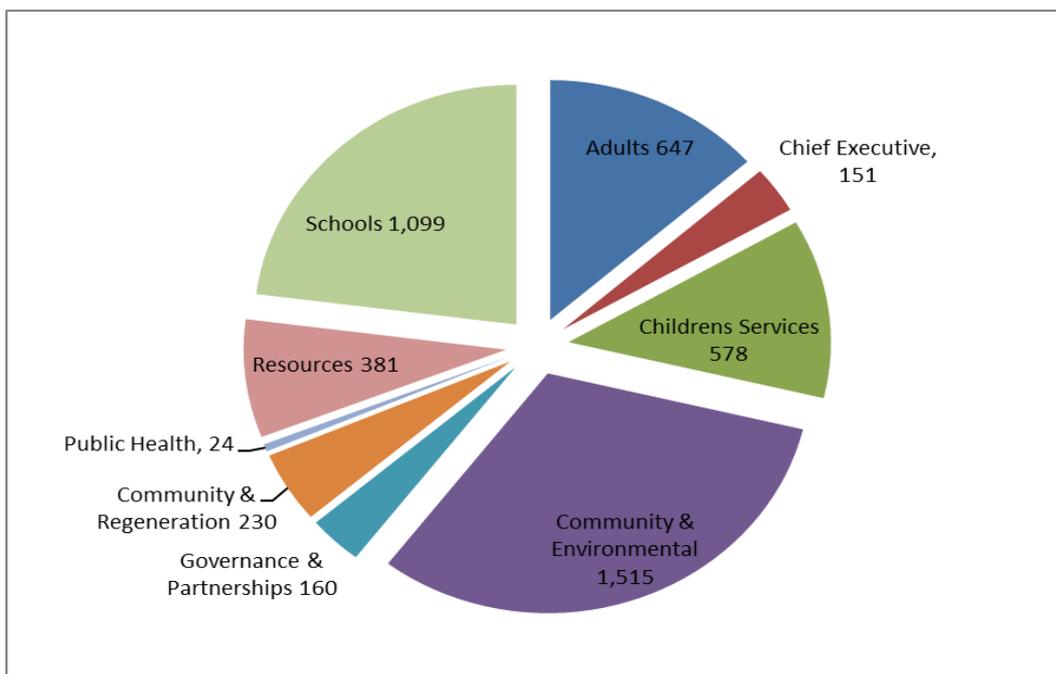


The Corporate Leadership Team provides managerial leadership and supports Councillors in:

- developing strategies
- delivering plans

**Staffing**

At 31<sup>st</sup> March 2019 the Council employed 3,686 people (31<sup>st</sup> March 2018: 3,656) and also employed a further 1,099 (31<sup>st</sup> March 2018: 1,088) people in schools. This represents 2,120 Full Time Equivalent Council staff (2017/18: 2,147) and 660 Full Time Equivalent schools staff (2017/18: 641). The chart on the next page shows how these support the Council’s services.



**Blackpool Council Plan 2019 - 2024**

The Council Plan 2019-2024 seeks to build on the successes of the previous plan which already delivered hundreds of millions of pounds worth of improvements and investment. It will do this through its two key priority areas: Maximising economic growth and opportunity across Blackpool; and creating increasingly stronger and more resilient communities by giving greater focus on prevention issues before they become a problem.

**Priority One - The Economy**

**Visitor Experience - Tourism and Culture**

- Complete development of a new 21st century conference facility at the Winter Gardens and increase the number of conferences.
- Finalise design and funding, then deliver the Blackpool Museum Project.
- Implement a new model of funding and delivery to sustain the Illuminations, events programme and cultural services.
- Deliver the first phase of a £300m investment into Blackpool Central, to include world class visitor attractions including the UKs first flying theatre.

**Infrastructure and Regeneration**

- Complete the tram extension, transport interchange and new 4\* hotel at Blackpool North station.
- Implement the Blackpool Enterprise Zone Delivery Plan, facilitating the growth of energy, aviation and food sectors.
- Deliver extensions to the Central Business District at Talbot Gateway.
- Further investment in highways, including completing the Quality Corridor programme, Yeadon Way upgrade and bridge renewal programme.

**Enterprise, Skills and Economic Inclusion**

- Get hundreds of people back into work via job schemes for the most vulnerable and disadvantaged, including Healthworks and More Positive Together.
- Support local businesses to grow and expend by maximising take-up of the Business Loans Fund.
- Work with partners to deliver the Opportunity Area programme, raising attainment and aspirations of our young people.

**Improving Housing**

- Deliver hundreds more affordable new homes, including the re-development of land at Grange Park and further properties at Foxhall Village.
- Enable further housing delivery through pro-active assistance to developers, including use of Compulsory Purchase Order powers where necessary.
- Enable My Blackpool Home to deliver at least an additional 455 new quality affordable homes for rent.

## Priority Two – Communities

### Young People

- Continue to implement the NSPCC led A Better Start initiative, improving life chances for 0-3 year olds.
- Improve the experiences and outcomes of young people in our services by improving relationships between organisations.
- Facilitate a school led system which improves attainment at Key Stage 4.
- Development of family hub model in local neighbourhoods for all age engagement and building community resilience.

### Health and Social Care

- Implement a new approach to delivering smoking cessation support and initiatives in the town.
- Shape the work of the Council towards delivering the Green and Blue Infrastructure strategy, greening the town.
- Continue to increase numbers accessing drug and alcohol services at an earlier stage and sustaining a positive outcome.

### Safeguarding

- Reduce the number of Looked After Children in a safe, sustainable way through incremental improvements of the social care system.
- Work in partnership across Blackpool to review our approach to delivering safeguarding and support for families.

### Increasing Resilience

- Deliver whole system change by sustaining the HeadStart Resilience Revolution, increasing mental health resilience amongst 10-16 year olds across the town.
- Stabilise our communities through additional activity to regulate private sector housing, reducing supply and improving quality.
- Improving the co-ordination of volunteers across the town.
- Develop a placed-based approach to service delivery in community settings in partnership with public and voluntary sector organisations.

## Performance Commentary for 2018/19

The Council is committed to making Blackpool better and a number of significant schemes are being undertaken.

Tramway Extension – Legislation to build and operate a new extension of the Blackpool Tramway from North Pier to Blackpool North Railway station was officially confirmed by the Secretary of State for Transport in 2017/18. Work commenced in 2017/18 and is still ongoing. The £22m extension will form part of a larger regeneration project at Blackpool North Railway station which will include a new tramway terminal, a 4 star Holiday Inn and office and retail units to let.

Quality Corridors – A £7m project is underway to give some of Blackpool’s key roads a facelift to make streets more welcoming and shops more vibrant. The works include resurfacing roads, improving pavements and crossings, adding more benches, bins and cycle parking. The second stage of the Quality Corridors project will involve working with local businesses to help them improve their shop fronts making both their business and town centre look more appealing. The Council secured a £6.6m grant from Lancashire Enterprise Partnership’s Growth Deal; the remaining £440,000 is being contributed by the Council.

Conference Centre – Work commenced in 2017/18 on a new £25m conference and exhibition centre at the Blackpool Winter Gardens. The new conference centre will directly link to the refurbished Empress Ballroom and Opera House increasing the Winter Gardens overall capacity for conferences to 7,000 delegates. The new conference and exhibition centre is due to open in 2020.

## Future Commitments

The next financial year will bring lots of improvements in Blackpool, such as developments at the Winter Gardens, the Pleasure Beach, new hotels, Blackpool Airport Enterprise Zone and the tramway extension.

The coming year will also see the continued impact of the new opportunity area programme. Blackpool became successful in becoming an Opportunity Area and was awarded £6m over 3 years from the Department of Education to help improve social mobility amongst children and young people.

During 2018/19 it was announced that a new £300m Blackpool Central development will bring a range of indoor attractions including the UK's first flying theatre, a virtual reality experience, adventure land, the world's first multi-media exhibition of its kind, thrill and gaming zone and an alien diner. The masterplan will also include new hotels, restaurants, a food market, event space, residential apartments and multi storey parking. Work on the central station site could start as early as 2020.

## Summary of the Financial Year

### Revenue Summary

The budget for 2018/2019 was set by the Council on 28th February 2018 in the sum of £128.518m. There was an increase in Council Tax Band D equivalent to £1,401.51 (£1,358.89 in 2017/2018) to fund services which are the responsibility of the Council to deliver. In 2017/18 the Spending Review announced that local authorities responsible for adult social care would be given an additional 3% flexibility on their council tax referendum threshold to be used entirely for adult social care. This increased Council Tax at Band D by £109.63 (£66.80 in 2017/18). There was an increase in Council Tax Band D to £1,756.05 (£1,656.10 in 2017/2018) when precepts for the Police and Crime Commissioner for Lancashire and Lancashire Fire Authority are included. The budget was financed as follows:

|                            | <b>£000</b>    |
|----------------------------|----------------|
| Revenue Support Grant      | 19,690         |
| Non-Domestic Rate Baseline | 19,735         |
| Non-Domestic Rate Top-Up   | 23,528         |
| Section 31 grants          | 9,039          |
| Transfer from Reserves     | 4,153          |
| Collection Fund Surplus    | (2,359)        |
| Council Tax                | 54,732         |
|                            | <u>128,518</u> |

The Revenue Outturn for 2018/2019 (before allowing for changes to working balances) is £127,495,000 compared with the approved budget of £128,518,000 – a net decrease of £1,023,000.

The table on the next page shows the reconciliation between the revenue outturn of £127,495,000 and the Deficit on Provision of Services in the Comprehensive Income and Expenditure Account of £24,226,000.

|   | <b>£000</b>  |
|---|--------------|
| Revenue Outturn                         | 127,495      |
| Housing Revenue Account net requirement | (1,735)      |
| Revenue Support Grant                   | (19,691)     |
| NNDR Baseline                           | (19,735)     |
| NNDR Top Up                             | (23,528)     |
| Council Tax Demand                      | (54,732)     |
| Add back Capital Charges                | 35,444       |
| IAS 19 Pension and Annual Leave         | 16,693       |
| Capital Grants                          | (25,692)     |
| S31 grants                              | (13,273)     |
| Minimum Revenue Provision               | (9,596)      |
| Other                                   | (2,817)      |
| <b>Deficit on Provision of Services</b> | <b>8,833</b> |

The year-end variance position of £1,023,000 is summarised as follows for each directorate:-

| <b>Summary</b>  | <b>2018/19<br/>Variance<br/>£000</b> |
|---|--------------------------------------|
| Directorates  | 1,823                                |
| Budgets Outside the Cash Limit                              | (1,198)                              |
| Strategic Leisure Assets – actual                           | 1,827                                |
| Strategic Leisure Assets – financed from Reserves           | (1,827)                              |
| Contributions and Contingencies, Levies and Capital Charges | (1,648)                              |
| <b>Total</b>  | <b>(1,023)</b>                       |

The main reasons for this net service overspend / (underspends) are:-

| Service                           | Reasons  | £000  |
|-----------------------------------|--|-------|
| Children's Services               | <p>Children's Social Care overspent by £5,575,000 due to ongoing demand pressures relating to Looked After Children (LAC). When budgets were set, LAC numbers were around 530, however numbers increased over the year and peaked at 572 in December. Whilst numbers did fall back to 565 by the end of March LAC totals were consistently above budgeted levels. Furthermore, the breakdown of placements has contributed significantly to the over-spend. Additional costs were incurred relating to children with complex needs being moved into more expensive placement categories, requiring additional support or being unable to step down as early as planned. £282,000 was also spent on the interim support following the Ofsted inspection in December 2018.</p> <p>The Education division also overspent by £371,000. Special Educational Needs Transport pressures of £612,000 were offset by savings on direct payments and staffing underspends.</p> <p>Staffing, supplies and services underspends in the Early Help and Business Support &amp; Resources divisions partially offset the pressure by £392,000 and £59,000 respectively.</p> | 5,476 |
| Governance & Partnership Services | The main component of the Governance and Partnership Services overspend relates to a £308,000 pressure within Life Events and Customer Care due to a shortfall in income in relation to cremations and burials, additional Coroner costs and additional staff costs in Registrars covering long-term sickness absence. This was offset by surpluses in Democratic Governance and Corporate Legal Services due to income exceeding budget.  | 238   |
| Communications & Regeneration     | Arts and Heritage overspent by £81,000 in 2018/19 due to costs associated with the Grundy Art Gallery. Illuminations costs exceeded budget by £63,000 and Visit Blackpool faced additional event costs of £59,000. These overspends were offset by additional income in Planning and Print Services.   | 138   |
| Public Health                     | The Public Health Directorate managed a grant of £18,428,000, for the financial year to March 2019 which was spent in full. Pressures within the CCTV department have been offset by savings against Community Safety, resulting in a net underspend of £4,000.  | (4)   |
| Chief Executive                   | The main component of this underspend relates to staffing savings achieved in Human Resources, Organisation and Workforce Development coupled with an under-spend on the Chief Executive element of the budget.  | (67)  |
| Adult Services                    | Adult Commissioning Placements overspent by £294,000 as a result of higher than expected Supported Living packages of care, offset by additional Fairer Charging Income. The remaining underspends were mainly due to staffing vacancies within the service.   | (76)  |
| Ward Budgets                      | Scheme commitments of £80,000 are being carried forward into 2019/20.  | (80)  |

|                                    |   |              |
|------------------------------------|---|--------------|
| Resources                          | Property Services overspent by £263,000 due to pressures across the division including reduced income generation from investment properties, mainly being the Marton Mere site and pressures within Building services due to renovations across Adult's and Children's buildings resulting in high maintenance costs. Risk Services underspent by £111,000 mainly due to EU Exit Funding received from Ministry of Housing, Communities and Local Government (MHCLG). The other Resources divisions underspent by £316,000 mainly due to staffing vacancies, supplies and services savings and increased income generation.                               | (164)        |
| Community & Environmental Services | The main component of the variance on the Community and Environmental Services budget has arisen as a result of a technical accounting adjustment regarding debt payments made to Lancashire County Council to finance the Council's waste disposal arrangements (formerly the Lancashire Waste PFI scheme). Excluding this £3,600,000 variance, the Directorate has broken even for 2018/19 with offsetting under and overspends across its constituent services. Main variances include an over-spend of £227,000 in Leisure and Catering, mainly the result of a shortfall in Leisure income, offset by savings in other divisions of the Directorate. | (3,638)      |
| <b>Total</b>                       |   | <b>1,823</b> |

The financial outturn for budgets 'outside the cash limit' shows an aggregate underspending of £1,198,000. The main reasons for this are:-

| Service  | Reasons   | £000           |
|--|---|----------------|
| Parking Services   | An income shortfall of £612,000 has arisen in Parking Services, mainly due to "on-street" parking schemes not being feasible, a loss of parking spaces, prudential borrowing costs and reduced income from staff parking.   | 612            |
| Previous Years' Pension Liability/Land Charges/Council Tax and NNDR Cost of Collection/Corporate Subscriptions | £20,000 reduction in Corporate Subscriptions taken out in 2018/19. Council Tax and NNDR Cost of Collection overspend of £1,000 is due to a reduction in costs recovered on Council Tax collection.<br>Previous Years' Pension Liability overspend of £5,000 is due to a reduction in contributions from schools<br>£20,000 under-spend on land charges. | (34)           |
| Concessionary Fares  | Concessionary fares were under budget due to a decrease in patronage by NoW cardholders as a result of the equalisation of the pension age.   | (162)          |
| Subsidiary Companies   | This underspend has resulted from a saving on Prudential borrowing costs as borrowings on historic capital schemes have been repaid.  | (240)          |
| Housing Benefits   | Net reduction in benefits payments due to Universal Credit and increase in recovery of overpayments.  | (309)          |
| Treasury Management  | Treasury Management has a favourable position due to cash flow management.  | (1,065)        |
| <b>Total</b>   |   | <b>(1,198)</b> |

## Treatment of Revenue Budget Variances

As part of the year-end process an analysis of budget variances is undertaken in order to determine the treatment of under/overspendings on service budgets. The conventional Cash Limited Budgeting approach requires that:-

- under-spends are carried forward in full and are then available to supplement the following year service budget;
- overspendings are similarly carried forward but must as far as possible be recovered in the following financial year (where an extended period is required, this must be on the basis of a recovery plan with a timetable not exceeding 3 years and approved by the Executive); and
- any windfall gains, as determined by the Director of Resources and arising from events outside the control of the service, are added to the Council's general working balances.

However, having considered the Provisional Revenue Outturn 2018/19 in detail and the financial outlook and consulted Corporate Leadership Team colleagues, it is recommended that:-

- the underspending of £80,000, in respect of the scheme commitments, on Ward Budgets is carried forward to 2019/20 in full;
- the following under and overspendings are to be written off:

| Directorate                        | £000         |
|------------------------------------|--------------|
| Chief Executive                    | (67)         |
| Governance & Partnership Services  | 238          |
| Resources                          | (164)        |
| Communications & Regeneration      | 138          |
| Community & Environmental Services | (3,638)      |
| Adult Services                     | (76)         |
| Children's Services                | 5,476        |
| Public Health                      | (4)          |
| <b>Total</b>                       | <b>1,903</b> |

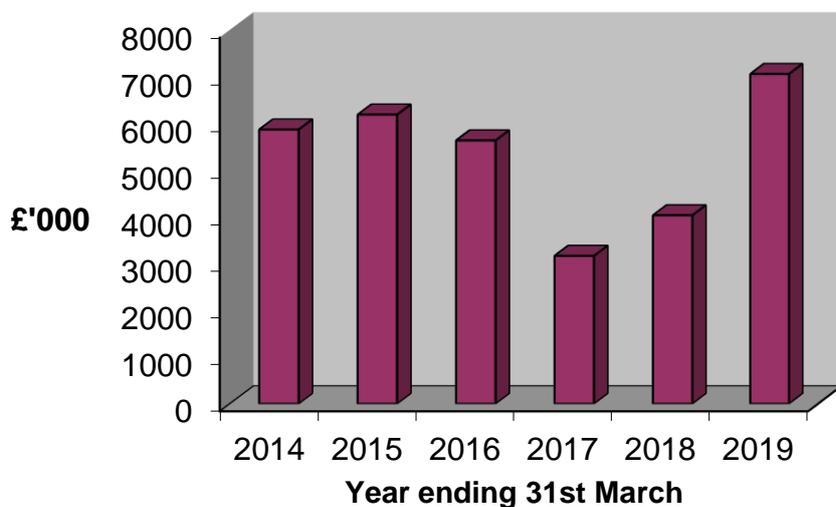
This will allow services to enter the new financial year in a balanced position and give directorates a realistic chance of meeting their budget savings for what will be the 9<sup>th</sup> consecutive year of material budget cuts.

## Unallocated General Fund Working Balances

In setting the Council's original budget for 2018/2019 the target Unallocated General Fund working balances as at 31<sup>st</sup> March 2019 were approximately £6,000,000. However the outturn position means that the actual Unallocated General Fund working balances as at 31<sup>st</sup> March 2019 were £7,057,000.

The graph below shows the change in the Unallocated General Fund Working Balances over the last 6 years. Further information is shown in Note 11.

### Unallocated General Fund Balances



### Capital Summary

The total of the Council's capital spending in 2018/2019 was £48,786,000, which is a 17% increase from the previous year. The main reason for the increase in capital spending is the development of the Tramway and the spend on the Conference Centre. The net book value of the Council's non-current assets as at 31<sup>st</sup> March 2019 was £777,160,000.

The main areas of capital spending during the year were:

|                                     | 2017/2018<br>£000 | 2018/2019<br>£000 |
|-------------------------------------|-------------------|-------------------|
| Children's Services                 | 2,073             | 1,666             |
| Adult Services                      | 2,539             | 2,889             |
| Community and Environment           | 8,388             | 12,274            |
| Governance and Partnership Services | 2                 | 468               |
| Transport                           | 4,650             | 4,903             |
| Housing - Private Sector Housing    | 1,411             | 7,310             |
| Housing - HRA                       | 8,006             | 2,214             |
| Communication and Regeneration      | 9,478             | 15,406            |
| Resources                           | 3,984             | 1,656             |
| <b>Total</b>                        | <b>40,531</b>     | <b>48,786</b>     |

The funding of capital expenditure came from a number of sources as summarised below:

|                  | <b>2017/2018</b><br><b>£000</b> | <b>2018/2019</b><br><b>£000</b> |
|------------------|---------------------------------|---------------------------------|
| Capital receipts | 3,015                           | 1,773                           |
| Grants           | 22,634                          | 28,018                          |
| Borrowing        | -4,045                          | 12,854                          |
| Other            | 18,927                          | 6,141                           |
| <b>Total</b>     | <b>40,531</b>                   | <b>48,786</b>                   |

As at 31<sup>st</sup> March 2019 the Council held a balance of usable capital receipts amounting to £7,154,000 (2017/18 £4,508,000) most of these capital receipts are earmarked to already approved schemes.

The Council plans future capital developments within the financial constraints placed upon it. Key policy objectives for the future include regeneration and renewal of the town on a significant scale.

- A Tramway upgrade linking the Tramway on the Promenade with Blackpool North Train station, creating a transport hub and a new 4 star hotel. The majority of funding will come from the Lancashire Enterprise Partnership and prudential borrowing.
- Town Centre Car Parking strategy to provide the additional car parking spaces required to service the increased demand.
- The development of new council homes at Troutbeck Crescent, Mereside creating a vibrant family friendly living area.

### **Housing Revenue Account (HRA)**

Under the *Local Government and Housing Act 1989* expenditure on council housing is “ring-fenced” meaning no contribution can be made to or from the General Fund. Furthermore, the *Housing Revenue Account (Accounting Practices) Directions 2000* applies whereby “Resource Accounting” is implemented, making more transparent the costs of capital tied up in the assets and providing resources to maintain them.

### **Housing Revenue Account Reserves**

The balance on the HRA reserve stands at £5,705,000 at 31 March 2019 (31<sup>st</sup> March 2018 £5,870,000).

### **Treasury Management**

At 31<sup>st</sup> March 2019 the Council had total borrowings of £249,347,000 (31<sup>st</sup> March 2018 £244,119,000), being £89,895,000 (2017/18 £90,343,000) long term and £159,452,000 short term (2017/18 £153,776,000).

During the year the Council took new long term borrowing of £8,000,000 to fund its capital programme.

At 31<sup>st</sup> March 2019 the Council has short term investments of £7,800,000 which is a decrease of £1,950,000 from 31<sup>st</sup> March 2018. The long term investments were £28,750,000 which is an increase of £4,500,000 from 31<sup>st</sup> March 2018. This is mainly related to the purchase of further shares in Blackpool Housing Company.

## **Pension Fund Liability**

The actuarial valuation of the Council's pension scheme liabilities and pension reserve shown in the balance sheet has increased by £22,570,000 during the year. Further details are given in note 50 to the accounts. The figures reported in the Balance Sheet are valued in line with IFRS accounting standard IAS 19.

## **Pension Fund Advanced Payment**

The triennial valuation of the Council's pension fund was completed by Lancashire County Pension Fund (LCPF) in February 2017. Following the valuation, an option was made available to the Council allowing the payment of its employer pension contributions over the next 3 years in advance (rather than on a monthly basis) on 1<sup>st</sup> April 2017. In return a discount would be given to the Council resulting in an annual budget saving.

In setting the 2017/18 budget the Council opted to make the 3 year advance payment of its employer pension contributions totalling £36,680,000. This means the Council has paid its employer pension contributions to LCPF for 2017/18, 2018/19 and 2019/20. This has resulted in a budget saving of £827,000 in each of these years.

## **Key Financial Risks**

### **Achieving Further Savings**

The Council has a savings programme to realise £9,000,000 savings in 2019/20. Further savings are expected to be required in the next 3 years. As the Council's budget reduces finding additional savings becomes more difficult.

### **Brexit**

There is still a high level of uncertainty regarding the implications of the UK leaving the European Union (EU). A deadline of 31<sup>st</sup> January 2020 has been agreed with the EU members although the government is still seeking agreement on the forms and terms of departure.

It is not yet possible to predict whether asset values and discount rates will consequently change in relation to property, plant and equipment and pension liability.

### **Demand Led Budgets**

The rising demand placed on the Council's social care services continues to be a major pressure on the Council's budget.

## **Explanation of the Statements**

The statements presented in the following pages comprise:-

### **Statement of Responsibilities for the Statement of Accounts**

This sets out the respective responsibilities of the Council and the Director of Resources for the accounts.

The accounts are supported by notes to the financial statements. These notes include a summary of significant accounting policies, further detail relating to items in the main financial statements and assumptions made about the future.

**Movement in Reserves Statement**

This statement shows the movement in year on the different reserves held by the Council, analysed into “usable” reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

**Comprehensive Income and Expenditure Account**

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

**Balance Sheet**

This sets out the overall financial position of the Council as at 31<sup>st</sup> March 2019. It shows the reserves and balances of the Council, its long-term indebtedness and the value of non-current assets and net current assets.

**Cash Flow Statement**

This summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

**Housing Revenue Account**

This reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure and income.

**Collection Fund**

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund which shows the transactions on non-domestic rates and council tax and illustrates the way in which these are distributed to Central Government, Police and Crime Commissioner for Lancashire, Lancashire Fire Authority and the Council’s General Fund.

**Group Accounts**

This summarises group financial statements prepared in order to show the overall financial position and results of the council, its interests in subsidiaries and associates. Further details can be found in Section 7.

**Accounting Practice Compliance**

These accounts have been prepared in accordance with the Accounts and Audit Regulations 2015, the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the CIPFA Bulletin 03 Closure of the Financial Statements issued in March 2019.

**Further Information**

The Statement of Accounts forms one element of the Council’s financial reporting to local taxpayers, employees and other interested parties. Further information can be found on the Council’s website [www.blackpool.gov.uk](http://www.blackpool.gov.uk)

## **Transparency**

The Government's Transparency Agenda encourages local authorities to make public data openly available. Details of the Council's spend over £250 and senior managers' salaries can be found on the above website.

Further information about this Statement of Accounts is available from:

Director of Resources  
Blackpool Council  
P O Box 4  
Town Hall  
Blackpool  
FY1 1NA

## **Section 2**

# **Statement of Responsibilities for the Statement of the Accounts**

## Statement of Responsibilities for the Statement of Accounts

### 1. The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the proper responsibility for the administration of those affairs. In this council that officer is the Director of Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

### 2. The Director of Resources' Responsibilities

The Director of Resources is responsible for the preparation of the council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in United Kingdom* ("the Code of Practice").

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

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

The Director of Resources has also:

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

### 3. Certification of the Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of Blackpool Council and its income and expenditure for the year ended 31st March 2019.

Steve Thompson  
Director of Resources  
27<sup>th</sup> November 2019

### 4. APPROVAL OF THE ACCOUNTS

In accordance with the Accounts and Audit (England) Regulations 2015, I certify that the Statement of Accounts have been approved by the Audit Committee on 27<sup>th</sup> November 2019.

Councillor Paul Galley  
Chair of Audit Committee  
27<sup>th</sup> November 2019

## **Section 3**

# **Independent Auditor's Report**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLACKPOOL COUNCIL****REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****Opinion**

In our opinion the financial statements of Blackpool Council ('the Council') and its subsidiaries ('the Group'):

- give a true and fair view of the financial position of the Group and of the Council as at 31 March 2019 and of the group's and the Council's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We have audited the financial statements which comprise:

- the Group and Council Comprehensive Income and Expenditure Statements;
- the Group and Council Balance Sheets;
- the Group and Council Movement in Reserves Statements;
- the Group and Council Cash Flow Statements;
- the Housing Revenue Account Income and Expenditure Statement;
- the Movement on the Housing Revenue Account Statement;
- the Collection Fund; and
- the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2018/19.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the Director of Resources' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Director of Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

**Other information**

The Director of Resources is responsible for the other information. The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

**Director of Resources' responsibilities**

As explained more fully in the Director of Resources responsibilities statement, the Director of Resources is responsible for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Resources is responsible for assessing the group's and the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the group and the Council will continue in operational existence for the foreseeable future.

***Auditor's responsibilities for the audit of the financial statements***

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**REPORT ON OTHER LEGAL AND REGULATORY MATTERS****Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.**

We are required to report to you if, in our opinion the council has not made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

**Qualified Conclusion**

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in 2018/19, with the exception of the matter reported in the basis for qualified conclusion section below, we are satisfied that, in all significant respects, Blackpool Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

**Basis for qualified opinion**

On 17 January 2019, Ofsted published a report in relation to their inspection of the Council's Children's social care services, which provided an overall grading of 'inadequate'. The report concluded that there were longstanding and widespread failures in the quality of social work practice that means that many children are not having their needs responded to in the right way or at the right time. Inspectors found cases of children throughout the services for whom risk had not been identified and where appropriate action had not been taken to help and protect them concluding with an overall rating of 'Inadequate'. Whilst the Council has put in place measures to address the findings identified, the issues described above are evidence that in respect of Children's social care services, the Council did not put in place proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned sustainable outcomes, including working with partners, for the year ended 31 March 2019.

**Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether Blackpool Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Blackpool Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**Matters on which we are required to report by exception**

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

**CERTIFICATE OF COMPLETION OF THE AUDIT**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

**USE OF OUR REPORT**

This report is made solely to the members of the Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Thomson (Appointed auditor)  
For and on behalf of Deloitte LLP  
Leeds, United Kingdom

# Section 4

## Core Financial Statements

## Comprehensive Income and Expenditure Statement for the Year Ended 31<sup>st</sup> March 2019

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. Authorities raise taxation and rents 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.

| 2017/2018 Restated        |                      |                         |  | 2018/2019                 |                      |                         |
|---------------------------|----------------------|-------------------------|--|---------------------------|----------------------|-------------------------|
| Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |  | Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |
| 8,232                     | (4,074)              | 4,158                   | Chief Executive  | 6,440                     | (5,026)              | 1,414                   |
| 5,004                     | (3,119)              | 1,885                   | Governance and Partnership Services  | 5,942                     | (3,431)              | 2,511                   |
| 323                       | (2)                  | 321                     | Ward Budgets   | 552                       | (5)                  | 547                     |
| 15,667                    | (10,659)             | 5,009                   | Resources  | 32,132                    | (10,805)             | 21,327                  |
| 7,001                     | (9,070)              | (2,069)                 | Communications & Regeneration  | 13,889                    | (9,894)              | 3,995                   |
| 6,804                     | (3,117)              | 3,687                   | Strategic Leisure Assets   | 8,090                     | (4,696)              | 3,394                   |
| 60,515                    | (27,129)             | 33,386                  | Community and Environmental Services   | 67,827                    | (34,067)             | 33,760                  |
| 71,193                    | (31,404)             | 39,789                  | Adult Services   | 81,074                    | (28,381)             | 52,693                  |
| 103,961                   | (71,441)             | 32,520                  | Children's Services  | 125,193                   | (71,672)             | 53,521                  |
| 21,839                    | (21,769)             | 70                      | Public Health  | 22,475                    | (21,807)             | 668                     |
| 112,864                   | (85,834)             | 27,030                  | Budgets Outside the Cash Limit   | 62,025                    | (77,323)             | (15,298)                |
| (184)                     | (2,733)              | (2,917)                 | Contingencies, Levies etc  | 1,306                     | (5,276)              | (3,970)                 |
| 20,172                    | (18,717)             | 1,455                   | Housing Revenue Account  | 17,384                    | (19,119)             | (1,735)                 |
| <b>433,391</b>            | <b>(289,067)</b>     | <b>144,324</b>          | <b>Net Cost of Services</b>  | <b>444,329</b>            | <b>(291,502)</b>     | <b>152,827</b>          |
|                           |                      | 5,838                   | Other Operating Expenditure (Note 12)  |                           |                      | 3,104                   |
|                           |                      | 5,169                   | Financing & Investment Income & Expenditure - Other (Note 13)  |                           |                      | 10,118                  |
|                           |                      | 5,591                   | Income & Expenditure in relation to Investment Properties and changes in their fair value (Notes 17) |                           |                      | 1,502                   |
|                           |                      | (142,973)               | Taxation and Non-Specific Grant Income - Other (Note 14)   |                           |                      | (158,718)               |
|                           |                      | <b>17,949</b>           | <b>(Surplus) or Deficit on Provision of Services</b>   |                           |                      | <b>8,833</b>            |
|                           |                      | (22,601)                | (Surplus) or Deficit on revaluation of Property, Plant and Equipment assets                          |                           |                      | (10,751)                |
|                           |                      | 310                     | (Surplus) or deficit on revaluation of available for sale financial assets                           |                           |                      | (1,125)                 |
|                           |                      | (45)                    | Movement on financial instruments adjustment account   |                           |                      | -                       |
|                           |                      | (30,712)                | Remeasurement of the net defined benefit liability   |                           |                      | (6,749)                 |
|                           |                      | 3,164                   | Other Movements  |                           |                      | -                       |
|                           |                      | <b>(49,884)</b>         | <b>Other Comprehensive Income and Expenditure</b>  |                           |                      | <b>(18,625)</b>         |
|                           |                      | <b>(31,935)</b>         | <b>Total Comprehensive Income and Expenditure</b>  |                           |                      | <b>(9,792)</b>          |

## Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce 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 or rents for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

### 2018/2019

|  | General Fund Balance | Earmarked General Fund Reserves | HRA            | Capital Receipts Reserve | Major Repairs Reserve | Capital Reserves | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|--|----------------------|---------------------------------|----------------|--------------------------|-----------------------|------------------|-----------------------|-------------------|--------------------------|
|  | £000                 | £000                            | £000           | £000                     | £000                  | £000             | £000                  | £000              | £000                     |
| <b>Balance as at 31st March 2018 - Restated</b>                                    | <b>(6,131)</b>       | <b>(36,819)</b>                 | <b>(5,870)</b> | <b>(4,508)</b>           | -                     | <b>(4,477)</b>   | <b>(57,805)</b>       | <b>(188,666)</b>  | <b>(246,471)</b>         |
| <b>Movements in Reserves in 2018/2019</b>  |                      |                                 |                |                          |                       |                  |                       |                   |                          |
| (Surplus) or Deficit on the provision of services                                  | 11,715               |                                 | (2,882)        | -                        | -                     | -                | 8,833                 | -                 | 8,833                    |
| Other Comprehensive Income & Expenditure   | -                    | -                               | -              | -                        | -                     | -                | -                     | (18,625)          | (18,625)                 |
| <b>Total Comprehensive Income and Expenditure</b>                                  | <b>11,715</b>        | <b>-</b>                        | <b>(2,882)</b> | <b>-</b>                 | <b>-</b>              | <b>-</b>         | <b>8,833</b>          | <b>(18,625)</b>   | <b>(9,792)</b>           |
| Adjustments between accounting basis and funding basis under regulations (Note 10) | (18,334)             | -                               | 3,047          | 169                      | -                     | -                | (15,118)              | 15,118            | -                        |
| <b>Net (Increase) or Decrease before Transfer to Earmarked Reserves</b>            | <b>(6,619)</b>       | <b>-</b>                        | <b>165</b>     | <b>169</b>               | <b>-</b>              | <b>-</b>         | <b>(6,285)</b>        | <b>(3,507)</b>    | <b>(9,792)</b>           |
| Transfer (to)/from Earmarked Reserves (Note 11)                                    | 3,762                | (4,843)                         | -              | (3,188)                  | -                     | 1,365            | (2,904)               | 2,904             | -                        |
| <b>(Increase)/Decrease in 2018/2019</b>  | <b>(2,857)</b>       | <b>(4,843)</b>                  | <b>165</b>     | <b>(3,019)</b>           | <b>-</b>              | <b>1,365</b>     | <b>(9,189)</b>        | <b>(603)</b>      | <b>(9,792)</b>           |
| <b>Balance as at 31st March 2019</b>   | <b>(8,988)</b>       | <b>(41,662)</b>                 | <b>(5,705)</b> | <b>(7,527)</b>           | <b>-</b>              | <b>(3,112)</b>   | <b>(66,994)</b>       | <b>(189,269)</b>  | <b>(256,263)</b>         |

**2017/2018 Restated**

|  | General Fund Balance | Earmarked General Fund Reserves | HRA            | Capital Receipts Reserve | Major Repairs Reserve | Capital Reserves | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|--|----------------------|---------------------------------|----------------|--------------------------|-----------------------|------------------|-----------------------|-------------------|--------------------------|
|  | £000                 | £000                            | £000           | £000                     | £000                  | £000             | £000                  | £000              | £000                     |
| <b>Balance as at 31st March 2017</b>   | <b>(6,422)</b>       | <b>(37,501)</b>                 | <b>(6,857)</b> | <b>(3,193)</b>           |                       | <b>(4,873)</b>   | <b>(58,846)</b>       | <b>(155,690)</b>  | <b>(214,536)</b>         |
| <b>Movements in Reserves in 2017/2018</b>  |                      |                                 |                |                          |                       |                  |                       |                   |                          |
| (Surplus) or Deficit on the provision of services                                  | 15,990               |                                 | 1,959          |                          |                       |                  | 17,949                |                   | 17,949                   |
| Other Comprehensive Income & Expenditure   |                      |                                 |                |                          |                       |                  | -                     | (49,884)          | (49,884)                 |
| <b>Total Comprehensive Income and Expenditure</b>                                  | <b>15,990</b>        | <b>-</b>                        | <b>1,959</b>   | <b>-</b>                 | <b>-</b>              | <b>-</b>         | <b>17,949</b>         | <b>(49,884)</b>   | <b>(31,935)</b>          |
| Adjustments between accounting basis and funding basis under regulations (Note 10) | 9,019                |                                 | (5,579)        |                          | (2,909)               |                  | 531                   | (531)             | -                        |
| <b>Net (Increase) or Decrease before Transfer to Earmarked Reserves</b>            | <b>25,009</b>        | <b>-</b>                        | <b>(3,620)</b> | <b>-</b>                 | <b>(2,909)</b>        | <b>-</b>         | <b>18,480</b>         | <b>(50,415)</b>   | <b>(31,935)</b>          |
| Transfer (to)/from Earmarked Reserves (Note 11)                                    | (24,718)             | 682                             | 4,607          | (1,315)                  | 2,909                 | 396              | (17,439)              | 17,439            | -                        |
| <b>(Increase)/Decrease in 2017/2018</b>  | <b>291</b>           | <b>682</b>                      | <b>987</b>     | <b>(1,315)</b>           | <b>-</b>              | <b>396</b>       | <b>1,041</b>          | <b>(32,976)</b>   | <b>(31,935)</b>          |
| <b>Balance as at 31st March 2018</b>   | <b>(6,131)</b>       | <b>(36,819)</b>                 | <b>(5,870)</b> | <b>(4,508)</b>           | <b>-</b>              | <b>(4,477)</b>   | <b>(57,805)</b>       | <b>(188,666)</b>  | <b>(246,471)</b>         |

### Balance Sheet for the Year Ended 31<sup>st</sup> March 2019

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 Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

| Restated<br>1st April 2017<br>£000 | Restated<br>31st March 2018<br>£000 |                               | Notes | 31st March 2019<br>£000 |
|------------------------------------|-------------------------------------|-------------------------------|-------|-------------------------|
| 726,438                            | 719,475                             | Property, Plant and Equipment | 15    | 731,653                 |
| 7,764                              | 8,185                               | Heritage Assets               | 16    | 8,185                   |
| 17,347                             | 32,519                              | Investment Property           | 17    | 36,425                  |
| 32                                 | -                                   | Intangible Assets             |       | -                       |
| 654                                | 1,110                               | Assets Held for Sale          | 18    | 897                     |
| 17,060                             | 24,250                              | Long Term Investments         | 20    | 28,750                  |
| 19,376                             | 38,031                              | Long Term Debtors             | 21    | 57,924                  |
| <b>788,671</b>                     | <b>823,570</b>                      | <b>Long Term Assets</b>       |       | <b>863,834</b>          |
| 479                                | 416                                 | Inventories                   | 22    | 445                     |
| 35,813                             | 44,688                              | Short Term Debtors            | 23    | 43,034                  |
| 5,770                              | 6,406                               | Payments in Advance           | 24    | 6,465                   |
| -                                  | -                                   | Short Term Loans              |       | 800                     |
| 9,878                              | 9,366                               | Cash and Cash Equivalents     | 25    | 7,618                   |
| <b>51,940</b>                      | <b>60,876</b>                       | <b>Current Assets</b>         |       | <b>58,362</b>           |
| (91,697)                           | (153,776)                           | Short Term Borrowing          | 19    | (159,452)               |
| (37,355)                           | (38,125)                            | Short Term Creditors          | 27    | (54,105)                |
| (18,365)                           | (20,867)                            | Receipts in Advance           | 26    | (14,339)                |
| (12,718)                           | (15,151)                            | Short Term Provisions         | 28    | (14,551)                |
| <b>(160,135)</b>                   | <b>(227,919)</b>                    | <b>Current Liabilities</b>    |       | <b>(242,447)</b>        |
| (76,830)                           | (91,730)                            | Long Term Creditors           | 27    | (85,832)                |
| (84,701)                           | (90,343)                            | Long Term Borrowing           | 19    | (89,895)                |
| (288,336)                          | (214,786)                           | Other Long Term Liabilities   |       | (232,359)               |
| (16,073)                           | (13,197)                            | Capital Grants in Advance     | 42    | (15,400)                |
| <b>(465,940)</b>                   | <b>(410,056)</b>                    | <b>Long Term Liabilities</b>  |       | <b>(423,486)</b>        |
| <b>214,536</b>                     | <b>246,471</b>                      | <b>Net Assets</b>             |       | <b>256,263</b>          |
| (58,846)                           | (57,805)                            | Usable Reserves               | 29    | (66,994)                |
| (155,690)                          | (188,666)                           | Unusable Reserves             | 30    | (189,269)               |
| <b>(214,536)</b>                   | <b>(246,471)</b>                    | <b>Total Reserves</b>         |       | <b>(256,263)</b>        |

Section 5, Notes to the Accounts, Note 3 provides information on the restated balance sheet.

### Cash Flow Statement for the Year Ended 31<sup>st</sup> March 2019

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 flow by providers of capital (i.e borrowing) to the authority.

| 2017/2018 Restated<br>£000 |   | Notes | 2018/2019<br>£000 |
|----------------------------|---|-------|-------------------|
| 17,949                     | Net (surplus) or deficit on the provision of services   |       | 8,833             |
| (13,849)                   | Adjustments to net surplus or deficit on the provision of services for non-cash movements                                       | 31    | (63,482)          |
| (8,224)                    | Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities | 31    | 17,409            |
| <b>(4,124)</b>             | <b>Net cash flows from Operating Activities</b>   |       | <b>(37,240)</b>   |
| 10,633                     | Investing Activities  | 32    | 20,922            |
| (7,021)                    | Financing Activities  | 33    | 14,570            |
| <b>(512)</b>               | <b>Net (increase) or decrease in cash and cash equivalents</b>  |       | <b>(1,748)</b>    |
| 9,878                      | Cash and cash equivalents at the beginning of the reporting period  |       | 9,366             |
| <b>9,366</b>               | <b>Cash and cash equivalents at the end of the reporting period</b>   | 34    | <b>7,618</b>      |

# Section 5

## Notes to the Accounts

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## 1. Expenditure and Funding Analysis

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

| 2017/2018 Restated  |  |   |  | 2018/2019   |  |   |
|---|--|---|--|---|--|---|
| Net Expenditure Chargeable to the General Fund and HRA Balances<br>£000 | Adjustments between the Funding and Accounting Basis<br>£000 | Net Expenditure in the Comprehensive Income and Expenditure Statement<br>£000 |  | Net Expenditure Chargeable to the General Fund and HRA Balances<br>£000 | Adjustments between the Funding and Accounting Basis (Note 2a)<br>£000 | Net Expenditure in the Comprehensive Income and Expenditure Statement<br>£000 |
| 3,462   | (299)  | 3,163   | Chief Executive                                      | 479   | 935  | 1,414   |
| 1,952   | 41   | 1,993   | Governance and Partnership Services                  | 1,840   | 671  | 2,511   |
| 321   | -  | 321   | Ward Budgets   | 547   | -  | 547   |
| (8,277)   | 2,689  | (5,588)   | Resources  | 9,850   | 11,477   | 21,327  |
| 390   | (234)  | 156   | Communications and Regeneration                      | 9,251   | (5,256)  | 3,995   |
| 3,725   | -  | 3,725   | Strategic Leisure Assets                             | 1,935   | 1,459  | 3,394   |
| 35,327  | 249  | 35,576  | Community and Environmental Services                 | 25,050  | 8,710  | 33,760  |
| 45,423  | (2,383)  | 43,040  | Adult Services                                       | 49,156  | 3,537  | 52,693  |
| 39,197  | (3,278)  | 35,919  | Children's Services                                  | 42,838  | 10,683   | 53,521  |
| 75  | (5)  | 70  | Public Health  | 397   | 271  | 668   |
| 29,355  | (1,944)  | 27,411  | Budgets Outside the Cash Limit                       | 8,896   | (24,194)   | (15,298)  |
| (2,781)   | (136)  | (2,917)   | Contingencies  | (3,970)   | -  | (3,970)   |
| (4,124)   | 5,579  | 1,455   | Housing Revenue Account                              | (4,782)   | 3,047  | (1,735)   |
| <b>144,045</b>  | <b>279</b>   | <b>144,324</b>  | <b>Net Cost of Services</b>                          | <b>141,487</b>  | <b>11,340</b>  | <b>152,827</b>  |
| (126,627)   | 252  | (126,375)   | Other Income and Expenditure                         | (147,772)   | 3,778  | (143,994)   |
| <b>17,418</b>   | <b>531</b>   | <b>17,949</b>   | <b>(Surplus) or Deficit on Provision of Services</b> | <b>(6,285)</b>  | <b>15,118</b>  | <b>8,833</b>  |

(50,780) Opening General Fund and HRA Balance (48,820)

Surplus/Deficit on General Fund and HRA  
17,418 Balance in Year (6,285)

(15,458) Transfers between Reserves (1,250)

Closing General Fund and HRA Balance at 31st  
(48,820) March 2019\* (56,355)

\* Reserves Balances at 31st March

(6,131) General Fund Balance (8,988)

(36,819) Earmarked General Fund Reserves (41,662)

(5,870) Housing Revenue Account Reserves (5,705)

(48,820) (56,355)

## 2a. Notes to the Expenditure and Funding Analysis

| Adjustments between Funding and Accounting Basis<br>2018/2019  |   |   |                              |                   |
|--|---|---|------------------------------|-------------------|
| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts  | Adjustments for capital purposes (Note i) | Net change for the Pensions Adjustments (Note ii) | Other Differences (Note iii) | Total Adjustments |
|  | £000                                      | £000  | £000                         | £000              |
| Chief Executive  | 16  | 908   | 11                           | 935               |
| Governance and Partnership Services  | 69  | 621   | (19)                         | 671               |
| Ward Budgets   | -   | -   | -                            | -                 |
| Resources  | 8,745                                     | 2,702   | 30                           | 11,477            |
| Communications and Regeneration  | (6,488)                                   | 1,225   | 7                            | (5,256)           |
| Strategic Leisure Assets   | 1,459                                     | -   | -                            | 1,459             |
| Community and Environmental Services   | 5,562                                     | 3,100   | 48                           | 8,710             |
| Adult Services   | (457)                                     | 3,973   | 21                           | 3,537             |
| Children's Services  | (526)                                     | 11,145  | 64                           | 10,683            |
| Public Health  | -   | 268   | 3                            | 271               |
| Budgets Outside the Cash Limit   | (11,096)                                  | (12,862)  | (236)                        | (24,194)          |
| Contingencies  | -   | -   | -                            | -                 |
| Housing Revenue Account  | 3,047                                     | -   | -                            | 3,047             |
| <b>Net Cost of Services</b>  | <b>331</b>                                | <b>11,080</b>                                     | <b>(71)</b>                  | <b>11,340</b>     |
| Other income and expenditure from the Expenditure and Funding Analysis   | (1,659)                                   | 5,437   | -                            | 3,778             |
| <b>Difference between General Fund surplus or deficit and Comprehensive Income &amp; Expenditure Statement Surplus or Deficit on the Provision of Services</b> | <b>(1,328)</b>                            | <b>16,517</b>                                     | <b>(71)</b>                  | <b>15,118</b>     |

| Adjustments between Funding and Accounting Basis<br>2017/2018 Restated   |   |   |  |                   |
|--|---|---|--|-------------------|
| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts  | Adjustments for capital purposes (Note i) | Net change for the Pensions Adjustments (Note ii) | Other Statutory Differences (Note iii) | Total Adjustments |
|  | £000                                      | £000  | £000                                   | £000              |
| Chief Executive  | (52)                                      | (241)   | (6)                                    | (299)             |
| Governance and Partnership Services  | 149                                       | (115)   | 7                                      | 41                |
| Ward Budgets   | -   | -   | -                                      | -                 |
| Resources  | 3,759                                     | (1,060)   | (10)                                   | 2,689             |
| Places   | (2,625)                                   | (78)  | 2,469                                  | (234)             |
| Strategic Leisure Assets   | -   | -   | -                                      | -                 |
| Community and Environmental Services   | 7,162                                     | (6,929)   | 16                                     | 249               |
| Adult Services   | (536)                                     | (1,863)   | 16                                     | (2,383)           |
| Children's Services  | 3,627                                     | (6,663)   | (242)                                  | (3,278)           |
| Public Health  | -   | (5)   | -                                      | (5)               |
| Budgets Outside the Cash Limit   | (4,574)                                   | (102)   | 2,732                                  | (1,944)           |
| Contingencies  | -   | (138)   | 2                                      | (136)             |
| Housing Revenue Account  | 5,579                                     | -   | -                                      | 5,579             |
| <b>Net Cost of Services</b>  | <b>12,489</b>                             | <b>(17,194)</b>                                   | <b>4,984</b>                           | <b>279</b>        |
| Other income and expenditure from the Expenditure and Funding Analysis   | -   | 252   | -                                      | 252               |
| <b>Difference between General Fund surplus or deficit and Comprehensive Income &amp; Expenditure Statement Surplus or Deficit on the Provision of Services</b> | <b>12,489</b>                             | <b>(16,942)</b>                                   | <b>4,984</b>                           | <b>531</b>        |

### i) Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the service line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off against those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted 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.

### ii) 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.
- **Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Account.

### iii) Other Statutory Adjustments

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

- For **Financing and investment income and expenditure** the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and 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 the timing difference as any difference will be brought forward in future Surplus or Deficits on the Collection Fund.

### iv) Other Non-statutory Adjustments

Other non-statutory adjustments represent amounts debited/credited to service segments which need to be adjusted against the “Other income and expenditure from the Expenditure and Funding Analysis” line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement.

- For **financing and investment income and expenditure** the other non-statutory adjustments column recognises adjustments to service segments, eg for interest income and expenditure and changes in fair value of investment properties.
- For **taxation and non-specific grant income and expenditure** the other non-statutory adjustments column recognises adjustments to service segments eg for non ring-fenced government grants.

## 2b. Expenditure and Income Analysed By Nature

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

|  | <b>2017/2018</b><br><b>Restated</b><br><b>£000</b> | <b>2018/2019</b><br><b>£000</b> |
|--|--|---------------------------------|
| <b>Expenditure</b>                                     |  |                                 |
| Employee expenses                                      | 123,961  | 127,306                         |
| Other Services expenses                                | 309,973  | 307,490                         |
| Depreciation, amortisation, impairment                 | 29,710   | 39,505                          |
| Interest payments                                      | 6,764  | 7,685                           |
| Precepts and Levies                                    | 66   | 68                              |
| Payments to Housing Capital Receipts Pool              | 309  | 449                             |
| Loss on the disposal of assets                         | 5,464  | 2,587                           |
| Pension Interest Cost and return on assets             | 5,853  | 5,437                           |
| <b>Total Expenditure</b>                               | <b>482,100</b>                                     | <b>490,527</b>                  |
| <b>Income</b>  |  |                                 |
| Fees, charges and other service income                 | 160,967  | 122,610                         |
| Interest and investment income                         | 990  | 2,089                           |
| Income from council tax, non-domestic rates            | 70,405   | 99,599                          |
| Government grants and contributions                    | 231,789  | 257,396                         |
| <b>Total Income</b>                                    | <b>464,151</b>                                     | <b>481,694</b>                  |
| <b>Surplus or Deficit on the Provision of Services</b> | <b>17,949</b>                                      | <b>8,833</b>                    |

## 3. Prior Period Adjustments

- (i) A non-current asset the Council has a minority share in had been revalued in 2016/17. This has resulted in property, plant and equipment being overstated by £25.077m. This adjustment has been made in 2016/17 with the knock on effect being recognised in the 2017/18 and 2018/19 balances.
- (ii) CIPFA Code of Practice confirms that as the service segments in the Comprehensive Income and Expenditure Statement are not intended to cover the reporting requirements of IFRS 8 then transactions between services are not permitted to be shown as income and expenditure in the service analysis of the Comprehensive Income and Expenditure Statement. Therefore internal recharges have been removed in the Net Cost of Services and the 2017/18 comparatives have been restated to reflect this.
- (iii) On 29<sup>th</sup> March 2019 the Council entered into a lease arrangement for Ribble House. The asset is an investment property and therefore needs to be included on the balance sheet. An adjustment has been made in 2017/18 to bring the asset and the lease liability onto the balance sheet.

## Effect on the Comprehensive Income and Expenditure Statement

|   | 2017/2018 Statement of Accounts |                      |                         | Removal Internal Recharges |                      | Non Current Asset Revaluation |                      | 2017/18 Restated          |                      |                         |
|---|---------------------------------|----------------------|-------------------------|----------------------------|----------------------|-------------------------------|----------------------|---------------------------|----------------------|-------------------------|
|   | Gross Expenditure<br>£000       | Gross Income<br>£000 | Net Expenditure<br>£000 | Gross Expenditure<br>£000  | Gross Income<br>£000 | Gross Expenditure<br>£000     | Gross Income<br>£000 | Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |
| Chief Executive Governance and Partnership Services | 9,389                           | (6,226)              | 3,163                   | (1,157)                    | 2,152                | -                             | -                    | 8,232                     | (4,074)              | 4,158                   |
| Ward Budgets  | 5,740                           | (3,747)              | 1,993                   | (736)                      | 628                  | -                             | -                    | 5,004                     | (3,119)              | 1,885                   |
| Resources   | 323                             | (2)                  | 321                     | -                          | -                    | -                             | -                    | 323                       | (2)                  | 321                     |
| Communications & Regeneration                       | 19,500                          | (25,087)             | (5,587)                 | (3,833)                    | 14,428               | -                             | -                    | 15,667                    | (10,659)             | 5,009                   |
| Strategic Leisure Assets                            | 9,226                           | (9,070)              | 156                     | (2,225)                    | -                    | -                             | -                    | 7,001                     | (9,070)              | (2,069)                 |
| Community and Environmental Services                | 6,842                           | (3,117)              | 3,725                   | (38)                       | -                    | -                             | -                    | 6,804                     | (3,117)              | 3,687                   |
| Adult Services                                      | 67,052                          | (30,707)             | 36,345                  | (5,768)                    | 3,578                | (769)                         | -                    | 60,515                    | (27,129)             | 33,386                  |
| Children's Services                                 | 74,444                          | (31,404)             | 43,040                  | (3,251)                    | -                    | -                             | -                    | 71,193                    | (31,404)             | 39,789                  |
| Public Health                                       | 107,359                         | (71,441)             | 35,918                  | (3,398)                    | -                    | -                             | -                    | 103,961                   | (71,441)             | 32,520                  |
| Budgets Outside the Cash Limit                      | 21,889                          | (21,818)             | 71                      | (50)                       | 49                   | -                             | -                    | 21,839                    | (21,769)             | 70                      |
| Contingencies, Levies etc                           | 116,609                         | (89,199)             | 27,410                  | (3,745)                    | 3,365                | -                             | -                    | 112,864                   | (85,834)             | 27,030                  |
| Housing Revenue Account                             | (184)                           | (2,733)              | (2,917)                 | -                          | -                    | -                             | -                    | (184)                     | (2,733)              | (2,917)                 |
|   | 20,172                          | (18,717)             | 1,455                   | -                          | -                    | -                             | -                    | 20,172                    | (18,717)             | 1,455                   |
| <b>Net Cost of Services</b>                         | <b>458,361</b>                  | <b>(313,268)</b>     | <b>145,093</b>          | <b>(24,201)</b>            | <b>24,201</b>        | <b>(769)</b>                  | <b>-</b>             | <b>433,391</b>            | <b>(289,067)</b>     | <b>144,324</b>          |

Effect on the Opening Balance Sheet at 1<sup>st</sup> April 2017

|                            | Opening balances<br>at 1st April 2017<br>£000 | Restated balances<br>at 1st April 2017<br>£000 | Change to Opening<br>balances 1st April 2017<br>£000 |
|----------------------------|---|--|--|
| Property Plant & Equipment | 751,515                                       | 726,438  | (25,077)   |
| <b>Long Term Assets</b>    | <b>813,748</b>                                | <b>788,671</b>                                 | <b>(25,077)</b>                                      |
| <b>Net Assets</b>          | <b>239,613</b>                                | <b>214,536</b>                                 | <b>(25,077)</b>                                      |
| Unusable Reserves          | (180,767)                                     | (155,690)                                      | 25,077   |
| <b>Total Reserves</b>      | <b>(239,613)</b>                              | <b>(214,536)</b>                               | <b>25,077</b>  |

**Effect on Balance Sheet at 31<sup>st</sup> March 2018**

|                              | <b>Balances at 31st<br/>March 2018 as<br/>previously stated<br/>£000</b> | <b>2017/18 Restated<br/>£000</b> | <b>Change to Balances<br/>at 31st March 2018<br/>£000</b> |
|------------------------------|--|----------------------------------|---|
| Property Plant & Equipment   | 743,783  | 719,475                          | (24,308)  |
| Investment Property          | 15,737   | 32,519                           | 16,782  |
| <b>Long Term Assets</b>      | <b>831,096</b>   | <b>823,570</b>                   | <b>(7,526)</b>  |
| Long Term Creditors          | (74,948)   | (91,730)                         | (16,782)  |
| <b>Long Term Liabilities</b> | <b>(393,274)</b>   | <b>(410,056)</b>                 | <b>(16,782)</b>   |
| <b>Net Assets</b>            | <b>270,779</b>   | <b>246,471</b>                   | <b>(24,308)</b>   |
| Unusable Reserves            | (212,974)  | (188,666)                        | 24,308  |
| <b>Total Reserves</b>        | <b>(270,779)</b>   | <b>(246,471)</b>                 | <b>24,308</b>   |

**Effect on the Movement in Reserves Statement 2017/18 – General Fund Balances**

|  | <b>Balances at 31st<br/>March 2018 as<br/>previously stated<br/>£000</b> | <b>2017/18 Restated<br/>£000</b> | <b>Change to Balances<br/>at 31st March 2018<br/>£000</b> |
|--|--|----------------------------------|---|
| (Surplus) or Deficit on the Provision<br>of Services                           | 16,759   | 15,990                           | (769)   |
| <b>Total Comprehensive Income &amp;<br/>Expenditure</b>                        | <b>16,759</b>  | <b>15,990</b>                    | <b>(769)</b>  |
| Adjustments between accounting<br>basis and funding basis under<br>regulations | 8,250  | 9,019                            | 769   |

**Effect on the Movement in Reserves Statement 2017/18 – Unusable Reserves**

|  | <b>Balances at 31st March 2018 as previously stated</b> | <b>2017/18 Restated</b> | <b>Change to Balances at 31st March 2018</b> |
|--|---|-------------------------|--|
|  | <b>£000</b>   | <b>£000</b>             | <b>£000</b>                                  |
| <b>Balance as at 31st March 2017</b>                                     | <b>(180,767)</b>  | <b>(155,690)</b>        | <b>(25,077)</b>                              |
| Adjustments between accounting basis and funding basis under regulations | 238   | (531)                   | (769)  |
| <b>Balance as at 31st March 2018</b>                                     | <b>(212,974)</b>  | <b>(188,666)</b>        | <b>24,308</b>                                |

**4. Accounting Policies****i. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2018/2019 financial year and its position at the year-end 31<sup>st</sup> March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise of the *Code of Practice on Local Authority Accounting in the United Kingdom 2018/2019* (the 'Code') supported by International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

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

The accounts have been prepared on a going concern basis under the assumption that the Council will continue in existence for the foreseeable future.

**ii. Accruals of Income and Expenditure**

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

- ❑ Revenue from contracts with service recipients whether for services or the provision of goods is recognised when (or as) the goods and services are transferred to the service recipient in accordance with the performance obligations in the contract.
- ❑ Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories 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 payable on borrowing and receivable on investments is accounted for respectively as expenditure and income 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.

- The Council has adopted IFRS 15 Revenue from Contracts with Customers from 1<sup>st</sup> April 2018. Under IFRS 15 an entity recognises revenue when (or as) a performance obligation is satisfied i.e. when control of goods and services underlying a particular performance obligation is transferred to the customer. Many of the major sources of revenue for local authorities, including council tax, national non domestic business rates and grants fall outside the scope of IFRS 15. The Council has some rental contracts where the level of rent is affected by the customer's profit/turnover. The total rental received in 2018/19 for these contracts is £776,655.

### iii. Acquired and Discontinued Operations

All operations acquired and discontinued in year are treated in line with the Council's accounting policies. There were no acquired or discontinued operations in year.

### iv. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature within three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

### v. 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 and relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

### vi. 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 fixed 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 fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision (MRP)), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

**vii. Council Tax and Non-Domestic Rates**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of 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 (ie 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.

Where debtor balances for the above are identified as impaired because of the likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments) the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

**viii. Employee Benefits****Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements and flexi time 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 on Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

**Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or where applicable to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for 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 the year end.

## Post - Employment Benefits

Employees of the Authority are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pension Scheme, administered by Lancashire County Council.
- The NHS Pension Scheme administered by NHS Business Services Authority.

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Authority.

However, the arrangements for the NHS and teachers' schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined benefit contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education and Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers pensions in the year. The Public Health line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

### The Local Government Pension Scheme

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

- The liabilities of the Lancashire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by the 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 discount rate of 11.961% (5.0% in 2017/2018) based on gross of investment expenses).
- The assets of the Lancashire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unlisted securities – current bid price
  - Property – market value

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

- Service cost comprising:
  - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts for services for which the employees worked.
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Contingencies.
  - Net interest on the net defined benefit liability (asset), ie net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any 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 defined benefit liability (asset) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
  - Contributions paid to the Lancashire County Council pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) 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.

### **ix. Events after the Reporting Period**

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

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

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

### **x. Financial Instruments**

#### **Financial Liabilities**

Financial Liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the

Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

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

### **Financial Assets**

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

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

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

#### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has a 10% share in a loan made to Lancashire County Developments at less than market rates (soft loans) – see Note 21. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

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

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

### **Expected Credit Loss Model**

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

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The Council has a portfolio of a significant number of loans made to local businesses under the Business Loans Fund. It does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis. It has therefore assessed losses for the portfolio on a collective basis.

The Council has grouped the loans into 3 categories for assessing loss allowances:

- Group 1 – these loans have been made on the agreement that the loans are secured upon property up to the value of the loan. In the event of a default on the loan repayments the secured property will transfer to the Council.
- Group 2 – these loans were made with variations to the contract/interest rate during the life of the loan. The council reviews contract variations to assess the credit risk since initial recognition.
- Group 3 – for the remaining loans the council relies on past due information and calculates losses based on lifetime credit losses for all loans more than 30 days past due.

### **Financial Assets Measured at Fair Value through Profit and Loss (FVPL)**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus and Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following 3 levels:

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

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

Level 3 inputs – unobservable inputs for the asset.

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

IFRS 9 Financial Instruments sets out that investments in equity should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in fair value through other comprehensive income. The Council will assess each investment on an individual basis and assign an IFRS 9 category. The assessment will be based on the underlying purpose for holding the financial instrument.

Any changes in the fair value of instruments held at fair value through profit and loss will be recognised in the net cost of service in the CIES and will have a General Fund impact.

#### **Financial Assets at Fair Value through other Comprehensive Income (FVOCI)**

The Council has equity instruments designated at fair value through other Comprehensive Income (FVOCI). This was previously classified as an Available for Sale asset at 31<sup>st</sup> March 2018.

The Council has made an irrevocable election to designate its equity instruments as FVOCI on the basis that it is held for non-contractual benefits, it is not held for trading but for strategic purposes. The asset was transferred to the new asset category on 1<sup>st</sup> April 2018. The asset is initially measured and carried at fair value.

The value is based on the principal that the equity shares have no quoted market prices and is based on an independent appraisal of the company valuations.

Dividend income is credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

When the asset is de-recognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the Financial Instruments Revaluation Reserve and recognised in the Surplus or Deficit on the Provision of Services.

The same accounting treatment was adopted in the prior year when the asset was classified as Available for Sale, except that accumulated gains and losses on the available for sale asset was previously held in an Available for Sale Financial Instrument Reserve at 31<sup>st</sup> March 2018. The balance on this reserve was transferred to the new Financial Instruments Revaluation Reserve as at 1<sup>st</sup> April 2018.

#### **xi. Foreign Currency Translation**

Where the Council 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<sup>st</sup> March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### **xii. Government Grants and Contributions**

Whether paid on account, by instalment 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 Council will comply with the conditions attached to the payments, and
- The grants and 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

acquired using 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 on the Balance Sheet as creditors. When conditions have been 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 ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has not yet been 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.

### **Business Improvement District**

A Business Improvement District (BID) scheme applies across the whole of the Council. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

### **xiii. Intangible Assets**

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

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

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods and 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 over its useful life to the relevant service line 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 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 over £10,000) the Capital Receipts Reserve.

**xiv. Heritage Assets****Tangible and Intangible Heritage Assets**

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 have been relaxed in relation to heritage assets as detailed below. The Authority's collections of heritage assets are accounted for as below:

**Illuminations Historic Collection**

This is a collection of illuminations that have been on display in the past but no longer form part of the annual display (i.e. non-operational). They are kept for their historical significance. These items are reported in the Balance Sheet at insurance valuations that are based on market values. These insurance valuations are reviewed on a 4 yearly basis.

Due to the unique nature of the collection it is deemed to have an indeterminate life and a high residual value hence, the Authority does not consider it appropriate to charge depreciation.

The collection is fairly static. Any transfers of operational illuminations to this collection would be recognised at a value ascertained by the Illuminations Manager in accordance with the Authority's policy.

**Art Collection**

The art collection consists of paintings (both oil and watercolour), oriental works of art, European works of art and furniture, and is reported in the Balance Sheet at market value. Due to funds being unavailable for professional valuations the collection has not been revalued for many years. However, the valuation is adequate for insurance purposes and has been reported in the Balance Sheet.

The collection is deemed to have an indeterminate life and a high residual value hence the Authority does not consider it appropriate to charge depreciation.

The collection is fairly static; any acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at a valuation ascertained by the Head of Arts in accordance with the Authority's policy on art collection.

**Tower Company Collection and Local and Family History Collections**

These collections are not as large as the art collection but contain some rare items. They include paintings, tourism memorabilia (e.g. model of Blackpool Tower) and other items of significant local interest. The collections have been valued by the Head of Heritage using estimated market valuations (although some items are rare and unique to the area so it is difficult to assess their true value) and have been reported in the Balance Sheet on this basis.

The collections are deemed to have indeterminate lives and a high residual value hence the Authority does not consider it appropriate to charge depreciation.

The collections are fairly static any acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at a valuation ascertained by the Head of Heritage in accordance with the Authority's policy on the collections.

**Civic Regalia**

This collection includes the Mayoral chain, Deputy Mayor's chain, Mace and many other civic items. They are reported in the Balance Sheet at market value. The collection is revalued every four years by external valuers.

The collection was due to be revalued in 2015/16 but due to funds being unavailable for professional valuations, and the likelihood that any movement in valuation would not be material, the assets were not valued. The collection has been revalued in 2018/19 using current market prices.

The collection is deemed to have an indeterminate life and a high residual value hence the Authority does not consider it appropriate to charge depreciation.

The collection is static and any acquisitions and donations are highly unlikely. Where they do occur acquisitions are initially recognised at cost and donations are recognised at a valuation ascertained by the Head of Democratic Services in accordance with the Authority's policy on the collections.

**Cenotaph**

This had previously been included within community assets in the balance sheet. It is included in Balance Sheet at historic cost and is valued by external valuers every four years.

**Stanley Park Statues**

These are being held for purposes of knowledge and culture and are therefore considered to be heritage assets. Due to the cost of obtaining external valuations, they have been reported in the Balance Sheet based on insurance valuations.

They are deemed to have indeterminate lives and a high residual value hence the Authority does not consider it appropriate to charge depreciation.

The collection is fairly static; any acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at a valuation ascertained by valuers in accordance with the Authority's policy on the collections.

**xv. Interests in Companies and Other Entities**

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost less any provision for losses.

**xvi. Inventories and long Term Contracts**

Items of stock held by the Council are measured at the lower of cost and current replacement cost where they are held for distribution at no charge or for a nominal charge; or consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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.

**xvii. Investment Property**

Investment properties are those that are solely used to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of the service or production of goods 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. Investment properties are not depreciated but are revalued annually 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.

**xviii. Joint Operations**

Joint operations are arrangements where 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
- its expenses, including its share of any expenses incurred jointly.

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

Lease payments are apportioned between:

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

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

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

### **Operating Leases**

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

### **The Authority as Lessor**

#### **Finance Leases**

Where the Council grants a finance lease over a property or an item of plant and equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

## Operating Leases

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

### xx. 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.

The main basis for charging of overhead costs is: -

|                                 |  |
|---------------------------------|--|
| <b>Percentage Time –</b>        | Management   |
|                                 | Financial Services   |
|                                 | Payroll (also number of employees/payslips)  |
|                                 | Debtors & Creditors (also number of transactions)  |
|                                 | Human Resources  |
|                                 | Information Technology (also Direct Allocation/No of PCs)  |
|                                 | Corporate Leadership Team  |
| <b>Floor Area –</b>             | Administrative Buildings   |
| <b>Actual Time Allocation –</b> | Asset Management Services, Legal Services, Highways, Transportation, Cleansing and Capital Projects Division |

### xxi. Property, Plant and Equipment

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

#### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

#### Measurement

Assets are initially measured at cost, comprising

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every four years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

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

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

### **Impairment**

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

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

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

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

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the estimated useful life of the property as estimated by the valuer. Estimated useful lives range from 3 to 125 years.
- Vehicles, plant, furniture and equipment – straight line allocation over 2 to 40 years, as advised by a suitably qualified officer.
- Infrastructure – straight line allocation over 25 years

Where an item of Property, Plant and Equipment asset has major components whose cost is at least 20% of the total cost of the item, the components are depreciated separately. Only items with a value in excess of £1m were determined material for component accounting.

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

### **Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through the sale transaction rather than through its continuing use, it is classified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any 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 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 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 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 that have 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 the 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 Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

#### **xxii. Private Finance Initiative (PFI) and Similar Contracts**

PFI and similar contracts are agreements to receive services where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the Property, Plant and Equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on the Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the Property, Plant and Equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- **Fair value of services received during the year** - debited to the relevant service in the Comprehensive Income and Expenditure Statement
- **Finance cost** – an interest charge of a percentage of the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **Payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease)
- **Lifecycle replacement costs** - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.
- **Contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### **Street Lighting & Signals PFI**

The project commenced on 4<sup>th</sup> January 2010 and is for 25 years. The total value of the project is £128,076,000 and includes the replacement of approximate 16,000 streetlights and signals. The service provider is Community Lighting Partnership.

The project was refinanced in 2015/16 which has resulted in annual revenue savings of £298,000. The financing of the scheme was remodelled and the street lighting and signals are now depreciated across the remaining period of the contract to 2035.

#### **xxiii. Provisions, Contingent Liabilities and Contingent Assets**

##### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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, this is only recognised as income in the relevant revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

### **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.

## **xxiv. Accounting for the Costs of the Carbon Reduction Commitment Scheme**

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. The scheme is currently in the initial year of its second phase, which ends on 31<sup>st</sup> March 2019. The Council is required to purchase and surrender allowances, either prospectively or retrospectively, and surrender them on the basis of emissions. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and apportioned to services on the basis of energy consumption.

## **xxv. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year 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 in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

#### **xxvi. Revenue Expenditure Funded from Capital under Statute**

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

#### **xxvii. Schools**

The Code of Practice on Local Authority Accounting in the UK confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the Schools Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those school assets, liabilities, income, expenditure, reserves and cash flows are recognised in the local authority financial statements. Therefore schools transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions cash flows and balances of the authority.

#### **xxviii. 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 shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer the 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 participants 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 valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices(unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

**xxix. VAT**

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

**5. Accounting Standards That Have Been Issued But Not Yet Adopted**

Under the Code of Practice on Local Authority Accounting in the UK 2018/2019 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code. At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code.

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA have deferred implementation of IFRS 16 for local government to 1<sup>st</sup> April 2020.
- Amendments to IAS 40 Investment Property – Transfers of Investment Property
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- IFRS 9 Financial Instruments: prepayment features with negative compensation.

**6. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 4 the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgments made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of the need to close facilities and reduce levels of service provision.
- The Council is deemed to control the services provided under the agreement for the replacement and upgrade of street lighting and also to control the residual value of the lighting at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangements and the assets are recognised as Property, Plant and Equipment on the Council's Balance Sheet.
- The following claims have potentially significant settlement values:
  - There are a number of claims against the Authority regarding accidents and injuries sustained on Council land.
  - There are a number of claims against the Authority regarding injuries sustained on roads and footpaths.
- Schools which have converted to Academies are not included in the Council's Balance Sheet. When a school which is held on the Council's Balance Sheet transfers to Academy status the Council accounts for this as a disposal for nil consideration, on the date the school converts to Academy status. All other schools except one voluntary aided school are included on the Council's balance sheet in line with accounting standards following an assessment of the ownership of these schools.

- The Council is liable to make contributions towards the cost of post-employment benefits. For the 3 year period 2017/18 to 2019/20 the Council has agreed with Lancashire Pension Fund that the employer contributions payable to the Local Government Pension Scheme (LGPS) can be paid as a single up-front payment. In 2017/18 the Council paid £36m to the Lancashire Pension Fund in order to make budget savings. The amounts relating to 2017/18 and 2018/19 have been accounted for in the relevant year with the amounts for 2019/20 being offset against the pension reserve in the balance sheet. The pension reserve will align with the pension liability in 2019/20 as the upfront payment arrangements are accounted for.
- The Council has shareholdings in Blackpool Transport Services, Blackpool Housing Company and Blackpool Airport. Up to 31<sup>st</sup> March 2018 the shareholdings were held as “Available for Sale Financial Assets” and measured at fair value each year. Any change in fair value was included in Other Comprehensive Income and Expenditure and accumulated gains and losses have been held in an Available for Sale Financial Instruments Reserve.

With the adoption of *IFRS 9 Financial Instruments*, the “Available for Sale Financial Asset” is no longer available. The new standard sets out that investments in equity should be classified as fair value through profit and loss unless there is an irrevocable election to designate the asset as fair value through Other Comprehensive Income. The investments in companies, as an equity instrument, and as such gains and losses on changes in fair value would be recognised through profit and loss. Including the shareholdings as fair value through profit and loss would mean that changes in valuation are immediately recognised within the Council’s Cost of Services. This would mean the Council’s revenue budget would be subject to the increased risk of volatility in the share valuations. Any major fluctuations in the valuations of the shareholding would have a significant impact on the General Fund balance.

The shareholdings are strategic investments and not held for trading therefore the Council has the option to designate it as fair value through Other Comprehensive Income and Expenditure. This would mean that there is no impact on the revenue budget. Having considered the impact that future share valuations could have on the Council’s revenue budget the more prudent approach is to designate the shareholding as a strategic investment with changes in fair value treated as Other Comprehensive Income and Expenditure. This means any gains and losses on the revaluation of the shareholding are transferred to a Financial Instruments Revaluation Reserve.

## **7. Assumptions Made About The Future and Major Sources of Estimation Uncertainty**

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

The items in the Authority’s Balance Sheet at 31<sup>st</sup> March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are shown below:

| Item                         | Uncertainties   | Effect if Actual Results Differ from Assumptions   |
|------------------------------|---|--|
| Property Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.                    | <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by approximately £575,000 for every year that useful lives had to be reduced.</p> |
| Pensions Liability           | 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 are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. | The effects on the net pension liability of changes in individual assumptions can be measured although the assumptions interact in complex ways. During 2018/2019 the Council's actuaries advised that the net pension liability has increased by £23m.                                  |
| Arrears                      | At 31/3/19 the Authority had a balance of sundry debtors of £5.4m. £1.4m of this balance was expected to be paid in full. A review of the remaining £4m suggested that an impairment of doubtful debts of 40% was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.   | If collection rates were to deteriorate a doubling of the impairment of doubtful debts would require an additional £1.6m to be set aside as an allowance.  |

|                         |   |   |
|-------------------------|---|---|
| Business Rates          | <p>Since the introduction of the Business Rates Retention Scheme on 1<sup>st</sup> April 2013, local authorities are liable for a share of successful appeals against the business rates charged to businesses. Therefore a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31<sup>st</sup> March 2019. The estimate has been calculated using the Valuation Office (VO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of the total provision up to and including 31<sup>st</sup> March 2019.</p>  | <p>If the level of appeals were to increase by 1% it would require the Council to set aside an additional £56,610.</p>  |
| Fair Value Measurements | <p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or discounted cash flow (DCF) model).</p> <p>Where possible, the inputs to these valuation techniques are based on observable data but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine (for example investment properties, the authority's chief valuation officer and external valuer).</p> <p>Information regarding the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in Notes 17, 19 and 20.</p> | <p>The authority uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets.</p> <p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant change in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.</p> |

## 8. Material Items of Income and Expense

Long term debtors increased during the year by £19.9m. This mainly related to new loans issued from the Business Loans Fund – see Note 21.

## 9. Events After The Reporting Period

The Statement of Accounts was authorised for issue by the Director of Resources on 27<sup>th</sup> November 2019. Events taking place after this date are not reflected in the financial statements and notes. Where events taking place before this date provide information about conditions existing at 31<sup>st</sup> March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 6<sup>th</sup> November 2019 the Council purchased the Houndshill Shopping Centre for £47.6m. This will increase the Property, Plant and Equipment held on the Council's balance sheet in 2019/20.

## 10. Adjustment Between Accounting Basis And Funding Basis Under Regulations

This note details the adjustments that are made to the Comprehensive Income and Expenditure recognised by the Authority in the year in accordance with proper accounting practice to arrive at 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. However the balance is not available to be applied in funding Housing Revenue Account services.

### Housing Revenue Account (HRA)

The HRA balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act, that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

### Major Repairs Reserve

The authority is required to maintain the Major Repairs Reserve which controls an element of the capital resources limited to be being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year end.

### Capital Receipts Reserve

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

| 2018/2019  | Usable Reserves           |                              |                               |                            |                       |
|--|---------------------------|------------------------------|-------------------------------|----------------------------|-----------------------|
|  | General Fund Balance £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Major Repairs Reserve £000 | Capital Reserves £000 |
| <b>Adjustments to the Revenue Resources</b>  |                           |                              |                               |                            |                       |
| Amounts by which the income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: |                           |                              |                               |                            |                       |
| Pensions costs (transferred to/(from) the Pensions Reserve   | (16,517)                  |                              |                               |                            |                       |
| Financial Instruments (transferred to the Financial Instruments Adjustment Account   | 46                        |                              |                               |                            |                       |
| Council Tax and NDR (transfers to or from Collection Fund Adjustment Account)  | 246                       |                              |                               |                            |                       |
| Holiday Pay (transferred to the Accumulated Absences Reserve)  | (176)                     |                              |                               |                            |                       |
| Reversal of entries included in the Surplus and Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account).                     | (34,843)                  | (6,516)                      |                               |                            |                       |
| <b>Total Adjustments to Revenue Resources</b>  | <b>(51,244)</b>           | <b>(6,516)</b>               | <b>-</b>                      | <b>-</b>                   | <b>-</b>              |
| <b>Adjustments between Revenue and Capital Resources</b>   |                           |                              |                               |                            |                       |
| Payments to the government housing receipts pool (funded by transfer from the Capital Receipts Reserve)  | (449)                     |                              | 449                           |                            |                       |
| Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve   | 1,099                     | 840                          | (1,939)                       |                            |                       |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)   | 9,596                     |                              |                               |                            |                       |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)  | (1,465)                   | 7,160                        |                               |                            |                       |
| <b>Total Adjustments between Revenue and Capital Resources</b>   | <b>8,781</b>              | <b>8,000</b>                 | <b>(1,490)</b>                | <b>-</b>                   | <b>-</b>              |
| <b>Adjustments to Capital Resources</b>  |                           |                              |                               |                            |                       |
| Application of capital grants to finance capital expenditure   | 24,129                    | 1,563                        |                               |                            |                       |
| Use of capital receipts reserve to finance capital expenditure   |                           |                              | 1,659                         |                            |                       |
| <b>Total Adjustments to Capital Resources</b>  | <b>24,129</b>             | <b>1,563</b>                 | <b>1,659</b>                  | <b>-</b>                   | <b>-</b>              |
| <b>Total Adjustments</b>   | <b>(18,334)</b>           | <b>3,047</b>                 | <b>169</b>                    | <b>-</b>                   | <b>-</b>              |

|  | Usable Reserves              |                                 |                                  |                               |                          |
|--|------------------------------|---------------------------------|----------------------------------|-------------------------------|--------------------------|
|  | General Fund Balance<br>£000 | Housing Revenue Account<br>£000 | Capital Receipts Reserve<br>£000 | Major Repairs Reserve<br>£000 | Capital Reserves<br>£000 |
| <b>2017/2018 Restated</b>  |                              |                                 |                                  |                               |                          |
| <b>Adjustments to the Revenue Resources</b>  |                              |                                 |                                  |                               |                          |
| Amounts by which the income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: |                              |                                 |                                  |                               |                          |
| Pensions costs (transferred to/(from) the Pensions Reserve)  | 16,942                       |                                 |                                  |                               |                          |
| Financial Instruments (transferred to the Financial Instruments Adjustment Account)  | 45                           |                                 |                                  |                               |                          |
| Council Tax and NDR (transfers to or from Collection Fund Adjustment Account)  | (3,172)                      |                                 |                                  |                               |                          |
| Holiday Pay (transferred to the Accumulated Absences Reserve)  | 229                          |                                 |                                  |                               |                          |
| Reversal of entries included in the Surplus and Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account).                     | (22,877)                     | (5,579)                         |                                  |                               |                          |
| <b>Total Adjustments to Revenue Resources</b>  | <b>(8,833)</b>               | <b>(5,579)</b>                  | -                                | -                             | -                        |
| <b>Adjustments between Revenue and Capital Resources</b>   |                              |                                 |                                  |                               |                          |
| Payments to the government housing receipts pool (funded by transfer from the Capital Receipts Reserve)  |                              |                                 |                                  |                               |                          |
| Posting of HRA resources from revenue to the Major Repairs Reserve   |                              |                                 |                                  | (2,909)                       |                          |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)   | 6,492                        |                                 |                                  |                               |                          |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)  | 11,360                       |                                 |                                  |                               |                          |
| <b>Total Adjustments between Revenue and Capital Resources</b>   | <b>17,852</b>                | -                               | -                                | <b>(2,909)</b>                | -                        |
| <b>Adjustments to Capital Resources</b>  |                              |                                 |                                  |                               |                          |
| Application of capital grants to finance capital expenditure   |                              |                                 |                                  |                               |                          |
| <b>Total Adjustments to Capital Resources</b>  | -                            | -                               | -                                | -                             | -                        |
| <b>Total Adjustments</b>   | <b>9,019</b>                 | <b>(5,579)</b>                  | -                                | <b>(2,909)</b>                | -                        |

## 11. Transfers To/From Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund and HRA expenditure in 2018/2019.

|   | Balance at<br>1st April<br>2017<br>£000 | Transfers Out<br>2017/2018<br>£000 | Transfers In<br>2017/2018<br>£000 | Balance at<br>31st March<br>2018<br>£000 | Transfers Out<br>2018/2019<br>£000 | Transfers In<br>2018/2019<br>£000 | Balance at<br>31st March<br>2019<br>£000 |
|---|---|------------------------------------|-----------------------------------|--|------------------------------------|-----------------------------------|--|
| <b>General Fund:</b>                                |   |                                    |                                   |  |                                    |                                   |  |
| Balances held by schools under scheme of delegation | (2,283)                                 | 522                                | (311)                             | (2,072)                                  | 95                                 | (376)                             | (2,353)                                  |
| School DSG (Under)/Overspend                        | (973)                                   | 1,740                              | (792)                             | (25)                                     | 986                                | (539)                             | 422                                      |
| Unallocated Reserves                                | (3,166)                                 | 2,132                              | (3,000)                           | (4,034)                                  | -                                  | (3,023)                           | (7,057)                                  |
| <b>Total General Fund</b>                           | <b>(6,422)</b>                          | <b>4,394</b>                       | <b>(4,103)</b>                    | <b>(6,131)</b>                           | <b>1,081</b>                       | <b>(3,938)</b>                    | <b>(8,988)</b>                           |
| <b>Earmarked Reserves</b>                           |   |                                    |                                   |  |                                    |                                   |  |
| Potential Pay Liabilities                           | (284)                                   | 1,990                              | (2,194)                           | (488)                                    | 1,148                              | (3,579)                           | (2,919)                                  |
| Public/Private Partnership Reserve                  | (7,548)                                 | 2,933                              | (1,449)                           | (6,064)                                  | 4,177                              | (2,946)                           | (4,833)                                  |
| Council Tax & Non-Domestic Rates Deficits           | (13,910)                                | 10,063                             | (9,612)                           | (13,459)                                 | 6,399                              | (5,514)                           | (12,574)                                 |
| Service Underspends                                 | -                                       | 287                                | (287)                             | -  | -                                  | -                                 | -  |
| Museum Reserve                                      | (1,252)                                 | 377                                | -                                 | (875)                                    | 581                                | -                                 | (294)                                    |
| Transformation Reserve                              | (1,944)                                 | 2,671                              | (1,152)                           | (425)                                    | 969                                | (1,062)                           | (518)                                    |
| Specific Settlements in Dispute                     | (562)                                   | 35                                 | (12)                              | (539)                                    | -                                  | -                                 | (539)                                    |
| Strategic Investments                               | (320)                                   | -                                  | -                                 | (320)                                    | -                                  | -                                 | (320)                                    |
| Financial systems upgrade, renewals & replacements  | (170)                                   | 282                                | (163)                             | (51)                                     | 119                                | (186)                             | (118)                                    |
| Financial Instruments                               | (14)                                    | -                                  | -                                 | (14)                                     | -                                  | -                                 | (14)                                     |
| Treasury Management - Prudential borrowing          | (2,668)                                 | 611                                | (194)                             | (2,251)                                  | 1,970                              | (184)                             | (465)                                    |
| Insurances  | (850)                                   | 80                                 | (330)                             | (1,100)                                  | -                                  | -                                 | (1,100)                                  |
| Enterprise Zone                                     | -                                       | 440                                | (440)                             | -  | 293                                | (463)                             | (170)                                    |
| Opportunity Area                                    | -                                       | -                                  | -                                 | -  | -                                  | (3,096)                           | (3,096)                                  |
| Other   | (7,979)                                 | 3,266                              | (6,520)                           | (11,233)                                 | 3,604                              | (7,073)                           | (14,702)                                 |
| <b>Total Earmarked Reserves</b>                     | <b>(37,501)</b>                         | <b>23,035</b>                      | <b>(22,353)</b>                   | <b>(36,819)</b>                          | <b>19,260</b>                      | <b>(24,103)</b>                   | <b>(41,662)</b>                          |
| <b>HRA</b>  |   |                                    |                                   |  |                                    |                                   |  |
| <b>Housing Revenue Account</b>                      | <b>(6,857)</b>                          | <b>987</b>                         | <b>-</b>                          | <b>(5,870)</b>                           | <b>165</b>                         | <b>-</b>                          | <b>(5,705)</b>                           |

## 12. Other Operating Expenditure

| 2017/2018<br>£000 |  | 2018/2019<br>£000 |
|-------------------|--|-------------------|
| 66                | Flood Defence Levy                                       | 68                |
| 308               | Payments to the Government Housing Capital Receipts Pool | 449               |
| 5,464             | (Gains)/losses on the disposal of non-current assets     | 2,587             |
| <b>5,838</b>      | <b>Total</b>   | <b>3,104</b>      |

**13. Financing And Investments Income And Expenditure**

| <b>2017/2018<br/>£000</b> |   | <b>2018/2019<br/>£000</b> |
|---------------------------|---|---------------------------|
| 6,765                     | Interest payable and similar charges                      | 7,685                     |
| 252                       | Net interest on the net defined benefit liability/(asset) | 5,437                     |
| (990)                     | Interest receivable and similar income                    | (2,089)                   |
| (858)                     | Dividend - Council Owned Subsidiaries                     | (915)                     |
| <b>5,169</b>              | <b>Total</b>  | <b>10,118</b>             |

**14. Taxation And Non Specific Grant Income**

| <b>2017/2018<br/>£000</b> |   | <b>2018/2019<br/>£000</b> |
|---------------------------|---|---------------------------|
| (50,845)                  | Council Tax Income                                  | (54,732)                  |
| 1,401                     | Collection Fund (surplus)/deficit                   | (1,604)                   |
| (20,961)                  | Retained Business Rates                             | (19,735)                  |
| (22,858)                  | Business Rates Top Up                               | (23,528)                  |
| (29,332)                  | Non-ringfenced government grants                    | (33,427)                  |
| (20,378)                  | Capital Grants & contributions                      | (25,692)                  |
| <b>(142,973)</b>          | <b>Total Taxation and Non-Specific Grant Income</b> | <b>(158,718)</b>          |

## 15. Property, Plant And Equipment (PPE)

The movements on property, plant and equipment during the year were as follows:-

### 2018/19

|  | Council<br>Dwellings<br>& Other<br>HRA<br>£000 | Other Land<br>& Buildings<br>£000 | Vehicles, Plant<br>& Equipment<br>£000 | Infrastructure<br>Assets<br>£000 | Community<br>Assets<br>£000 | PP&E Under<br>Construction<br>£000 | Total PP&E<br>£000 | PFI Assets<br>Included in<br>PPE<br>£000 |
|--|--|-----------------------------------|--|----------------------------------|-----------------------------|------------------------------------|--------------------|--|
| <b>Cost or Valuation</b>   |  |                                   |  |                                  |                             |                                    |                    |  |
| <b>Balance as at 1 April 2018</b>  | <b>119,206</b>                                 | <b>256,089</b>                    | <b>44,638</b>                          | <b>499,978</b>                   | <b>66</b>                   | <b>16,506</b>                      | <b>936,483</b>     | <b>32,705</b>                            |
| Additions  | 9,319  | 6,334                             | 1,675                                  | 15,666                           | 79                          | 10,311                             | <b>43,384</b>      |  |
| Revaluation increases/decreases to<br>Revaluation Reserve  | (1,213)  | 4,959                             | -                                      | -                                | -                           | (63)                               | <b>3,683</b>       |  |
| Revaluation increases/decreases to<br>Surplus or Deficit on the Provision of<br>Services               | (8,457)  | (3,906)                           | -                                      | -                                | (79)                        |                                    | <b>(12,442)</b>    |  |
| Derecognition - Disposals  | (968)  | -                                 | -                                      | -                                | -                           | (3,558)                            | <b>(4,526)</b>     |  |
| Derecognition - Other  |  | (700)                             |  |                                  |                             |                                    | <b>(700)</b>       |  |
| Transfer   | -  | -                                 | -                                      | (138)                            | -                           | (997)                              | <b>(1,135)</b>     | -  |
| <b>Balance as at 31 March 2019</b>   | <b>117,887</b>                                 | <b>262,776</b>                    | <b>46,313</b>                          | <b>515,506</b>                   | <b>66</b>                   | <b>22,199</b>                      | <b>964,747</b>     | <b>32,705</b>                            |
| <b>Depreciation and Impairment</b>   |  |                                   |  |                                  |                             |                                    |                    |  |
| <b>Balance as at 1 April 2018</b>  | <b>(2,909)</b>                                 | <b>(15,447)</b>                   | <b>(35,464)</b>                        | <b>(163,188)</b>                 | -                           | -                                  | <b>(217,008)</b>   | <b>(7,022)</b>                           |
| Depreciation Charge  | (2,857)  | (8,006)                           | (3,187)                                | (16,697)                         | -                           | -                                  | <b>(30,747)</b>    | <b>(1,198)</b>                           |
| Depreciation written out on<br>Revaluation Reserve   | -  | 6,561                             | -                                      | -                                | -                           | -                                  | <b>6,561</b>       |  |
| Depreciation written out on<br>Revaluation taken to Surplus or<br>Deficit on the Provision of Services | 5,766  | 2,334                             | -                                      | -                                | -                           | -                                  | <b>8,100</b>       |  |
| Derecognition - Disposals  | -  | -                                 | -                                      | -                                | -                           | -                                  | -                  | -  |
| Derecognition - Other  | -  | -                                 | -                                      | -                                | -                           | -                                  | -                  | -  |
| <b>Balance as at 31 March 2019</b>   | <b>-</b>                                       | <b>(14,558)</b>                   | <b>(38,651)</b>                        | <b>(179,885)</b>                 | <b>-</b>                    | <b>-</b>                           | <b>(233,094)</b>   | <b>(8,220)</b>                           |
| <b>Net Book Value</b>  |  |                                   |  |                                  |                             |                                    |                    |  |
| <b>Balance as at 31 March 2019</b>   | <b>117,887</b>                                 | <b>248,218</b>                    | <b>7,662</b>                           | <b>335,621</b>                   | <b>66</b>                   | <b>22,199</b>                      | <b>731,653</b>     | <b>24,485</b>                            |
| <b>Balance as at 31 March 2018</b>   | <b>116,297</b>                                 | <b>240,642</b>                    | <b>9,174</b>                           | <b>336,790</b>                   | <b>66</b>                   | <b>16,506</b>                      | <b>719,475</b>     | <b>25,683</b>                            |

## Comparative Movements 2017/18 - Restated

|  | Council<br>Dwellings<br>& Other<br>HRA<br>£000 | Other Land<br>& Buildings<br>£000 | Vehicles, Plant<br>& Equipment<br>£000 | Infrastructure<br>Assets<br>£000 | Community<br>Assets<br>£000 | PP&E Under<br>Construction<br>£000 | Total PP&E<br>£000 | PFI Assets<br>Included in<br>PPE<br>£000 |
|--|--|-----------------------------------|--|----------------------------------|-----------------------------|------------------------------------|--------------------|--|
| <b>Cost or Valuation</b>   |  |                                   |  |                                  |                             |                                    |                    |  |
| Balance as at 1 April 2017   | 119,817  | 247,621                           | 41,650                                 | 489,048                          | 66                          | 20,743                             | 918,945            | 32,705                                   |
| Additions  | 8,006  | 5,820                             | 2,988                                  | 10,930                           | -                           | 4,806                              | 32,550             | -  |
| Revaluation increases/decreases to<br>Revaluation Reserve  | (7,872)  | 6,312                             | -                                      | -                                | -                           | -                                  | (1,560)            | -  |
| Revaluation increases/decreases to<br>Surplus or Deficit on the Provision of<br>Services               | 61   | (5,486)                           | -                                      | -                                | -                           | -                                  | (5,425)            | -  |
| Derecognition - Disposals  | (806)  | (4,457)                           | -                                      | -                                | -                           | (2,764)                            | (8,027)            | -  |
| Transfer   | -  | 6,279                             | -                                      | -                                | -                           | (6,279)                            | -                  | -  |
| <b>Balance as at 31 March 2018</b>   | <b>119,206</b>                                 | <b>256,089</b>                    | <b>44,638</b>                          | <b>499,978</b>                   | <b>66</b>                   | <b>16,506</b>                      | <b>936,483</b>     | <b>32,705</b>                            |
| <b>Depreciation and Impairment</b>   |  |                                   |  |                                  |                             |                                    |                    |  |
| Balance as at 1 April 2017   | (2,405)  | (10,394)                          | (32,837)                               | (146,871)                        | -                           | -                                  | (192,507)          | (5,218)                                  |
| Depreciation Charge  | (2,909)  | (10,735)                          | (2,627)                                | (16,317)                         | -                           | -                                  | (32,588)           | (1,804)                                  |
| Depreciation written out on<br>Revaluation Reserve   |  | 4,401                             | -                                      | -                                | -                           | -                                  | 4,401              |  |
| Depreciation written out on<br>Revaluation taken to Surplus or<br>Deficit on the Provision of Services |  | 1,196                             | -                                      | -                                | -                           | -                                  | 1,196              |  |
| Derecognition - Disposals  |  | 85                                | -                                      | -                                | -                           | -                                  | 85                 |  |
| Derecognition - Other  | 2,405  | -                                 | -                                      | -                                | -                           | -                                  | 2,405              |  |
| <b>Balance as at 31 March 2018</b>   | <b>(2,909)</b>                                 | <b>(15,447)</b>                   | <b>(35,464)</b>                        | <b>(163,188)</b>                 | <b>-</b>                    | <b>-</b>                           | <b>(217,008)</b>   | <b>(7,022)</b>                           |
| <b>Net Book Value</b>  |  |                                   |  |                                  |                             |                                    |                    |  |
| Balance as at 31 March 2018  | 116,297  | 240,642                           | 9,174                                  | 336,790                          | 66                          | 16,506                             | 719,475            | 25,683                                   |
| Balance as at 31 March 2017  | 117,412  | 237,227                           | 8,813                                  | 342,177                          | 66                          | 20,743                             | 726,438            | 27,487                                   |

### Depreciation

The following assets have been depreciated at varying rates in relation to their useful economic lives:

- Council Dwellings and Other Buildings – straight line allocation over the useful life of the property as estimated by the valuer.
- Plant, Furniture and Equipment – a percentage of the value of each class of asset in the Balance Sheet as advised by a suitably qualified officer
- Infrastructure - straight line allocation over 25 years

The useful economic lives are reviewed at least every four years as is the likely residual value.

Where an item of Property, Plant and Equipment asset has major components whose cost is at least 20% of the total cost of the item, the components are depreciated separately. Only items with a value in excess of £1m were deemed material for component accounting.

### Capital Commitments

At 31<sup>st</sup> March 2019 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in future years budgeted to cost £22m. Similar commitments at 31<sup>st</sup> March 2018 were £15m. The major commitments are in relation to the Tramway Extension (£4.2m) and the Conference Centre (£17.8m).

## Revaluations

The Council 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 four years. Valuations were carried out both internally and externally during 2018/2019. These valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions in estimating fair values are:-

|                                | <b>Council<br/>Dwellings<br/>£000</b> | <b>Other Land<br/>&amp; Buildings<br/>£000</b> | <b>Surplus<br/>Assets<br/>£000</b> | <b>Total<br/>£000</b> |
|--------------------------------|---------------------------------------|--|------------------------------------|-----------------------|
| Carried at Historic Cost       |                                       |  |                                    | -                     |
| Valued at fair value as at:    |                                       |  |                                    |                       |
| 31/03/2019                     | 114,704                               | 82,406   | 897                                | 198,007               |
| 31/03/2018                     | 113,452                               | 55,965   | 1,110                              | 170,527               |
| 31/03/2017                     | 114,470                               | 20,001   | 654                                | 135,125               |
| 31/03/2016                     | -                                     | 144,626  | 1,551                              | 146,177               |
| <b>Total Cost or Valuation</b> | <b>342,626</b>                        | <b>302,998</b>                                 | <b>4,212</b>                       | <b>649,836</b>        |

## Component Accounting

### Council Dwellings

Within the Net Book Value of Assets – Council Dwellings (Note 15) are the following assets which have been accounted for on a component basis. This means they are written off according to their own unique economic life.

| Asset Type<br>£000    | Land<br>£000  | Kitchens and<br>Bathrooms<br>£000 | Structure<br>£000 | Total<br>£000  |
|-----------------------|---------------|-----------------------------------|-------------------|----------------|
| Houses &<br>Bungalows | 17,989        | 2,765                             | 37,936            | <b>58,690</b>  |
| Flats                 | 21,696        | 5,706                             | 28,612            | <b>56,014</b>  |
| <b>Total</b>          | <b>39,685</b> | <b>8,471</b>                      | <b>66,548</b>     | <b>114,704</b> |

#### Other Land and Buildings

Items valued at £1m and above have been subject to component accounting. A component must be worth at least 20% of the value of the asset. The valuations are on a 4 year rolling programme. A number of properties in excess of £1m were identified for valuation and were not componentised as they had been completed within the last 4 years.

## 16. Heritage Assets

Reconciliation of the carrying value of heritage assets held by the Authority is as follows;

|                                  | Art<br>Collection<br>£000 | Civic<br>Regalia<br>£000 | Other<br>£000 | Tower &<br>Local History<br>Collection<br>£000 | Illuminations<br>£000 | Stanley Park<br>Statues<br>£000 | Total<br>£000 |
|----------------------------------|---------------------------|--------------------------|---------------|--|-----------------------|---------------------------------|---------------|
| Cost or Valuation 1st April 2018 | 5,655                     | 510                      | 20            | 1,450  | 550                   | -                               | <b>8,185</b>  |
| Revaluations                     | -                         | -                        | -             | -  | -                     | -                               | -             |
| <b>Balance 31st March 2019</b>   | <b>5,655</b>              | <b>510</b>               | <b>20</b>     | <b>1,450</b>                                   | <b>550</b>            | <b>-</b>                        | <b>8,185</b>  |

|                                  | Art<br>Collection<br>£000 | Civic<br>Regalia<br>£000 | Other<br>£000 | Tower &<br>Local History<br>Collection<br>£000 | Illuminations<br>£000 | Stanley Park<br>Statues<br>£000 | Total<br>£000 |
|----------------------------------|---------------------------|--------------------------|---------------|--|-----------------------|---------------------------------|---------------|
| Cost or Valuation 1st April 2017 | 5,000                     | 591                      | 120           | 900  | 500                   | 653                             | <b>7,764</b>  |
| Purchases                        | 55                        | -                        | -             | -  | -                     | -                               | <b>55</b>     |
| Revaluations                     | 600                       | (81)                     | (100)         | 550  | 50                    | (653)                           | <b>366</b>    |
| <b>Balance 31st March 2018</b>   | <b>5,655</b>              | <b>510</b>               | <b>20</b>     | <b>1,450</b>                                   | <b>550</b>            | <b>-</b>                        | <b>8,185</b>  |

#### Art Collection

The Authority's Art Collection has not been formally valued for a number of years. The latest valuation has been provided by the Head of Heritage as at 31<sup>st</sup> March 2018.

*Civic Regalia*

The Authority's civic regalia was formally valued as at 31<sup>st</sup> March 2012 by an external valuer. The valuations were based on commercial markets. The valuation has been updated based on market prices as at 31<sup>st</sup> March 2018.

*Cenotaph*

This was previously classed as a community asset and is valued by external valuers every 4 years.

*Tower & Local History Collection*

This has been valued by the Head of Heritage as at 31<sup>st</sup> March 2018.

*Illuminations*

These assets have been valued by the Head of Heritage as at 31<sup>st</sup> March 2018.

*Statues*

The assets were previously valued using insurance valuations. The statues are on a 50 year loan to a school in Buckinghamshire.

**17. 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.

| <b>2017/2018<br/>£000</b> |  | <b>2018/2019<br/>£000</b> |
|---------------------------|--|---------------------------|
| (2,663)                   | Rental income from investment property                     | (3,497)                   |
| 6,322                     | Direct operating expenses arising from investment property | 6,170                     |
| 1,932                     | Net (gains)/losses from fair value adjustments             | (1,171)                   |
| <b>5,591</b>              | <b>Net (gain)/loss</b>                                     | <b>1,502</b>              |

There are no restrictions on the Authority's ability to realise the value of 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 and enhancement.

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

| <b>2017/2018</b><br><b>Restated</b><br><b>£000</b> |  | <b>2018/2019</b><br><b>£000</b> |
|--|--|---------------------------------|
| 17,347   | Balance at start of the year                   | 32,519                          |
| 17,549   | Additions - Purchases                          | 3,216                           |
| (445)  | Disposals                                      | -                               |
| -  | - Transfer                                     | 304                             |
| (1,932)  | Net gains/(losses) from fair value adjustments | 386                             |
| <b>32,519</b>                                      | <b>Balance at end of the year</b>              | <b>36,425</b>                   |

### Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Note 4 Accounting Policies xxviii for an explanation of the fair value levels).

### Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

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

### Highest and Best Use

In estimating the fair value of the Council's investment properties, the highest and best use is their current use.

### Valuation Process for Investment Properties

The Council's investment property has been valued as at 31 March 2019 by the authority's Chief Valuation Officer in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

## 18. Assets Held For Sale

| 2017/2018<br>£000 |   | 2018/2019<br>£000 |
|-------------------|---|-------------------|
| 654               | Balance outstanding at start of year      | 1,110             |
| 48                | Revaluation gains/(losses)                | (348)             |
| (3)               | Impairment losses                         | (696)             |
| 0                 | Transfer                                  | 831               |
| 411               | Additions                                 | 0                 |
| <b>1,110</b>      | <b>Balance outstanding at end of year</b> | <b>897</b>        |

## 19. Financial Instruments

### Categories of Financial Instruments

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

### Financial Assets

|   | Non Current        |                    |                    |                    | Current            |                    |                    |                    |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|   | Investments        |                    | Debtors            |                    | Investments        |                    | Debtors            |                    |
|   | 31/03/2018<br>£000 | 31/03/2019<br>£000 | 31/03/2018<br>£000 | 31/03/2019<br>£000 | 31/03/2018<br>£000 | 31/03/2019<br>£000 | 31/03/2018<br>£000 | 31/03/2019<br>£000 |
| <b>Amortised Cost</b>   |                    |                    |                    |                    |                    |                    |                    |                    |
| Principal   | -                  | -                  | 38,031             | 57,924             | 9,750              | 7,800              | -                  | -                  |
| Cash & Cash Equivalents   | -                  | -                  | -                  | -                  | (384)              | (182)              | -                  | -                  |
| <b>Total Amortised Cost</b>   | -                  | -                  | <b>38,031</b>      | <b>57,924</b>      | <b>9,366</b>       | <b>7,618</b>       | -                  | -                  |
| Fair Value through Other<br>Comprehensive Income - Equity Instruments | 24,250             | 28,750             | -                  | -                  | -                  | -                  | -                  | -                  |
| Trade Debtors   | -                  | -                  | -                  | -                  | -                  | -                  | 44,688             | 43,034             |
| <b>Total Financial Assets</b>   | <b>24,250</b>      | <b>28,750</b>      | <b>38,031</b>      | <b>57,924</b>      | <b>9,366</b>       | <b>7,618</b>       | <b>44,688</b>      | <b>43,034</b>      |

### Fair Value of Financial Assets

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

| Recurring Fair Value Measurement                      | Input Level in Fair Value Hierarchy | Valuation Technique used to Measure Fair Value | As at 31st March 2019<br>£000 | As at 31st March 2018<br>£000 |
|---|-------------------------------------|--|-------------------------------|-------------------------------|
| Share Valuations-<br>Blackpool Transport Services Ltd | Level 3                             | Earnings based                                 | 14,440                        | 12,790                        |
| Share Valuations-<br>Blackpool Housing Company        | Level 3                             | Earnings based                                 | 10,200                        | 7,050                         |
| Share Valuations-<br>Blackpool Airport Ltd            | Level 3                             | Earnings based                                 | 4,100                         | 4,400                         |
|   |                                     |  | <b>28,740</b>                 | <b>24,240</b>                 |

### Equity Shareholding in Blackpool Transport Services Ltd

The Council's shareholding in Blackpool Transport Services Ltd – the shares in this company are not traded in an active market and fair value of £14.440m has been based on valuation techniques that are not based on observable current market data or available market data.

The valuation method used is the revenue method, which uses multiples of turnover. The Multiples of Turnover method of valuation has been selected, on the basis that that if the business were to be offered for sale in the future, a purchaser is more than likely to be another bus operator, who would drive out efficiencies in operation. Based on the company's existing structure, its' branding, reputation and longevity, a multiple of 0.6 times the average turnover has been used.

If future returns are greater or lesser by 1%, the fair value will be £149,000 higher or lower respectively.

### Equity Shareholding in Blackpool Housing Company Ltd

The Council's shareholding in Blackpool Housing Company Ltd – the shares in this company are not traded in an active market and fair value of £10.2m has been based on valuation techniques that are not based on observable current market data or available market data.

The valuation method used is the return on properties owned by the Company. In 2018 the Board outlined the targets for the yield on the different types of investment as follows:

- "Good to Go" – 4.5%
- "Turnkey and Rolling Investment" – 4%
- Refurbishment – 3.5%

Based on the size of the portfolio the above yields were used for the purposes of valuing the Company.

### Equity Shareholding in Regional and City Airports (Blackpool) Holdings Limited

The Council's shareholding in Regional and City Airports (Blackpool) Holdings Limited – the shares in this company are not traded in an active market and fair value of £4.1m has been based on valuation techniques that are not based on observable current market data or available market data.

In arriving at the valuation, a comparison has been made between the multiplier method of applying a sales multiple to EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) and the Shareholder's Funds method. The Shareholder's Funds method of valuation has been used.

**Transfers between Levels of Fair Value Hierarchy**

There are no transfers between input levels during the year.

**Changes in Valuation Technique**

There has been no change in the valuation techniques used during the year for the financial instruments.

**Reconciliation of Fair Value Measurement for Financial Assets carried at Fair Value Categorised within Level 3 of the Fair Value Hierarchy for Financial Assets**

| <b>2017/2018<br/>Unquoted Shares<br/>£000</b> |   | <b>2018/2019<br/>Unquoted Shares<br/>£000</b> |
|---|---|---|
| <b>17,060</b>                                 | <b>Opening Balance</b>                                      | <b>24,250</b>                                 |
|   | Transfers In/Out of Level 3                                 |   |
|   | Total Gains and Losses of the Period:                       |   |
| (310)   | - Included in Other Comprehensive<br>Income and Expenditure | 1,125   |
| 7,500   | Additions   | 3,375   |
| <b>24,250</b>                                 | <b>Closing Balance</b>                                      | <b>28,750</b>                                 |

Gains/(losses) included in the Other Comprehensive Income and Expenditure for the current and previous year relate to unquoted shares in Blackpool Transport Services Ltd and are taken to the Financial Instruments Revaluation Reserve. Losses included in the Other Comprehensive Income and Expenditure relate to unquoted shares in Blackpool Housing Company and Blackpool Airport and are also taken to the Financial Instruments Revaluation Reserve. Additions in 2018/19 relate to the purchase of further shares in Blackpool Housing Company.

**Financial Liabilities**

|                                    | Non Current        |                    |                    |                    | Current            |                    |                    |                    |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                                    | Borrowings         |                    | Creditors          |                    | Borrowings         |                    | Creditors          |                    |
|                                    | 31/03/2018<br>£000 | 31/03/2019<br>£000 | 31/03/2018<br>£000 | 31/03/2019<br>£000 | 31/03/2018<br>£000 | 31/03/2019<br>£000 | 31/03/2018<br>£000 | 31/03/2019<br>£000 |
| <b>Amortised Cost</b>              |                    |                    |                    |                    |                    |                    |                    |                    |
| Principal & accrued loan interest  | 90,343             | 89,895             | -                  | -                  | 153,776            | 159,452            | 1,699              | 1,817              |
| PFI and Finance Lease              | -                  | -                  | 95,282             | 83,886             | -                  | -                  | -                  | -                  |
| <b>Total Financial Liabilities</b> | <b>90,343</b>      | <b>89,895</b>      | <b>95,282</b>      | <b>83,886</b>      | <b>153,776</b>     | <b>159,452</b>     | <b>1,699</b>       | <b>1,817</b>       |
| Non Financial Liabilities          | -                  | -                  | (3,552)            | 1,946              | -                  | -                  | 36,426             | 52,288             |
| <b>Total</b>                       | <b>90,343</b>      | <b>89,895</b>      | <b>91,730</b>      | <b>85,832</b>      | <b>153,776</b>     | <b>159,452</b>     | <b>38,125</b>      | <b>54,105</b>      |

### Material Soft Loan made by the Authority to Lancashire County Developments

Upon Local Government Reorganisation in 1998 the Authority took over a 10% share in a loan made to Lancashire County Developments by Lancashire County Council. The loan is now due to be repaid in 2031. Under requirements of IAS 32 this loan has been revalued to fair value. The original amount of the loan was £721,000. The fair value of the loan in 2018/2019 was £427,362 (£408,361 in 2017/2018).

The interest rate at which the fair value of this soft loan has been made is arrived at by taking the authority's prevailing cost of borrowing and adding an allowance for the risk that the loan might not be repaid, in this case a zero rate.

### Income, Expense, Gains and Losses

|   | 2018/2019  |  |                                     |                | 2017/2018  |  |                                     |              |
|---|--|--|-------------------------------------|----------------|--|--|-------------------------------------|--------------|
|   | Financial Liabilities measured at amortised cost | Financial Assets - loans & receivables | Financial Assets - Share Valuations | Total          | Financial Liabilities measured at amortised cost | Financial Assets - loans & receivables | Financial Assets - Share Valuations | Total        |
|   | £000   | £000                                   | £000                                | £000           | £000   | £000                                   | £000                                | £000         |
| Interest expense  | 7,685  | -                                      | -                                   | 7,685          | 6,764  | -                                      | -                                   | 6,764        |
| <b>Total expense in Surplus or Deficit on the Provision of Services</b>   | <b>7,685</b>                                     | <b>-</b>                               | <b>-</b>                            | <b>7,685</b>   | <b>6,764</b>                                     | <b>-</b>                               | <b>-</b>                            | <b>6,764</b> |
| Interest income   | -  | (2,089)                                | -                                   | (2,089)        | -  | (990)                                  | -                                   | (990)        |
| <b>Total income in Surplus or Deficit on the Provision of Services</b>  | <b>-</b>   | <b>(2,089)</b>                         | <b>-</b>                            | <b>(2,089)</b> | <b>-</b>   | <b>(990)</b>                           | <b>-</b>                            | <b>(990)</b> |
| Gains on revaluation  | -  | -                                      | 1,125                               | 1,125          | -  | -                                      | 310                                 | 310          |
| <b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b> | <b>-</b>   | <b>-</b>                               | <b>1,125</b>                        | <b>1,125</b>   | <b>-</b>   | <b>-</b>                               | <b>310</b>                          | <b>310</b>   |
| <b>Net gain/(loss) for the year</b>   | <b>7,685</b>                                     | <b>(2,089)</b>                         | <b>1,125</b>                        | <b>6,721</b>   | <b>6,764</b>                                     | <b>(990)</b>                           | <b>310</b>                          | <b>6,084</b> |

### Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- The ranges of interest rates at 31<sup>st</sup> March 2019 were 1.48% to 6.75% for loans from the PWLB and 3.93% to 8.875% for other long term loans payable
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to be approximate to fair value
- fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated as follows:

|                       | 31st March 2019            |                       | 31st March 2018<br>Restated |                       |
|-----------------------|----------------------------|-----------------------|-----------------------------|-----------------------|
|                       | Carrying<br>Amount<br>£000 | Fair<br>Value<br>£000 | Carrying<br>Amount<br>£000  | Fair<br>Value<br>£000 |
| Financial Liabilities | 249,347                    | 249,502               | 244,119                     | 244,225               |
| Long term creditors   | 85,832                     | 85,832                | 91,730                      | 91,730                |

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

|                       | 31st March 2019            |                       | 31st March 2018<br>Restated |                       |
|-----------------------|----------------------------|-----------------------|-----------------------------|-----------------------|
|                       | Carrying<br>Amount<br>£000 | Fair<br>Value<br>£000 | Carrying<br>Amount<br>£000  | Fair<br>Value<br>£000 |
| Loans and receivables | 8,063                      | 8,063                 | 9,782                       | 9,782                 |
| Long term debtors     | 58,218                     | 57,924                | 38,344                      | 38,031                |
| Short term debtors    | 49,499                     | 49,499                | 51,094                      | 51,094                |

The fair value of the assets is lower than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2018) attributable to the commitment to receive interest below current market rates.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

## 20. Long Term Investments

| 31st March 2018<br>£000 |  | 31st March 2019<br>£000 |
|-------------------------|--|-------------------------|
|                         | <b>Ordinary Shares (£1 per share) in:-</b> |                         |
| 12,790                  | Blackpool Transport Services Ltd           | 14,440                  |
| 7,050                   | Blackpool Housing Company                  | 10,200                  |
| 4,400                   | Blackpool Airport                          | 4,100                   |
| 10                      | Municipal Bonds Agency                     | 10                      |
| <b>24,250</b>           | <b>Total</b>                               | <b>28,750</b>           |

### Blackpool Transport Services Ltd

Investments in Blackpool Transport Services Limited consist of share capital (£2,789,000 at historic cost) in the company which was set up in accordance with the provisions of the Transport Act 1985 to operate the Council's municipal bus operation. The company provides a comprehensive passenger transport service in the Fylde coast area through its bus and tram operations. The Council leases the tramway and associated premises to Blackpool Transport Services Limited. The company is wholly owned by the Council.

Note 19 describes the basis used to arrive at a formal valuation for the Council's shareholding of the company. In 2018/2019 there was an increase in value of £1,650,000. The gain on revaluation was credited to the Financial Instruments Revaluation Reserve via the Movement in Reserves Statement.

### Blackpool Housing Company

Blackpool Housing Company Limited was set up on 26<sup>th</sup> January 2015. The company is a housing regeneration company and is wholly owned by the Council. The shares have been purchased at a cost of £10,425,000.

Note 19 describes the basis used to arrive at a formal valuation for the Council's shareholding of the company. The investment value included within the Council's Balance Sheet represents the value of Total Equity Shareholder Funds. In 2018/2019 there was a decrease in value of £225,000. This loss on revaluation was debited to the Financial Instruments Revaluation Reserve via the Movement in Reserves Statement.

The movement in share value in 2018/19 is as follows:

|                                     | £000          |
|-------------------------------------|---------------|
| Shares as at 31st March 2018        | 7,050         |
| Purchase of shares in 2018/19       | 3,375         |
| Decrease in valuation in 2018//19   | (225)         |
| <b>Shares as at 31st March 2019</b> | <b>10,200</b> |

**Regional and City Airports (Blackpool) Holdings Ltd**

On 12<sup>th</sup> September 2018 the Council purchased 100% shares in Regional and City Airports (Blackpool) Holdings Limited for £4,250,000.

Note 19 describes the basis used to arrive at a formal valuation for the Council's shareholding of the company. The investment value included within the Council's Balance Sheet represents the value of Total Equity Shareholder Funds. In 2018/2019 there was a decrease in value of £300,000. This loss on revaluation was debited to the Financial Instruments Revaluation Reserve via the Movement in Reserves Statement.

**Municipal Bonds Agency**

A Local Government Association backed firm called Local Capital Finance Company (Municipal Bonds Agency) has been formed to issue bonds. The money raised from investors will then be lent onwards to Councils to either invest in capital projects or to refinance existing loans. At 31<sup>st</sup> March 2019 the Council had purchased £10,000 worth of shares in the Company which equates to 0.13%.

**Blackpool Operating Company Ltd (Sandcastle Waterpark)**

The Council purchased the operation of the centre from a private company on 20<sup>th</sup> June 2003 and now wholly owns both the building and the commercial operator - Blackpool Operating Company Limited (BOCL). The Council's shares in Blackpool Operating Company Limited are valued at £2.

**Blackpool Entertainment Company Ltd**

The Council purchased the operation of the Winter Gardens from a private company on 16<sup>th</sup> May 2014 and now wholly owns both the building and the commercial operator - Blackpool Entertainment Company Limited (BECL). The Council's shares in BECL are valued at £1.

As 100% shareholders Blackpool Council agrees to meet all accumulated deficits or losses of Blackpool Transport Services Limited, Blackpool Operating Company Limited, Blackpool Entertainment Company Limited, Blackpool Housing Company Limited and Blackpool Airport Limited.

**Lancashire Renewables Ltd**

On the 31<sup>st</sup> July 2014 Lancashire County Council and Global Renewables Lancashire Limited agreed to the consensual termination of the Waste Disposal PFI contract. The former operating company, Global Renewables Lancashire Operations Ltd (GRLOL) now Lancashire Renewables Ltd, transferred into the ownership of Lancashire County Council with Blackpool Council owning 12.5% of the share capital in that company. The consideration paid for the shareholding of GRLOL by LCC was £1.

**21. Long Term Debtors**

Long-term debtors relate to amounts that are due to be repaid in over twelve months' time. These include a business loans and share in land held for use under what was formerly the Lancashire Waste Disposal contract.

| <b>31st March 2018</b><br><b>£000</b> |                                     | <b>31st March 2019</b><br><b>£000</b> |
|---------------------------------------|-------------------------------------|---------------------------------------|
| 11,434                                | Blackpool Transport Services        | 12,881                                |
| 8,769                                 | Blackpool Teaching Hospital (NHS)   | 7,384                                 |
| 4,250                                 | Blackpool Pleasure Beach            | 3,500                                 |
| 8,800                                 | Blackpool Housing Company           | 14,200                                |
| 2,563                                 | Create Developments (Blackpool) Ltd | 4,488                                 |
| 0                                     | Coolsilk                            | 5,045                                 |
| 0                                     | Ocean Boulevard III                 | 6,748                                 |
| 0                                     | Laila's Fine Foods                  | 996                                   |
| 986                                   | Small Business Loans                | 1,009                                 |
| 552                                   | Waste Disposal Site (prev PFI)      | 552                                   |
| 262                                   | Adult Social Care Deferred Payments | 687                                   |
| 408                                   | Lancashire County Developments      | 427                                   |
| 7                                     | Council Mortgages - (Right to Buy)  | 7                                     |
| <b>38,031</b>                         | <b>Total</b>                        | <b>57,924</b>                         |

### **Blackpool Transport Services Limited**

On 23<sup>rd</sup> May 2016 the Executive agreed to offer Blackpool Transport Services a loan facility of £7,740,000 to fund the purchase of 10 double buses and 25 vehicles between June 2016 and June 2017. Each loan (including interest) is repayable over 10 years with 120 monthly repayments.

On 11<sup>th</sup> September 2017 the Executive agreed to offer Blackpool Transport Services Limited a further loan facility of £16.2m. The release of the funds is expected to be phased to purchase 20 double buses in October 2017 (£4,659,000), 4 buses in March 2018 (£934,000), 18 buses in October 2018 (£2,997,000), 15 buses in March 2020 (£3,635,000) with sundry depot assets (totalling £217,000). Each loan (including interest) would be repaid over 10 years with 120 monthly payments. The loan facility also includes a £200,000 contingency to allow for price change over the life of the renewal programme.

### **Blackpool Teaching Hospitals NHS Foundation Trust**

On 13<sup>th</sup> March 2017 the Executive agreed to the provision of a £9,230,000 loan to Blackpool Teaching Hospitals NHS Foundation Trust from the Business Loan Fund. The loan (including interest) is repayable over 10 years with 20 half yearly repayments.

The loan is secured upon income generating, non-operational property assets of the Foundation Trust to at least the value of the loan and with such valuation costs together with any loan arrangement fee being met by the Foundation Trust.

### **Create Development (Blackpool) Ltd**

On 18<sup>th</sup> July 2016 the Executive agreed to the provision of a £4.5m loan to Create Developments (Blackpool) Ltd. The loan is to facilitate the development of a 135 bedroom hotel at Bourne Crescent. The loan, including interest, is repayable over 5 years.

**Coolsilk**

At its meeting on 16<sup>th</sup> April 2018 the Executive agreed to the provision of a £10m loan to Coolsilk. The loan is to facilitate the redevelopment of Palatine Building into a 5 star Sands Venue Resort hotel. The loan, including interest, is repayable over 25 years and is secured against the completed development.

**Laila's Fine Foods**

On 10<sup>th</sup> September 2018 the Executive agreed to the provision of a £1m loan to Laila's Fine Foods. The loan is towards the working capital requirements for their food manufacturing business. The loan, including interest, is repayable over 10 years and is secured in the form of a second charge against named commercial and residential property.

**Ocean Boulevard III Ltd**

At its meeting on 24<sup>th</sup> April 2017 the Executive agreed to the provision of a £12m loan to Ocean Boulevard III Ltd. The loan is to facilitate the building of a 120 bedroom hotel on the site of the former Star Public House. The loan, including interest, is repayable over 12 years and is secured as a first charge over the 125 year leasehold interest in the property and a fixed and floating charge over all other assets.

**Blackpool Pleasure Beach**

In 2010/2011 the authority granted a loan of £5m to Blackpool Pleasure Beach towards the development of Nickelodeon Land. The loan is due to be repaid by November 2020 and interest is charged at the market rate.

**Blackpool Housing Company**

On 20<sup>th</sup> July 2015 Executive agreed to draw down the funding offered in the Growth Deal of £26m from Public Works Loan Board to fund Blackpool Housing Company's housing regeneration programme. An additional £1.6m was met from earmarked revenue reserves.

The £27.6m will take the form of £11.6m in equity and £16m in loans. Interest on the loans is charged at market rates and loan repayments will be made once revenue streams are established and are of sufficient scale.

**Business Loans Fund**

The Council set up a £3m fund for businesses to safeguard and create jobs and help Blackpool get through the recession. The fund was increased to £10m in 2015/16. Subsequently as part of the 2017/18 budget approval the fund has been increased to £100m. The aim of the fund is to provide a lifeline for local, normally sound businesses that are currently experiencing difficulty in getting finance from the banks because of the global slow down.

All of the loans above have been taken from the Business Loans Fund along with a number of smaller loans totalling £1m.

In addition to the new loans shown separately in the table above a further two loans totalling £136,158 were issued in 2018/2019.

## Waste Disposal Site

The total value of land held under the Waste Disposal contract at current market value is estimated at £4.4m. In 2015/16 this value was £3.385m. The increase of £1.015m is due to a revaluation in 2016/17 carried out by Lancashire County Council Estates Department. Under the terms of the Joint Working Agreement, Blackpool Council will be due a 12.5% share of this at the end of the contract.

## Adult Social Care Deferred Payments Scheme

The Health & Social Care Act 2001 introduced the concept of a Deferred Payment Scheme. This legislation provides for the possibility of eligible service users putting off the sale of their home when they move into residential care and delaying the payment of the fees. Instead of paying the care home fees in full the resident will be financially assessed ignoring the value of the property and asked to contribute the lesser amount towards the cost of their care. The Council effectively provides an interest free loan and pays the difference between the amount contributed by the service user and the usual fee paid to the care home by the local authority.

The Council take out a legal charge on the service user's property. When the property is sold, the debt will usually be recovered in full. Interest is not charged on the amount due until 56 days after the person has died.

## Lancashire County Developments

The loan to Lancashire County Developments is due to be repaid in 2031. Under the requirements of IAS 32 this loan has been revalued to fair value. The original amount of the loan was £721,000. The fair value of the loan in 2018/2019 was £427,362 (£408,361 in 2017/2018). The movement in fair value of £19,001 has been charged to the Comprehensive Income and Expenditure Account and then transferred to the Financial Instruments Adjustment Account via Movement in Reserves. This does not affect the loan repayment due to the authority in 2031.

## 22. Inventories

| 2018/2019                                       | Consumables<br>£000 | Materials<br>£000 | Total<br>£000  |
|---|---------------------|-------------------|----------------|
| <b>Balance outstanding at start of the year</b> | <b>62</b>           | <b>354</b>        | <b>416</b>     |
| Purchases                                       | 26                  | 1,905             | <b>1,931</b>   |
| Recognised as an expense in the year            | (22)                | (1,880)           | <b>(1,902)</b> |
| <b>Balance outstanding at year end</b>          | <b>66</b>           | <b>379</b>        | <b>445</b>     |

| <b>2017/2018</b>                                | <b>Consumables<br/>£000</b> | <b>Materials<br/>£000</b> | <b>Total<br/>£000</b> |
|---|-----------------------------|---------------------------|-----------------------|
| <b>Balance outstanding at start of the year</b> | <b>95</b>                   | <b>384</b>                | <b>479</b>            |
| Purchases                                       | 49                          | 1,646                     | <b>1,695</b>          |
| Recognised as an expense in the year            | (82)                        | (1,676)                   | <b>(1,758)</b>        |
| <b>Balance outstanding at year end</b>          | <b>62</b>                   | <b>354</b>                | <b>416</b>            |

### 23. Debtors

| <b>31st March 2018<br/>£000</b> |                                | <b>31st March 2019<br/>£000</b> |
|---------------------------------|--------------------------------|---------------------------------|
| 13,362                          | Central government bodies      | 2,513                           |
| 2,575                           | Other local authorities        | 2,251                           |
| 2,204                           | NHS bodies                     | 522                             |
| 45,855                          | Other entities and individuals | 57,664                          |
| (19,308)                        | Total impairment               | (19,916)                        |
| <b>44,688</b>                   | <b>Net Value of Debtors</b>    | <b>43,034</b>                   |

## 24. Payments In Advance

| 31st March 2018<br>£000 |                                    | 31st March 2019<br>£000 |
|-------------------------|------------------------------------|-------------------------|
| 6                       | Chief Executive                    | 6                       |
| -                       | Adult Services                     | 691                     |
| 53                      | Community & Environmental Services | 54                      |
| 825                     | Children's Services                | 256                     |
| 11                      | Governance & Partnership Services  | 2                       |
| 4,634                   | Public Health                      | 4,539                   |
| 305                     | Community and Regeneration         | 624                     |
| 443                     | Resources                          | 278                     |
| 129                     | Budgets Outside Cash Limit         | 15                      |
| <b>6,406</b>            | <b>Total Payments in Advance</b>   | <b>6,465</b>            |

## 25. Cash and Cash Equivalents

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

| 31st March 2018<br>£000 |                                       | 31st March 2019<br>£000 |
|-------------------------|---------------------------------------|-------------------------|
| 440                     | Cash held by the Authority            | 1,166                   |
| (824)                   | Bank current accounts                 | (1,348)                 |
| 9,750                   | Short term deposits with institutions | 7,800                   |
| <b>9,366</b>            | <b>Total</b>                          | <b>7,618</b>            |

**26. Receipts In Advance**

| <b>31st March 2018<br/>£000</b> |                                    | <b>31st March 2019<br/>£000</b> |
|---------------------------------|------------------------------------|---------------------------------|
| (1,457)                         | Adult Services                     | (738)                           |
| (3,286)                         | Community & Environmental Services | (4,194)                         |
| (4,931)                         | Children's Services                | (1,163)                         |
| (36)                            | Governance & Partnership Services  | (42)                            |
| (1,271)                         | Chief Executive                    | (199)                           |
| (2,757)                         | Communications & Regeneration      | (3,420)                         |
| (514)                           | Resources                          | (196)                           |
| (407)                           | Housing Revenue Account            | (351)                           |
| (4,358)                         | Capital                            | (2,239)                         |
| (1,669)                         | Collection Fund                    | (1,054)                         |
| (15)                            | Public Health                      | (532)                           |
| (166)                           | Budgets Outside the Cash Limit     | (203)                           |
| -                               | Contract Receivables under IFRS 15 | (8)                             |
| <b>(20,867)</b>                 | <b>Total Receipts in Advance</b>   | <b>(14,339)</b>                 |

**27. Creditors**

|                                | <b>Long term creditors</b>          |  | <b>Short term creditors</b>         |                                     |
|--------------------------------|-------------------------------------|--|-------------------------------------|-------------------------------------|
|                                | <b>31st March<br/>2019<br/>£000</b> | <b>31st March<br/>2018<br/>Restated<br/>£000</b> | <b>31st March<br/>2019<br/>£000</b> | <b>31st March<br/>2018<br/>£000</b> |
| Central Government Bodies      | -                                   | -  | (7,265)                             | (3,264)                             |
| Other Local Authorities        | -                                   | -  | (6,998)                             | (4,145)                             |
| NHS Bodies                     | -                                   | -  | (965)                               | (1,100)                             |
| Other Entities and Individuals | (85,832)                            | (91,730)   | (37,557)                            | (28,472)                            |
| Accumulated Absence Provision  | -                                   | -  | (1,320)                             | (1,144)                             |
| <b>Total</b>                   | <b>(85,832)</b>                     | <b>(91,730)</b>                                  | <b>(54,105)</b>                     | <b>(38,125)</b>                     |

## 28. Provisions

|  | <b>Injury and Damage<br/>Compensation<br/>Claims<br/>£000</b> | <b>Other Provisions<br/>£000</b> | <b>Total<br/>£000</b> |
|--|---|----------------------------------|-----------------------|
| <b>Balance at 1 April 2018</b>             | <b>(5,952)</b>  | <b>(9,199)</b>                   | <b>(15,151)</b>       |
| Additional Provisions<br>Made in 2018/2019 | (1,880)   | (3,178)                          | <b>(5,058)</b>        |
| Amounts Used in<br>2018/2019               | 1,223   | 2,572                            | <b>3,795</b>          |
| Unused Amounts<br>Reversed Back in 2018/19 | -   | 1,863                            | <b>1,863</b>          |
| <b>Balance at 31 March<br/>2019</b>        | <b>(6,609)</b>  | <b>(7,942)</b>                   | <b>(14,551)</b>       |

|  | <b>Injury and Damage<br/>Compensation<br/>Claims<br/>£000</b> | <b>Other<br/>Provisions<br/>£000</b> | <b>Total<br/>£000</b> |
|--|---|--------------------------------------|-----------------------|
| <b>Balance at 1 April 2017</b>             | <b>(4,224)</b>  | <b>(8,494)</b>                       | <b>(12,718)</b>       |
| Additional Provisions<br>Made in 2017/2018 | (6,022)   | (11,439)                             | <b>(17,461)</b>       |
| Amounts Used in<br>2017/2018               | 4,294   | 10,734                               | <b>15,028</b>         |
| <b>Balance at 31 March<br/>2018</b>        | <b>(5,952)</b>  | <b>(9,199)</b>                       | <b>(15,151)</b>       |

### Outstanding legal cases

#### Injury Compensation Claims

Most of the injury compensation claims are individually insignificant. Significant claims are detailed in Note 6. They relate to personal injuries sustained where the Authority is alleged to be at fault (e.g. through failure to repair a road or pavement properly). Provision is made for those claims where it is deemed probable that the Authority will have to make settlement, based on past experience of court decisions about liability and the amount of damages payable. All outstanding claims are expected to be settled by 2018/2019. The Authority may be reimbursed by its insurers, but until claims are actually settled no income is recognised.

### Other Provisions

These represent amounts set aside to meet potential future liabilities. This includes a provision for Business Rate Appeals.

### 29. Usable Reserves

| 31st March 2018<br>£000 |                                   | 31st March 2019<br>£000 |
|-------------------------|-----------------------------------|-------------------------|
| (2,097)                 | Schools Reserves                  | (1,931)                 |
| (4,034)                 | Unallocated General Fund Reserves | (7,057)                 |
| (5,870)                 | Housing Revenue Account           | (5,705)                 |
| (36,819)                | Earmarked Revenue Reserves        | (41,662)                |
| (4,508)                 | Capital Receipts Reserve          | (7,527)                 |
| -                       | Major Repairs Reserve             | -                       |
| (4,477)                 | Capital Reserves                  | (3,112)                 |
| <b>(57,805)</b>         | <b>Total Usable Reserves</b>      | <b>(66,994)</b>         |

### 30. Unusable Reserves

| Restated<br>31st March 2018<br>£000 |   | 31st March 2019<br>£000 |
|-------------------------------------|---|-------------------------|
| (88,392)                            | Revaluation Reserve                             | (97,472)                |
| (10,101)                            | Available for Sale Financial Instrument Reserve | -                       |
| -                                   | - Financial Instruments Revaluation Reserve     | (11,226)                |
| (327,594)                           | Capital Adjustment Account                      | (327,644)               |
| 1,710                               | Financial Instruments Adjustment Account        | 1,664                   |
| 234,810                             | Pensions Reserve                                | 244,578                 |
| (243)                               | Collection Fund Adjustment Account              | (489)                   |
| 1,144                               | Accumulated Absences Account                    | 1,320                   |
| <b>(188,666)</b>                    | <b>Total Unusable Reserves</b>                  | <b>(189,269)</b>        |

#### 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 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

| 2017/2018<br>£000 |  | 2018/2019<br>£000 |
|-------------------|--|-------------------|
| (89,187)          | <b>Balance at 1st April</b>  | (88,392)          |
| 1,512             | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | (4,190)           |
| (4,401)           | Depreciation written out to Revaluation Reserve  | (6,561)           |
| 2,292             | Accumulated gains on assets sold or scrapped   | -                 |
| 1,392             | Amount written off to the Capital Adjustment Account   | 1,671             |
| (88,392)          | <b>Balance at 31st March</b>   | (97,472)          |

#### Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised

Under IFRS 9 Financial Instruments the balance on the Available for Sale Reserve has been transferred to the Financial Instruments Revaluation Reserve.

| 2017/2018<br>£000 |   | 2018/2019<br>£000 |
|-------------------|---|-------------------|
| <b>(10,411)</b>   | <b>Balance at 1st April</b>   | <b>(10,101)</b>   |
| (440)             | Upward revaluation of investments   | -                 |
| 750               | Downward revaluation of investments   | -                 |
| -                 | Transfer of opening balance to Financial Instruments Revaluation Reserve under IFRS 9 | 10,101            |
| <b>(10,101)</b>   | <b>Balance at 31st March</b>  | -                 |

### Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

| 2017/2018<br>£000 |  | 2018/2019<br>£000 |
|-------------------|--|-------------------|
|                   | - <b>Balance at 1st April</b>  | -                 |
|                   | - Upward revaluation of investments                                      | (1,650)           |
|                   | - Downward revaluation of investments                                    | 525               |
|                   | - Transferred of Available For Sale Reserve opening balance under IFRS 9 | (10,101)          |
|                   | - <b>Balance at 31st March</b>   | <b>(11,226)</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 subsequent costs 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 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 10 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| Restated<br>2017/2018<br>£000 |  | 2018/2019<br>£000 |
|-------------------------------|--|-------------------|
| <b>(345,582)</b>              | <b>Balance at 1st April</b>  | <b>(327,594)</b>  |
|                               | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:                               |                   |
| 36,013                        | - Charges for depreciation and impairment of non-current assets  | 36,796            |
| 23,685                        | - Revaluation losses on PPE from Revaluation Reserve   | (1,671)           |
| 350                           | - Revenue expenditure funded from capital under statute  | 36                |
| 5,464                         | - 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 | 4,526             |
| 632                           | Adjusting amounts written out of the Revaluation Reserve   | -                 |
| 66,144                        | Net written out amount of the cost of non-current assets consumed in year  | 39,687            |
|                               | Capital financing applied in year:   |                   |
| (3,015)                       | - Use of the Capital Receipts Reserve to finance new capital expenditure   | (1,659)           |
| (20,485)                      | - Application of grants to capital financing from the Capital Grants Unapplied Account   | (25,692)          |
| (5,724)                       | - Statutory provision for the financing of capital investment charged against the General Fund and HRA balances  | (9,596)           |
| (18,932)                      | - Revenue contributions to financing of capital investment   | (5,695)           |
| -                             | - Business loans repayment of principal  | 2,905             |
| <b>(327,594)</b>              | <b>Balance at 31st March</b>   | <b>(327,644)</b>  |

### Financial Instruments Adjustment Account

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

| 2017/2018<br>£000 |   | 2018/2019<br>£000 |
|-------------------|---|-------------------|
| 1,755             | <b>Balance at 1st April</b>   | 1,710             |
| (45)              | Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | (46)              |
| 1,710             | <b>Balance at 31st March</b>  | 1,664             |

### 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 benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resource set aside to meet 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.

| 2017/2018<br>£000 |  | 2018/2019<br>£000 |
|-------------------|--|-------------------|
| 264,692           | <b>Balance at 1st April</b>  | 234,810           |
| (43,821)          | Remeasurement of net defined benefit liability (Actuarial gains/(losses) on pension assets (liabilities))  | (6,749)           |
| 26,018            | 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 | 30,453            |
| (37,275)          | Employers pension contributions and deficit payments for future years  | (1,022)           |
| 25,196            | Transfer of upfront employers pension and deficit payments to General Fund   | (12,914)          |
| 234,810           | <b>Balance at 31st March</b>   | 244,578           |

**Collection Fund Adjustment Account**

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

| <b>2017/2018<br/>£000</b> |  | <b>2018/2019<br/>£000</b> |
|---------------------------|--|---------------------------|
| <b>(3,407)</b>            | <b>Balance at 1st April</b>  | <b>(243)</b>              |
| 3,164                     | Amount by which council tax and non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rate income calculated for the year in accordance with statutory requirements | (246)                     |
| <b>(243)</b>              | <b>Balance at 31st March</b>   | <b>(489)</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 eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

| <b>2017/2018<br/>£000</b> |   | <b>2018/2019<br/>£000</b> |
|---------------------------|---|---------------------------|
| <b>1,373</b>              | <b>Balance at 1st April</b>   | <b>1,144</b>              |
| (1,373)                   | Settlement or cancellation of accrual made at the end of the preceding year | (1,144)                   |
| 1,144                     | Amounts accrued at the end of the current year                              | 1,320                     |
| <b>1,144</b>              | <b>Balance at 31st March</b>  | <b>1,320</b>              |

### 31. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

| 2017/2018<br>£000 |                   | 2018/2019<br>£000 |
|-------------------|-------------------|-------------------|
| (990)             | Interest Received | (2,089)           |
| 6,765             | Interest Paid     | 7,685             |
| (858)             | Dividend Received | (915)             |

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

| 2017/2018<br>Restated<br>£000 |   | 2018/2019<br>£000 |
|-------------------------------|---|-------------------|
| (41,148)                      | Depreciation/Impairment charges to CIES   | (36,796)          |
| 16,942                        | Movement in Pension Liability   | (29,431)          |
| 636                           | Increase/(decrease) in Payments in Advance  | 59                |
| 8,875                         | Increase/(decrease) in Debtors  | (1,654)           |
| (63)                          | Increase/(decrease) in Inventories  | 29                |
| (2,433)                       | (Increase)/decrease in Provisions   | 600               |
| (770)                         | (Increase)/decrease in Creditors  | (15,980)          |
| 1,882                         | (Increase)/decrease in Creditors over 1 year  | 5,898             |
| 374                           | (Increase)/decrease in Receipts in Advance  | 4,325             |
| 1,856                         | Other non-cash items charged to the net surplus or deficit on the provision of services | 9,468             |
| <b>(13,849)</b>               | <b>Total</b>  | <b>(63,482)</b>   |

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

| 2017/2018<br>£000 |   | 2018/2019<br>£000 |
|-------------------|---|-------------------|
| 20,377            | Capital grants credited to the surplus or deficit on the provisions of services             | 25,692            |
| (5,464)           | Loss on disposal of property, plant and equipment investment property and intangible assets | (2,588)           |
| (23,137)          | Billing Authorities - Collection Fund adjustments   | (5,695)           |
| <b>(8,224)</b>    | <b>Total</b>  | <b>17,409</b>     |

**32. Cash Flow Statement – Investing Activities**

| 31st March 2018<br>£000 |  | 31st March 2019<br>£000 |
|-------------------------|--|-------------------------|
| 33,784                  | Purchase of property, plant & equipment, investment property and intangible assets             | 33,077                  |
| 2,498                   | Other payments for investing activities  | 19,084                  |
| (3,015)                 | Proceeds from sale of property, plant and equipment, investment property and intangible assets | (1,773)                 |
| (22,634)                | Capital Grants received  | (29,466)                |
| <b>10,633</b>           | <b>Net cash flows from investing activities</b>  | <b>20,922</b>           |

**33. Cash Flow Statement – Financing Activities**

| 31st March 2018<br>Restated<br>£000 |   | 31st March 2019<br>£000 |
|-------------------------------------|---|-------------------------|
| (538,157)                           | Cash receipts of short and long term borrowing  | (282,793)               |
| (956)                               | Other receipts from financing activities        | (6,363)                 |
| 470,436                             | Repayments of short and long term borrowing     | 277,565                 |
| 61,656                              | Other payments for financing activities         | 26,161                  |
| <b>(7,021)</b>                      | <b>Net cash flows from financing activities</b> | <b>14,570</b>           |

**34. Cash Flow Statement – Cash & Cash Equivalents**

|                            | <b>31st March 2019</b><br><b>£000</b> | <b>31st March 2018</b><br><b>£000</b> | <b>Movement</b><br><b>£000</b> |
|----------------------------|---------------------------------------|---------------------------------------|--------------------------------|
| Cash in Hand & at Bank     | 494                                   | 440                                   | 54                             |
| Bank overdrawn             | (676)                                 | (824)                                 | 148                            |
| Short term investments     | 7,800                                 | 9,750                                 | (1,950)                        |
| <b>Balance at 31 March</b> | <b>7,618</b>                          | <b>9,366</b>                          | <b>(1,748)</b>                 |

**35. Reconciliation of Liabilities Arising From Financing Activities**

|  | <b>1st April</b><br><b>2018</b><br><b>£000</b> | <b>Financing</b><br><b>Cash Flows</b><br><b>£000</b> | <b>31st March</b><br><b>2019</b><br><b>£000</b> |
|--|--|--|---|
| Long term borrowings   | 90,343   | (448)  | 89,895  |
| Short term borrowings  | 153,776  | 5,676  | 159,452   |
| Lease liabilities  | 61,919   | 203  | 62,122  |
| PFI Liabilities  | 44,126   | (1,419)  | 42,707  |
| <b>Total Liabilities from</b><br><b>Financing Activities</b> | <b>350,164</b>                                 | <b>4,012</b>   | <b>354,176</b>                                  |

|  | <b>1st April</b><br><b>2017</b><br><b>£000</b> | <b>Financing</b><br><b>Cash Flows</b><br><b>£000</b> | <b>31st March</b><br><b>2018</b><br><b>£000</b> |
|--|--|--|---|
| Long term borrowings   | 84,701   | 5,642  | 90,343  |
| Short term borrowings  | 91,697   | 62,079   | 153,776   |
| Lease liabilities  | 47,965   | 13,954   | 61,919  |
| PFI Liabilities  | 47,387   | (3,261)  | 44,126  |
| <b>Total Liabilities from</b><br><b>Financing Activities</b> | <b>271,750</b>                                 | <b>78,414</b>  | <b>350,164</b>                                  |

### 36. Road Charging Schemes under the Transport Act 2000

| 2017/2018<br>£000 |                                     | 2018/2019<br>£000 |
|-------------------|-------------------------------------|-------------------|
| <b>(1,674)</b>    | On-street parking operation surplus | <b>(1,583)</b>    |
|                   | <b>Utilised to Fund:</b>            |                   |
| 4,439             | Public Transport                    | 4,652             |
| 265               | Traffic Management & Road Safety    | 299               |
| <b>4,704</b>      | <b>Total Qualifying Expenditure</b> | <b>4,951</b>      |

Decriminalised Parking Enforcement (DPE) of on-street parking was introduced in November 2003 as part of the Local Transport Plan with the aim of reducing congestion and improving traffic management. The surplus arising from on street parking is used to defray qualifying expenditure. The use of DPE is governed by section 55 of the Road Traffic Regulation Act 1984, as amended from October 2004 by section 95 of the Traffic Management Act 2004. This specifies the use that DPE surpluses may be put to.

### 37. Agency Services

The Authority provides payroll services for Chorley Borough Council, Fylde Borough Council, Blackpool Coastal Housing, Baines School, Claremont First Step Centre, Blackpool Grand Theatre, Blackpool Operating Company and a number of Academies. These organisations pay a management fee to the Council for the service. The total management fee received by the Council in 2018/2019 was £229,476 (2017/2018 £193,349). The management fee is based on the number of employees paid.

### 38. Pooled Budgets

On 1<sup>st</sup> April 2015 the Council entered into a Pooled Budget arrangement with NHS Blackpool Clinical Commissioning Group in relation to the Better Care Fund.

The Government created the Better Care Fund to incentivise the NHS and local government to work more closely together around people, placing their wellbeing as the focus of health and care services, and shifting resources into social care and community services for the benefit of the people, communities and health and care systems.

| 2017/18<br>£000 |        |  | 2018/19<br>£000 |        |
|-----------------|--------|--|-----------------|--------|
| 9,127           | 25,051 | Funding provided to the pooled budget:   |                 |        |
| 15,924          |        | Local Authority      Blackpool Council   | 12,334          |        |
|                 |        | Trust                      Blackpool CCG | 17,028          | 29,362 |
|                 |        | Expenditure met from the pooled budget:  |                 |        |
| 17,953          | 24,832 | Local Authority      Blackpool Council   | 21,267          |        |
| 6,879           |        | Trust                      Blackpool CCG | 7,819           | 29,086 |
|                 | 219    | Net surplus arising on the pooled budget |                 | 276    |
|                 |        | during the year                          |                 |        |

### 39. Members' Allowances

The Authority paid the following amounts to Members of the Council during the year.

| 2017/2018<br>£000 |              | 2018/2019<br>£000 |
|-------------------|--------------|-------------------|
| 730               | Allowances   | 742               |
| 55                | Expenses     | 58                |
| <b>785</b>        | <b>Total</b> | <b>800</b>        |

### 40. Officers' Remuneration

The number of employees whose remuneration, excluding pension contributions was £50,000 or more in bands of £5,000 is set out on the next page.

|                     | Number in 2018/2019 |             | Number in 2017/2018 |             |
|---------------------|---------------------|-------------|---------------------|-------------|
|                     | Schools             | Other Staff | Schools             | Other Staff |
|                     | £50,000 - £54,999   | 10          | 25                  | 12          |
| £55,000 - £59,999   | 8                   | 25          | 4                   | 22          |
| £60,000 - £64,999   | 3                   | 10          | 6                   | 10          |
| £65,000 - £69,999   | 6                   | 10          | 5                   | 4           |
| £70,000 - £74,999   | -                   | 6           | 2                   | 5           |
| £75,000 - £79,999   | 2                   | 2           | 2                   | 3           |
| £80,000 - £84,999   | 1                   | -           | 2                   | -           |
| £85,000 - £89,999   | 2                   | 1           | -                   | 1           |
| £90,000 - £94,999   | 2                   | 2           | -                   | 4           |
| £95,000 - £99,999   | -                   | 3           | -                   | 1           |
| £100,000 - £104,999 | -                   | 1           | -                   | 1           |
| £105,000 - £109,999 | -                   | -           | -                   | -           |
| £110,000 - £114,999 | -                   | -           | -                   | 1           |
| £115,000 - £119,999 | -                   | 1           | -                   | -           |
| £120,000 - £124,999 | -                   | 1           | -                   | -           |
| £135,000 - £139,999 | -                   | -           | -                   | 1           |
| £140,000 - £144,999 | -                   | 1           | -                   | -           |
| <b>TOTAL</b>        | <b>34</b>           | <b>88</b>   | <b>33</b>           | <b>74</b>   |

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

| Employees in Post 2018/2019                           |                |                   |                                 |                  |                          |                                |                          |
|---|----------------|-------------------|---------------------------------|------------------|--------------------------|--------------------------------|--------------------------|
| Post Holder Information                               | Salary         | Expense Allowance | Compensation for loss of Office | Benefits in Kind | Total Excluding Pensions | Employer Pension Contributions | Total Including Pensions |
|   | £              | £                 | £                               | £                | £                        | £                              | £                        |
| Chief Executive - Neil Jack                           | 141,297        | -                 | -                               | -                | 141,297                  | 20,820                         | 162,117                  |
| Director of Resources                                 | 103,687        | -                 | -                               | 789              | 104,476                  | 15,346                         | 119,822                  |
| Director of Communications & Regeneration<br>(Note H) | 97,728         | 562               | -                               | 576              | 98,866                   | -                              | 98,866                   |
| Director of Governance & Partnership Services         | 93,762         | -                 | -                               | 49               | 93,811                   | 13,877                         | 107,688                  |
| Director of Community & Environmental Services        | 94,387         | -                 | -                               | 427              | 94,814                   | 13,877                         | 108,691                  |
| Director of Public Health                             | 115,908        | 4,841             | -                               | 166              | 120,915                  | 16,668                         | 137,583                  |
| Director of Childrens Services                        | 96,691         | -                 | -                               | -                | 96,691                   | 15,529                         | 112,220                  |
| Director of Adult Services                            | 98,707         | -                 | -                               | 318              | 99,025                   | 14,516                         | 113,541                  |
| Director of Strategy and Assistant Chief Executive    | 87,321         | -                 | -                               | 280              | 87,601                   | 12,924                         | 100,525                  |
| <b>TOTAL</b>  | <b>929,488</b> | <b>5,403</b>      | <b>-</b>                        | <b>2,605</b>     | <b>937,496</b>           | <b>123,557</b>                 | <b>1,061,053</b>         |

| Employees in Post 2017/2018  |                |                   |                                 |                  |                          |                                |                          |
|--|----------------|-------------------|---------------------------------|------------------|--------------------------|--------------------------------|--------------------------|
| Post Holder Information  | Salary         | Expense Allowance | Compensation for loss of Office | Benefits in Kind | Total Excluding Pensions | Employer Pension Contributions | Total Including Pensions |
|  | £              | £                 | £                               | £                | £                        | £                              | £                        |
| Chief Executive - Neil Jack  | 137,914        | -                 | -                               | 122              | 138,036                  | 20,411                         | 158,447                  |
| Director of Resources  | 99,377         | -                 | -                               | 1,219            | 100,596                  | 14,708                         | 115,304                  |
| Director of Place  | 94,772         | 963               | -                               | 842              | 96,577                   | 1,478                          | 98,055                   |
| Director of Governance & Partnership Services  | 89,826         | -                 | -                               | 201              | 90,027                   | 13,294                         | 103,321                  |
| Director of Community & Environmental Services   | 89,826         | -                 | -                               | 82               | 89,908                   | 13,294                         | 103,202                  |
| Director of Public Health  | 105,959        | 4,841             | -                               | 391              | 111,191                  | 15,237                         | 126,428                  |
| Director of Childrens Services - Established 1st April 2017                                | 90,473         | -                 | -                               | -                | 90,473                   | 13,390                         | 103,863                  |
| Deputy Director of People (Adults) - Disestablished 31 May 2017 (Note E)                   | 17,426         | -                 | -                               | 93               | 17,519                   | 2,579                          | 20,098                   |
| Director of Adult Services - Established 1st June 2017 (Note F)                            | 76,637         | -                 | -                               | 302              | 76,939                   | 11,342                         | 88,281                   |
| Director of Strategy and Assistant Chief Executive - Established 1st October 2017 (Note G) | 35,531         | -                 | -                               | 147              | 35,678                   | 6,335                          | 42,013                   |
| <b>TOTAL</b>   | <b>837,741</b> | <b>5,804</b>      | -                               | <b>3,399</b>     | <b>846,944</b>           | <b>112,068</b>                 | <b>959,012</b>           |

**NOTES**

**A** – Compensation for loss of office includes statutory redundancy pay. Statutory pension strain is included within employer pension contributions. Pension strain is the cost to the Council of the redundancy/retirement. It is not the amount received by the post holder.

**B** – Benefits in kind include travel & subsistence expenses, professional fees.

**C** – Expense Allowances include essential car user payments.

**D** – Salary includes a voluntary reduction for unpaid leave which commenced in April 2011

**2017/18**

**E** – The post was disestablished on 31<sup>st</sup> May 2017. The post holder became Director of Adult Services.

**F** – The post was established on 1<sup>st</sup> June 2017. Their full year contracted salary is £94,063.

**G** – The post was established on 1<sup>st</sup> October 2017. Their full year contracted salary is £87,282.

**2018/19**

**H**- The post of Director of Place was renamed Director of Communications and Regeneration

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table on the next page:

| Exit Package Cost by Band (incl Special Payments) | Number of Compulsory Redundancies |           | Number of Other Agreed Departures |           | Number of Exit Packages by Cost Band |           | Total Cost of Exit Packages in each Band |                   |
|---|-----------------------------------|-----------|-----------------------------------|-----------|--------------------------------------|-----------|--|-------------------|
|   | 2018/2019                         | 2017/2018 | 2018/2019                         | 2017/2018 | 2018/2019                            | 2017/2018 | 2018/2019<br>£000                        | 2017/2018<br>£000 |
| £0 - £20,000                                      | 0                                 | 2         | 38                                | 58        | 38                                   | 60        | 346                                      | 487               |
| £20,001 - £40,000                                 | 2                                 | -         | 7                                 | 12        | 9                                    | 12        | 224                                      | 307               |
| £40,001 - £60,000                                 | 0                                 | -         | 1                                 | 5         | 1                                    | 5         | 48                                       | 238               |
| £60,001 - £80,000                                 | 0                                 | -         | 1                                 | 3         | 1                                    | 3         | 75                                       | 245               |
| £80,001 - £100,000                                | 0                                 | -         | 0                                 | -         | -                                    | -         | -  | -                 |
| £100,001 - £150,000                               | 0                                 | -         | 1                                 | 1         | 1                                    | 1         | 107                                      | 131               |
| <b>Total</b>                                      | <b>2</b>                          | <b>2</b>  | <b>48</b>                         | <b>79</b> | <b>50</b>                            | <b>81</b> | <b>800</b>                               | <b>1,408</b>      |

#### 41. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors. From 1<sup>st</sup> April 2018 Deloitte became the Council's external auditors, replacing KPMG.

|  | 2018/19<br>£000 | 2017/18<br>£000 |
|--|-----------------|-----------------|
| Fees payable to auditors with regard to external audit services carried out by the appointed auditor | 85              | 110             |
| Fees payable to auditors in respect of other inspections   | 16              | 1               |
| Fees payable to auditors for the certification of grant claims and returns                           | 17              | 16              |
| <b>Total</b>   | <b>118</b>      | <b>127</b>      |

#### 42. Disclosure of Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the schools budget as defined in the School Finance (England) Regulations 2011. The schools budget includes elements for a range of educational services provided on an authority wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2018/2019 are as follows:

|  | <b>CENTRAL<br/>EXPENDITURE<br/>£000</b> | <b>ISB<br/>£000</b> | <b>TOTAL<br/>£000</b> |
|--|---|---------------------|-----------------------|
| Final DSG for 2018/19 before academy & high needs recoupment |   |                     | 110,001               |
| Academy & high needs figure recouped for 2018/19             |   |                     | 64,303                |
| Total DSG after Academy & high needs recoupment for 2018/19  |   |                     | 45,698                |
| B/F from 2017/18   |   |                     | 26                    |
| C/F to 2019/20 agreed in advance                             |   |                     | 0                     |
| Agreed initial budget distribution in 2018/19                | 28,298                                  | 17,426              | 45,724                |
| In year adjustments  | -                                       | -                   | -                     |
| Final budgeted distribution for 2018/19                      | 28,298                                  | 17,426              | 45,724                |
| Less Actual Central Expenditure                              | 29,119                                  |                     |                       |
| Less Actual ISB deployed to Schools                          |   | 17,426              |                       |
| Plus Local authority contribution for 2018/19                | 400                                     | 0                   | 400                   |
| C/F to 2019/20   | (421)                                   | 0                   | (421)                 |

### 43. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/2019.

|   | <b>2018/2019</b><br><b>£000</b> | <b>2017/2018</b><br><b>£000</b> |
|---|---------------------------------|---------------------------------|
| <b>Credited to Taxation and Non Specific Grant Income</b> |                                 |                                 |
| Non-Domestic Rates Retained                               | 19,735                          | 20,961                          |
| Non-Domestic Rates Top Up                                 | 23,528                          | 22,858                          |
| Revenue Support Grant                                     | 19,691                          | 24,534                          |
| Section 31 Grants   | 4,039                           | 4,578                           |
| New Homes Bonus   | 465                             | 946                             |
| Improved Better Care Fund                                 | 4,973                           | 5,397                           |
| Opportunity Areas   | 3,796                           | 1,545                           |
| Other Contributions                                       | 463                             |                                 |
| Capital Grants - Other                                    | 25,692                          | 20,378                          |
| <b>Total</b>  | <b>102,382</b>                  | <b>101,197</b>                  |
| <b>Credited to Services</b>                               |                                 |                                 |
| Dedicated Schools Grant                                   | 44,788                          | 42,655                          |
| Pupil Premium Grant                                       | 3,372                           | 3,316                           |
| Housing & Council Tax Benefit Administration Subsidy      | 831                             | 908                             |
| Rent Allowance Subsidy                                    | 61,142                          | 62,313                          |
| Rent Rebates  | 12,205                          | 12,526                          |
| Public Health Grant                                       | 18,428                          | 18,914                          |
| Street Lighting PFI                                       | 2,627                           | 2,627                           |
| Building Schools for the Future PFI                       | 3,024                           | 3,481                           |
| Universal Infant Free School Meals                        | 571                             | 637                             |
| Other Grants and Contributions                            | 8,025                           | 4,923                           |
| <b>Total</b>  | <b>155,013</b>                  | <b>152,300</b>                  |

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that, if not met, will require the monies or property to be returned to the provider. The balances at year end are as follows:

|   | <b>2018/2019</b><br><b>£000</b> | <b>2017/2018</b><br><b>£000</b> |
|---|---------------------------------|---------------------------------|
| <b>Revenue Grants Received in Advance</b> | <b>3,932</b>                    | <b>768</b>                      |
| <b>Capital Grants Received in Advance</b> |                                 |                                 |
| Department of Health                      | 386                             | 645                             |
| Environment Agency grants                 | 2,571                           | 2,711                           |
| Local Transport Plan                      | 5,275                           | 3,989                           |
| Empty Homes                               | 798                             | 798                             |
| Education & Skills Funding Agency         | 5,918                           | 2,509                           |
| Other Grants & Contributions              | 452                             | 2,545                           |
| <b>Total</b>                              | <b>15,400</b>                   | <b>13,197</b>                   |

#### 44. Related Parties

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

##### Central Government

Central Government has significant control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 42. Capital grant receipts unspent at 31<sup>st</sup> March 2019 are shown on Note 42.

##### Members

The Council maintains a register of all members' disclosable pecuniary interests. The register of members' interests is open to public inspection as required by Section 29 of the Localism Act 2011. A copy of the register of members' interests is also available to view on the council's website. Where a member has a disclosable pecuniary interest they are precluded from taking any part in meetings or decisions related to their previously disclosed interest, unless an appropriate dispensation has been granted.

In respect of the 2018/19 financial year a number of council members had a controlling interest in a company, partnership, trust or entity. The controlling interest was by way of ownership, or as a director, member, trustee, governor or partner of an organisation. The existence of the procedures described above ensure that the Council is able to both identify where a member has an interest, and take action to ensure that there is no participation in any decisions relevant to their interest. All major decisions are available for public scrutiny and challenge as part of the Council's constitutional arrangements.

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2018/2019 is shown in Note 38.

During the year a Member of the Council had a private interest in Blackpool, Fylde and Wyre Society for the Blind. The Council made payments to this organisation amounting to £304,433 in 2018/2019 (2017/2018 - £271,436) to meet the Council's social care responsibilities.

During the year a Member of the Council had a private interest in Calico Enterprise Limited who provide support to residents in times of need. The Council made payments to this organisation totalling £288,992 in 2018/19 (2017/2018 - £288,699) and at 31<sup>st</sup> March 2019 owed this company £19,500. These payments were to meet the Council's social responsibilities.

During the year a Member of the Council had a private interest in Little George's Nursery School, a local nursery. The Council made payments to this organisation totalling £215,348 in 2018/19 (2017/2018 - £160,304). These payments were to meet the Council's early years' responsibilities.

These transactions were conducted at arms-length and in accordance with the Authority's financial regulations.

### Chief Officers

The Director of Resources is a board member of Lancashire Pension Board and acts as a representative for the Fund's employers.

It is considered that transactions identified involving Chief Officers with related parties are not material.

### Other Public Bodies

The authority has a pooled budget arrangement with NHS Blackpool Clinical Commissioning Group in relation to the Better Care Fund. Transactions and balances outstanding are detailed in Note 37.

The Council received £18.4m Public Health grant in 2018/19 (£18.9m in 2017/18) for the delivery of Public Health services which aim to improve health outcomes for all ages and removing health inequalities across the borough. The Public Health grant is allocated to the Council as a ring-fenced grant.

The following table shows the precepts and levies during the year:

| Precepting & Levying Bodies                | Precepts/Levies<br>2018/19 | Other Expenditure<br>2018/19 | Precepts/Levies<br>2017/18 | Other Expenditure<br>2017/18 |
|--|----------------------------|------------------------------|----------------------------|------------------------------|
|  | £000                       | £000                         | £000                       | £000                         |
| Police & Crime Commissioner for Lancashire | 6,427                      | 109                          | 5,900                      | 315                          |
| Lancashire Fire Authority                  | 2,443                      | 1                            | 2,764                      | 2                            |
| Environment Agency                         | 68                         | 8                            | 68                         | 5                            |

The precepts paid to Police and Crime Commissioner for Lancashire and Lancashire Fire Authority are to distribute Council Tax collected on behalf of the related party.

The payment to the Environment Agency is the Flood Defence Levy, where there was some other expenditure primarily for drainage works.

### Entities Controlled or Significantly Influenced by the Authority

The authority controls Blackpool Transport Services Limited through its ownership of 100% shares in the Company. The authority provided loans to the Company. The balance outstanding on these loans at 31<sup>st</sup> March 2019 was £12,881,000. Full details are in Note 21.

The authority controls Blackpool Housing Company Limited through its ownership of 100% shares in the Company. The authority provided loans to the Company. The balance outstanding on these loans at 31<sup>st</sup> March 2019 was £14,200,000. Full details are in Note 21.

The authority controls Blackpool Coastal Housing, Blackpool Airport, Blackpool Entertainment Company and Blackpool Operating Company through its ownership of 100% shares in the companies. Full details are in Section 7 Group Accounts

## **45. 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 and PFI contracts), 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.

|  | <b>2018/2019</b><br><b>£000</b> | <b>2017/2018</b><br><b>£000</b> |
|--|---------------------------------|---------------------------------|
| <b><u>Capital Financing Requirement</u></b>  |                                 |                                 |
| <b>Opening Capital Financing Requirement</b>   | <b>304,471</b>                  | <b>285,144</b>                  |
| <b>Capital Investment</b>  |                                 |                                 |
| Property, Plant & Equipment  | 33,077                          | 28,211                          |
| Investment Properties  | 3,216                           | 767                             |
| Assets under Construction  | 10,311                          | 4,806                           |
| Revenue Expenditure funded from Capital under Statute                                  | 2,182                           | 2,498                           |
| Long Term Debtor -Loan to Blackpool Transport Services                                 | 2,967                           | 12,604                          |
| Long Term Debtor - Loan to Blackpool Victoria Hospital                                 | -                               | 9,212                           |
| Long Term Debtor - Loan to Create  | 1,924                           | 2,563                           |
| Long Term Debtor - Loan to Blackpool Housing Company                                   | 5,400                           | 8,800                           |
| Long Term Debtor - Loan to Laila's Fine Foods  | 1,022                           | -                               |
| Long Term Debtor - Ocean Boulevard III   | 6,748                           | -                               |
| Long Term Debtor - Coolsilk  | 5,045                           | -                               |
| <b>Sources of Finance</b>  |                                 |                                 |
| Capital Receipts   | (1,773)                         | (3,015)                         |
| Government Grants & Other Contributions  | (28,019)                        | (22,634)                        |
| Sums set aside from Revenue  | (18,929)                        | (23,038)                        |
| Payments Received for :-   |                                 |                                 |
| Long Term Debtor -Loan to Blackpool Transport Services                                 | (1,520)                         | (1,003)                         |
| Long Term Debtor - Loan to Blackpool Victoria Hospital                                 | (1,385)                         | (444)                           |
| Long Term Debtor - Loan to Laila's Fine Foods  | (26)                            | -                               |
| <b>Closing Capital Financing Requirement</b>   | <b>324,711</b>                  | <b>304,471</b>                  |
| <b>Explanations of Movements in Year</b>   |                                 |                                 |
| Increase in underlying need to borrow (unsupported by Government Financial Assistance) | 20,240                          | 19,327                          |
| <b>Increase in Capital Financing Requirement</b>                                       | <b>20,240</b>                   | <b>19,327</b>                   |

## 46. Leases

### Authority as Lessee

#### Finance Leases

##### Waste Services

The Council has recognised a finance lease creditor in respect of the borrowing raised by Lancashire County Council to settle the PFI liability in respect of the waste PFI. The assets underpinning the finance lease are the land and buildings comprising the waste plants. Blackpool Council's share of the liability is 12.5%.

The total future repayments payable at 31<sup>st</sup> March 2019 were as follows:

|  | <b>31st March 2019</b><br><b>£000</b> |
|--|---------------------------------------|
| Payments due no later than one year                        | 1,034                                 |
| Payments due later than one year not later than five years | 4,543                                 |
| Payment due later than five years                          | 25,730                                |
| <b>Total</b>   | <b>31,307</b>                         |

##### Ribble House

At its meeting on 19<sup>th</sup> February 2018 the Executive agreed to enter into a 30 year lease for Ribble House with an option to acquire the office premises at the end of the lease term. The lease payments escalate on an annual basis at the lower of 5% per annum and the all items retail price index. The escalation is applied to the preceding annual lease payments. The net book value of the property at 31<sup>st</sup> March 2019 was £17m.

The total future repayments payable at 31<sup>st</sup> March 2019 were as follows:

|   | <b>Minimum Lease Payments</b> |                        |
|---|-------------------------------|------------------------|
|   | <b>31st March 2019</b>        | <b>31st March 2018</b> |
|   | <b>£000</b>                   | <b>£000</b>            |
| Not later than one year                           | 690                           | 690                    |
| Later than one year and not later than five years | 4,798                         | 2,760                  |
| Later than five years                             | 16,574                        | 17,264                 |
| <b>Total</b>                                      | <b>22,062</b>                 | <b>20,714</b>          |

The council has sub-let the office accommodation held under this finance lease. At 31<sup>st</sup> March 2019 the minimum payments expected to be received under non-cancellable sub-leases was £13,500,000 (£14,850,000 at 31<sup>st</sup> March 2018)

### The Authority as Lessor

The Council has granted various property leases including the lease of the Sandcastle Waterpark and Ribble House. The rentals received for these 2 properties in 2018/2019 amounted to £1,725,000 (2017/2018 £1,725,000). The gross value of these assets held for use in leases was £24,692,660 at 31<sup>st</sup> March 2019 (2017/2018 £25,028,440). The assets have been subject to £1,007,340 depreciation at 31<sup>st</sup> March 2019.

The future minimum lease payments under non-cancellable lease for all property leases in future years are:

|   | Minimum Lease Payments  |                         |
|---|-------------------------|-------------------------|
|   | 31st March 2019<br>£000 | 31st March 2018<br>£000 |
| Not later than one year                           | 2,033                   | 1,720                   |
| Later than one year and not later than five years | 6,249                   | 5,173                   |
| Later than five years                             | 8,401                   | 7,140                   |
| <b>Total</b>                                      | <b>16,683</b>           | <b>14,033</b>           |

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

## 47. Private Finance Initiative (PFI)

### Highfield Leadership Academy (previously Highfield Humanities College) PFI

The Highfield Leadership Academy PFI scheme is the only PFI school resulting from the Government's Building Schools for the Future Programme. This project consists of the new build of a secondary school for up to 1,216 pupils and the provision of a fully managed facility for a period of 25 years by the selected operator.

The operator is Eric Wright Facilities Management via the Highfield PFI SPV Limited (a company wholly owned by Blackpool Local Education Partnership, a joint venture between Eric Wright Group, Blackpool Council and Northgate Management Services). The total projected cost over the life of the project is £98m which is funded by PFI credits of £40m from the Department of Education with the remainder funded by the School and Local Authority contributions.

On 1<sup>st</sup> April 2017 the school converted to an Academy and the assets relating to the PFI were transferred to Tauheedul Education Trust the school's Governing Body and are no longer recognised on the Authority's Balance Sheet. However, the liability for the remaining payments relating to the scheme are still held on the Authority's Balance Sheet under Long Term Creditors. The school makes a contribution to the Authority for these payments.

The Authority makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31<sup>st</sup> March 2019 (excluding any estimation of inflation and availability/performance deductions) are as follows:

|                                    | <b>Payment for Service<br/>£000</b> | <b>Repayment Liability<br/>£000</b> | <b>Interest<br/>£000</b> | <b>Total Payment Due<br/>£000</b> |
|------------------------------------|-------------------------------------|-------------------------------------|--------------------------|-----------------------------------|
| Payable 2019/20                    | 1,269                               | 601                                 | 1,913                    | 3,783                             |
| Payable in two to five years       | 5,717                               | 2,329                               | 7,033                    | 15,079                            |
| Payable in six to ten years        | 8,512                               | 3,850                               | 7,336                    | 19,698                            |
| Payable in eleven to fifteen years | 10,186                              | 5,625                               | 5,147                    | 20,958                            |
| Payable in sixteen to twenty years | 6,799                               | 6,839                               | 1,591                    | 15,229                            |
| <b>Total</b>                       | <b>32,483</b>                       | <b>19,244</b>                       | <b>23,020</b>            | <b>74,747</b>                     |

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

| <b>2017/2018<br/>£000</b> |                                      | <b>2018/2019<br/>£000</b> |
|---------------------------|--------------------------------------|---------------------------|
| (20,238)                  | Balance outstanding at start of year | (19,758)                  |
| 480                       | Payments during the year             | 514                       |
| <b>(19,758)</b>           | <b>Total</b>                         | <b>(19,244)</b>           |

### Street Lighting and Signals PFI

The scheme, supported by the Department for Transport, was signed in December 2009, and provides for the design, maintenance and replacement of Street Lighting and Signals across the town. The contract was awarded to Community Lighting Partnership. The project commenced on 4<sup>th</sup> January 2010 and is for 25 years. The service provider is responsible for the management and maintenance of street lights and signals within Blackpool. The total sum payable to the contractor over the term of the contract is £128.076m, being met from Government Grant and Authority contributions.

The Authority makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31<sup>st</sup> March 2019 (excluding any estimation of inflation and availability/performance deductions) are as follows:

|                                    | <b>Payment for<br/>Service<br/>£000</b> | <b>Repayment<br/>Liability<br/>£000</b> | <b>Interest<br/>£000</b> | <b>Total<br/>Payment Due<br/>£000</b> |
|------------------------------------|---|---|--------------------------|---------------------------------------|
| Payable 2019/20                    | 2,433                                   | 1,005                                   | 1,146                    | 4,584                                 |
| Payable in two to five years       | 7,311                                   | 5,096                                   | 4,444                    | 16,851                                |
| Payable in six to ten years        | 7,987                                   | 11,009                                  | 5,451                    | 24,447                                |
| Payable in eleven to fifteen years | 17,067                                  | 17,333                                  | 3,334                    | 37,734                                |
| Payable in sixteen to twenty years | 2,967                                   | 4,311                                   | 157                      | 7,435                                 |
| <b>Total</b>                       | <b>37,765</b>                           | <b>38,754</b>                           | <b>14,532</b>            | <b>91,051</b>                         |

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure already incurred is as follows:

| <b>2017/2018<br/>£000</b> |                                      | <b>2018/2019<br/>£000</b> |
|---------------------------|--------------------------------------|---------------------------|
| (28,047)                  | Balance outstanding at start of year | (27,149)                  |
| 898                       | Payments during the year             | 946                       |
| -                         | Additions                            | (41)                      |
| -                         | Refinancing of PFI                   | 2,781                     |
| <b>(27,149)</b>           | <b>Total</b>                         | <b>(23,463)</b>           |

## 48. Impairment Gains

During 2018/2019, the Authority has recognised an impairment gain of £847,539 (2017/2018 £5,486,309) in relation to land and buildings. The impairment gain has been charged to the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

## 49. Termination Benefits

The Authority terminated the contracts of a number of employees in 2018/2019 incurring liabilities of £800,017 (2017/2018 £1,408,243).

## 50. Pension Schemes Accounted For As Defined Contribution Schemes

### *Teachers' Pension Scheme*

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of the members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years. The scheme has in excess of 3,700 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2018/2019 the Council paid £1,801,095 (2017/18 £1,824,555) to the Department for Education in respect of teachers retirement benefits, representing 16.48% of teachers' pensionable pay. There were no contributions remaining payable at the year end. The contributions due to be paid in the next financial year are estimated to be £2.3m.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' pension scheme. These costs are accounted for on a defined benefit basis and detailed in Note 50.

The Authority is not liable to the scheme for any other entities obligations under the plan.

### *NHS Staff Pension Scheme*

From 1<sup>st</sup> April 2013 NHS staff working within Public Health transferred to the Council. The transferred staff have maintained their membership in the NHS Pension Scheme. The Scheme provides these staff with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. However the Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined benefit contribution.

In 2018/2019, the Council paid £95,197 (2017/18 £98,011) to the NHS Pension Scheme in respect of Public Health employees' retirement benefits, representing 14.38% (2016/17 14.3%) of pensionable pay. There were no contributions remaining payable at the year end. The contributions due to be paid in the next financial year are estimated to be £95,000.

## 51. 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 (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme which is administered by Lancashire County Council. This is a funded defined benefit final salary scheme, which means that the Council and employees pay contributions into the fund, calculated at a level intended to balance pension liabilities with the investment assets.

The Lancashire pension scheme is operated under the regulatory framework for the Local Government

Pension Scheme and the governance of the scheme is the responsibility of the pensions committee at Lancashire County Council. Policy is determined in accordance with the Pension Fund Regulations. The Treasurer of Lancashire County Council is also the Treasurer of Lancashire Pension Fund. The investment managers of the fund are appointed by the committee. There are currently nine external investment managers.

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

### **Discretionary Post-retirement Benefits**

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

### **McCloud Judgement**

Claims of unlawful discrimination have been made in relation to the changes to the Judiciary and Firefighters Pension regulations and in December 2018 the Court of Appeal (McCloud / Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. On 27 June 2019 the Supreme Court refused leave to appeal on the McCloud case. In light of this it is envisaged that the Court will require changes to arrangements for employees who were transferred to the new schemes potentially including Local Government Pension Scheme members. This would lead to an increase in Local Government Pension Scheme liabilities and our actuaries (Mercers) using specific assumptions and applying these across the scheme as a whole have estimated the potential increase in scheme liabilities for the Council to be approximately £5m. This increase is reflected in the IAS19 Disclosure as a Past Service Cost. The actuaries have highlighted that this estimate is based on one potential remedy, the potential impact of any difference in the profile of the Council's membership compared with the scheme as a whole and that the figures are highly sensitive to assumptions around short term earnings growth.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Local Government Pension valuation is due to take place in 2020 with implementation of the results planned for 2020/21 and the Council will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

### **Transactions Relating to Post-Employment Benefits**

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

|   | Local Government Pension Scheme |                 | Discretionary Benefits Arrangements |                 |
|---|---------------------------------|-----------------|-------------------------------------|-----------------|
|   | 2018/19<br>£000                 | 2017/18<br>£000 | 2018/19<br>£000                     | 2017/18<br>£000 |
| <b>Comprehensive Income and Expenditure Statement</b>   |                                 |                 |                                     |                 |
| <i>Cost of Services:</i>  |                                 |                 |                                     |                 |
| <i>Service Cost comprising</i>  |                                 |                 |                                     |                 |
| - current service cost  | 19,556                          | 20,081          | 0                                   | 0               |
| - past service costs  | 5,460                           | 747             | 0                                   | 0               |
| - (gain)/loss from settlements  | 0                               | (495)           | 0                                   | 0               |
| <i>Financing &amp; Investment Income and Expenditure</i>  |                                 |                 |                                     |                 |
| Net interest expense  | 5,353                           | 5,600           | 84                                  | 85              |
| <b>Total Post-employment Benefits charged to the Surplus/Deficit on the Provision of Services</b>   | <b>30,369</b>                   | <b>25,933</b>   | <b>84</b>                           | <b>85</b>       |
| <i>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>   |                                 |                 |                                     |                 |
| Remeasurement of the net defined benefit liability comprising:  |                                 |                 |                                     |                 |
| - Actuarial gains and losses arising on changes in financial assumptions  | 44,580                          | (32,189)        | 180                                 | (91)            |
| - Other   | (51,509)                        | (11,541)        | 0                                   | 0               |
| <b>Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>   | <b>(6,929)</b>                  | <b>(43,730)</b> | <b>180</b>                          | <b>(91)</b>     |
| <b>Movement in Reserves Statement</b>   |                                 |                 |                                     |                 |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code | (30,369)                        | (25,933)        | (84)                                | (85)            |
| <b>Actual amount charged against the general fund balance for pensions in the year:</b>   |                                 |                 |                                     |                 |
| Employers' contributions payable to scheme  | 870                             | 37,122          |                                     |                 |
| Retirement benefits payable to pensioners   |                                 |                 | 152                                 | 153             |

### 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 pension benefit plans is as follows:

|  | Local Government Pension Scheme |                 | Discretionary Benefits Arrangements |                 |
|--|---------------------------------|-----------------|-------------------------------------|-----------------|
|  | 2018/19<br>£000                 | 2017/18<br>£000 | 2018/19<br>£000                     | 2017/18<br>£000 |
| Present value of the defined benefit obligation              | 855,206                         | 781,728         | 3,431                               | 3,319           |
| Fair value of plan assets                                    | (626,341)                       | (575,433)       | 0                                   | 0               |
| <b>Net liability arising from defined benefit obligation</b> | <b>228,865</b>                  | <b>206,295</b>  | <b>3,431</b>                        | <b>3,319</b>    |

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

|   | Local Government Pension Scheme |                 | Discretionary Benefits Arrangements |                 |
|---|---------------------------------|-----------------|-------------------------------------|-----------------|
|   | 2018/19<br>£000                 | 2017/18<br>£000 | 2018/19<br>£000                     | 2017/18<br>£000 |
| Opening fair value of scheme assets   | 575,433                         | 529,295         | 0                                   | 0               |
| Interest Income   | 14,765                          | 13,952          | 0                                   | 0               |
| Remeasurement gain/(loss):  |                                 |                 |                                     |                 |
| - The return on plan assets , excluding the amount included in the net interest expense | 51,509                          | 11,541          | 0                                   | 0               |
| - Other   | (305)                           | (291)           | 0                                   | 0               |
| Contributions from employer   | 870                             | 37,122          | 152                                 | 153             |
| Contributions from employees into the scheme  | 3,926                           | 3,751           | 0                                   | 0               |
| Benefits paid   | (19,857)                        | (19,835)        | (152)                               | (153)           |
| Other   | 0                               | (102)           | 0                                   | 0               |
| <b>Closing fair value of scheme assets</b>  | <b>626,341</b>                  | <b>575,433</b>  | <b>0</b>                            | <b>0</b>        |

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

|  | Funded Liabilities: Local Government Pension Scheme |                 | Unfunded Liabilities: Discretionary Benefits Arrangements |                 |
|--|---|-----------------|---|-----------------|
|  | 2018/19<br>£000                                     | 2017/18<br>£000 | 2018/19<br>£000   | 2017/18<br>£000 |
| Opening balance at 1 April   | 781,728   | 790,509         | 3,319   | 3,478           |
| Current service cost   | 19,251  | 19,790          | 0   | 0               |
| Interest cost  | 20,118  | 19,552          | 84  | 85              |
| Contributions from scheme participants                                   | 3,926   | 3,751           | 0   | 0               |
| Remeasurement (gains) and losses:  |   |                 |   |                 |
| - Actuarial gains/losses arising from changes in demographic assumptions | 0   | 0               | 0   | 0               |
| - Actuarial gains/losses arising from changes in financial assumptions   | 44,580  | (32,189)        | 180   | (91)            |
| - Other  | 0   | 0               | 0   | 0               |
| Past service cost  | 5,046   | 0               | 0   | 0               |
| Losses/(gains) on curtailment (where relevant)                           | 414   | 747             | 0   | 0               |
| Benefits paid  | (19,857)  | (19,835)        | (152)   | (153)           |
| Liabilities extinguished on settlements (where relevant)                 | 0   | (597)           | 0   | 0               |
| <b>Closing balance at 31 March</b>                                       | <b>855,206</b>                                      | <b>781,728</b>  | <b>3,431</b>  | <b>3,319</b>    |

|                                  | Fair Value of Scheme Assets |                 |
|----------------------------------|-----------------------------|-----------------|
|                                  | 2018/19<br>£000             | 2017/18<br>£000 |
| Cash & cash equivalents          | 3,644                       | (2,407)         |
| Bonds:                           |                             |                 |
| - Corporate                      | 7,344                       | 10,113          |
| - Government                     | 22,017                      | 14,286          |
| Sub total bonds                  | 29,361                      | 24,399          |
| Property:                        |                             |                 |
| -Retail                          | 15,078                      | 15,824          |
| - Commercial                     | 43,300                      | 38,290          |
| Sub total property               | 58,378                      | 54,114          |
| Private Equity:                  |                             |                 |
| UK                               | 0                           | 0               |
| Overseas                         | 324,232                     | 297,440         |
| Sub total private equity         | 324,232                     | 297,440         |
| Other investment funds:          |                             |                 |
| - Credit Funds                   | 44,472                      | 106,029         |
| - Pooled Fixed Income            | 68,128                      | 14,197          |
| - Infrastructure                 | 88,540                      | 72,922          |
| - Property                       | 9,586                       | 8,739           |
| Sub total other investment funds | 210,726                     | 201,887         |
| <b>Total assets</b>              | <b>626,341</b>              | <b>575,433</b>  |

**Local Government Pension Scheme assets comprised:****Basis for Estimating Liabilities**

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.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Mercers, an independent firm of actuaries, estimates for the Lancashire County Council Fund being based on the latest full valuation of the scheme as at 1 April 2016.

The significant assumptions used by the actuary have been:

|   | Local Government Pension Scheme |                 | Discretionary Benefits |                 |
|---|---------------------------------|-----------------|------------------------|-----------------|
|   | 2018/19<br>£000                 | 2017/18<br>£000 | 2018/19<br>£000        | 2017/18<br>£000 |
| Mortality assumptions:<br>Men/Women     | 99%/93%                         | 99%/93%         | 99%/93%                | 99%/93%         |
| Longevity at 65 for current pensioners: |                                 |                 |                        |                 |
| - Men                                   | 22.8yrs                         | 22.7yrs         | 22.8yrs                | 22.6yrs         |
| - Women                                 | 25.5yrs                         | 25.4yrs         | 25.5yrs                | 25.2yrs         |
| Longevity at 65 for future pensioners:  |                                 |                 |                        |                 |
| - Men                                   | 25.1yrs                         | 25yrs           | 0.0%                   | 0.0%            |
| - Women                                 | 28.2yrs                         | 28yrs           | 0.0%                   | 0.0%            |
| Rate of inflation                       | 2.2%                            | 2.1%            | 2.3%                   | 2.1%            |
| Rate of increase in salaries            | 3.7%                            | 3.6%            | 0.0%                   | -               |
| Rate of increase in pensions            | 2.3%                            | 2.2%            | 2.4%                   | 2.2%            |
| Rate for discounting scheme liabilities | 2.4%                            | 2.6%            | 2.4%                   | 2.6%            |

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 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 2016/2017.

|   | Impact on the Defined Benefit Obligation in the Scheme |                                 |
|---|--|---------------------------------|
|   | Approximate % change in employee liability             | Approximate monetary value £000 |
| 1 year increase in member life expectancy       | 1.97%  | 16,848                          |
| Rate of Inflation - increase by 0.1%            | 1.83%  | 15,650                          |
| Rate of increase in salaries - increase by 0.1% | 0.24%  | 2,052                           |
| 1% increase in real discount rate               | (1.79%)  | (15,308)                        |

### Impact on Authority's Cash Flows

The objectives of the scheme are to keep employer's contributions at as constant a rate as possible. Lancashire County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 16 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

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 March 2014 (or service after 31 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 scheme to pay pensions and other benefits.

## 52. Nature and Extent of Risks Arising From Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

The Council's overall risk management procedures focus on the unpredictability of financial markets, and seek to minimise potential adverse effects on resources available to fund services. Risk management is carried out by the Treasury Management Panel, under policies approved by the Executive in the Council's Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

## Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The criteria are based on information from Fitch, Moody's and Standard and Poors, the three principal credit ratings agencies.

Banks – the authority will use banks which have at least the following ratings:

- Short term – F1 or equivalent
- Long term – Single A or equivalent.

Building Societies – the authority will use any UK society with assets in excess of £1.5 billion.

Local authorities – the authority will use upper tier authorities only.

Investments in UK Government – permitted due to overall security

Investments in supranational institutions – not permitted along with investments in money market funds.

The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Executive.

The Authority's potential maximum exposure to credit risk in relation to its investments in banks and building societies of £7.8m cannot be assessed generally as the risk of any institution failing to make the interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits but there was no evidence at 31<sup>st</sup> March 2019 that this was likely to crystallize.

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

|  | Amount at 31st<br>March 2019<br>£000 | Historical<br>experience of<br>default<br>% | Historical experience<br>adjusted for market<br>conditions at 31st<br>March 2019<br>% | Estimated maximum<br>exposure to default<br>and uncollectability<br>At 31st March 2019<br>£000 | Estimated<br>maximum<br>exposure at<br>31st March<br>2018<br>£000 |
|--|--------------------------------------|---|---|--|---|
| Deposits with banks<br>and financial<br>institutions | 7,800                                | 0   | 0   | 0  | 9,750   |
| Customers  | 43,479                               | 35%   | 0   | 15,218   | 26,701  |

No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority does not generally allow credit for its customers, such that £32.1m of the £43.48m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

|                        | <b>31st March 2019</b><br><b>£000</b> | <b>31st March 2018</b><br><b>£000</b> |
|------------------------|---------------------------------------|---------------------------------------|
| Up to 3 months         | 665                                   | 844                                   |
| Three to six months    | 678                                   | 731                                   |
| Six months to one year | 987                                   | 1,069                                 |
| 1-2 years              | 303                                   | 372                                   |
| 2-3 years              | 262                                   | 112                                   |
| Over 3 years           | 472                                   | 458                                   |
| <b>Total</b>           | <b>3,367</b>                          | <b>3,586</b>                          |

### Liquidity risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of borrowings at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing during specified periods. Except for short term temporary borrowing the strategy is to ensure that not more than 30% of loans are due to mature within any rolling five year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

|                                  | <b>31st March 2019</b><br><b>£000</b> | <b>31st March 2018</b><br><b>£000</b> |
|----------------------------------|---------------------------------------|---------------------------------------|
| Less than one year               | 159,452                               | 153,776                               |
| Between one and two years        | 1,184                                 | 6,895                                 |
| Between two and five years       | 7,761                                 | 13,162                                |
| Between five and ten years       | 20,878                                | 12,277                                |
| Between ten and fifteen years    | 14,778                                | 14,696                                |
| Between fifteen and twenty years | 2,960                                 | 2,960                                 |
| More than twenty years           | 42,334                                | 40,353                                |
| <b>Total</b>                     | <b>249,347</b>                        | <b>244,119</b>                        |

All trade and other payables are due to be paid in less than one year.

### **Market risk**

#### **Interest rate risk**

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

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Service will rise
- investments at fixed rates – the fair value of the assets will fall.

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

The Authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 35% of its long-term borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management panel has an active strategy for assessing interest rate exposure that feeds into the annual budget setting. Any adverse changes are updated in the budget during the year. The analysis will also advise whether new borrowing taken out is fixed or variable.

If interest rates had been 1% higher with all other variables held constant, the financial effect would have a £1.5m effect on the financial statements. This assumption is based on the methodology used in the Note – Fair Value of Assets and Liabilities.

#### **Price Risk**

The Authority does not invest in equity shares but does have shareholdings with a fair value of £28.75m in a number of subsidiaries.

As the shareholdings have arisen in the acquisition of specific interests, the Authority is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for 'open book' arrangements with the company concerned so that the authority can monitor factors that might cause a fall in the value of specific shareholdings.

All movements in share price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £1.4m gain or loss being recognised in the Other Comprehensive Income and Expenditure for 2018/2019.

#### **Foreign Exchange Risk**

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

## **53. Contingent Liabilities /Assets**

### **Municipal Mutual Insurance**

The Scheme of Arrangement was enacted in 2012/2013. Although Blackpool Council is not a scheme creditor the Council will have a liability in relation to Lancashire County Council (for transferred services). It is not yet clear how much this liability will be.

### **NNDR Appeals**

The Council has made provision for NNDR appeals based upon its best estimate 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.

As at 31<sup>st</sup> March 2019 the Council had no material contingent assets to disclose.

These assets and liabilities are not included on the Balance Sheet.

## **54. Heritage Assets: Five Year Summary of Transactions**

Information on Illuminations and Civic Regalia is not available before 1<sup>st</sup> April 2010. The Tower Company Collection only transferred to the Authority in March 2009 and there have been no movements in the valuation. There have been no movements in the valuation of the art collection, local and family history collection and Stanley Park statues.

|   | 2014/2015<br>£000 | 2015/2016<br>£000 | 2016/2017<br>£000 | 2017/2018<br>£000 | 2018/2019<br>£000 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Balance B/fwd</b>                                  |                   |                   |                   |                   |                   |
| Cenotaph  | 120               | 120               | 120               | 120               | 20                |
| Civic Regalia   | 591               | 591               | 591               | 591               | 510               |
| Illuminations   | 500               | 500               | 500               | 500               | 550               |
| Tower Collection & Local Family<br>History Collection | 900               | 900               | 900               | 900               | 1,450             |
| Art Collection  | 5,000             | 5,000             | 5,000             | 5,000             | 5,655             |
| Stanley Park Statues                                  | 653               | 653               | 653               | 653               | -                 |
| <b>Total Balance B/fwd</b>                            | <b>7,764</b>      | <b>7,764</b>      | <b>7,764</b>      | <b>7,764</b>      | <b>8,185</b>      |
| <b>Additions</b>                                      |                   |                   |                   |                   |                   |
| Art Collection  | -                 | -                 | -                 | 55                | -                 |
| <b>Total Additions</b>                                | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>55</b>         | <b>-</b>          |
| <b>Impairment/Revaluation</b>                         |                   |                   |                   |                   |                   |
| Cenotaph  | -                 | -                 | -                 | (100)             | -                 |
| Civic Regalia   | -                 | -                 | -                 | (81)              | -                 |
| Illuminations   | -                 | -                 | -                 | 50                | -                 |
| Tower Collection & Local Family<br>History Collection | -                 | -                 | -                 | 550               | -                 |
| Art Collection  | -                 | -                 | -                 | 600               | -                 |
| Stanley Park Statues                                  | -                 | -                 | -                 | (653)             | -                 |
| <b>Total Impairment/Revaluation</b>                   | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>366</b>        | <b>-</b>          |
| <b>Balance C/fwd</b>                                  |                   |                   |                   |                   |                   |
| Cenotaph  | 120               | 120               | 120               | 20                | 20                |
| Civic Regalia   | 591               | 591               | 591               | 510               | 510               |
| Illuminations   | 500               | 500               | 500               | 550               | 550               |
| Tower Collection & Local Family<br>History Collection | 900               | 900               | 900               | 1,450             | 1,450             |
| Art Collection  | 5,000             | 5,000             | 5,000             | 5,655             | 5,655             |
| Stanley Park Statues                                  | 653               | 653               | 653               | -                 | -                 |
| <b>Total Balance C/fwd</b>                            | <b>7,764</b>      | <b>7,764</b>      | <b>7,764</b>      | <b>8,185</b>      | <b>8,185</b>      |

# Section 6

## Supplementary Single Entity Financial Statements

The Housing Revenue Account Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised is shown in the Movement in Reserves Statement on the Housing Revenue Account Statement.

| <b>Housing Revenue Account</b>   |   |                  |                 |
|--|---|------------------|-----------------|
| <b>Income and Expenditure Statement for the Year Ended 31st March 2019</b> |   |                  |                 |
| <b>2017/2018</b>   |   | <b>2018/2019</b> |                 |
| <b>£000</b>  |   | <b>£000</b>      | <b>£000</b>     |
|  | <b>Expenditure</b>  |                  |                 |
| 5,621  | Repairs and maintenance   | 3,929            |                 |
| 5,816  | Supervision and management  | 7,494            |                 |
| 131  | Rent, rates , taxes and other charges   | 158              |                 |
| 8,315  | Depreciation and impairment of non-current assets   | 5,547            |                 |
| 73   | Debt management costs   | 72               |                 |
| 216  | Movement in the allowance for bad debts   | 184              |                 |
| <b>20,172</b>  | <b>Total Expenditure</b>  |                  | <b>17,384</b>   |
|  | <b>Income</b>   |                  |                 |
| (16,775)   | Dwelling rents  | (16,775)         |                 |
| (164)  | Non-dwelling rents  | (126)            |                 |
| (1,648)  | Charges for services and facilities   | (1,686)          |                 |
| (130)  | Contributions towards expenditure   | (532)            |                 |
| <b>(18,717)</b>  | <b>Total Income</b>   |                  | <b>(19,119)</b> |
| <b>1,455</b>   | <b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Account</b>                         |                  | <b>(1,735)</b>  |
|  | <b>HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b> |                  |                 |
| 174  | Loss on sale of HRA non-currents assets   | 128              |                 |
| -  | Capital grants  | (1,563)          |                 |
| 383  | Interest payable and similar charges  | 398              |                 |
| (53)   | Interest and investment income  | (110)            | (1,147)         |
| <b>1,959</b>   | <b>Deficit for the year on HRA services</b>   |                  | <b>(2,882)</b>  |

## Movement on the Housing Revenue Account Statement for the Year Ending 31<sup>st</sup> March 2019

|  | 2018/2019<br>£000 | 2017/2018<br>£000 |
|--|-------------------|-------------------|
| <b>Balance on HRA Reserve at 31st March</b>                          | <b>(5,870)</b>    | <b>(6,857)</b>    |
| Surplus/Deficit for the year on HRA Income and Expenditure Statement | (2,882)           | 1,959             |
| Adjustments between accounting basis and funding basis under statute | 3,047             | (5,579)           |
| Net increase or decrease in year                                     | 165               | (3,620)           |
| Transfers to/from Reserves   | -                 | 4,607             |
| <b>Balance on HRA Reserve at 31st March</b>                          | <b>(5,705)</b>    | <b>(5,870)</b>    |
|  |                   |                   |

## Notes to the HRA Statement

### 1. Housing Revenue Account Stock

The Council owned 4,801 dwellings at 31<sup>st</sup> March 2019 which are analysed below:-

|                          | 2018/2019    | 2017/2018    |
|--------------------------|--------------|--------------|
| Bedsits                  | 88           | 87           |
| Flats                    | 2,859        | 2,847        |
| Maisonettes              | -            | 5            |
| Bungalows                | 80           | 80           |
| Houses                   | 1,730        | 1,684        |
| Multi occupied dwellings | 44           | 44           |
| <b>Total</b>             | <b>4,801</b> | <b>4,747</b> |

The change in the stock during the year is summarised below:-

|                                | 2018/2019    | 2017/2018    |
|--------------------------------|--------------|--------------|
| <b>Stock at 1st April</b>      | <b>4,747</b> | <b>4,751</b> |
| Less: Sales to tenants         | 22           | 13           |
| Disposal of Kennedy House      | -            | 4            |
| Disposal of Chepstow Road site | 6            | -            |
| Add: Queens Park Phase II      | 78           | 13           |
| Troutbeck Buy Backs            | 4            |              |
| <b>Stock at 31st March</b>     | <b>4,801</b> | <b>4,747</b> |

The Balance Sheet value of assets held in the Housing Revenue Account was as follows:-

|                            | <b>2018/2019<br/>£000</b> | <b>2017/2018<br/>£000</b> |
|----------------------------|---------------------------|---------------------------|
| Operational assets:        |                           |                           |
| Council dwellings          | 115,557                   | 114,305                   |
| Other HRA                  | 2,330                     | 1,992                     |
| <b>Stock at 31st March</b> | <b>117,887</b>            | <b>116,297</b>            |

## 2. Dwelling Rents

This is the total rent due for the year after allowance is made for voids etc. During the year 3.0% of lettable properties, excluding hostels, were vacant (2017/18: 2.3%). This includes properties intentionally held vacant pending the ongoing re-development of the Queens Park estate and other sites. During the year the average void rate for hostels was 12% (2017/18 - 16%).

The average rent (excluding Affordable Rent properties) was £67.47 a week in 2018/19, a decrease of 0.6% over the previous year.

|                                       | <b>2018/2019<br/>£000</b> | <b>2017/2018<br/>£000</b> |
|---------------------------------------|---------------------------|---------------------------|
| Vacant possession value of properties | 287,612                   | 284,482                   |

The vacant possession value of dwellings held on 31<sup>st</sup> March 2019 was £287,612,030. The difference between this and the Existing Use Value (Social Housing) valuation of £115,557,452 represents the economic cost to the Government of providing council housing at less than the open market rents.

### 3. Major Repairs Reserve

The movements in the Major Repairs Reserve (MRR) are summarised below:

|  | 2018/2019<br>£000 | 2017/2018<br>£000 |
|--|-------------------|-------------------|
| <b>Balance at 1st April</b>  | -                 | -                 |
| Transferred to MRR during the year   | -                 | -                 |
| Transfer between MRR and HRA during the year                               | 2,857             | 2,909             |
| Debits to MRR during the financial year in respect of capital expenditure: |                   |                   |
| Houses held within HRA   | (2,857)           | (2,909)           |
| <b>Balance at 31st March</b>   | -                 | -                 |

### 4. Housing Repairs Account

The movement on the Housing Repairs Account during the year is summarised below:

|                              | 2018/2019<br>£000 | 2017/2018<br>£000 |
|------------------------------|-------------------|-------------------|
| <b>Balance at 1st April</b>  | -                 | -                 |
| Add: Revenue contribution    | 3,929             | 4,607             |
| Less: Expenditure in year    |                   |                   |
| Responsive repairs           | (2,805)           | (2,768)           |
| Planned maintenance          | (1,124)           | (1,839)           |
| <b>Balance at 31st March</b> | -                 | -                 |

## 5. Capital Expenditure within Housing Revenue Account

|   | 2018/2019<br>£000 | 2017/2018<br>£000 |
|---|-------------------|-------------------|
| <b>Total capital expenditure within the Housing Revenue Account on land, housing &amp; other property</b> | <b>9,319</b>      | <b>8,006</b>      |
| Sources of funding for the above Capital Expenditure:   |                   |                   |
| - Usable Capital Receipts   | 391               | 325               |
| - Revenue contributions (as defined in Local Government & Housing Act 1989)                               | 3,692             | 4,607             |
| - Major Repairs Reserve   | 2,857             | 2,909             |
| - Grants and other funding  | 2,379             | 165               |
| <b>Total capital expenditure within the HRA</b>   | <b>9,319</b>      | <b>8,006</b>      |

Usable capital receipts totalling £391,000 were received and applied during the year.

## 6. Depreciation Charge within the HRA

|   | 2018/2019<br>£000 | 2017/2018<br>£000 |
|---|-------------------|-------------------|
| Depreciation charges for:   |                   |                   |
| - Operational assets, comprising dwellings and other land and buildings | 2,791             | 2,839             |
| - Non-Operational assets  | 66                | 70                |
| <b>Total</b>  | <b>2,857</b>      | <b>2,909</b>      |

## 7. Impairment

|   | 2018/2019<br>£000 | 2017/2018<br>£000 |
|---|-------------------|-------------------|
| Impairment charges in respect of land, houses and other property within the HRA | 2,690             | 5,406             |

The basis of valuation of the housing stock within the HRA is Existing Use Value – Social Housing (EUV-SH). This is calculated by applying a prescribed discount factor to the Existing Use Value – Vacant Possession (EUV-VP) as advised by the Department for Communities and Local Government (DCLG). Since 2016/17 the discount factor to be applied throughout the North West has been set at 40%.

The 2018/19 HRA revaluation exercise was a desk top review which resulted in a total impairment of £3,225,000.

## **8. Government Rules**

The Localism Act 2011 resulted in the cessation of the Housing Subsidy System on 31<sup>st</sup> March 2012 and the introduction of the HRA self-financing system on 1<sup>st</sup> April 2012. One of the purposes for the introduction of the Act is to enable all local authorities to be in a position whereby they can manage their homes from their own income.

### **a) The Ring-fence**

The present rules do not allow authorities to transfer funds from the Housing Revenue Account to the General Fund or vice versa except under specified conditions. The items to be included within the Housing Revenue Account are also specified.

### **b) Control**

A deficit balance on the Account is not allowed and the format of the Account must comply with Schedule 4 of the Act.

### **c) Annual Report**

An annual report to tenants must be published detailing activities and performance during the year.

## **9. Rent Arrears**

Rent Arrears for 2018/2019 amounted to £756,000 compared to £680,000 in the previous year. During the year 2018/2019 rent arrears as a proportion of gross collectable rent (including service charges) were 3.96% (2017/2018: 3.62%).

Amounts written off during the year amounted to £136,000 (2017/18: £257,000). The total provision for bad and doubtful rental debts in the Housing Revenue Account at 31<sup>st</sup> March 2019 is £662,000 (£581,000 at 31<sup>st</sup> March 2018). This provision has been calculated in accordance with the Housing Revenue Account (Arrears of Rents and Charges) Directions 1990.

# Collection Fund 2018/2019

## Collection Fund Statement 2018/19

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.

| 2017/2018<br>£000<br>Council Tax | 2017/2018<br>£000<br>NDR | 2017/2018<br>£000<br>Total |   | 2018/2019<br>£000<br>Council Tax | 2018/2019<br>£000<br>NDR | 2018/2019<br>£000<br>Total |
|----------------------------------|--------------------------|----------------------------|---|----------------------------------|--------------------------|----------------------------|
|                                  |                          |                            | <b>Income</b>   |                                  |                          |                            |
| 58,763                           |                          | 58,763                     | Council Tax Receivable                                  | 62,046                           |                          | 62,046                     |
|                                  | 44,897                   | 44,897                     | Business Rates Receivable                               |                                  | 46,855                   | 46,855                     |
| <b>58,763</b>                    | <b>44,897</b>            | <b>103,660</b>             | <b>Total Income</b>                                     | <b>62,046</b>                    | <b>46,855</b>            | <b>108,901</b>             |
|                                  |                          |                            | <b>Expenditure</b>                                      |                                  |                          |                            |
|                                  |                          |                            | <u>Apportionment of previous year's surplus/deficit</u> |                                  |                          |                            |
|                                  | (119)                    | (119)                      | Central Government                                      |                                  | 228                      | 228                        |
| 1,888                            | (117)                    | 1,771                      | Blackpool Council                                       | 1,135                            | 223                      | 1,358                      |
| 91                               | (2)                      | 89                         | Lancashire Fire Authority                               | 52                               | 5                        | 57                         |
| 225                              |                          | 225                        | Police & Crime Commissioner for Lancashire              | 132                              |                          | 132                        |
|                                  |                          |                            | <u>Precepts, Demands and Shares</u>                     |                                  |                          |                            |
|                                  | 21,388                   | 21,388                     | Central Government                                      |                                  | 20,138                   | 20,138                     |
| 50,845                           | 20,961                   | 71,806                     | Blackpool Council                                       | 54,732                           | 19,735                   | 74,467                     |
| 2,336                            | 428                      | 2,764                      | Lancashire Fire Authority                               | 2,443                            | 403                      | 2,846                      |
| 5,900                            |                          | 5,900                      | Police & Crime Commissioner for Lancashire              | 6,427                            |                          | 6,427                      |
|                                  |                          |                            | <u>Charges to Collection Fund</u>                       |                                  |                          |                            |
| (2,521)                          | (1,050)                  | (3,571)                    | less: Write offs of uncollectable amounts               | (2,757)                          | (1,406)                  | (4,163)                    |
| 872                              | 1,315                    | 2,187                      | less: Increase/Decrease in BDP                          | 642                              | 1,483                    | 2,125                      |
|                                  | 2,183                    | 2,183                      | less: Increase/Decrease in Provision for Appeals        |                                  | 1,800                    | 1,800                      |
|                                  | 261                      | 261                        | less: Cost of Collection                                |                                  | 259                      | 259                        |
|                                  | 4,590                    | 4,590                      | less: Transitional Protection Payments                  |                                  | 2,141                    | 2,141                      |
| <b>59,636</b>                    | <b>49,838</b>            | <b>109,474</b>             | <b>Total Expenditure</b>                                | <b>62,806</b>                    | <b>45,009</b>            | <b>107,815</b>             |
| <b>873</b>                       | <b>4,941</b>             | <b>5,814</b>               | <b>(Surplus)/Deficit for the Year</b>                   | <b>760</b>                       | <b>(1,846)</b>           | <b>(1,086)</b>             |
|                                  |                          |                            | <b>Collection Fund Balance</b>                          |                                  |                          |                            |
| (3,523)                          | (785)                    | (4,308)                    | Fund balance at 1st April (Surplus)/Deficit             | (2,650)                          | 4,156                    | 1,506                      |
| <b>(2,650)</b>                   | <b>4,156</b>             | <b>1,506</b>               | <b>(Surplus)/Deficit as at 31st March 2019</b>          | <b>(1,890)</b>                   | <b>2,310</b>             | <b>420</b>                 |
|                                  |                          |                            | <b>Allocated to:</b>                                    |                                  |                          |                            |
| (2,281)                          | 2,037                    | (244)                      | - Blackpool Council                                     | (1,622)                          | 1,132                    | (490)                      |
| (103)                            | 42                       | (61)                       | - Lancashire Fire Authority                             | (72)                             | 23                       | (49)                       |
| (266)                            |                          | (266)                      | - Police & Crime Commissioner for Lancashire            | (196)                            |                          | (196)                      |
|                                  | 2,077                    | 2,077                      | - Central Government                                    |                                  | 1,155                    | 1,155                      |
| <b>(2,650)</b>                   | <b>4,156</b>             | <b>1,506</b>               | <b>Total</b>  | <b>(1,890)</b>                   | <b>2,310</b>             | <b>420</b>                 |

## Notes to the Collection Fund

### 1. General

The Collection Fund statement shows the transactions of the billing authority in relation to the collection of council tax from taxpayers and non-domestic rates from business rate payers. The Council has a statutory requirement to operate a Collection Fund separate account to the General Fund. The Collection Fund is distributed between the Council, Central Government, Police and Crime Commissioner for Lancashire and Lancashire Fire Authority.

From 1<sup>st</sup> April 2013, the local government finance regime was revised with the introduction of a retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the area. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

The scheme allows Councils to retain 49% of the total NNDR received. The remaining 51% is paid to Central Government (50%) and Lancashire Fire Authority (1%).

NNDR surpluses and deficits are apportioned /charged to the relevant preceptors in the following financial year.

### 25. Council Tax

The Council as a billing authority is required to set a tax base for each billing year by 31<sup>st</sup> January of the previous year. The council tax base represents the number of chargeable dwellings in each valuation band (adjusted for discounts etc) multiplied by a set proportion to give the number of Band D equivalents.

The tax base is not constant. The number of properties eligible for discounts varies during the year. The number of properties on the valuation list also varies during the year owing to new properties being occupied and others being demolished. As a result the amount receivable from council tax payers in the year varies from the estimated amount. This will result in a surplus or deficit on the Collection Fund in respect of council tax. Surplus and deficits on the Collection Fund are shared between the Council, Police and Crime Commissioner for Lancashire and Lancashire Fire Authority in proportion to their budgets. The Council's share of any surplus/deficit is used to reduce/increase the council tax bills in the subsequent financial year.

The Council tax base for 2018/2019 was 36,219 (35,662 in 2017/2018). This increase is mainly as a result of the Government's Council Tax Localisation changes which revised the way Central Government pay Council Tax benefit compensation to the Council.

The tax base for 2018/2019 was calculated as follows:

| Band   | Chargeable Dwellings | Proportion of Band D Tax | Equivalent Band D Dwellings |
|--|----------------------|--------------------------|-----------------------------|
| A Reduced  | 32                   | 5/9                      | 18                          |
| A  | 16,459               | 6/9                      | 10,973                      |
| B  | 14,675               | 7/9                      | 11,414                      |
| C  | 8,842                | 8/9                      | 7,859                       |
| D  | 3,852                | 1                        | 3,852                       |
| E  | 1,594                | 11/9                     | 1,949                       |
| F  | 476                  | 13/9                     | 687                         |
| G  | 216                  | 15/9                     | 360                         |
| H  | 18                   | 18/9                     | 36                          |
| Less allowances for non collection                 |                      |                          | 929                         |
| <b>Tax Base for the Calculation of Council Tax</b> |                      |                          | <b>36,219</b>               |

## 26. National Non-Domestic Rates

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VO) multiplied by a uniform business rate set nationally by Central Government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR Pool) administered by Central Government, which in turn paid to local authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/2014 the administration of NNDR changed following the introduction of a business rate retention scheme which aims to give councils greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of collectable rates due. Blackpool Council's local share is 49%. The remainder is distributed to the preceptors which are Central Government (50%) and Lancashire Fire Authority (1%).

The business rates shares payable for 2018/2019 were estimated before the start of the financial year as £20.138m (£21.388m in 2017/18) to Central Government, £0.403m (£0.428m in 2017/18) to Lancashire Fire Authority and £19.735m (£20.961m in 2017/18) to Blackpool Council. These sums have been paid in 2018/2019 and charged to the Collection Fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all local authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Blackpool received top up grant to the General Fund in 2018/2019 to the value of £23.528m (£22.858m in 2017/2018).

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VO. Authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion to precepting shares. The total provision charged to the Collection Fund for 2018/2019 has been calculated at £11.797m (£9.998m in 2017/2018).

For 2018/2019, the total non-domestic rateable value at the year- end is £127.959m. The national multiplier for 2018/2019 was 49.3p (46.6p in 2017/2018) for qualifying small businesses and the standard multiplier being 48.0p (47.9p in 2017/2018) for all other businesses.

## 27. Allocation Of Closing Balances

The allocation of the closing balances for 2018/2019 between the preceptors is as follows:

|                            | Central Government<br>£000 | Blackpool<br>Council<br>£000 | Lancashire Fire<br>Authority<br>£000 | Police Authority<br>£000 | Enterprise<br>Zone<br>£000 | Total<br>£000 |
|----------------------------|----------------------------|------------------------------|--------------------------------------|--------------------------|----------------------------|---------------|
| <b>Council Tax</b>         |                            |                              |                                      |                          |                            |               |
| Arrears at 31st March 2019 |                            | 14,944                       | 667                                  | 1,934                    |                            | 17,545        |
| Receipts in Advance        |                            | (707)                        | (32)                                 | (92)                     |                            | (831)         |
| Bad Debt Provision         |                            | (6,117)                      | (273)                                | (792)                    |                            | (7,182)       |
| Surplus/Deficit            |                            | (1,622)                      | (72)                                 | (196)                    |                            | (1,890)       |
| <b>Business Rates</b>      |                            |                              |                                      |                          |                            |               |
| Arrears at 31st March 2019 | 3,032                      | 2,971                        | 61                                   |                          | 0                          | 6,064         |
| Receipts in Advance        | (321)                      | (315)                        | (6)                                  |                          | 0                          | (642)         |
| Bad Debt Provision         | (1,253)                    | (1,228)                      | (25)                                 |                          | (105)                      | (2,611)       |
| Appeals                    | (5,661)                    | (5,547)                      | (113)                                |                          | (476)                      | (11,797)      |
| Surplus/Deficit            | 1,155                      | 1,132                        | 23                                   |                          | 0                          | 2,310         |

# Section 7

## Group Accounts 2018/2019

## 7.0 Introduction

The Group Accounts show the combined overall financial position of the Council, its subsidiary companies and its associates.

**Subsidiaries** are where the Council exercises control. Blackpool Transport Services, Blackpool Operating Company, Blackpool Coastal Housing, Blackpool Housing Company, Blackpool Entertainment Company and Regional & City Airports (Blackpool) Holdings Ltd are 100% owned by the Council and are therefore classified as subsidiaries. They are incorporated into the accounts on a line-by-line basis.

**Associates** are where the Council exercises significant influence. Marketing Lancashire is classified as such and is incorporated into the accounts on an equity basis.

### Subsidiaries

#### *Blackpool Transport Services*

Registered Address: Rigby Road, Blackpool FY1 5DD  
Company Number: 02003020

Blackpool Transport Services Limited was set up in accordance with the provisions of the Transport Act 1985 to operate the Council's municipal bus operation. The company provides a comprehensive passenger transport service in the Fylde coast area through its bus and tram operations.

#### *Blackpool Operating Company*

Registered Address: Number One Bickerstaffe Square, Talbot Road, Blackpool FY1 3AH  
Company Number: 09405354

The Council purchased the operation of the Sandcastle Waterpark from a private company on 20<sup>th</sup> June 2003 and now wholly owns both the building and the commercial operator - Blackpool Operating Company Limited (BOC). The Council's shares in Blackpool Operating Company are valued at £2.

#### *Blackpool Coastal Housing*

Registered Address: Coastal House, 17-19 Abingdon Street, Blackpool FY1 1DG  
Company Number: 05868852

Blackpool Coastal Housing is an ALMO (arms-length management organisation) of the Council and was formed on 15<sup>th</sup> January 2007. The company's principal activities are to manage and maintain the housing stock of the Council.

#### *Blackpool Entertainment Company*

Registered Address: Number One Bickerstaffe Square, Talbot Road, Blackpool FY1 3AH  
Company Number: 09044792

The Council purchased the operation of the Winter Gardens from a private company on 16<sup>th</sup> May 2014 and now wholly owns both the building and the commercial operator - Blackpool Entertainment Company Limited (BECL). The Council's shares in BECL are valued at £1.

*Blackpool Housing Company*

Registered Address: Number One Bickerstaffe Square, Talbot Road, Blackpool FY1 3AH  
Company Number: 09405354

Blackpool Housing Company Limited was set up on 26<sup>th</sup> January 2015. The company is a housing regeneration company and is wholly owned by the Council.

*Blackpool Airport Ltd*

Registered Address: Number One Bickerstaffe Square, Talbot Road, Blackpool FY1 3AH  
Company Number: 6581425

In September 2017 the Council completed the purchase of Blackpool Airport. The Council, which was previously a 5% shareholder in the Airport, signed a £4.25m deal with previous owners Balfour Beatty to fully take over the holding company Regional & City Airports (Blackpool) Holdings Ltd. The Council has acquired all shares in Regional & City Airports (Blackpool) Holdings Ltd and has now taken over 100% ownership of the airport site.

**Associates**

*Marketing Lancashire*

Registered Address: Christ Church Precinct, County Hall, Fishergate Hill, Preston, PR1 8XJ  
Company Number: 05039554

Marketing Lancashire (previously known as Lancashire and Blackpool Tourist Board) is limited by guarantee and therefore has no share capital. The Council has 43% of the voting rights. It supports businesses in the Lancashire and Blackpool area by representing their interests regionally and nationally, by co-ordinating marketing activity, managing and developing the tourism product and working in partnership with industry. Activities in commercial membership, business support, "Welcome to Excellence" training, visitors services and marketing activity are all designed to improve quality and achieve common goals.

# Core Financial Statements - Group

## Group Movement in Reserves Statement

**2018/19**

|  | General Fund Balance | Earmarked General Fund Reserves | HRA            | Capital Receipts Reserve | Major Repairs Reserve | Capital Reserves | Total Usable Reserves | Unusable Reserves | Total Authority Reserves | Group Reserves | Total Reserves  |
|--|----------------------|---------------------------------|----------------|--------------------------|-----------------------|------------------|-----------------------|-------------------|--------------------------|----------------|-----------------|
|  | £000                 | £000                            | £000           | £000                     | £000                  | £000             | £000                  | £000              | £000                     | £000           | £000            |
| Balance as at 31st March 2018  | (6,131)              | (36,819)                        | (5,870)        | (4,508)                  | -                     | (4,477)          | (57,805)              | (188,666)         | (246,471)                | 1,211          | (245,260)       |
| <b>Movements in Reserves in 2018/2019</b>                                |                      |                                 |                |                          |                       |                  |                       |                   |                          |                |                 |
| (Surplus) or Deficit on the provision of services                        | 11,715               | -                               | (2,882)        | -                        | -                     | -                | 8,833                 | -                 | 8,833                    | 1,252          | 10,085          |
| Other Comprehensive Income & Expenditure                                 | -                    | -                               | -              | -                        | -                     | -                | -                     | (18,625)          | (18,625)                 | (1,660)        | (20,285)        |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>11,715</b>        | <b>-</b>                        | <b>(2,882)</b> | <b>-</b>                 | <b>-</b>              | <b>-</b>         | <b>8,833</b>          | <b>(18,625)</b>   | <b>(9,792)</b>           | <b>(408)</b>   | <b>(10,200)</b> |
| Adjustments between accounting basis and funding basis under regulations | (18,334)             | -                               | 3,047          | 169                      | -                     | -                | (15,118)              | 15,118            | -                        | -              | -               |
| <b>Net (Increase) or Decrease before Transfer to Earmarked Reserves</b>  | <b>(6,619)</b>       | <b>-</b>                        | <b>165</b>     | <b>169</b>               | <b>-</b>              | <b>-</b>         | <b>(6,285)</b>        | <b>(3,507)</b>    | <b>(9,792)</b>           | <b>(408)</b>   | <b>(10,200)</b> |
| Transfer to/(from) Earmarked Reserves                                    | 3,762                | (4,843)                         | -              | (3,188)                  | -                     | 1,365            | (2,904)               | 2,904             | -                        | -              | -               |
| <b>(Increase)/Decrease in 2018/2019</b>                                  | <b>(2,857)</b>       | <b>(4,843)</b>                  | <b>165</b>     | <b>(3,019)</b>           | <b>-</b>              | <b>1,365</b>     | <b>(9,189)</b>        | <b>(603)</b>      | <b>(9,792)</b>           | <b>(408)</b>   | <b>(10,200)</b> |
| Balance as at 31st March 2019  | (8,988)              | (41,662)                        | (5,705)        | (7,527)                  | -                     | (3,112)          | (66,994)              | (189,269)         | (256,263)                | 803            | (255,460)       |

## 2017/2018

|  | General Fund Balance | Earmarked General Fund Reserves | HRA     | Capital Receipts Reserve | Major Repairs Reserve | Capital Reserves | Total Usable Reserves | Unusable Reserves | Total Authority Reserves | Group Reserves | Total Reserves |
|--|----------------------|---------------------------------|---------|--------------------------|-----------------------|------------------|-----------------------|-------------------|--------------------------|----------------|----------------|
|  | £000                 | £000                            | £000    | £000                     | £000                  | £000             | £000                  | £000              | £000                     | £000           | £000           |
| <b>Balance as at 31st March 2017</b>                                     | (6,422)              | (37,501)                        | (6,857) | (3,193)                  | -                     | (4,873)          | (58,846)              | (155,690)         | (214,536)                | 652            | (213,884)      |
| <b>Movements in Reserves in 2017/2018</b>                                |                      |                                 |         |                          |                       |                  |                       |                   |                          |                |                |
| Surplus or Deficit on the provision of services                          | 15,990               |                                 | 1,959   |                          |                       |                  | 17,949                | -                 | 17,949                   | 21,835         | 39,784         |
| Other Comprehensive Income & Expenditure                                 |                      |                                 |         |                          |                       |                  | -                     | (49,884)          | (49,884)                 | (21,276)       | (71,160)       |
| <b>Total Comprehensive Income and Expenditure</b>                        | 15,990               | -                               | 1,959   | -                        | -                     | -                | 17,949                | (49,884)          | (31,935)                 | 559            | (31,376)       |
| Adjustments between accounting basis and funding basis under regulations | 9,019                |                                 | (5,579) |                          | (2,909)               |                  | 531                   | (531)             | -                        | -              | -              |
| <b>Net increase or Decrease before Transfer to Earmarked Reserves</b>    | 25,009               | -                               | (3,620) | -                        | (2,909)               | -                | 18,480                | (50,415)          | (31,935)                 | 559            | (31,376)       |
| Transfer to/from Earmarked Reserves                                      | (24,718)             | 682                             | 4,607   | (1,315)                  | 2,909                 | 396              | (17,439)              | 17,439            | -                        | -              | -              |
| <b>Increase/Decrease in 2017/2018</b>                                    | 291                  | 682                             | 987     | (1,315)                  | -                     | 396              | 1,041                 | (32,976)          | (31,935)                 | 559            | (31,376)       |
| <b>Balance as at 31st March 2018</b>                                     | (6,131)              | (36,819)                        | (5,870) | (4,508)                  | -                     | (4,477)          | (57,805)              | (188,666)         | (246,471)                | 1,211          | (245,260)      |

## Group Comprehensive Income and Expenditure Statement

| 2017/2018                          |                       |                                  |   | 2018/2019                 |                      |                         |
|------------------------------------|-----------------------|----------------------------------|---|---------------------------|----------------------|-------------------------|
| Restated Gross Expenditure<br>£000 | Restated Gross Income | Restated Net Expenditure<br>£000 |   | Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |
| 8,232                              | (4,074)               | 4,158                            | Chief Executive   | 6,440                     | (5,026)              | 1,414                   |
| 5,004                              | 3,119                 | 8,123                            | Governance and Partnership Services   | 5,942                     | (3,431)              | 2,511                   |
| 323                                | (2)                   | 321                              | Ward Budgets  | 552                       | (5)                  | 547                     |
| 15,667                             | (10,659)              | 5,008                            | Resources   | 32,132                    | (10,805)             | 21,327                  |
| 7,001                              | (9,070)               | (2,069)                          | Communication and Regeneration  | 13,889                    | (9,894)              | 3,995                   |
| 6,804                              | (3,117)               | 3,687                            | Strategic Leisure Assets  | 8,090                     | (4,696)              | 3,394                   |
| 60,515                             | (27,129)              | 33,386                           | Community and Environmental Services  | 67,827                    | (34,067)             | 33,760                  |
| 71,193                             | (31,404)              | 39,789                           | Adult Services  | 81,074                    | (28,381)             | 52,693                  |
| 103,691                            | (71,441)              | 32,250                           | Children's Services   | 125,193                   | (71,672)             | 53,521                  |
| 21,839                             | (21,769)              | 70                               | Public Health   | 22,475                    | (21,807)             | 668                     |
| 171,906                            | (130,997)             | 40,909                           | Budgets Outside the Cash Limit  | 96,665                    | (111,591)            | (14,926)                |
| (184)                              | (2,733)               | (2,917)                          | Contingencies   | 1,306                     | (5,276)              | (3,970)                 |
| 20,172                             | (18,717)              | 1,455                            | Housing Revenue Account   | 17,384                    | (19,119)             | (1,735)                 |
| <b>492,163</b>                     | <b>(327,993)</b>      | <b>164,170</b>                   | <b>Cost of Services</b>   | <b>478,969</b>            | <b>(325,770)</b>     | <b>153,199</b>          |
|                                    |                       | 6,885                            | Other Operating Expenditure   |                           |                      | 2,367                   |
|                                    |                       | 6,069                            | Financing & Investment Income & Expenditure - Other                                       |                           |                      | 11,436                  |
|                                    |                       | 5,591                            | Income & Expenditure in relation to Investment Properties and changes in their fair value |                           |                      | 1,502                   |
|                                    |                       | (142,973)                        | Taxation and Non-Specific Grant Income - Other  |                           |                      | (158,718)               |
|                                    |                       | <b>39,742</b>                    | <b>(Surplus) or Deficit on Provision of Services</b>                                      |                           |                      | <b>9,786</b>            |
|                                    |                       | 3                                | Share of (Surplus)/Deficit on the Provision of Services by Associates                     |                           |                      | 9                       |
|                                    |                       | 39                               | Tax of Subsidiaries   |                           |                      | 290                     |
|                                    |                       | <b>39,784</b>                    | <b>Group (Surplus)/Deficit</b>  |                           |                      | <b>10,085</b>           |
|                                    |                       | (40,918)                         | Surplus or Deficit on revaluation of non-current assets                                   |                           |                      | (10,751)                |
|                                    |                       | 310                              | Surplus or deficit on revaluation of available for sale financial assets                  |                           |                      | (1,125)                 |
|                                    |                       | (45)                             | Movement on financial instruments adjustment account                                      |                           |                      | -                       |
|                                    |                       | (33,918)                         | Remeasurement of the net defined pension liability  |                           |                      | (8,409)                 |
|                                    |                       | 3,411                            | Other Movements   |                           |                      | -                       |
|                                    |                       | <b>(71,160)</b>                  | <b>Other Comprehensive Income and Expenditure</b>   |                           |                      | <b>(20,285)</b>         |
|                                    |                       | <b>(31,376)</b>                  | <b>Total Comprehensive Income and Expenditure</b>   |                           |                      | <b>(10,200)</b>         |

## Group Balance Sheet

| Restated<br>1st April 2017<br>£000 | Restated<br>31st March 2018<br>£000 |                               | Notes | 31st March 2019<br>£000 |
|------------------------------------|-------------------------------------|-------------------------------|-------|-------------------------|
| 749,701                            | 742,792                             | Property, Plant and Equipment | G3    | 755,988                 |
| 7,764                              | 8,185                               | Heritage Assets               |       | 8,185                   |
| 17,347                             | 47,293                              | Investment Property           |       | 61,903                  |
| 32                                 | -                                   | Intangible Assets             |       | -                       |
| 122                                | 123                                 | Net share of Associates       |       | 132                     |
| 654                                | 1,110                               | Assets Held for Sale          |       | 897                     |
| 10,421                             | 10,111                              | Long Term Investments         |       | 11,511                  |
| 8,121                              | 17,797                              | Long Term Debtors             |       | 30,843                  |
| <b>794,162</b>                     | <b>827,411</b>                      | <b>Long Term Assets</b>       |       | <b>869,459</b>          |
| 1,245                              | 1,121                               | Inventories                   |       | 1,274                   |
| 38,822                             | 47,116                              | Short Term Debtors            | G5    | 46,677                  |
| 6,070                              | 6,486                               | Payments in Advance           |       | 7,564                   |
| 18,556                             | 14,615                              | Cash and Cash Equivalents     | G4    | 13,504                  |
| <b>64,693</b>                      | <b>69,338</b>                       | <b>Current Assets</b>         |       | <b>69,019</b>           |
| (91,697)                           | (153,776)                           | Short Term Borrowing          |       | (159,452)               |
| (50,114)                           | (46,136)                            | Short Term Creditors          | G6    | (65,823)                |
| (18,365)                           | (20,867)                            | Receipts in Advance           |       | (14,339)                |
| (14,416)                           | (17,869)                            | Provisions                    |       | (17,845)                |
| <b>(174,592)</b>                   | <b>(238,648)</b>                    | <b>Current Liabilities</b>    |       | <b>(257,459)</b>        |
| (77,378)                           | (91,711)                            | Long Term Creditors           |       | (85,576)                |
| (84,701)                           | (90,343)                            | Long term Borrowing           |       | (89,895)                |
| (292,227)                          | (217,590)                           | Other Long Term Liabilities   |       | (234,688)               |
| (16,073)                           | (13,197)                            | Capital Grants in Advance     |       | (15,400)                |
| <b>(470,379)</b>                   | <b>(412,841)</b>                    | <b>Long Term Liabilities</b>  |       | <b>(425,559)</b>        |
| <b>213,884</b>                     | <b>245,260</b>                      | <b>Net Assets</b>             |       | <b>255,460</b>          |
| (58,846)                           | (56,594)                            | Usable Reserves               |       | (66,191)                |
| (155,038)                          | (188,666)                           | Unusable Reserves             |       | (189,269)               |
| <b>(213,884)</b>                   | <b>(245,260)</b>                    | <b>Total Reserves</b>         |       | <b>(255,460)</b>        |

### Group Cash Flow Statement

| 2017/2018<br>£000 |   | 2018/2019<br>£000 |
|-------------------|---|-------------------|
| 39,784            | <b>Net (surplus) or deficit on the provision of services</b>  | <b>10,085</b>     |
| (28,441)          | Adjustments to net surplus or deficit on the provision of services for non-cash movements                                       | (64,097)          |
| (41,779)          | Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities | 17,409            |
| <b>(30,436)</b>   | <b>Net cash flows from Operating Activities</b>   | <b>(36,603)</b>   |
| 10,633            | Investing Activities  | 20,922            |
| 15,862            | Financing Activities  | 14,570            |
| <b>(3,941)</b>    | <b>Net (increase) or decrease in cash and cash equivalents</b>  | <b>(1,111)</b>    |
| 18,556            | Cash and cash equivalents at the beginning of the reporting period  | 14,615            |
| <b>14,615</b>     | <b>Cash and cash equivalents at the end of the reporting period</b>   | <b>13,504</b>     |

## Notes to the Group Accounts

### G1. Prior Period Adjustments

The 2017/18 statement of accounts was prepared using draft accounts for Blackpool Airport Limited. Following receipt of the signed accounts intra group investments have been removed on consolidation. This has resulted in the following changes to the 2017/18 Group Balance Sheet.

|                            | <b>Balances at 31st<br/>March 2018 as<br/>previously stated</b> | <b>2017/18 Restated</b> | <b>Change to Balances<br/>at 31st March 2018</b> |
|----------------------------|---|-------------------------|--|
|                            | <b>£000</b>   | <b>£000</b>             | <b>£000</b>                                      |
| Long Term Investments      | 28,138  | 10,111                  | (18,027)   |
| <b>Long Term Assets</b>    | <b>845,438</b>  | <b>827,411</b>          | <b>(18,027)</b>                                  |
| Short Term Debtors         | 47,105  | 47,116                  | 11   |
| Cash & Cash Equivalents    | 14,614  | 14,615                  | 1  |
| <b>Current Assets</b>      | <b>69,326</b>   | <b>69,338</b>           | <b>12</b>  |
| Short Term Creditors       | (46,092)  | (46,136)                | (44)   |
| <b>Current Liabilities</b> | <b>(238,604)</b>  | <b>(238,648)</b>        | <b>(44)</b>                                      |
| <b>Net Assets</b>          | <b>263,319</b>  | <b>245,260</b>          | <b>(18,059)</b>                                  |
| Unusable Reserves          | (74,653)  | (56,594)                | 18,059   |
| <b>Total Reserves</b>      | <b>(263,319)</b>  | <b>(245,260)</b>        | <b>18,059</b>                                    |

### G2. Accounting Policies

The group accounts include the Council's share of the operating results, assets and liabilities of each group entity's accounts. Subsidiaries are accounted for on an acquisition basis and incorporated line-by-line, writing out inter-group transactions. Associates are incorporated by accounting for the Council's share of their operating results in the group income and expenditure accounts and of their assets in the balance sheet.

### G3. Inter Group Transactions

Certain figures from the balance sheets of Group members have been taken out of the consolidated position as they represent amounts outstanding within the Group and therefore cancel each other out in the balance sheet. The adjustments are as follows:

- i) The Council owns shares to the value of £2,789,000 in Blackpool Transport. This has been taken out of long term investments and capital and reserves.
- ii) The Council owns shares to the value of £10,425,000 in Blackpool Housing Company. This has been taken out of long term investments and capital and reserves.
- iii) The Council owns shares to the value of £4,250,000 in Regional and City Airports (Blackpool) Holdings Limited. This has been taken out of long term investments and capital and reserves
- iv) An amount of £1,232,019 representing amounts outstanding between the Council and Blackpool Coastal Housing has been taken out of debtors and creditors.
- v) An amount of £500,000 representing amounts outstanding between the Council and Blackpool Transport Services has been taken out of short term loans and short term creditors.
- vi) An amount of £12,881,000 representing loans to Blackpool Transport from the Council has been taken out of long term debtors and long term borrowing.
- vii) An amount of £14,200,000 representing loans to Blackpool Housing Company from the Council has been taken out of long term debtors and long term borrowing.

### G4. Property, Plant and Equipment

|   | <b>NBV 31st March<br/>2019<br/>£000</b> | <b>NBV 31st March<br/>2018<br/>£000</b> |
|---|---|---|
| Property, Plant & Equipment held by the Council | 731,653                                 | 719,475                                 |
| Property, Plant & Equipment held by             |   |   |
| - Blackpool Transport Services                  | 17,866                                  | 17,176                                  |
| - Blackpool Operating Company                   | 1,304                                   | 951                                     |
| - Blackpool Coastal Housing                     | 77                                      | 91                                      |
| - Blackpool Entertainment Company               | 544                                     | 577                                     |
| - Blackpool Housing Company                     | 313                                     | 326                                     |
| - Blackpool Airport Ltd                         | 4,231                                   | 4,196                                   |
| <b>Total</b>                                    | <b>755,988</b>                          | <b>742,792</b>                          |

## G5. Cash and Cash Equivalents

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

|   | <b>2018/19</b><br><b>£000</b> | <b>2017/18</b><br><b>£000</b> |
|---|-------------------------------|-------------------------------|
| Cash and cash equivalents held by the Council | 7,618                         | 9,366                         |
| Cash and cash equivalents held by:-           |                               |                               |
| - Blackpool Transport Services                | 737                           | 627                           |
| - Blackpool Operating Company                 | 1,321                         | 649                           |
| - Blackpool Coastal Housing                   | 1,155                         | 1,675                         |
| - Blackpool Entertainment Company             | 1,567                         | 1,354                         |
| - Blackpool Housing Company                   | 1,098                         | 522                           |
| - Blackpool Airport                           | 8                             | 422                           |
| <b>Total</b>                                  | <b>13,504</b>                 | <b>14,615</b>                 |

## G6. Short Term Debtors

The group short-term debtors are made up of the following amounts:

|                                   | <b>2018/19</b><br><b>£000</b> | <b>2017/18</b><br><b>£000</b> |
|-----------------------------------|-------------------------------|-------------------------------|
| Debtors - single entity accounts  | 43,034                        | 44,688                        |
| Debtors held by:-                 |                               |                               |
| - Blackpool Transport Services    | 2,712                         | 4,026                         |
| - Blackpool Operating Company     | 373                           | 95                            |
| - Blackpool Coastal Housing       | 1,114                         | 1,506                         |
| - Blackpool Entertainment Company | -                             | 805                           |
| - Blackpool Housing Company       | 99                            | 171                           |
| - Blackpool Airport Ltd           | 607                           | 756                           |
| Removal of intra group debtors    | (1,262)                       | (4,931)                       |
| <b>Total</b>                      | <b>46,677</b>                 | <b>47,116</b>                 |

## G7. Short Term Creditors

The group short-term creditors are made up of the following amounts:

|                                    | <b>2018/19</b><br><b>£000</b> | <b>2017/18</b><br><b>£000</b> |
|------------------------------------|-------------------------------|-------------------------------|
| Creditors - single entity accounts | (54,105)                      | (38,125)                      |
| Creditors held by;-                |                               |                               |
| - Blackpool Transport Services     | (4,283)                       | (4,379)                       |
| - Blackpool Operating Company      | (2,039)                       | (604)                         |
| - Blackpool Coastal Housing        | (1,447)                       | (2,200)                       |
| - Blackpool Entertainment Company  | (4,422)                       | (4,137)                       |
| - Blackpool Housing Company        | (762)                         | (551)                         |
| - Blackpool Airport Ltd            | (827)                         | (1,071)                       |
| Removal of intra group creditors   | 2,062                         | 4,931                         |
| <b>Total</b>                       | <b>(65,823)</b>               | <b>(46,136)</b>               |

# Section 8

## Annual Governance Statement

## Annual Governance Statement 2018/2019

### Acknowledgement of Responsibility

Blackpool Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It needs to ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

The Accounts and Audit Regulations (2015) require the Council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts.

### The Principles of Good Governance

The CIPFA Delivering Good Governance publication (2016) defines the various principles of good governance in the public sector and how they relate to each other and are defined as:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the Council's capacity, including its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting and audit, to deliver effective accountability.

The governance framework at Blackpool Council comprises the systems and processes, culture and values which the Council has adopted in order to deliver on the above principles. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The governance framework incorporated into this report has been in place at Blackpool Council for the year ended 31<sup>st</sup> March 2019 and up to the date of the approval for the statement of accounts for that year.

### The Governance Framework

The key elements of the structures and processes that comprise Blackpool Council's governance arrangements are summarised below.

### Code of Conduct and Behaviours

Codes of Conduct are in place that define standards of behaviours for elected members and officers. Adherence to these is a key part of good governance. These are further supported by the Council's Whistleblowing Policy, Registers of Interests and Gifts and Hospitality Policies. Processes are in place to deal with non-compliance through the Council's Disciplinary Policy for Officers and the Monitoring Officer and/or Standards Committee for Elected Members.

A Leadership Charter is in place which aims to bring to life the vision for the Council's workforce as outlined in the Workforce Strategy 2016-2020 and it has been embedded with the Individual Performance Appraisal Process (IPA).

The Council strives to deliver equal opportunities to all and equality impact assessments form a part of the decision making process. The Equalities and Diversity Manager has developed a directorate self-assessment tool to monitor compliance and implemented Equality and Diversity Awareness Training for managers across

the Council. The self-assessment process has been piloted by the Resources Directorate and is now being rolled out across all other Council directorates.

### Organisational Culture

The Council's organisational culture is driven by the Corporate Leadership Team and Executive and a set of values have been defined which all employees and elected members are expected to adhere to and these include:

- We are **accountable** for delivering on the promises we make and take responsibility for our actions and the outcomes achieved
- We are committed to being **fair** to people and treat everybody we meet with dignity and respect
- We take pride in delivering **quality** services that are community focussed and are based on listening carefully to what people need
- We act with integrity and we are **trustworthy** in all our dealings with people and we are open about the decisions we make and the services we offer
- We are **compassionate**, caring, hard-working and committed to delivering the best services that we can with a positive and collaborative attitude.

### Commitment to Openness, Communication and Consultation

The Council complies with the requirements of the Transparency Agenda and provides a range of information in the public domain through its website. The Council adopts a priority campaign planning approach using a variety of different marketing communications channels. Key messages are also communicated to residents in the 'Your Blackpool' publication which is delivered to all Blackpool households on a quarterly basis. Following the findings of the December 2017 communications peer review, the Council will work further with its elected members to enhance their use of social media and has started to move towards greater use of social media as part of a strategic approach to communications. This approach is subject to monitoring and evaluation to test its effectiveness. The public are able to attend and speak at Committee and Full Council meetings. Full Council is broadcast on the Council's website.

The Council has in place a system to respond to Freedom of Information requests and compliance with the timelines is managed by the Information Governance Team.

Consultation and engagement with the public takes place by the lead service area, which can access the Council's in-house cost recovery research team Infusion Research, for wider ranging or more complex consultation exercises.

Structures are in place to ensure consultation with other public and voluntary sector agencies through the Fairness Commission and also local businesses through the Blackpool Business Leadership Group.

### Developing, Communicating and Translating the Vision

A thorough review of the Council Plan was undertaken in 2018 to ensure it continues to address the key issues facing the town. As a result, the Council Plan 2019-2024 sets out the vision for Blackpool to continue to be *'The UK's number one family resort with a thriving economy that supports a happy and healthy community who are proud of this unique town'*. The two priorities remain the same as the previous iteration of the plan:

- The Economy: Maximising Growth and Opportunity across Blackpool.
- Communities: Creating Stronger Communities and Increasing Resilience.

Beneath each priority the plan details the key challenges faced by Blackpool and the key projects and schemes which will be implemented to address these issues. The Council Plan seeks to address the big issues and policy drivers facing local government. The concept of organisational resilience – ensuring that the organisation is capable of delivering the priorities, meeting its legal requirements, and maintaining

sustainability into the future - is captured throughout the plan, with the detail included in the Council's wider policy framework.

The new style plan illustrates through extensive photography and clear narrative the changes being made across the Borough, making it even more accessible than previous versions. In order to comply with new website accessibility guidelines, key parts of the plan are reproduced on the Council's website.

As in previous years the Council held a staff conference in 2018, hosted by the Chief Executive, with breakout sessions focussing on aspects of the Council's work across its directorates. These covered topics relevant to the plan, helping to encourage staff understanding of the direction taken by the Council and its Wholly Owned Companies.

The Corporate Delivery Unit has evolved since its introduction in 2016. Initially providing challenge to ensure that key outcomes identified in the Council Plan are achieved, it now also seeks to develop the provider market, allowing the Council to purchase services which meet needs more effectively. The business of the Transformation Board has been absorbed into the Corporate Leadership Team.

The Council priorities feed into directorate business plans and are a key tool for managers to use when developing business plans. The business plans then feed into Individual Performance Appraisals (IPA). A new business planning framework was developed for 2017 and is due to be reviewed in late 2019.

### **Performance Management**

A Policy Framework is in place which sets out the corporate strategies and plans which are in place and the Corporate Delivery Unit has a role in the production, monitoring and management of these key documents.

The Council's performance management system is now well established, with strategic performance reported to Corporate Leadership Team and the relevant Scrutiny Committees, whilst local performance indicators are managed through the Business Planning Process. A specific partnership board was established in July 2017 to focus on the particular challenges of improving performance in Children's Services. The Children's Improvement Board has since been strengthened and is responsible for strategically driving and co-ordinating the response to the Ofsted inspection of Children's Services in November 2018 and subsequent inadequate judgement. An improvement plan has been developed, supported by a series of service plans to address the twelve areas for improvement identified in the inspection report. In addition the Youth Offending Partnership Board has been reviewed and an Executive Board created in response to the HMIP inspection of youth offending services in Blackpool in October 2018 and the inadequate judgement. The delivery of both improvement plans is supported by a robust performance and quality assurance framework to ensure that improvements in performance and practice are embedded within services.

In order to improve performance the Council participates in peer reviews and benchmarking exercises to learn from others and to ensure that services delivered are value for money. In 2017 peer reviews focussed on Communications and Children's Services. CIPFA was also commissioned to undertake a review of the Council's financial resilience with a focus on the savings proposals for 2017/18 onwards. It is intended that the LGA will be asked to undertake a peer review of Corporate Governance / Health in the future.

The Individual Performance Appraisal process which is in place is part of the Council's wider approach to performance management. The IPA process is an important tool designed to provide an opportunity to establish and understand expectations and to evaluate performance in order to help employees develop to their full potential. The IPA process is not a replacement for day to day people management so in addition employees are supported by their line managers and should be mentored, coached and directed according to their individual needs. This may come through regular one to one meetings, formal supervision meetings, team meetings and informal feedback. The Leadership Charter supports the Council's priorities and values and is included in the Managers IPA template. The Council's second Leadership survey has been undertaken to benchmark our performance and progress against the new Charter.

## Roles and Responsibilities

Responsibilities and functions are in place for each Council Committee including Licensing, Planning, Standards, Scrutiny Committees and the Audit Committee. These are reviewed annually with any changes made at the Council's Annual Meeting to ensure that they continue to be fit for purpose. The Executive has agreed a set of criteria relating to the levels of decision making within the Executive Framework which provide clarity and consistency for decision makers.

All Council Officers, including the Corporate Leadership Team, have a job description which sets out their roles and responsibilities. Annually, through the Individual Performance Appraisal process individual objectives are set for each officer which align with their job description and the Business Plan for the Service in which they work.

The Corporate Leadership Team has been extended once a month to involve key Heads of Service in the decision making process. Steps continue to be taken to address some of the concerns with 'hard to recruit to posts' such as the development of the Next Step Blackpool website to recruit Children's Social Workers and Teachers to the area. In addition, there is ongoing investment in digital technologies to help improve capacity across the Council.

The Council's Constitution, including the Scheme of Delegation, sets out the arrangements and protocols which are in place to enable effective communication within the authority.

The Council has in place effective arrangements to discharge the Head of Paid Service function and this role is undertaken by the Chief Executive.

The Council has designated a Monitoring Officer and Deputy with appropriate qualifications and experience. The Monitoring Officer has the specific duty to ensure that the Council, its officers and its Elected Members maintain the highest standards in all they do and is responsible to the Council for ensuring that governance procedures are followed and all applicable statutes and regulations are complied with.

## Decision Making

The Constitution sets out the functions and responsibilities of the Council, the Executive and Committees. Included in this are the delegation arrangements adopted by the Council and the Executive and this is reviewed on a regular basis.

All Executive decisions contain all relevant policy implications including financial, risk management, human resources, equality analysis, ethical considerations, legal considerations and links to Council priorities. All Executive decisions are subject to finance and legal approval before they are taken forward for a decision to be made. The Monitoring Officer or a designated representative, receives all decisions before they are processed and therefore is able to check the robustness of data quality prior to a decision being submitted for formal approval.

Cabinet Member and relevant Officer Decisions are published to meet transparency requirements and inform the public.

A framework for undertaking compliance checks to ensure that decision making processes are appropriate has been developed and these reviews are jointly carried out by Internal Audit and Democratic Governance and the findings reported to Audit Committee.

## Compliance with relevant Laws, Regulations, Internal Policies and Procedures

A wide range of corporate policies and procedures are in place to ensure compliance with laws and regulations. These cover all key areas including financial management, human resources, procurement, contract management, risk management, business continuity, data protection, health and safety management arrangements and safeguarding arrangements.

Managers are responsible for ensuring that their service adheres to the relevant policies and procedures and Disciplinary and Capability Procedures are in place to deal with non-compliance. An audit was undertaken

to assess current levels of compliance and identify any necessary actions for improvement the results of which have been shared with the Corporate Leadership Team and Senior Leadership Team.

Internal and external audit arrangements are in place to provide a reasonable level of assurance on compliance with the Council's system of internal control. The Health and Safety Team also undertake a programme of audits to ensure that managers maintain their manuals and comply with statutory requirements.

The Council has obtained PSNN, PCI and N3 security compliance so that it can effectively share data with other organisations including the National Health Service and Department for Work and Pensions. There is an ongoing review of cyber risks and progress against this is monitored by the Audit Committee. An ICT Security Policy is in place. Considerable work has been undertaken throughout the year to help ensure compliance with the General Data Protection Regulations which came into effect in May 2018.

A Corporate Procurement and Projects Team is in place to support Heads of Services and Service Managers to undertake market engagement for those goods, services and works which are delivered through third-party organisations. Procedures are in place to ensure compliance with the Public Contract Regulations Act 2015, European Union Procurement Directive 2014 and the Council's Contract Procedure Rules. Standard Control Documents are used to ensure consistency of practice, demonstrate value for money and to maximise Social Value through tendering and contract arrangements.

Mandatory training is delivered in a number of ways including through the iPool online system to advise permanent and temporary employees of legislative requirements. Reporting tools have been developed to enable Managers to monitor completion of mandatory training courses and completion of Individual Performance Appraisals in real time.

The Council's Monitoring Officer has a role in ensuring that the Council acts within the remit of relevant law and regulations and that a robust democratic process ensures the application of the Constitution. The Monitoring Officer is responsible for the in-house legal team which serves as an additional control to ensure that the Council operates within the constraints of the law and the team hold LEXCEL accreditation.

A number of arrangements are in place to deal with potential breaches to compliance and these include a Data Breach Panel, Corporate Complaints Panel and Serious Case Reviews. These are chaired independently of the service which has breached requirements to ensure that objective decisions can be taken.

A Disclosure and Barring Service (DBS) Panel is in place which reviews any positive DBS's in relation to pre-employment checks to ensure Council wide robust and consistent decision making.

## **Financial Management**

The Council has an appropriately qualified and experienced designated Chief Financial Officer who holds Section 151 responsibilities and a deputy has also been appointed. The Chief Financial Officer has arrangements in place for financial management, financial reporting and value for money which is assessed annually by the Council's external auditors.

Financial Regulations are in place which are supported by a Scheme of Delegation to ensure that managers are aware of the level of expenditure they are able to authorise.

The Council sets a lawful annual budget and is part way through a six year Medium Term Financial Sustainability Strategy. The associated plan is updated on an annual basis to enable early planning on the financial position to take place.

Monthly financial monitoring reports, starting from month 0, are reported to the Corporate Leadership Team, the Executive and Tourism, Economy and Resources Scrutiny Committee.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

The Council facilitates a Public Inspection of the Accounts and publishes details of all payment transactions over and above the minimum requirements of the Transparency Code.

## Audit Arrangements

An Audit Committee is in place which is independent of the scrutiny function. As a full committee of the Council it is able to discharge all the core functions of an Audit Committee outlined in the CIPFA Audit Committee: Practical Guidance for Local Authorities (2018), from which the Committee has adopted the model terms of reference. Over the past twelve months the Chair of the Audit Committee has continued to raise the profile of the Audit Committee and has presented a report to Full Council on the work of the Committee and has proactively requested Chief Officers and Head of Services to attend Committee to be challenged and held to account where controls issues have been identified. An independent member has been co-opted onto the Committee to enhance the robustness of the Committee.

Modular training is delivered prior to each Audit Committee meeting to ensure that members have the appropriate skills and knowledge to effectively discharge their duties.

The Council has an internal audit team who prepare an Annual Internal Audit Plan which is approved by the Corporate Leadership Team and the Audit Committee. This includes a balance of risk and compliance work. The audit opinion and assurance statement for each audit is reported quarterly to the Audit Committee.

In 2018/19 the Head of Audit and Risks Annual Audit Opinion was that sufficient assurance work was undertaken to provide a reasonable conclusion on the adequacy and effectiveness of the control environment and that the overall control environment at the Council is adequate, with the exception of Children's Services where significant risks have been identified by Ofsted. Where weaknesses were identified through internal audit work the team have worked with management to agree appropriate remedial actions and a timescale for improvement.

The Council's internal audit arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and the Public Sector Internal Audit Standards. An external review of the Council's compliance with the Public Sector Internal Audit Standards took place in 2016/17 which confirmed conformance with the standards. The recommendations made in the external assessment report have been incorporated into the Quality Assurance and Improvement Programme for the service.

External audit arrangements are in place and representatives are invited to attend Audit Committee to present the findings of their work and raise any concerns which they may have.

## Risk Management

A Corporate Risk Management Group is in place to coordinate and promote risk management activity in line with the Council's Risk Management Framework 2018-2021. It is supported by directorate and thematic risk management groups.

All directorates have nominated risk champions to promote best practice in their areas and ensure that service level risk registers are in place and that risk registers are developed for major projects and partnerships where appropriate. A full review of all service level risk registers has been undertaken by Risk Services during the year to ensure consistency in approach and the identification of key risks.

The Strategic Risk Register is reviewed by the Corporate Leadership Team and considered by the Audit Committee annually. Chief Officers identified in the Strategic Risk Register are required to attend Audit Committee to explain how the risks are being managed and what further mitigating controls may be required.

Risk management should be considered for all decisions made by the Council and these are evidenced in the dedicated section on the decision making template.

A Corporate Business Continuity Plan and Critical Activities List are in place and this is supported by service level business continuity plans.

## Counter Fraud and Anti-Corruption Arrangements

The Council has developed counter fraud and anti-corruption arrangements in line with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014). A Fraud Prevention Charter has been

developed and approved by the Corporate Leadership Team and the Audit Committee. Any suspected instance of fraud or corruption should be reported to the Head of Audit and Risk so that an appropriate investigation into the matter can be undertaken.

A dedicated Corporate Fraud Team is in place which deals with a range of corporate fraud issues and proactive work has commenced on high risk areas such as insurance fraud, blue badges and council tax.

The Council has appropriate procedures in place to deal with the risk of money laundering and also to raise awareness of the Bribery Act and ensure that appropriate controls are in place to reduce the risk.

The Council participates in the National Fraud Initiative and progress against this and outcomes, are reported to Audit Committee on quarterly basis.

A corporate group is in place to review the Council's use of covert surveillance and to ensure compliance with the Regulatory of Investigatory Powers Act (2000).

### **Scrutiny Arrangements**

Three Scrutiny Committees are in place which reflect the Council's priorities including a Resilient Communities and Children's Scrutiny Committee, Tourism, Economy and Resources Scrutiny Committee and an Adults Social Care and Health Scrutiny Committee. These committees help empower elected members and provide them with the opportunity to challenge and hold decision makers to account. These Committees meet on a regular basis and the minutes of the meetings and supporting documentation are published.

### **Learning and Development**

An Induction and Probation process is in place for all new employees in the Council. Following successful completion of the probation process employees will then receive a mandatory Individual Performance Appraisal (IPA). The IPA incorporates an annual and interim review, held at an appropriate time in a private, comfortable space and can be considered as the setting of a 'roadmap' for an employee for the coming twelve months.

A wide range of training is available corporately which is informed from development needs identified in the Individual Performance Appraisal. The Council is committed to leadership development and various courses are available to continue to develop skills and knowledge. A revised leadership development programme will be delivered in 2018/19 based upon the outcomes of the Leadership survey which has been conducted. An aspiring leadership programme has been delivered but further work is required in relation to succession planning and this will form part of HRs Business Plan for 2019/20. The attainment of professional qualifications in relevant disciplines is encouraged and the Council is committed to funding studies where appropriate.

Many professionals across the Council maintain continuing professional development records to ensure they continue to meet the requirements of their professional bodies.

A Workforce Strategy is in place and steps have been taken through the new Business Planning Framework to better align workforce planning with the business plan process. However it is recognised that this is in its infancy.

The Council runs an apprentice programme to encourage young people and those who may have struggled to access work previously to engage in employment with the Council. From 2016/17 the way apprentices are funded has changed as employers with a pay bill of more than £3m are now required to pay an Apprenticeship Levy. The Council pays the levy and is able to use this to access funding to meet the cost of apprenticeship training and assessment against the approved apprenticeship framework or standard and this funding is used for existing employees as well as new starters.

Project Search, the job scheme for young people with learning disabilities also ran for a third year where each of the students learn personal and job skills for a two month period before embarking on work placements to find a suitable job for them.

An induction programme is in place for all elected members. A three year development plan is in place for elected members which helps deliver training to help them fulfil their role. All elected members have a personal development plan which helps to identify training needs.

### **Partnerships and Joint Working**

The Council is involved in a number of key projects with partner organisations in order to transform the way in which services are delivered. Examples include A Better Start and HeadStart which focus on early intervention in order to build resilience in the community. Boards with representation from partner organisations are also in place for key risks faced by the Council to introduce an element of independence and challenge. Transformation is also been achieved through the Opportunity Area funding stream which seeks to improve educational attainment.

Arrangements are in place for the provision of Shared Services with Fylde Borough Council in a number of areas, the most significant being the Revenues and Benefits Service. Shared arrangements are also in place with Blackpool Teaching Hospital NHS Foundation Trust in relation to legal services, information governance and emergency planning. The Council is also working jointly with other Fylde Coast authorities on the development of an enterprise zone and other economic prosperity opportunities to improve the local economy.

Where joint working arrangements are not achieving the desired outcomes this is recognised in the pilot phase of the scheme so that other opportunities and delivery models can be identified.

The Council has a number of wholly-owned companies, including the acquisition of Blackpool Airport in the year, and a Good Governance Framework is in place for each company in order to strengthen the governance arrangements in place and ensure that the Council's vision for the town, as the shareholder, is able to form part of the direction of travel of each company. The Framework also gives assurance that each company is operating in an effective and accountable way.

In order to strengthen the democratic accountability and due to the increasing number of companies, a Shareholder Advisory Board was appointed in September 2017. This Board, consisting of four councillors, meets senior company representatives on a twice yearly basis and helps co-ordinate the work of the Council and its companies. It provides feedback to the shareholder on key strategic performance and helps inform long term development across Blackpool. The Council is looking at the use of wholly owned companies further in the future and this new Board is an important mechanism to ensure any business case adds to the Council delivering its priorities and vision going forward.

Value for money in the procurement process is also being sought through collaborative tender exercises with other local authorities in the region to achieve economies of scale.

### **Annual Review of Effectiveness**

Blackpool Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The stages included in the review process and the key findings from each are summarised below.

#### **Good Governance Group**

A Good Governance Group was established in October 2016 and has led on the review of effectiveness and the production of the Annual Governance Statement to ensure that governance issues identified have subsequently been addressed. This group is chaired by the Director of Governance and Partnerships and attended by the Head of Audit and Risk, Head of Democratic Governance, Transformation Manager, Deputy

Head of Legal Services, Head of ICT, Chief Accountant, Equality and Diversity Manager and the Head of Organisation and Workforce Development.

### **Elected Member Workshop**

A workshop was held on the 7<sup>th</sup> March 2019 with representation from Scrutiny, Audit and Standards Committees and facilitated by the Head of Audit and Risk, Head of Democratic Governance and the Transformation Manager. A representative of the Executive was also consulted as part of the process.

The workshop was based around the principles of good governance and elected members were asked to establish what arrangements are already in place and these have been reflected in the overview of the governance framework included in this report. Elected members were also asked to identify areas for further development and these have been incorporated into the governance issues action plan.

### **Key Officer Consultation**

Key officers who are involved in governance were consulted as part of the production of the Annual Governance Statement. This consultation identified a number of areas of good practice and these have been summarised in the governance framework outlined earlier in this report and areas for improvement have been captured in the significant governance issues action plan.

### **Control Self-Assessment Questionnaire**

The Corporate Leadership Team was required to complete a control self-assessment questionnaire providing assurance that their directorates were compliant with a number of key controls.

### **Review of 2018/19 Actions**

A summary of the actions completed in 2018/19 can be seen in **Appendix 1** and any partially implemented actions have been carried forward into the 2019/20 action plan.

### **Assurance Statement**

The results of the effectiveness of the governance framework have been considered by the Corporate Leadership Team and Audit Committee who have determined that the arrangements are fit for purpose in accordance with the governance framework.

### **Governance Issues**

Actions have been identified as part of the 2018/19 review of the effectiveness of the governance framework and these are captured in the following table. It should be noted that some of the issues identified are not deemed significant but have been included to aid openness and transparency.

| Issue   | Actions  | Responsible Officer (s)                    | Target Date            |
|---|--|--|------------------------|
| <b>Code of Conduct and Behaviours</b>                         | Review the Government response to the consultation on Intimidation in Office issued by the Committee on Standards in Public Life and assess whether the Council needs to put additional arrangements in place for elected members. This should include ensuring that all elected members are aware of the mitigations in place to prevent intimidation and delivering training to members for dealing with threatening situations. | Director of Governance and Partnerships    | Before mid-term review |
|   | Consider the potential national changes to the Standards and implement any changes identified as part of this.   | Director of Governance and Partnerships    | Before mid-term review |
| <b>Commitment to Openness, Communication and Consultation</b> | Continue to deliver the channel shift agenda to improve accessibility to residents and reduce demand on Council resources.   | Director of Resources                      | After mid-term review  |
|   | Implement a Community Engagement Strategy and supported guidance to ensure a coordinate and robust approach is in place.   | Director of Public Health                  | Before mid-term review |
|   | Continue to deliver the web development plan ensuring that the Council adheres to the new accessibility requirements which are being introduced.   | Director of Communication and Regeneration | After mid-term review  |
|   | Consider using targeted social media groups for specific groups of residents to share relevant information.  | Director of Communication and Regeneration | After mid-term review  |
|   | Undertake an evaluation of the benefits of a Wigan deal approach to communications and engagement and if it would be of value to Blackpool / what we can learn from it.  | Director of Public Health                  | After mid-term review  |
| <b>Developing, Communicating and Translating the Vision</b>   | Deliver an employee conference which ensures that all staff are aware of how their role fits into the overall vision of the Council building on the findings of the employee survey.   | Chief Executive                            | Before mid-term review |

|   |   |  |                        |
|---|---|--|------------------------|
| <b>Roles and Responsibilities</b>   | Role descriptions for key elected member responsibility areas should be developed identifying the knowledge required for the role, competencies, behaviours, time commitment and the requirement to attend training.                        | Director of Governance and Partnerships            | Before mid-term review |
| <b>Compliance with Relevant Laws, Regulations, Internal Policies and Procedures</b> | Ensure that data protection training is rolled out to staff who do not have IT access, monitor and renew the Council's Information Asset Register and start a programme of GDPR compliance audits to ensure continued compliance with GDPR. | Director of Governance and Partnerships            | Before mid-term review |
|   | Ensure that the recommendations highlighted in the Ofsted Report on Children's Services are adequately addressed.   | Director of Children's Services                    | Before mid-term review |
|   | Strengthen contract management across the Council including improved measurement of social value, launch of an iPool course and exploration of software tools.  | Director of Resources                              | After mid-term review  |
|   | Improve the recording and scrutiny of driving at work documentation for the Council's grey fleet.   | Director of Communities and Environmental Services | Before mid-term review |
| <b>Audit Arrangements</b>   | Ensure that effective working relations are developed with the Council's new external auditors.   | Director of Resources                              | Before mid-term review |
| <b>Counter Fraud and Anti-Corruption Arrangements</b>                               | Implement joint working for investigations with the Department for Work and Pensions.   | Director of Resources                              | Before mid-term review |
| <b>Scrutiny Arrangements</b>  | Deliver the actions arising from the review of the scrutiny function by North West Employers via the working group which has been established.  | Director of Governance and Partnerships            | Before mid-term review |
| <b>Learning and Developing</b>  | Develop an information pack for managers to use with casual and agency staff for CLT approved mandatory training.   | Chief Executive                                    | Before mid-term review |
|   | Ensure that succession planning is embedded in the appraisal process.   | Chief Executive                                    | Before mid-term review |
|   | Deliver a Leadership Development Programme based on the outcome of the Leadership Survey.   | Chief Executive                                    | After mid-term review  |

|                                      |   |   |                        |
|--------------------------------------|---|---|------------------------|
|                                      | Continue the roll-out of Windows 10 incorporating training on how to work smarter using Office 365. | Director of Resources                   | Before mid-term review |
|                                      | Encourage the use of a buddy system / mentoring arrangements for newly elected members.             | Director of Governance and Partnerships | Before mid-term review |
| <b>Partnership and Joint Working</b> | Consider how elected members can network with other public sector partners at neighbourhood level.  | Director of Public Health               | After mid-term review  |

## Conclusion

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

Signed: (Leader of the Council)

Signed: (Chief Executive)

## Appendix 1 – Actions Completed in 2018/19

- Awareness raising of the whistleblowing policy has been undertaken for officers and elected members. Specific training for elected members has been incorporated into the member induction programme.
- Elected members have been made aware of their ability to access the Employee Assistance Programme.
- Elected members have been made aware of the option to use a political party address for their contact details available on the Council website.
- A Director responsible for Communications has been appointed to ensure that this important function receives the appropriate profile and steps have been taken to increase resilience in the Communications Team.
- The Channel Shift Group has continued to deliver online projects for the benefit of residents and to assist with demand on Council Services. Examples of projects delivered in the year include changes to the bulky matters on line process, residential bin changes, street cleansing reporting, environmental protection complaint reporting, tip permits and alley gate key ordering.
- Improved the level of information published on the Council website so that it's readily accessible.
- A residents' survey has been undertaken and the findings reported to the Corporate Leadership Team with a clear majority of indicators showing positive change.
- Refreshed the Council Plan to capture priority actions for the Council.
- Implemented a new Performance Framework supported by appropriate data gathering and reporting mechanisms.
- The organisation charts for Chief Officers and their senior managers have been updated to illustrate the roles and responsibilities for services across the Council.
- GDPR training has been rolled out to office based staff and elected members.
- The process for monitoring the Policy and Strategy Framework to ensure that forthcoming documents are reviewed on a timely basis has been strengthened.
- A review of all service level risk registers has been undertaken to ensure that these are up to date and reflect the risk environment.
- The Risk Management Framework 2018-2021 has been rolled out across the Council and an internal audit review has established that this is embedding well.
- A revised approach for reporting progress against the Strategic Risk Register to the Corporate Leadership Team and the Audit Committee has been implemented.
- Alternative ways to delivery member training, such as webinars, have been developed.
- Conducted the second leadership survey to assess the effectiveness of leadership across the Council.
- Developed and rolled-out new cyber security training across the Council.
- A framework for the implementation of shared services has been developed.

# Section 9

## Glossary of Terms

**Accounting Period**

The period of time covered by the accounts; normally a period of twelve months commencing on 1st April. The end of the accounting period is the Balance Sheet date.

**Accruals**

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

**Acquired Operations**

Operations comprise services and divisions of service as defined in Service Reporting Code of Practice. Acquired operations are those operations of the local authority that are acquired in the period.

**Actuarial Gains and Losses**

For a defined benefit scheme the changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experienced gains and losses); or
- (b) the actuarial assumptions have changed.

**Agency Services**

These are services which are performed by or for another authority or public body, where the principal (the authority responsible for the service) reimburses the agent (the authority carrying out the work) for the costs of the work.

**Asset**

Items of worth that are measurable in terms of value. Current assets may change daily, but the Council is expected to yield the benefit within one financial year (eg short term debtors). Non-current assets yield benefit to the Council for a period of more than one year (eg land).

**Associate Company**

This is an entity other than a subsidiary or joint venture in which the Council has a participating interest and over whose operating and financial policies the Council is able to exercise significant influence.

**Balance Sheet**

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

**Capital Charge**

A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services.

**Capital Expenditure**

Expenditure above £15,000 on the acquisition of a non-current asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

**Capital Receipts**

Proceeds above £10,000 from the sale of capital assets. Such income may only be used for capital purposes, i.e. to repay existing loan debt or to finance new capital expenditure. Any receipts which have not yet been utilised as described are referred to as "capital receipts unapplied".

**Carrying Amount**

The balance sheet value recorded of either an asset or a liability.

**Cash Limited Budget**

A defined figure set by the Council that represents the maximum expenditure that a service can spend on its particular activities.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy - the Institute provides financial and statistical information for local government and other public sector bodies and advises central government and other bodies on local government and public finance matters.

**Collection Fund**

A statutory account which billing authorities have to maintain for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates.

**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**

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

**Contingent Asset**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control.

**Contingent Liability**

A contingent liability is either:

- (a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control; or
- (b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

**Council Tax**

A banded property tax which is levied on domestic properties throughout the country. The banding is based on estimated property values as at 1st 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, goods received or services rendered to it during the accounting period, but for which payment has not been made by the balance sheet date.

**Current Service Cost (Pensions)**

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

**Curtailement**

For a defined benefit scheme, an event that reduces the expected years of future services 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, for example as a result of closing a factory or discontinuing a segment of a business, and
- termination of, or amendment to the terms of, a defined benefit 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 due to the Council which relate to the accounting period and have not been received by the balance sheet date.

**Defined Benefit Scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

**Defined Contribution Scheme**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

**Depreciation**

The measure of the cost or revalued amount of the benefits of the non-current asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset, whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

**Discontinued Operations**

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all the following conditions are met:

- the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved.
- the activities relating to the operations have ceased permanently.
- the termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations.
- the assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes..

Operations not satisfying all these conditions are classified as continuing.

### **Discretionary Benefits**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers, such as the Local Government (Discretionary Payments) Regulations 1996.

### **Earmarked Reserves**

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

### **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 by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique.

Estimation techniques include, for example:

- Methods of depreciation, such as straight line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a non-current asset consumed in period.
- Different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

### **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 Pension 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.

**Extraordinary Items**

Material items possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur.

**Fair Value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Finance Lease**

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 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.

**Financial Year**

The Council's financial year runs from the 1st April through to the following 31st March.

**Formula Grant**

Grant distributed by formula through the local government finance settlement. It comprises Revenue Support Grant and redistributed business rates (NNDR). It is a general subsidy towards council spending and is not ring-fenced for specific services.

**General Fund**

The main revenue account of the Council which brings together all income and expenditure other than that recorded in the Housing Revenue Account and the Collection Fund.

**Heritage Asset**

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

**Housing Revenue Account**

A statutory account which local authorities have to maintain if they provide public housing and which includes all income and expenditure relating to the administration and maintenance of council dwellings and related properties.

**Impairment**

A reduction in the value of a fixed asset below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

**Infrastructure Assets**

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.

**Interest Cost (Pensions)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

**International Accounting Standards (IAS)**

Accounting standards developed by the International Accounting Standards Board that are primarily applicable to general purpose company accounts. These standards are adopted by the CIPFA Code of Practice except where the standards conflict with specific statutory requirements.

**International Financial Reporting Standards (IFRS)**

Financial reporting standards developed by the International Accounting Standards Board.

**Inventories**

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories: 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 Pensions 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 pension fund, that do not meet the above criteria should be classified as current assets.

**Investment Properties**

Property, which can be land or buildings or both, that is held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

**Liabilities**

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

**Minimum Revenue Provision (MRP)**

Minimum revenue provision is the minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

**National Non-Domestic Rates (NNDR)**

A tax levied on business properties and sometimes known as Business Rates. An NNDR poundage is set annually by the Government. Sums based on rateable values are collected by billing authorities and paid

into a national pool. The proceeds are then redistributed by central government as a grant to local authorities in proportion to adult population.

**Net Book Value (NBV)**

The amount at which non-current assets are included in the balance sheet, i.e historic cost or current value less the cumulative amounts provided for depreciation.

**Net Current Replacement Cost**

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 Realisable Value**

The open market value of an asset in its existing use less the expenses to be incurred in realising the asset.

**Non-current Assets**

Assets that yield benefits to the local authority and the services it provides for a period of more than one year.

**Operating Leases**

Leases which do not meet the definition of a finance lease, ie where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the property, plant and equipment from the lessor to the lessee, are accounted for as operating leases.

**Outside the Cash Limit**

Services, which due to their volatility, are not part of the cash limited budgets regime. These services include Parking Services and Housing Benefits.

**Outturn**

Actual expenditure and income compared to the budget.

**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 improvement to, retirement benefits.

**Precept**

The amount collected by the Council on behalf of other bodies.

**Prior Period Adjustments**

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

**Private Finance Initiative (PFI)**

A central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage Authority's participation.

**Property, Plant and Equipment (PPE)**

PPE are tangible assets (ie assets that have physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one year.

**Public Works Loan Board (PWLB)**

An arm of central government which is the major provider of loans to finance long term funding requirements for local authorities.

**Provision**

An amount set aside by the Council for any liability of uncertain timing or amount that has been incurred.

**Prudential Code for Capital Finance**

The Code was introduced from 1st 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 account to demonstrate that they have fulfilled this objective.

**Reserves**

Amounts set aside in the accounts to meet expenditure which the Council may be committed to in future periods, but not allocated to specific liabilities which are certain or very likely to occur.

Earmarked reserves are allocated to a specific purpose or area of spending. Unallocated reserves are often described as balances.

**Revenue Expenditure**

Expenditure incurred on the day-to-day running of the Council.

**Revenue Support Grant**

A central government grant paid to each local authority to help to finance its general expenditure. The distribution of the grant between authorities is intended to allow the provision of similar standards of service throughout the country for a similar council tax levy.

**Work in Progress**

The cost of work undertaken up to a specified date on an uncompleted revenue project.

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Material Changes to the Core Financial Statements

Comprehensive Income and Expenditure Statement 2018/2019

| DRAFT ACCOUNTS REPORTED TO AUDIT COMMITTEE 25TH JULY 2019 |                      |  |                      | 2018/2019              |                      |                        |                      | Audited Accounts reported to Audit Committee 27th November 2019 |                      |                        |                      |
|---|----------------------|--|----------------------|------------------------|----------------------|------------------------|----------------------|---|----------------------|------------------------|----------------------|
| 2017/2018 Restated  |                      | 2018/2019  |                      | 2018/2019              |                      | 2018/2019              |                      | 2018/2019   |                      | 2018/2019              |                      |
| Gross Expenditure £000                                    | Net Expenditure £000 | Gross Expenditure £000   | Net Expenditure £000 | Gross Expenditure £000 | Net Expenditure £000 | Gross Expenditure £000 | Net Expenditure £000 | Gross Expenditure £000  | Net Expenditure £000 | Gross Expenditure £000 | Net Expenditure £000 |
| 8,323   | (4,074)              | 4,158  | 1,203                | 62,29                  | 1,414                | 0,440                  | 1,414                | 5,942   | (3,431)              | 2,511                  | 2,511                |
| 5,004   | (3,119)              | 1,885  | 2,272                | 5,801                  | (3,429)              | 2,372                  | 2,372                | 552   | (5)                  | 547                    | 547                  |
| 323   | (2)                  | 321  | 547                  | 307,32                 | 19,524               | 19,217                 | 19,217               | 32,135  | (10,808)             | 21,327                 | 21,327               |
| 15,667  | (10,659)             | 5,008  | 4,038                | 13,932                 | (9,894)              | 4,038                  | 4,038                | 13,889  | (9,894)              | 3,995                  | 3,995                |
| 7,001   | (9,070)              | (2,069)  | 3,394                | 8,090                  | (4,696)              | 3,394                  | 3,394                | 8,090   | (4,696)              | 3,394                  | 3,394                |
| 6,804   | (3,117)              | 3,687  | 3,394                | 8,090                  | (4,696)              | 3,394                  | 3,394                | 8,090   | (4,696)              | 3,394                  | 3,394                |
| 60,515  | (27,129)             | 33,386   | 33,279               | 67,446                 | (34,067)             | 33,379                 | 33,379               | 67,827  | (34,067)             | 33,760                 | 33,760               |
| 71,193  | (31,404)             | 39,789   | 51,789               | 80,170                 | (28,381)             | 51,789                 | 51,789               | 81,074  | (28,381)             | 52,693                 | 52,693               |
| 103,961   | (71,443)             | 32,520   | 50,819               | 122,491                | (71,672)             | 50,819                 | 50,819               | 125,193   | (71,672)             | 53,521                 | 53,521               |
| 21,839  | (12,769)             | 70   | 607                  | 22,414                 | (21,807)             | 607                    | 607                  | 22,475  | (21,807)             | 668                    | 668                  |
| 112,864   | (85,834)             | 27,030   | 1,129                | 80,102                 | (78,973)             | 1,129                  | 1,129                | 62,025  | (77,323)             | (15,298)               | (15,298)             |
| (184)   | (2,733)              | (2,917)  | (9,968)              | 1,308                  | (5,276)              | (3,968)                | (3,968)              | 1,306   | (5,276)              | (3,970)                | (3,970)              |
| 20,172  | (18,717)             | 1,455  | 1,26                 | 18,785                 | (18,659)             | 1,26                   | 1,26                 | 17,884  | (19,119)             | (1,235)                | (1,235)              |
| <b>438,391</b>  | <b>(289,067)</b>     | <b>144,324</b>   | <b>165,359</b>       | <b>458,052</b>         | <b>(292,693)</b>     | <b>165,359</b>         | <b>165,359</b>       | <b>444,332</b>  | <b>(291,955)</b>     | <b>152,827</b>         | <b>152,827</b>       |
|   |                      | Other Operating Expenditure (Note 12)  | 4,134                |                        | (1,030)              |                        |                      |   |                      | 3,104                  | 3,104                |
|   |                      | Financing & Investment Income & Expenditure - Other (Note 13)  | 5,094                |                        |                      |                        |                      |   |                      | 5,094                  | 5,094                |
|   |                      | Income & Expenditure in relation to Investment Properties and charges in their fair value (Notes 17)                   | 5,591                |                        | 5,024                |                        |                      |   |                      | 5,024                  | 5,024                |
|   |                      | Taxation and Non-Specific Grant Income - Other (Note 14)   | (142,973)            |                        |                      |                        |                      |   |                      |                        | 1,902                |
|   |                      | <b>(Surplus) or Deficit on Provision of Services</b>   | <b>17,949</b>        |                        |                      |                        |                      |   |                      |                        | <b>8,833</b>         |
|   |                      | (Surplus) or Deficit on revaluation of Property, Plant and Equipment   | (22,601)             |                        | 39,696               |                        |                      |   |                      |                        |                      |
|   |                      | Impairment (gains)/losses on non-current assets charged to Revaluation Reserve   |                      |                        |                      |                        |                      |   |                      |                        | (10,751)             |
|   |                      | (Surplus) or deficit on revaluation of 310 available for sale financial assets   |                      |                        |                      |                        |                      |   |                      |                        |                      |
|   |                      | (Surplus) or deficit from investment in equity instruments designated at fair value through Other Comprehensive Income |                      |                        |                      |                        |                      |   |                      |                        | (1,123)              |
|   |                      | Movement on financial instruments (45) adjustment account  | (45)                 |                        | 45                   |                        |                      |   |                      |                        |                      |
|   |                      | Reassessment of the net defined benefit liability  | (80,712)             |                        | (16,517)             |                        |                      |   |                      |                        | (6,749)              |
|   |                      | Other Movements  | 3,164                |                        |                      |                        |                      |   |                      |                        |                      |
|   |                      | <b>Other Comprehensive Income and Expenditure</b>  | <b>(9,884)</b>       |                        |                      |                        |                      |   |                      |                        | <b>(18,625)</b>      |
|   |                      | <b>Total Comprehensive Income and Expenditure</b>  | <b>(31,295)</b>      |                        |                      |                        |                      |   |                      |                        | <b>(9,792)</b>       |

## Balance Sheet 2018/2019

| Restated<br>1st April 2017<br>£000 |                  | Restated<br>31st March 2018<br>£000 |    | Notes            | Draft Accounts<br>Reported to Audit<br>Committee 25th<br>July 2019 |                         | Audited Accounts<br>reported to Audit<br>Committee 27th<br>November 2019      |   |
|------------------------------------|------------------|-------------------------------------|----|------------------|--|-------------------------|---|---|
|                                    |                  |                                     |    |                  | 31st March 2019<br>£000  | 31st March 2019<br>£000 | Amount<br>included in<br>capital<br>reserves but<br>should be in<br>creditors | Miscoding<br>between Capital<br>Adjustment<br>Account and<br>Usable Capital<br>Receipts |
| 726,438                            | 719,475          | Property, Plant and Equipment       | 15 | 735,071          | (3,418)  |                         |   | 731,653   |
| 7,764                              | 8,185            | Heritage Assets                     | 16 | 8,185            |  |                         |   | 8,185   |
| 17,347                             | 32,519           | Investment Property                 | 17 | 33,007           | 3,418  |                         |   | 36,425  |
| 32                                 | -                | - Intangible Assets                 |    | -                |  |                         |   | -   |
| 654                                | 1,110            | Assets Held for Sale                | 18 | 897              |  |                         |   | 897   |
| 17,060                             | 24,250           | Long Term Investments               | 20 | 28,750           |  |                         |   | 28,750  |
| 19,376                             | 38,031           | Long Term Debtors                   | 21 | 57,924           |  |                         |   | 57,924  |
| <b>788,671</b>                     | <b>823,570</b>   | <b>Long Term Assets</b>             |    | <b>863,834</b>   |  |                         |   | <b>863,834</b>  |
| 479                                | 416              | Inventories                         | 22 | 445              |  |                         |   | 445   |
| 35,813                             | 44,688           | Short Term Debtors                  | 23 | 43,034           |  |                         |   | 43,034  |
| 5,770                              | 6,406            | Payments in Advance                 | 24 | 6,465            |  |                         |   | 6,465   |
| -                                  | -                | Short Term Loans                    |    | 800              |  |                         |   | 800   |
| 9,878                              | 9,366            | Cash and Cash Equivalents           | 25 | 6,946            | 672  |                         |   | 7,618   |
| <b>51,940</b>                      | <b>60,876</b>    | <b>Current Assets</b>               |    | <b>57,690</b>    |  |                         |   | <b>58,362</b>   |
| (91,697)                           | (153,776)        | Short Term Borrowing                | 19 | (159,452)        |  |                         |   | (159,452)   |
| (37,355)                           | (38,125)         | Short Term Creditors                | 27 | (53,316)         |  | (117)                   |   | (54,105)  |
| (18,365)                           | (20,867)         | Receipts in Advance                 | 26 | (14,339)         |  |                         |   | (14,339)  |
| (12,718)                           | (15,151)         | Short Term Provisions               | 28 | (16,298)         |  | 1,747                   |   | (14,551)  |
| <b>(160,135)</b>                   | <b>(227,919)</b> | <b>Current Liabilities</b>          |    | <b>(243,405)</b> |  |                         |   | <b>(242,447)</b>  |
| (76,830)                           | (91,730)         | Long Term Creditors                 | 27 | (85,832)         |  |                         |   | (85,832)  |
| (84,701)                           | (90,343)         | Long Term Borrowing                 | 19 | (89,895)         |  |                         |   | (89,895)  |
| (288,336)                          | (214,786)        | Other Long Term Liabilities         |    | (232,359)        |  |                         |   | (232,359)   |
| (16,073)                           | (13,197)         | Capital Grants in Advance           | 42 | (15,400)         |  |                         |   | (15,400)  |
| <b>(465,940)</b>                   | <b>(410,056)</b> | <b>Long Term Liabilities</b>        |    | <b>(423,486)</b> |  |                         |   | <b>(423,486)</b>  |
| <b>214,536</b>                     | <b>246,471</b>   | <b>Net Assets</b>                   |    | <b>254,633</b>   |  |                         |   | <b>254,633</b>  |
| (58,846)                           | (57,805)         | Usable Reserves                     | 29 | (65,158)         |  | 117                     | (206)   | (66,994)  |
| (155,690)                          | (188,666)        | Unusable Reserves                   | 30 | (189,475)        |  |                         | 206   | (189,269)   |
| <b>(214,536)</b>                   | <b>(246,471)</b> | <b>Total Reserves</b>               |    | <b>(254,633)</b> |  |                         |   | <b>(256,263)</b>  |

|                          |                                       |
|--------------------------|---------------------------------------|
| <b>Report to:</b>        | <b>AUDIT COMMITTEE</b>                |
| <b>Relevant Officer:</b> | Steve Thompson, Director of Resources |
| <b>Date of Meeting</b>   | 27 November 2019                      |

## Management Representation Letter 2018/2019

### 1.0 Purpose of the report:

1.1 To note the contents of the Management Representation Letter for 2018/2019.

### 2.0 Recommendation(s):

2.1 To note the contents of the Management Representation Letter, agree that the letter is signed by the Chair of the Audit Committee and Director of Resources, and agree that the letter is then provided to Deloitte.

### 3.0 Reasons for recommendation(s):

3.1 To enable the Chair of the Audit Committee and Director of Resources to sign the Management Representation letter and then pass the letter to Deloitte.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

None.

### 4.0 Council Priority:

4.1 The relevant Council Priority is:

Deliver quality services through a professional, well-rewarded and motivated workforce.

### 5.0 Background Information

5.1 Following the conclusion of the audit of accounts the Council is required to provide the external auditor, Deloitte LLP, with a statement confirming that the Council has acted properly with due regard to appropriate regulations and guidance in the preparation of the financial statements and that all material items have been disclosed to the auditors and all reasonable measures taken to minimise fraud and error. This statement is referred to as the “Management Representation Letter”. The letter showing the full detail of the statement is attached at Appendix 4(a).

5.2 Once agreed the Management Representation Letter must be signed on behalf of the Authority by the Director of Resources and the member presiding at the meeting of the Audit Committee, that being the body delegated by Council to consider and approve the Statement of Accounts in line with the Accounts and Audit Regulations 2015. The signed Management Representation Letter will then be provided to Deloitte.

Does the information submitted include any exempt information?

No

**List of Appendices:**

Appendix 4(a) - Management Representation Letter 2018/2019

**6.0 Legal considerations:**

6.1 None

**7.0 Human Resources considerations:**

**8.0 Equalities considerations:**

8.1 None

**9.0 Financial considerations:**

9.1 None

**10.0 Risk management considerations:**

10.1 None

**11.0 Ethical considerations:**

11.1 None

**12.0 Internal/ External Consultation undertaken:**

12.1 None

**13.0 Background papers:**

13.1 None

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Date: 27<sup>th</sup> November 2019

Deloitte LLP  
One Trinity Gardens  
Broad Clare  
Newcastle Upon Tyne  
NE1 2HF

Our Ref: KT/8523  
Your Ref: PT/NR/2019  
Direct Line: 01253 478523  
Email: karen.tomlinson@blackpool.gov.uk

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of the Blackpool Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of Blackpool Council as of 31 March 2019 and of the results of its operations, other comprehensive income and expenditure, and its cash flows for the year then ended in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

We confirm, to the best of our knowledge and beliefs, the following representations.

*Financial statements*

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the UK (the Code) and which give a true and fair view.
2. We have provided you with all relevant information and access as agreed in the terms of the audit engagement letter. We acknowledge our responsibilities for the design, implementation and operation of internal control to prevent and detect fraud and error.
3. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
4. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of *IAS24 "Related party disclosures"*.
5. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.



6. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole.
7. We confirm that the financial statements have been prepared on the going concern basis. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Council's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
8. We have considered the valuation of the Council's Property, Plant and Equipment, and are not aware of any circumstances indicating volatility in asset values requiring a revaluation of the entire estate in the current year.
9. With respect to the revaluation of properties in accordance with the Code:
  - a) the measurement processes used are appropriate and have been applied consistently, including related assumptions and models;
  - b) the assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity where relevant to the accounting estimates and disclosures;
  - c) the disclosures are complete and appropriate.
  - d) there have been no subsequent events that require adjustment to the valuations and disclosures included in the financial statements.
10. To the best of our knowledge and belief the Council holds title to all Property Plant and Equipment included in its balance sheet at 31 March 2019.
11. We confirm that:
  - all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
  - all settlements and curtailments have been identified and properly accounted for;
  - all events which relate to the determination of pension liabilities have been brought to the actuary's attention;



- the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the directors' best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
- the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
- the amounts included in the financial statements derived from the work of the actuary are appropriate.

## *Information provided*

12. We have provided you with all relevant information and access.
13. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
14. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
15. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
16. We are not aware of any fraud or suspected fraud that affects the entity and involves:
  - (i) management;
  - (ii) employees who have significant roles in internal control; or
  - (iii) others where the fraud could have a material effect on the financial statements.
17. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
18. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements.
19. We have disclosed to you the identity of the council's related parties and all the related party relationships and transactions of which we are aware.
20. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework. No other claims in connection with litigation have been or are expected to be received.



21. As a result of the McCloud / Sergeant judgement, Blackpool Council have provided for the additional IAS 19 liability as a past service cost. Management have taken appropriate advice from the scheme actuary and consider this to be the current best estimate of the additional liability based on the key assumptions as set out in the accounts.
22. We note the external audit qualification of Blackpool Entertainment Company Limited 31 March 2019 accounts as a consequence of the company not making an appropriate provision against an unpaid debtor balance of £540,000. The Council continues to expect that this debtor will be paid in full and does not consider that adjustment to the Council or Group accounts is required.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Councillor Paul Galley, Chair of Audit Committee

Steve Thompson, Director of Resources



Appendix 1

Schedule of Uncorrected Misstatements

| Description  | Account Balance            | Assets /<br>Liabilities<br>DR / (CR)<br>£ | Equity<br>DR / (CR)<br>£ | Income<br>Statement<br>DR / (CR)<br>£ |
|--|----------------------------|---|--------------------------|---------------------------------------|
| Overstatement of insurance provision   | Provisions and liabilities | 1,000,000                                 |                          |                                       |
| Overstatement of insurance provision   | Reserves                   |   | -1,000,000               |                                       |
| Overstatement of grants received in advance due to a historical balance within the breakdown | Payables                   | -1,825,447                                |                          |                                       |
| Overstatement of grants received in advance due to a historical balance within the breakdown | Grant income               |   |                          | 1,825,447                             |
| Overstatement of debtors   | Trade receivables          | -459,423                                  |                          |                                       |
| Overstatement of debtors   | Revenue                    |   |                          | 459,423                               |
| Extrapolation of above overstatement of debtors  | Trade receivables          | -521,184                                  |                          |                                       |
| Extrapolation of above overstatement of debtors  | Revenue                    |   |                          | 521,184                               |
|  |                            | <u>-1,806,054</u>                         | <u>-1,000,000</u>        | <u>2,806,054</u>                      |



Appendix 2

**Schedule of Uncorrected Misstatements Group Level**

| Description   | Account Balance    | Assets /<br>Liabilities<br>DR / (CR)<br>£ | Equity<br>DR / (CR)<br>£ | Income<br>Statement<br>DR / (CR)<br>£ |
|---|--------------------|---|--------------------------|---------------------------------------|
| Overstatement of debtor within Blackpool Entertainment Company Ltd financial statements | Debtor             | -540,000                                  |                          |                                       |
| Overstatement of debtor within Blackpool Entertainment Company Ltd financial statements | Operating expenses |   |                          | 540,000                               |
|   |                    | -540,000                                  |                          | 540,000                               |



|                          |  |
|--------------------------|--|
| <b>Report to:</b>        | <b>AUDIT COMMITTEE</b>                   |
| <b>Relevant Officer:</b> | Tracy Greenhalgh, Head of Audit and Risk |
| <b>Date of Meeting</b>   | 27 November 2019                         |

## RISK SERVICES QUARTER TWO REPORT

### 1.0 Purpose of the report:

1.1 To provide the Audit Committee with a summary of the work completed by Risk Services in quarter two of the 2019/2020 financial year.

### 2.0 Recommendation(s):

2.1 Audit Committee is asked to:

- Note the content of the report.

### 3.0 Reasons for recommendation(s):

3.1 To ensure that the Council has effective risk management processes in place.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

None

### 4.0 Council Priority:

4.1 The work of Risk Services contributes to the delivery of all of the Council's priorities.

### 5.0 Background Information

5.1 Each quarter the Head of Audit and Risk produces a report summarising the work of Risk Services and this includes the overall assurance statements for all audit reviews completed in the quarter.

The Risk Services Quarterly Report is reported to the Corporate Leadership Team prior to being presented to the Audit Committee.

On the completion of each audit an overall assurance statement is provided which summarises the strength of controls in the area being audited. The opinions can provide positive assurance, such as when controls are identified to be good or adequate, or negative assurance when the controls are considered to be inadequate or uncontrolled.

Does the information submitted include any exempt information?

No

**List of Appendices:**

Appendix 5(a) - Risk Services Quarter Two Report

**6.0 Legal considerations:**

6.1 All work undertaken by Risk Services is in line with relevant legislation. This is particularly important when undertaking fraud investigations where a number of regulations need to be adhered to.

**7.0 Human Resources considerations:**

7.1 None

**8.0 Equalities considerations:**

8.1 None

**9.0 Financial considerations:**

9.1 All work has been delivered within the agreed budget for Risk Services.

**10.0 Risk management considerations:**

10.1 The primary role of Risk Services is to provide assurance that the Council is effectively managing its risks and provide support to all services in relation to risk and control. Risks that have been identified in the quarter are reported in the summary report.

**11.0 Ethical considerations:**

11.1 None

**12.0 Internal/ External Consultation undertaken:**

12.1 The Risk Services Quarterly Report was considered by the Corporate Leadership Team on 22 October 2019.

**13.0 Background papers:**

13.1 None

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Risk Services Quarter Two Report  
1 July to 30 September 2019

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## Blackpool Council: Risk Services

### Second Quarter Summary

#### Service Developments

##### 1.1 Internal Audit

Internal audits that have been scoped in the quarter and/or fieldwork underway include:

| Directorate                    | Internal Audits   |
|--------------------------------|---|
| Adult Services                 | <ul style="list-style-type: none"><li>• Extra Support Supported Living Scheme</li><li>• Coopers Way Respite Care</li></ul>  |
| Children's Services            | <ul style="list-style-type: none"><li>• Fostering Service</li><li>• Early Help Sustainability</li><li>• Children's Homes</li><li>• Post OFSTED and YOT Improvement Arrangements</li></ul>   |
| Chief Executives               | <ul style="list-style-type: none"><li>• Housing Rents Financial Control Assurance Testing</li></ul>   |
| Communication and Regeneration | <ul style="list-style-type: none"><li>• Business Support</li><li>• Opportunity Area Funding</li></ul>   |
| Community and Environmental    | <ul style="list-style-type: none"><li>• Layton Depot Management</li></ul>   |
| Corporate                      | <ul style="list-style-type: none"><li>• Information Governance</li><li>• Contract Management and Social Value</li><li>• Complaints</li><li>• Corporate Governance</li><li>• Managing Leavers</li><li>• Compliance with Mandatory Arrangements</li></ul> |
| Resources                      | <ul style="list-style-type: none"><li>• Non-contracted ICT software</li><li>• Water Self-Supply Licence</li><li>• Council Tax Financial Control Assurance Testing</li></ul>   |

Details of the scope and final outcome for each of the above audits will be reported to Audit Committee in the Risk Services quarterly report once the fieldwork has been completed and draft report agreed.

##### 1.2 Corporate Fraud

The focus of the team's proactive work in the quarter has been predominately focused on the coordination and delivery of the National Fraud Initiative. A review of the Anti-Money Laundering and Fraud Awareness iPool courses is also underway to ensure that these are fully up to date.

##### 1.3 Risk and Resilience

The team has arranged the provision of one training sessions in the quarter which was counter terrorism awareness training for employees. An additional six counter terrorism awareness training sessions have been arranged for this calendar year.

The team is currently updating the template for business continuity plans to streamline the document. Once an agreed template is in place the team will be meeting with all services across the Council in order to review the business continuity programme and update plans.

As part of the revised Risk Management Framework it was agreed to report to Audit Committee the progress in terms of the use of SharePoint and the Risk Management Groups which were held in the quarter. All risk management groups were held in the quarter as per the agreed schedule and all risk management groups are now using SharePoint.

## Blackpool Council: Risk Services

### 1.4 *Health and Safety*

The team have completed a number of health and safety management system audits in the quarter including for Blackpool Young People Services, Grundy Art Gallery, Adult Volunteers Service and Integrated Transport.

The team has continued to support a number of services including participating in the Layton Depot Services Health and Safety Group, delivering a presentation on health and safety roles and responsibilities to Children's Service staff and supported the Events Team after the Ride the Lights incident on the Tramway.

Current projects being undertaken by the team include a review of the corporate warning register and an assessment of the cost benefit of a bespoke health and safety system to help streamline reporting arrangements and increase corporate oversight.

The team is receiving lots of requests for the provision of bespoke health and safety training as services identify the need to train staff to mitigate against specific health and safety risks and hazards.

The team is currently reviewing the Health and Safety Management Arrangements to ensure that these are up to date and reflect the Council's current structure. The majority of guidance notes have now been reviewed and uploaded to the Hub and meetings are ongoing with Property Services to enable a review of the corporate arrangements for risks associated with asbestos and legionella.

### 1.5 *Equality and Diversity*

The compliance assessment of the Chief Executive's department and Children's Services with the Public Sector Equality Duty are currently in progress. On completion of these areas assessments will be undertaken with each of the Council's wholly owned companies.

An Equality and Diversity Awareness course has been prepared for elected members and will be rolled out over the coming months.

## *Performance*

### *Risk Services performance indicators*

| <b>Performance Indicator<br/>(Description of measure)</b>              | <b>2019/2020<br/>Target</b> | <b>2019/2020<br/>Actual</b> |
|--|-----------------------------|-----------------------------|
| Professional and technical qualification as a percentage of the total. | 85%                         | 83%                         |

### *Internal Audit Team performance indicators*

| <b>Performance Indicator<br/>(Description of measure)</b>       | <b>2019/2020<br/>Target</b> | <b>2019/2020<br/>Actual</b> |
|---|-----------------------------|-----------------------------|
| Percentage audit plan completed (annual target).                | 90%                         | 34%                         |
| Percentage draft reports issued within deadline.                | 96%                         | 100%                        |
| Percentage audit work within resource budget.                   | 92%                         | 90%                         |
| Percentage of positive satisfaction surveys.                    | 85%                         | 93%                         |
| Percentage compliance with quality standards for audit reviews. | 85%                         | 92%                         |

## Blackpool Council: Risk Services

### *Risk and Resilience Team performance indicators*

| Performance Indicator<br>(Description of measure)   | 2019/2020<br>Target | 2019/2020<br>Actual   |
|---|---------------------|---|
| Percentage of Council service business continuity plans up to date.   | 100%                | Completion Rate = 96%<br><br>Reviewed in last 12 months = 79% |
| Percentage of risk registers revised and up to date at the end of the quarter.  | 100%                | 74%   |
| Number of risk and resilience training and exercise sessions held (annual target).  | 6                   | 3   |
| Number of trained Emergency Response Group Volunteers.<br>(for monitoring purposes only – responsibility lies with Adult Social Care) | 50                  | 39  |
| Percentage of property risk audit programme completed (annual target).  | 100%                | 0%  |

Whilst 96 per cent of Business Continuity Plans are in place across the Council only 79 per cent have been updated in the last 12 months.

The following services have fully updated all of their plans:

- Adult Services
- Chief Executives
- Public Health
- Resources
- Governance and Partnerships

Plans which are outstanding or have not been updated in the other directorates is as follows:

#### **Children's Services**

- Emergency Duty Team
- Duty, MASH, Awaken
- Safeguarding, Quality and Review
- Permanence
- 331 Bispham Road
- 167 Hornby Road
- Adoption
- Children with Complex Needs
- Safeguarding 1-6
- The Link
- Families In Need

#### **Communications & Regeneration**

- Adult Learning
- Leisure Assets

## Blackpool Council: Risk Services

- Communications
- Museum Project

### **Community & Environmental Services**

- Central Vehicle Maintenance Unit

Only 74 per cent of risk registers had been updated by the end of the quarter. The following services have fully updated their risk registers:

- Adult Services
- Community and Environmental Services
- Public Health
- Governance and Partnerships
- Resources

Risk registers which had not been updated by the deadline included:

### **Chief Executives**

- Corporate Delivery
- Executive Management Support
- Housing Strategy

### **Children's Services**

- Children's Social Care
- Children's Commissioning

### **Communication and Regeneration**

- Adult Learning
- Car Parking
- Communications
- Growth and Prosperity
- Libraries
- Planning
- Visit Blackpool

### ***Health and Safety performance indicators***

| <b>Performance Indicator<br/>(Description of measure)</b> | <b>2019/2020<br/>Target</b> | <b>2019/2020<br/>Actual</b> |
|---|-----------------------------|-----------------------------|
| RIDDOR Reportable Accidents for Employees                 | 0                           | 3                           |
| Training Delivered to quarterly plan                      | 100%                        | 100%                        |

There were three RIDDOR cases relating to employees reported in the quarter which included:

- Adult Services – Employee went to move a service user and aggravated their sciatica and was off for more than seven days.
- Children Services – Employee slipped/tripped and banged their head, causing a cut on left eye and was off for more than seven days.
- Integrated Transport – Employee stepped off the bus they drive and slipped on the pavement/kerb causing ankle injury/fracture.

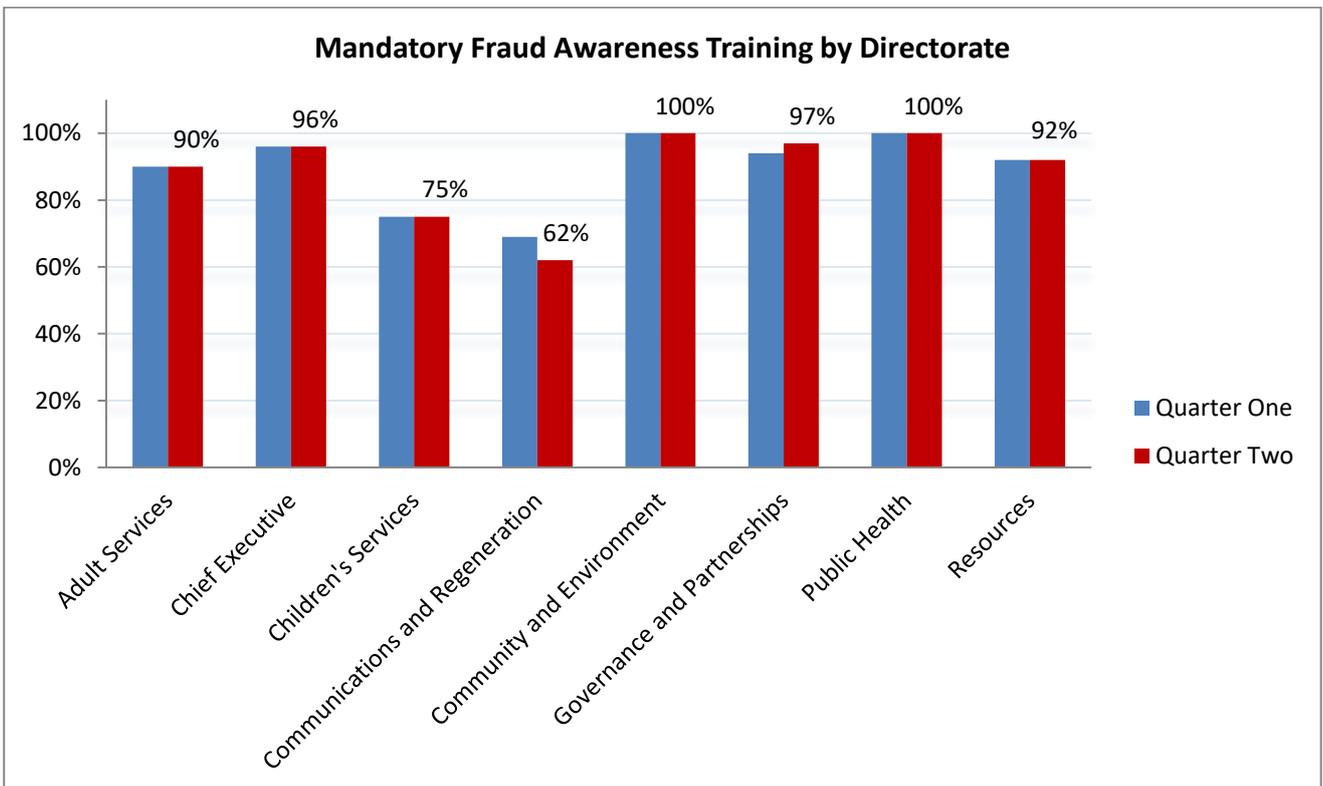
## Blackpool Council: Risk Services

### Equality and Diversity performance indicators

| Performance Indicator<br>(Description of measure)  | 2019/2020<br>Target | 2019/2020<br>Actual |
|--|---------------------|---------------------|
| Percentage of Executive Decisions made with evidence of Equality Impact Assessments or due regard. | 100%                | 70%                 |
| Percentage take up of Equality i-Pool course.  | 100%                | 81%                 |

### Corporate Fraud Team performance indicators

| Performance Indicator<br>(Description of measure)                      | 2019/2020<br>Target | 2019/2020<br>Actual |
|--|---------------------|---------------------|
| % of agreed Council employees completed i-Pool fraud awareness course. | 100%                | 83%                 |



## Blackpool Council: Risk Services

| <u>CORPORATE FRAUD</u><br><u>STATISTICS - 2019/2020</u>             | Number of Cases Brought Forward from Quarter 1 | Total Number of Referrals Received | Case Closures      |                           | Total Value of Fraud Proven / Error Identified | Action Taken on Closed Cases |                |              |                        |             | Number of Cases Currently Under Investigation |
|---|--|------------------------------------|--------------------|---------------------------|--|------------------------------|----------------|--------------|------------------------|-------------|---|
|   |  |                                    | Fraud/Error Proven | No Fraud/Error Identified |  | No Further Action            | Recommendation | Disciplinary | Administrative Penalty | Prosecution |   |
| Type of Fraud   |  | ANNUAL SUMMARY 2019-2020           |                    |                           |  |                              |                |              |                        |             |   |
| Council Tax - Single Person Discount                                | 9  | 28                                 | 9                  | 12                        | £2,757.63                                      | 21                           | 0              | 0            | 0                      | 0           | 16  |
| Council Tax Reduction (CTR)   | 3  | 10                                 | 1                  | 6                         | £469.01  | 7                            | 0              | 0            | 0                      | 0           | 6   |
| Business Rates  | 0  | 2                                  | 0                  | 1                         | -  | 1                            | 0              | 0            | 0                      | 0           | 1   |
| Procurement   | 1  | 0                                  | 0                  | 0                         | -  | 0                            | 0              | 0            | 0                      | 0           | 1   |
| Fraudulent Insurance Claims   | 7  | 1                                  | 0                  | 0                         | -  | 0                            | 0              | 0            | 0                      | 0           | 8   |
| Social Care   | 2  | 0                                  | 0                  | 0                         | -  | 0                            | 0              | 0            | 0                      | 0           | 2   |
| Economic & Third Sector Support                                     | 0  | 0                                  | 0                  | 0                         | -  | 0                            | 0              | 0            | 0                      | 0           | 0   |
| Gross Misconduct (Disciplinary Code)                                | 1  | 2                                  | 1                  | 0                         | -  | 0                            | 0              | 1            | 0                      | 0           | 2   |
| Pension   | 0  | 0                                  | 0                  | 0                         | -  | 0                            | 0              | 0            | 0                      | 0           | 0   |
| Investment  | 0  | 0                                  | 0                  | 0                         | -  | 0                            | 0              | 0            | 0                      | 0           | 0   |
| Payroll & Employee Contract Fulfilment                              | 0  | 0                                  | 0                  | 0                         | -  | 0                            | 0              | 0            | 0                      | 0           | 0   |
| Expenses  | 0  | 0                                  | 0                  | 0                         | -  | 0                            | 0              | 0            | 0                      | 0           | 0   |
| Abuse of Position - Financial Gain                                  | 1  | 0                                  | 0                  | 0                         | -  | 0                            | 0              | 0            | 0                      | 0           | 1   |
| Abuse of Position - Manipulation of Financial or Non-Financial Data | 0  | 0                                  | 0                  | 0                         | -  | 0                            | 0              | 0            | 0                      | 0           | 0   |
| General Financial Fraud   | 0  | 3                                  | 0                  | 1                         | -  | 1                            | 0              | 0            | 0                      | 0           | 2   |
| Disabled parking concessions  | 1  | 2                                  | 0                  | 0                         | -  | 0                            | 0              | 0            | 0                      | 0           | 3   |
| NFI 2018/19   | 82   | 2042                               | 397                | 1670                      | £206,218.88                                    | 2067                         | 0              | 0            | 0                      | 0           | 57  |
| <b>Totals:</b>  | <b>107</b>                                     | <b>2090</b>                        | <b>408</b>         | <b>1690</b>               | <b>£209,445.52</b>                             | <b>2097</b>                  | <b>0</b>       | <b>1</b>     | <b>0</b>               | <b>0</b>    | <b>99</b>                                     |

2. **Appendix A: Performance & Summary Tables for Quarter Two**

*Internal Audit reports issued in period*

| Directorate     | Review Title | Assurance Statement   |                 |  |            |   |            |   |            |   |
|-----------------|--------------|---|-----------------|--|------------|---|------------|---|------------|---|
| Adult Services  | Volunteers   | <p><b><u>Scope</u></b></p> <p>The scope of our audit was to review:</p> <ul style="list-style-type: none"> <li>• Whether all Council volunteering activity is being identified for assessment;</li> <li>• Whether there is an appropriate process to ensure that all Council volunteering projects are adhering to the 'Investing in Volunteering' standards;</li> <li>• Whether opportunities for development of volunteering delivery approaches are being utilised;</li> <li>• What benefits the Council can expect from being part of the Lancashire Volunteer Partnership, and whether value for money can be obtained.</li> </ul> <p><b><u>Overall Opinion and Assurance Statement</u></b></p> <table border="1" data-bbox="746 913 1465 954"> <tr> <td colspan="2" style="text-align: center;"><b>Adequate</b></td> </tr> </table> <p>The Council's approach to volunteering has previously been inconsistent and managed by individual service areas. However, steps are now being undertaken to introduce a more coordinated and controlled approach with the aspiration that the Council as a whole achieves the Investing in Volunteers (IiV) accreditation.</p> <p>Adult Services, who have already achieved the IiV accreditation, are taking a lead role in this process and are recruiting a coordinator to oversee the project. We therefore consider the plans in place to implement a corporate approach to volunteering are adequate with some risks identified and several changes needed.</p> <p><b><u>Number of Recommendations Made</u></b></p> <table border="1" data-bbox="746 1480 1465 1594"> <tr> <td>Priority 1</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Priority 2</td> <td style="text-align: center;">7</td> </tr> <tr> <td>Priority 3</td> <td style="text-align: center;">2</td> </tr> </table> <p><b><u>Management Response</u></b></p> <p>Management agreed that a corporate volunteering strategy which defines and promotes the Council's approach to volunteering should be developed. A corporate steer is to be obtained to inform the direction of the future development of volunteering, including to inform CLT of all the options available to the Council in its promotion of all elements of volunteering, to include activity that may sit outside of Lancashire Volunteer Partnership and to understand the role the third sector plays in volunteering delivery in Blackpool and how the Council could support this and use it for the greater good.</p> | <b>Adequate</b> |  | Priority 1 | 0 | Priority 2 | 7 | Priority 3 | 2 |
| <b>Adequate</b> |              |   |                 |  |            |   |            |   |            |   |
| Priority 1      | 0            |   |                 |  |            |   |            |   |            |   |
| Priority 2      | 7            |   |                 |  |            |   |            |   |            |   |
| Priority 3      | 2            |   |                 |  |            |   |            |   |            |   |

## Blackpool Council: Risk Services

| Directorate       | Review Title    | Assurance Statement  |                   |            |   |            |   |            |   |
|-------------------|-----------------|--|-------------------|------------|---|------------|---|------------|---|
| Adult Services    | Direct Payments | <p><b><u>Scope</u></b></p> <p>The scope of this audit was to review:</p> <ul style="list-style-type: none"> <li>• The audit regime currently undertaken by the service for Direct Payments and Personal Health Budgets including management oversight; and</li> <li>• The processes currently in place for identifying potential fraud.</li> </ul> <p><b><u>Overall Opinion and Assurance Statement</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><b>Inadequate</b></td> </tr> </table> <p>We consider that at present the controls in place for the audit regime are inadequate, with areas for improvement noted in the report. The process for escalating issues should be documented and communicated to relevant staff and steps should be taken to ensure that audits are completed in a timely and efficient manner.</p> <p>Our testing revealed lapses in compliance with the controls.</p> <p><b><u>Number of Recommendations Made</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">Priority 1</td> <td style="text-align: center;">1</td> </tr> <tr> <td style="text-align: center;">Priority 2</td> <td style="text-align: center;">8</td> </tr> <tr> <td style="text-align: center;">Priority 3</td> <td style="text-align: center;">0</td> </tr> </table> <p><b><u>Management Response</u></b></p> <p>Management agreed that responsibility for managing the Audit Status spreadsheet should be assigned to ensure audits are completed in a timely manner.</p> <p>Management agreed that the service should consider moving to a case management system such as the Direct Payment module in Mosaic which would further improve the administration of the Direct Payment Scheme.</p> <p>Management agreed that consideration should be given to adopting a risk based approach to reviews undertaken by the Direct Payments Manager. Timescales for follow-up action would also be implemented.</p> <p>Management agreed that a system should be put in place to highlight historical or outstanding issues with a client's account which need to be brought to the attention of the Direct Payments Finance Assistants.</p> <p>Management agreed that a standard template(s) should be developed for letters issued by Caseworkers and Finance Assistants to include deadline dates, giving the client clear instructions regarding any action arising from the audit.</p> <p>Management to liaise with the Corporate Fraud Team to review application documentation and determine the appropriate treatment of potential fraud.</p> | <b>Inadequate</b> | Priority 1 | 1 | Priority 2 | 8 | Priority 3 | 0 |
| <b>Inadequate</b> |                 |  |                   |            |   |            |   |            |   |
| Priority 1        | 1               |  |                   |            |   |            |   |            |   |
| Priority 2        | 8               |  |                   |            |   |            |   |            |   |
| Priority 3        | 0               |  |                   |            |   |            |   |            |   |

|                       |                 |   |                 |            |   |            |   |            |   |
|-----------------------|-----------------|---|-----------------|------------|---|------------|---|------------|---|
| <p>Adult Services</p> | <p>Vitaline</p> | <p><b><u>Scope</u></b></p> <p>The scope of our audit work was to review the Vitaline service and undertake compliance testing which covered the following areas:</p> <ul style="list-style-type: none"> <li>• Staff rotas,</li> <li>• Training logs,</li> <li>• DBS checks,</li> <li>• Policies and Procedures,</li> <li>• Occupational Health and Safety and Risk Assessments,</li> <li>• Purchasing Cards,</li> <li>• Infection Control,</li> <li>• Quality Assurance,</li> <li>• Security,</li> <li>• Inventories / Stock Control,</li> <li>• External Activities,</li> <li>• Referrals and Escalation Procedures,</li> <li>• Care plans and Client Profiles.</li> </ul> <p><b><u>Overall Opinion and Assurance Statement</u></b></p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td><b>Adequate</b></td> </tr> </table> <p>We consider that the controls in place are adequate with some risks identified and assessed, several changes necessary.</p> <p>Our testing revealed minor lapses in compliance with the controls.</p> <p><b><u>Number of Recommendations Made</u></b></p> <table border="1" style="width: 100%;"> <tr> <td style="width: 70%;">Priority 1</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Priority 2</td> <td style="text-align: center;">5</td> </tr> <tr> <td>Priority 3</td> <td style="text-align: center;">0</td> </tr> </table> <p><b><u>Management Response</u></b></p> <p>Management agreed that the service should ensure training requirements are clear for each individual employee to allow ease of monitoring, and ensure outstanding training is highlighted and scheduled as soon as possible.</p> <p>Management agreed that employees who have not yet reviewed the updated occupational health and safety manual and risk assessments should do so and sign to confirm that they have familiarised themselves with the content.</p> <p>Management agreed that, where fuel is purchased, VAT receipts should be requested from the retailer if a receipt is issued that does not include the VAT breakdown.</p> <p>Management agreed that a project plan should be produced with realistic targets and planned end dates to ensure any issues can be rectified prior to the analogue switch off.</p> | <b>Adequate</b> | Priority 1 | 0 | Priority 2 | 5 | Priority 3 | 0 |
| <b>Adequate</b>       |                 |   |                 |            |   |            |   |            |   |
| Priority 1            | 0               |   |                 |            |   |            |   |            |   |
| Priority 2            | 5               |   |                 |            |   |            |   |            |   |
| Priority 3            | 0               |   |                 |            |   |            |   |            |   |

## Blackpool Council: Risk Services

| Directorate                    | Review Title | Assurance Statement   |                 |            |   |            |    |            |   |
|--------------------------------|--------------|---|-----------------|------------|---|------------|----|------------|---|
| Communication and Regeneration | Advertising  | <p><b><u>Scope</u></b></p> <p>The scope of the audit was to review:</p> <ul style="list-style-type: none"> <li>• Advertising income generation;</li> <li>• Organisational and operational efficiency;</li> <li>• Financial Management; and</li> <li>• Strategic Direction.</li> </ul> <p><b><u>Overall Opinion and Assurance Statement</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><b>Adequate</b></td> </tr> </table> <p>We did not find any significant control issues, however we found considerable scope to improve operational efficiency and effectiveness. We do however consider that the controls in place to be adequate, with some risks identified and assessed and several changes necessary.</p> <p><b><u>Number of Recommendations Made</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">Priority 1</td> <td style="text-align: center;">0</td> </tr> <tr> <td style="text-align: center;">Priority 2</td> <td style="text-align: center;">16</td> </tr> <tr> <td style="text-align: center;">Priority 3</td> <td style="text-align: center;">3</td> </tr> </table> <p><b><u>Management Response</u></b></p> <p>Management agreed that a policy should be developed which governs advertising and sponsorship. A strategy and operational plan would also be developed which defines roles and responsibilities. The delivery of these will be supported by a risk register.</p> <p>Management agreed to update the advertising team’s web presence and literature.</p> <p>Management agreed that there is potential to undertake marketing testing with external advertising agencies when a national scheme was required.</p> <p>Management agreed to undertake a stock take to ascertain the entirety of adverting assets and maintain a central asset register going forward. A maintenance and replacement programme will be developed and other facilities, such as leisure centres, will be explored as to their suitability to be an advertising asset. Links to the regeneration programme will also continue to be explored to assess whether there is potential to incorporate an advertising assets in the developments.</p> <p>Management agreed that a rates card for advertising should be in place and to benchmark rates on a periodic basis.</p> <p>Management agreed to ensure that in-house assets are considered for internal advertising campaigns prior to the use of external resources and ensure that income models reflect the needs of internal customers.</p> | <b>Adequate</b> | Priority 1 | 0 | Priority 2 | 16 | Priority 3 | 3 |
| <b>Adequate</b>                |              |   |                 |            |   |            |    |            |   |
| Priority 1                     | 0            |   |                 |            |   |            |    |            |   |
| Priority 2                     | 16           |   |                 |            |   |            |    |            |   |
| Priority 3                     | 3            |   |                 |            |   |            |    |            |   |

## Blackpool Council: Risk Services

| Directorate                 | Review Title    | Assurance Statement   |                 |            |   |            |    |            |   |
|-----------------------------|-----------------|---|-----------------|------------|---|------------|----|------------|---|
| Community and Environmental | Leisure Centres | <p><b><u>Scope</u></b></p> <p>The scope of this audit was to review key operational controls at:</p> <ul style="list-style-type: none"> <li>• Moor Park Health and Leisure Centre;</li> <li>• Blackpool Sports Centre;</li> <li>• Palatine Leisure Centre.</li> </ul> <p><b><u>Overall Opinion and Assurance Statement</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><b>Adequate</b></td> </tr> </table> <p>We consider that the controls in place are adequate with some risk identified and assessed, several changes necessary</p> <p>Our testing revealed minor lapses in compliance with the controls.</p> <p><b><u>Number of Recommendations Made</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">Priority 1</td> <td style="text-align: center;">0</td> </tr> <tr> <td style="text-align: center;">Priority 2</td> <td style="text-align: center;">13</td> </tr> <tr> <td style="text-align: center;">Priority 3</td> <td style="text-align: center;">1</td> </tr> </table> <p><b><u>Management Response</u></b></p> <p>Management agreed that there is a need to ensure that rota procedures are consistent across the centres to ensure accuracy when checking timesheets and monitoring.</p> <p>Management agreed that issues with the potential overpayment of leisure assistants will be explored further and that a consistent approach for paying leisure assistants who undertake exercise classes is adopted.</p> <p>Management agreed that a staff signing in system for all centres should be implemented and that that the treatment of bank holidays and annual leave needed to be consistent across the three centres.</p> <p>Management agreed to continue to monitor the impact of marketing activities to ensure that they have positive results in terms of income generated.</p> <p>Management agreed that security arrangements for staff handling cash will be improved and that the templates used to record banking activity will be reviewed.</p> <p>Management agreed to review the reconciliation process for stock and implement consistent procedures for the write-off and disposal of stock.</p> <p>Management agreed to implement spot checking processes on admissions to classes and report the findings to team updates.</p> | <b>Adequate</b> | Priority 1 | 0 | Priority 2 | 13 | Priority 3 | 1 |
| <b>Adequate</b>             |                 |   |                 |            |   |            |    |            |   |
| Priority 1                  | 0               |   |                 |            |   |            |    |            |   |
| Priority 2                  | 13              |   |                 |            |   |            |    |            |   |
| Priority 3                  | 1               |   |                 |            |   |            |    |            |   |

## Blackpool Council: Risk Services

| Directorate     | Review Title       | Assurance Statement   |                 |            |   |            |   |            |   |
|-----------------|--------------------|---|-----------------|------------|---|------------|---|------------|---|
| Corporate       | Response to Brexit | <p><b><u>Scope</u></b></p> <p>The scope of the audit was to review the process the Council is adopting to establish and evaluate the implications of the UK leaving the EU, and establish progress to date regarding the Council's actions aimed at ensuring that it is adequately prepared for the risks associated with UK withdrawal.</p> <p><b><u>Overall Opinion and Assurance Statement</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><b>Adequate</b></td> </tr> </table> <p>We consider that the controls in place are adequate with some risks identified and assessed and some further work needed to ensure that the Council is as prepared as it can be for the risks associated with UK withdrawal from the EU. In particular a number of actions identified as being required to reduce risk are at present only partially completed, or in one case not started, although this has now been highlighted and will be progressed.</p> <p><b><u>Number of Recommendations Made</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="width: 70%;">Priority 1</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Priority 2</td> <td style="text-align: center;">2</td> </tr> <tr> <td>Priority 3</td> <td style="text-align: center;">3</td> </tr> </table> <p><b><u>Management Response</u></b></p> <p>Management agreed to ensure that the Brexit risk register was updated on a monthly basis.</p> <p>Management confirmed that the role of the Brexit Task and Finish Group is to act as a conduit and disseminator of information to where the responsibility lies (including external partners).</p> <p>Management confirmed that instruction had been issued to the Corporate Leadership Team, Senior Leadership Team and Wholly Owned companies to confirm that employees who are EU nationals are supported to sign up to the settlement scheme. Furthermore, steps are being taken for the Council to be able to register EU nationals including employees and residents.</p> <p>The potential impact of Brexit has been included in the Statement of Accounts for 2018/2019 and management confirmed that this had been provided to the external auditor for review.</p> | <b>Adequate</b> | Priority 1 | 0 | Priority 2 | 2 | Priority 3 | 3 |
| <b>Adequate</b> |                    |   |                 |            |   |            |   |            |   |
| Priority 1      | 0                  |   |                 |            |   |            |   |            |   |
| Priority 2      | 2                  |   |                 |            |   |            |   |            |   |
| Priority 3      | 3                  |   |                 |            |   |            |   |            |   |

## Blackpool Council: Risk Services

| Directorate            | Review Title        | Assurance Statement  |                        |            |   |            |   |            |   |
|------------------------|---------------------|--|------------------------|------------|---|------------|---|------------|---|
| Corporate              | Covert Surveillance | <p><b><u>Scope</u></b></p> <p>The scope of the audit was to review whether the correct procedures are being followed in order to comply with Council policy in relation to RIPA and non-RIPA covert surveillance.</p> <p><b><u>Overall Opinion and Assurance Statement</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><b>Split Assurance</b></td> </tr> </table> <p>The Council RIPA Policy and Guidelines were assessed as “of a very good standard” by the Surveillance Inspector in 2016. Our review found that these have been updated since this date and are presently undergoing a further update giving us assurance that Policy and Guidelines remain up to date and of a good standard.</p> <p>Our review of the Central Record of Authorisation and our enquiries of Council officers in relevant services indicates that surveillance policy and guidance is not consistently complied with and therefore we conclude that compliance overall is inadequate. We have made a number of recommendations that should assist in improving the level of compliance going forward.</p> <p><b><u>Number of Recommendations Made</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="width: 70%;">Priority 1</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Priority 2</td> <td style="text-align: center;">6</td> </tr> <tr> <td>Priority 3</td> <td style="text-align: center;">2</td> </tr> </table> <p><b><u>Management Response</u></b></p> <p>Management agreed that additional training would be provided across the Council, particularly in those areas where non-compliance had been identified, for both the use of social media and traditional surveillance methods. Compliance would be monitored by the Corporate RIPA Group.</p> <p>Management agreed to review the use of enhanced internet access by some employees which granted access to social media and the appropriateness of this going forward.</p> <p>Management advised that the RIPA Policy is currently under review and this will clarify the position in terms of loaning equipment to members of the public to undertake surveillance in their properties.</p> <p>It was agreed that management would undertake quality checking on completed applications every six months and report lessons learned to the Corporate RIPA Group.</p> | <b>Split Assurance</b> | Priority 1 | 0 | Priority 2 | 6 | Priority 3 | 2 |
| <b>Split Assurance</b> |                     |  |                        |            |   |            |   |            |   |
| Priority 1             | 0                   |  |                        |            |   |            |   |            |   |
| Priority 2             | 6                   |  |                        |            |   |            |   |            |   |
| Priority 3             | 2                   |  |                        |            |   |            |   |            |   |

## Blackpool Council: Risk Services

| Directorate | Review Title                       | Assurance Statement   |             |            |   |            |   |            |   |
|-------------|------------------------------------|---|-------------|------------|---|------------|---|------------|---|
| Resources   | Carbon Reduction Commitment Scheme | <p><b><u>Scope</u></b></p> <p>The compliance based review of the Council’s carbon reduction commitment submission for 2018/2019 was based on guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA). There is an annual requirement for an internal audit of the scheme to be carried out and copies of associated audit reports should be provided in the authority’s evidence pack. The audit focused on a number of control objectives including that:</p> <ul style="list-style-type: none"> <li>• Registration details are correct and subject to regular review,</li> <li>• Data is secure and accurately recorded in the Council's management information systems,</li> <li>• Information contained in the Annual Report is accurate and timely,</li> <li>• All fuel consumption is accurately reported using correct conversion rates and includes core, residual and other fuel types,</li> <li>• Estimated bills are monitored to ensure at least two meter reads are taken in a six month period (to avoid uplifts in carbon allowance purchases associated with estimated bills),</li> <li>• Issues are logged and updated with outcomes to support the evidence pack,</li> <li>• The cost of carbon allowances is budgeted for and accounted for correctly in the Council's financial system.</li> </ul> <p><b><u>Overall Opinion and Assurance Statement</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><b>Good</b></td> </tr> </table> <p>We consider that the controls in place for the Carbon Reduction Commitment Scheme are good. Most risks have been identified and assessed and the scheme has now ended with its replacement yet to be confirmed therefore there are no recommendations resulting from this review.</p> <p>Our testing revealed a satisfactory level of compliance with the controls.</p> <p><b><u>Number of Recommendations Made</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="width: 70%;">Priority 1</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Priority 2</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Priority 3</td> <td style="text-align: center;">0</td> </tr> </table> <p><b><u>Management Response</u></b></p> <p>Management were pleased that no issues had been identified and the fact that no audit recommendations had been made in the final year of this scheme.</p> | <b>Good</b> | Priority 1 | 0 | Priority 2 | 0 | Priority 3 | 0 |
| <b>Good</b> |                                    |   |             |            |   |            |   |            |   |
| Priority 1  | 0                                  |   |             |            |   |            |   |            |   |
| Priority 2  | 0                                  |   |             |            |   |            |   |            |   |
| Priority 3  | 0                                  |   |             |            |   |            |   |            |   |

## Blackpool Council: Risk Services

| Directorate     | Review Title  | Assurance Statement   |                 |  |            |   |            |   |            |   |
|-----------------|---|---|-----------------|--|------------|---|------------|---|------------|---|
| Resources       | Creditor Payments<br>Financial Control<br>Assurance Testing | <p><b><u>Scope</u></b></p> <p>The scope of the audit was to ensure that adequate and effective controls are in place to minimise financial risk in relation to creditor payments.</p> <p><b><u>Overall Opinion and Assurance Statement</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td colspan="2" style="text-align: center;"><b>Adequate</b></td> </tr> </table> <p>Overall we have assessed that there is an adequate system of controls over the Creditors system.</p> <p>Where we sought evidence of compliance with the key financial controls it was found there was a satisfactory level of compliance however there are some areas which could be improved.</p> <p><b><u>Number of Recommendations Made</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="width: 60%;">Priority 1</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Priority 2</td> <td style="text-align: center;">7</td> </tr> <tr> <td>Priority 3</td> <td style="text-align: center;">0</td> </tr> </table> <p><b><u>Management Response</u></b></p> <p>Management confirmed that the specification for the new creditor payment system define what is required from the system which will address some of the limitations within the current e-ordering / invoice processing systems. Training on the new system will be factored into the project plan for implementation.</p> <p>Management confirmed that budget holders are responsible for delegation limits in their areas. It was agreed that authorised signature lists should include details of employee's authorisation limits.</p> <p>Management have issued a reminder to the Payments and Processing Team of the importance of ensuring that invoices are appropriate.</p> <p>Management agreed that the paperwork for CHAPS payments would be appropriately annotated going forward.</p> <p>It was agreed that the shortfalls with petty cash, particularly in relation to Children's Homes, will be picked up as part of the internal audit planned in that area.</p> | <b>Adequate</b> |  | Priority 1 | 0 | Priority 2 | 7 | Priority 3 | 0 |
| <b>Adequate</b> |   |   |                 |  |            |   |            |   |            |   |
| Priority 1      | 0   |   |                 |  |            |   |            |   |            |   |
| Priority 2      | 7   |   |                 |  |            |   |            |   |            |   |
| Priority 3      | 0   |   |                 |  |            |   |            |   |            |   |

## Blackpool Council: Risk Services

| Directorate     | Review Title                   | Assurance Statement   |                 |            |   |            |   |            |   |
|-----------------|--------------------------------|---|-----------------|------------|---|------------|---|------------|---|
| Schools         | St John Vianney Primary School | <p><b><u>Scope</u></b></p> <p>The audit testing which was carried out included:</p> <ul style="list-style-type: none"> <li>• Governance</li> <li>• Risk Management</li> <li>• Financial Planning &amp; Budgetary Control</li> <li>• Payroll / HR Management</li> <li>• Expenditure</li> <li>• Income</li> <li>• Unofficial Funds</li> <li>• Security Of Assets</li> <li>• Core Assurance Testing</li> </ul> <p><b><u>Overall Opinion and Assurance Statement</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><b>Adequate</b></td> </tr> </table> <p>We consider that the controls in place are adequate with most risks identified and assessed, minor control improvement required.</p> <p>Our testing revealed a satisfactory level of compliance with the controls.</p> <p><b><u>Number of Recommendations Made</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="width: 70%;">Priority 1</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Priority 2</td> <td style="text-align: center;">2</td> </tr> <tr> <td>Priority 3</td> <td style="text-align: center;">3</td> </tr> </table> <p><b><u>Management Response</u></b></p> <p>The school agreed that the governing body should agree a scope for the use of the unofficial fund and ensure the purpose of the account is solely for this use with regular oversight by governors.</p> <p>The school agreed that the school should refrain from using the unofficial fund where transactions are for the school budget.</p> | <b>Adequate</b> | Priority 1 | 0 | Priority 2 | 2 | Priority 3 | 3 |
| <b>Adequate</b> |                                |   |                 |            |   |            |   |            |   |
| Priority 1      | 0                              |   |                 |            |   |            |   |            |   |
| Priority 2      | 2                              |   |                 |            |   |            |   |            |   |
| Priority 3      | 3                              |   |                 |            |   |            |   |            |   |

## Blackpool Council: Risk Services

| Directorate     | Review Title                  | Assurance Statement  |                 |            |   |            |   |            |   |
|-----------------|-------------------------------|--|-----------------|------------|---|------------|---|------------|---|
| Schools         | Holy Family RC Primary School | <p><b><u>Scope</u></b></p> <p>The audit testing which was carried out included:</p> <ul style="list-style-type: none"> <li>• Governance</li> <li>• Risk Management</li> <li>• Financial Planning &amp; Budgetary Control</li> <li>• Payroll / HR Management</li> <li>• Expenditure</li> <li>• Income</li> <li>• Unofficial Funds</li> <li>• Security Of Assets</li> <li>• Core Assurance Testing</li> </ul> <p><b><u>Overall Opinion and Assurance Statement</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><b>Adequate</b></td> </tr> </table> <p>We consider that the controls in place are adequate with some risks identified and assessed, with several changes necessary.</p> <p>Our testing revealed minor lapses in compliance with the controls.</p> <p><b><u>Number of Recommendations Made</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">Priority 1</td> <td style="text-align: center;">0</td> </tr> <tr> <td style="text-align: center;">Priority 2</td> <td style="text-align: center;">5</td> </tr> <tr> <td style="text-align: center;">Priority 3</td> <td style="text-align: center;">3</td> </tr> </table> <p><b><u>Management Response</u></b></p> <p>The school agreed to review the Whistleblowing Policy and implement version control on the Financial Policy.</p> <p>The school agreed to update its Letting's Policy and review the associated lettings agreement to ensure key areas such as insurance and first aid arrangements.</p> <p>The school agreed to document the scope of usage of the unofficial school fund.</p> <p>The school agreed to review its Disposal of Assets Procedure and implement version control going forward. In addition, it was agreed that all disposals will be evidenced as authorised.</p> <p>The school agreed to remind staff of the need to ensure that they submit a valid VAT receipt when using their purchase cards.</p> | <b>Adequate</b> | Priority 1 | 0 | Priority 2 | 5 | Priority 3 | 3 |
| <b>Adequate</b> |                               |  |                 |            |   |            |   |            |   |
| Priority 1      | 0                             |  |                 |            |   |            |   |            |   |
| Priority 2      | 5                             |  |                 |            |   |            |   |            |   |
| Priority 3      | 3                             |  |                 |            |   |            |   |            |   |

### ***Progress with Priority 1 audit recommendations***

A review of priority one recommendations was undertaken in the quarter. No priority one recommendations which were due had been implemented in the quarter.

## **Blackpool Council: Risk Services**

Some priority one recommendations had not been fully addressed by the agreed target date however reasons have been provided for the delays and new completion dates agreed. These include:

- Public Health Outcomes x 1 recommendation
- Estates and Investment Portfolio x 1 recommendation
- Community Engagement x 1 recommendation

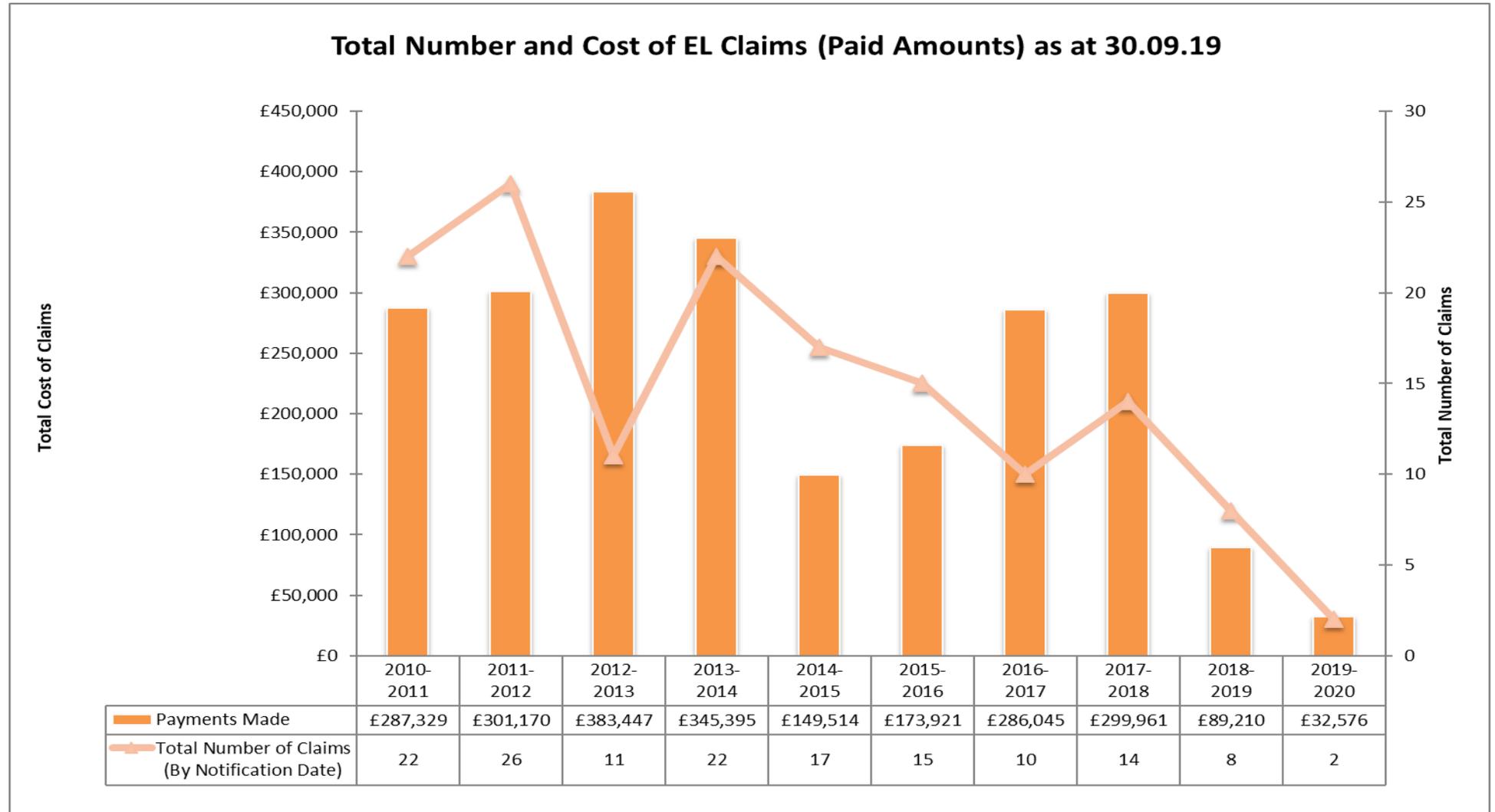
### ***The Regulation of Investigatory Powers Act 2000***

In line with best practice it has been agreed that the Council will report to the Audit Committee the number of RIPA authorisations undertaken each quarter, which enables the Council to undertake directed and covert surveillance. Between July and September 2019 the Council authorised no RIPA's.

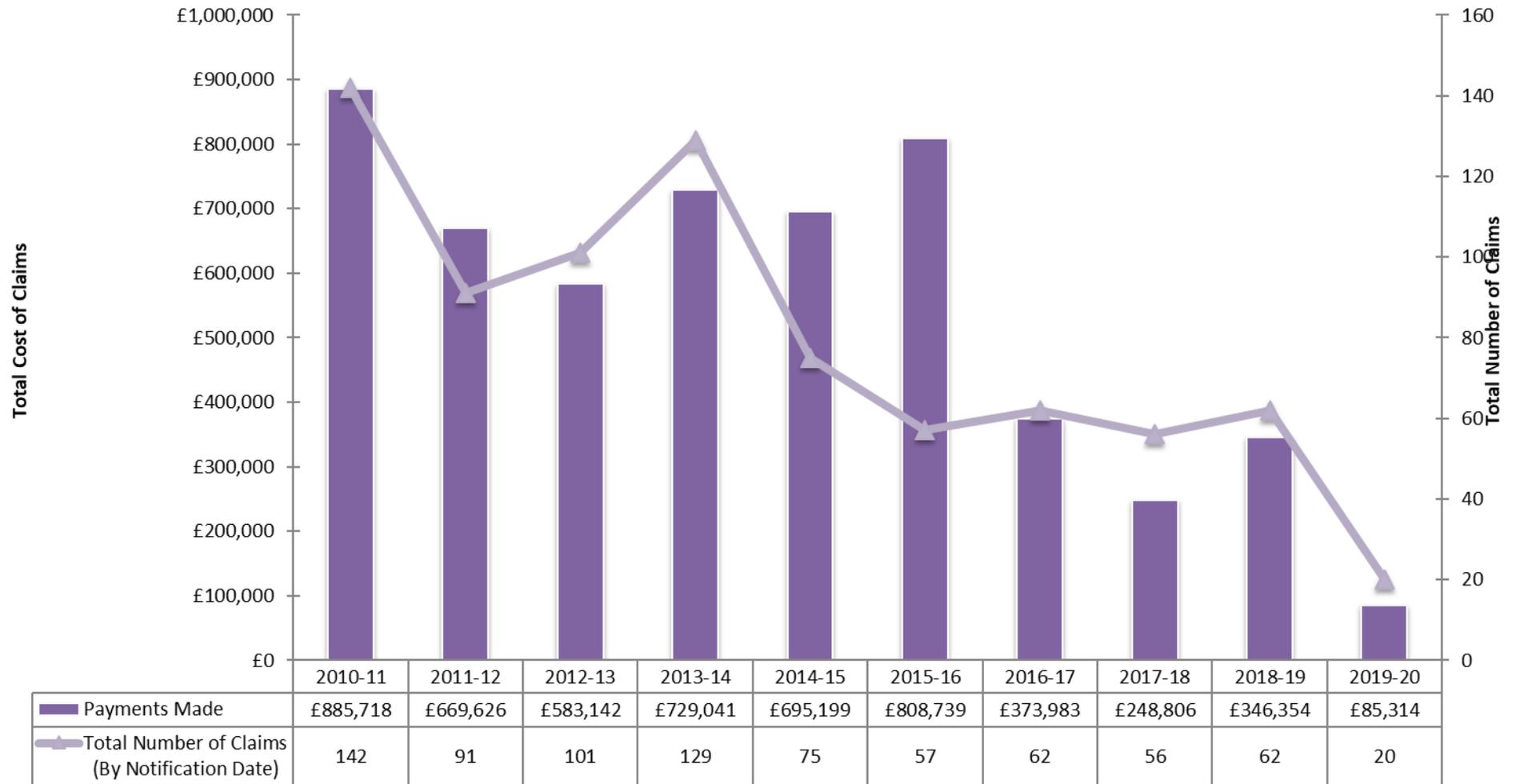
### ***Insurance claims data***

The graphs at Appendix B show the cost of liability insurance claims paid to date each financial year by the Council.

3. Appendix B – Insurance Claim Payments by Financial Year



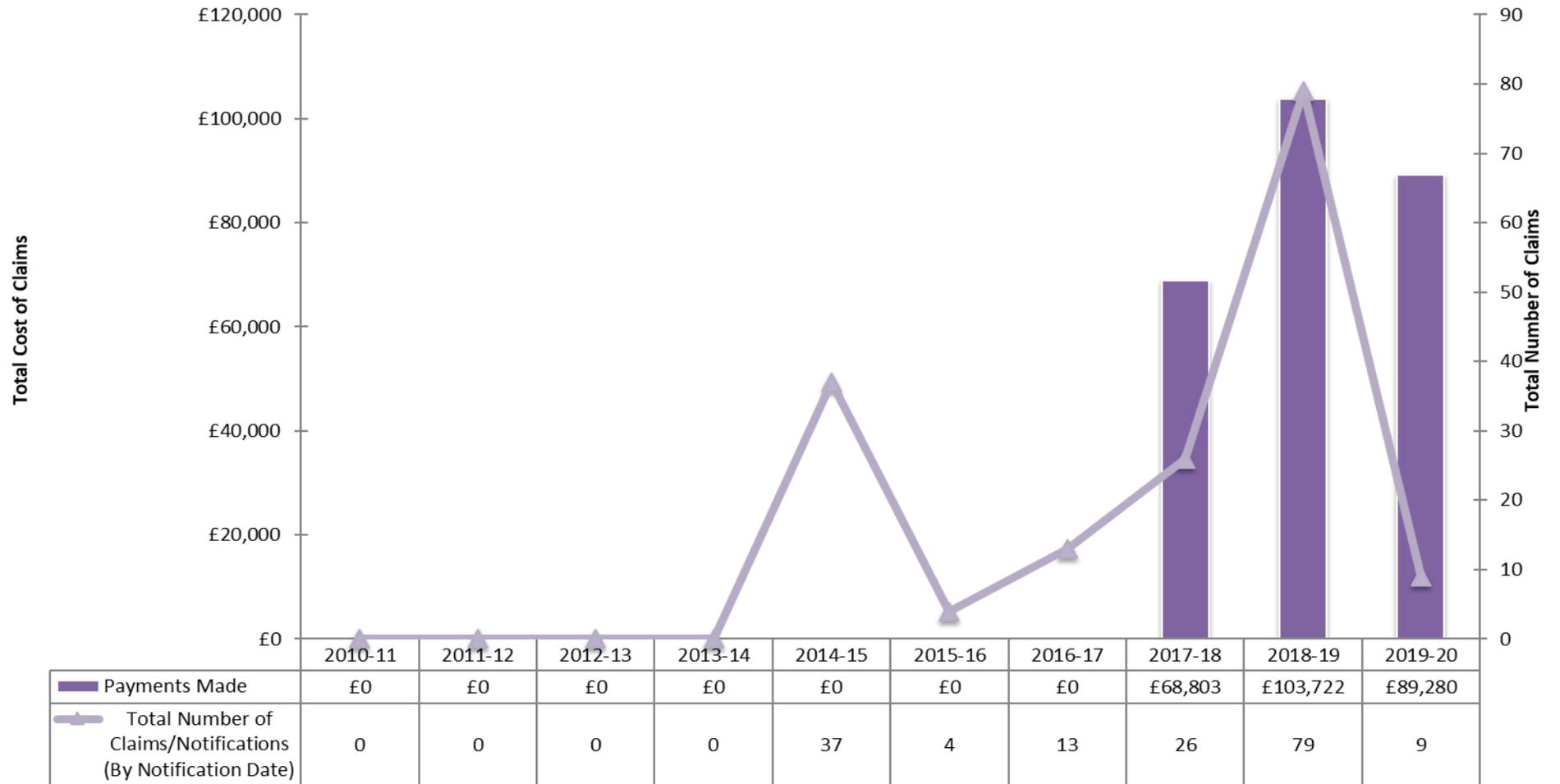
**Total Number and Cost of PL Claims (Paid) as at 30.09.19**



**Total Number and Cost of PLH Claims (Paid) as at 30.09.19**



**Total Number and Cost of Sensitive Claims/Notifications (Paid) as at 30.09.19**



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|                          |   |
|--------------------------|---|
| <b>Report to:</b>        | <b>AUDIT COMMITTEE</b>                                |
| <b>Relevant Officer:</b> | Mark Towers , Director of Governance and Partnerships |
| <b>Date of Meeting</b>   | 27 November 2019                                      |

## COVERT SURVEILLANCE POLICY

### 1.0 Purpose of the report:

1.1 The Audit Committee is asked to consider the revised Covert Surveillance Policy (formally known as the RIPA Policy).

### 2.0 Recommendation(s):

2.1 To approve the revised Covert Surveillance Policy.

### 3.0 Reasons for recommendation(s):

3.1 To bring the policy up to date to reflect current good practice and to recognise that some covert surveillance activity undertaken by the Council falls outside of the Regulation of Investigatory Powers Act (2000).

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

Staying with the original version of the document or drafting a different version. However, this updated document it is considered reflects good practice and is more illustrative of the Council's approach to surveillance.

### 4.0 Council Priority:

4.1 The use of covert surveillance in relevant circumstances, in accordance with the policy supports the achievement of all Council priorities.

### 5.0 Background Information

5.1 The Regulation of Investigatory Powers Act 2000 regulates covert investigations by various bodies, including local authorities. It was introduced to ensure that individuals' rights are protected whilst ensuring that law enforcement and security

agencies have the powers they need to do their job effectively. The Act provides a framework within which activities, which it covers, can be carried out in a manner consistent with the individual's Human Rights. It also provides statutory protection for the authority concerned if its provisions are adhered to.

- 5.2 The Council has an agreed policy in place and this was last approved by the Audit Committee on 14 September 2017. The purpose of the policy is to:
- Explain the scope of the 2000 Act and where it applies.
  - Provide guidance on the internal authorisation procedures to be followed.
  - Provide guidance on applications for judicial approval.
- 5.3 The 2000 Act requires that when the Council undertakes 'directed surveillance' or uses a 'covert human intelligence source' these activities must only be authorised by an officer with delegated powers when the relevant statutory criteria are satisfied.
- 5.4 Authorisation and judicial approval under the 2000 Act gives lawful authority to carry out surveillance and the use of a human intelligence source. Obtaining authorisation and judicial approval protects the Council and its officers from complaints of interference with the rights protected by Article 8 (1) of the European Convention on Human Rights enshrined in English law through the Human Rights Act 1998. Provided activities undertaken are also "reasonable and proportionate", they will not be in contravention of Human Rights legislation.
- 5.5 The Council has a Corporate RIPA Group which meets two or three times per year to maintain an overview of surveillance activities across the Council. The Group is chaired by the Director of Governance and Partnerships and includes those responsible for governance, policy, authorisation and monitoring of covert surveillance activities across the Council.
- 5.6 The Group has oversight of the policy and identified a number of changes which needed to be made to help ensure that the policy continues to keep the Council legally compliant whilst also reflecting working practices which have been developed such as the use of social media and the non-RIPA authorisation process.
- 5.7 The review of the policy to ensure that it remains up to date was supported in a recent internal audit report of covert surveillance dated 9 September 2019. The report recognised the good quality of the current policy and associated procedures, which will be further strengthened by this revision.

- 5.8 The Council is externally inspected on its use of covert surveillance approximately every three years. The last inspection visit was on 16 August 2016 and therefore an inspection is likely imminent.

Does the information submitted include any exempt information?

No

**List of Appendices:**

Appendix 6(a) - Covert Surveillance Policy (the appendices to this policy are not included but are predominantly the forms supporting the policy).

**6.0 Legal considerations:**

- 6.1 Non-adherence to the Policy could result in the Council contravening the Human Rights Act 1998 and may prevent the successful prosecution of those identified as committing criminal activities.

**7.0 Human Resources considerations:**

- 7.1 Staff involved in the process are offered the opportunity to attend training on the procedures which need to be followed when planning to undertake covert surveillance.

**8.0 Equalities considerations:**

- 8.1 The Covert Surveillance policy does not discriminate or adversely impact protected groups in any way. More detailed reflection on how specific covert surveillance could affect people differently because of shared protected characteristics as defined in the Equality Act will be considered on a case by case basis.

**9.0 Financial considerations:**

- 9.1 The covert surveillance process is already embedded into the Council's investigatory activities and therefore will not result in an additional cost.

**10.0 Risk management considerations:**

- 10.1 There is a risk that the Council is subject to legal action due to non-compliance with the RIPA legislation due to a breach of the Human Rights Act. However, having a detailed formally agreed policy which is followed by officers working to this policy will mitigate such risk.

**11.0 Ethical considerations:**

11.1 All applications submitted are assessed to determine whether they are proportionate to the activity taking place and controls implemented to reduce the impact of collateral damage.

**12.0 Internal/ External Consultation undertaken:**

12.1 The Covert Surveillance policy has been prepared by the Deputy Head of Legal Services based on good practice. Consultation on the policy has been undertaken as follows:

- 28 August 2019 – Review of draft policy with Deputy Head of Legal Services, Director of Governance and Partnerships and Head of Audit and Risk.
- 15 October 2019 – Review of the draft policy by the Corporate RIPA Group.
- 4 November 2019 – Review of the draft policy by the Corporate Leadership Team.

**13.0 Background papers:**

13.1 None

# **Covert Surveillance Policy and Guidance**

**Regulation of Investigatory  
Powers Act 2000  
(RIPA)**



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2. Scope of Policy
3. Background to RIPA and Lawful Criteria
4. Consequences of Not Following RIPA
5. Independent Oversight

### **PART B - Surveillance, Types and Criteria**

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9. Covert Surveillance
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20. Internet and Social Media Investigations
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- 65.7 Serious Error
- 66. Complaints

## **PART A Introduction and RIPA General**

### **1. Introduction**

- 1.1 The performance of certain investigatory functions of Local Authorities may require the surveillance of individuals or the use of undercover officers and informants. Such actions may intrude on the privacy of individuals and can result in private information being obtained and as such, should not be undertaken without full and proper consideration. The Regulation of Investigatory Powers Act 2000 (RIPA) governs these activities and provides a means of ensuring that they are carried out in accordance with law and subject to safeguards against abuse.
- 1.2 All surveillance activity can pose a risk to the Council from challenges under the Human Rights Act (HRA) or other processes. Therefore, it must be stressed that all staff involved in the process must take their responsibilities seriously which will assist with the integrity of the Council's processes, procedures and oversight responsibilities.
- 1.3 In preparing this policy the Council has followed the RIPA Codes of Practice (August 2018), Office of Surveillance Commissioners (OSC) Procedures and Guidance 2016 (still current).
- 1.4 If having read this document you are unclear about any aspect of the process, seek the advice from the Council's Head of Legal or nominated representative.

### **2. Scope of Policy**

- 2.1 The purpose of this Policy is to ensure there is a consistent approach to the authorisation and undertaking of surveillance activity that is carried out by the Council and its wholly owned companies. This includes the use of undercover officers and informants, known as Covert Human Intelligence Sources (CHIS). This will ensure that the Council and its companies comply with the Regulation of Investigatory Powers Act 2000 (RIPA).
- 2.2 This document provides guidance on the authorisation processes and the roles of the respective staff involved.
- 2.3 The policy also provides guidance on surveillance which is necessary to be undertaken by the authority but cannot be authorised under the RIPA legislation. This type of surveillance will have to be compliant with the Human Rights Act. (See section 3).
- 2.4 The policy also identifies the cross over with other policies and legislation, particularly with the Human Rights Act, Data Protection Act and the Criminal Procedures Act.
- 2.5 All RIPA covert activity will have to be authorised and conducted in accordance with this policy, the RIPA legislation and Codes of Practice. Therefore, all officers involved

in the process will have regard to this document and the statutory RIPA Codes of Practice issued under section 71 RIPA (current version issued in August 2018) for both Directed Surveillance and the use of Covert Human Intelligence Sources (CHIS). The Codes of Practice are available from <https://www.gov.uk/government/collections/ripa-codes#current-codes-of-practice>

### 3. Background to RIPA and Lawful Criteria

- 3.1 On 2 October 2000, the Human Rights Act 1998 (HRA) came into force making it potentially unlawful for a Local Authority to breach any article of the European Convention on Human Rights (ECHR).
- 3.2 Article 8 of the European Convention on Human Rights states that:
- 1) Everyone has the right of respect for his private and family life, his home and his correspondence.
  - 2) There shall be no interference by a Public Authority with the exercise of this right except such as in accordance with the law and is necessary in a democratic society in the interests of national security, public safety or the economic well-being of the country, for the prevention of disorder or crime, for the protection of health and morals or for the protection of the rights and freedoms of others.
- 3.3 The right under Article 8 is a qualified right and Public Authorities can interfere with this right for the reasons given in 3.2 (2) above if it is necessary and proportionate to do so.
- 3.4 Those who undertake Directed Surveillance or CHIS activity on behalf of a Local Authority may breach an individual's Human Rights, unless such surveillance is **lawful**, consistent with Article 8 of the ECHR and is both **necessary** (see section 42) and **proportionate** (see section 43) to the matter being investigated.
- 3.5 RIPA provides the legal framework for lawful interference to ensure that any activity undertaken, together with the information obtained, is HRA compatible.
- 3.6 However, under RIPA, Local Authorities can now only authorise Directed Surveillance for the purpose of preventing or detecting conduct which constitutes a criminal offence which is punishable (whether on summary conviction or indictment) by a maximum term of at least six months imprisonment; (serious crime criteria) or involves the sale of alcohol or tobacco to children. (See section 14)
- 3.7 The **lawful criteria for CHIS** authorisation is **prevention and detection of crime and prevention of disorder** and the offence does not have to have a sentence of 6 months imprisonment.

- 3.8 Furthermore, the Council's authorisation can only take effect once an Order approving the authorisation has been granted by a Justice of the Peace (JP).
- 3.9 RIPA ensures that any surveillance which is undertaken following a correct authorisation and approval from a Justice of the Peace is lawful. Therefore, it protects the authority from legal challenge. It also renders evidence obtained lawful for all purposes.

#### **4. Consequences of Not Following RIPA**

4.1 Although not obtaining authorisation does not make the authorisation unlawful per se, it does have some consequences:

- Evidence that is gathered may be inadmissible in court;
- The subjects of surveillance can bring their own claim on Human Rights grounds i.e. the Council has infringed their rights under Article 8;
- If a challenge under Article 8 is successful, the Council would receive reputational damage and could face a claim for financial compensation;
- The Government has also introduced a system of tribunal to deal with complaints. Any person who believes that their rights have been breached can have their complaint dealt with by the Investigatory Powers Tribunal (IPTC) (See Complaints section 66); and
- It is likely that the activity could be construed as an error and therefore have to be investigated and a report submitted by the Senior Responsible Officer to the Investigatory Powers Commissioner's Office (IPCO). (See Section 65 Errors)

#### **5. Independent Oversight**

- 5.1 RIPA was overseen by the Office of Surveillance Commissioners (OSC). However, from 1 September 2017 oversight is now provided by the Investigatory Powers Commissioner's Office (IPCO). They are the independent inspection office whose remit includes providing comprehensive oversight of the use of the powers to which the RIPA code applies and adherence to the practices and processes described in it. They also provide guidance to be followed, which is separate to the codes.
- 5.2 They have unfettered access to all locations, documentation and information systems as is necessary to carry out their full functions and duties and they will periodically inspect the records and procedures of the Council to ensure the appropriate authorisations have been given, reviewed, cancelled, and recorded properly.

- 5.3 It is the duty of any person who uses these powers to comply with any request made by a Commissioner to disclose or provide any information they require for the purpose of enabling them to carry out their functions. Therefore, it is important that the Council can show it complies with this Policy and with the provisions of RIPA.

## **PART B Surveillance, Types and Criteria**

### **6. Introduction**

- 6.1 It is important to understand the definition of surveillance; what activities are classed as surveillance and the different types of surveillance covered by RIPA and the HRA. Surveillance can be both overt and covert and depending on their nature, are either allowed to be authorised under RIPA or not. There are also different degrees of authorisation depending on the circumstances.

### **7. Surveillance Definition**

#### **7.1 Surveillance is:**

- Monitoring, observing or listening to persons, their movements, their conversations or their other activities or communications.
- Recording anything monitored, observed or listened to in the course of surveillance, with or without the assistance of a device.

### **8. Overt Surveillance**

- 8.1 Overt surveillance is where the subject of surveillance is aware that it is taking place, either by way of signage such as in the use of CCTV or because the person subject of the surveillance has been informed of the activity. Overt surveillance is outside the scope of RIPA and therefore does not require authorisation. However, it still must take account of privacy under the Human Rights Act and be necessary and proportionate. Any personal data obtained will also be subject of the General Data Protection Regulation and Data Protection Act.

### **9. Covert Surveillance**

- 9.1 Covert Surveillance is defined as “surveillance which is carried out in a manner calculated to ensure that the persons subject to the surveillance are unaware that it is or may be taking place” and is covered by RIPA. Covert surveillance is categorised as either **intrusive** or **directed**.

- 9.2 There are three categories of covert surveillance regulated by RIPA:

- 1) **Intrusive surveillance** (Local Authorities are not permitted to carry out intrusive surveillance).

2) **Directed Surveillance;**

3) **Covert Human Intelligence Sources (CHIS);**

## **10. Intrusive Surveillance**

10.1 Blackpool Council has no authority in law to carry out Intrusive Surveillance. It is only the Police and other law enforcement agencies that can lawfully carry out intrusive surveillance.

10.2 Intrusive surveillance is defined in section 26(3) of the 2000 Act as covert surveillance that:

- Is carried out in relation to anything taking place on any residential premises or in any private vehicle; and
- Involves the presence of an individual on the premises or in the vehicle or is carried out by means of a surveillance device.

10.3 Where surveillance is carried out in relation to anything taking place on any residential premises or in any private vehicle by means of a device, without that device being present on the premises, or in the vehicle, it is not intrusive unless the device consistently provides information of the same quality and detail as might be expected to be obtained from a device actually present on the premises or in the vehicle. Thus, an observation post outside premises, which provides a limited view and no sound of what is happening inside the premises, would not be considered as intrusive surveillance.

10.4 A risk assessment of the capability of equipment being used for surveillance on residential premises and private vehicles, such as high-powered zoom lenses, should be carried out to ensure that its use does not meet the criteria of Intrusive Surveillance.

## **11. Directed Surveillance Definition**

11.1 The Council can lawfully carry out Directed Surveillance. Surveillance is Directed Surveillance if the following are all true:

- It is covert, but not intrusive surveillance;
- It is conducted for the purposes of a specific investigation or operation;
- It is likely to result in the obtaining of private information (see private information below) about a person (whether or not one specifically identified for the purposes of the investigation or operation);

- It is conducted otherwise than by way of an immediate response to events or circumstances the nature of which is such that it would not be reasonably practicable for an authorisation to be sought.

## **12. Private information**

- 12.1 By its very nature, surveillance may involve invading an individual's right to privacy. The level of privacy which individuals can expect depends upon the nature of the environment they are in at the time. For example, within an individual's own home or private vehicle, an individual can expect the highest level of privacy. The level of expectation of privacy may reduce if the individual transfers out into public areas.
- 12.2 The Codes of Practice provides guidance on what is private information (page 15). They state private information includes any information relating to a person's private or family life. As a result, private information is capable of including any aspect of a person's private or personal relationship with others, such as family and professional or business relationships.
- 12.3 Whilst a person may have a reduced expectation of privacy when in a public place, covert surveillance of that person's activities in public may still result in the obtaining of private information. This is likely to be the case where that person has a reasonable expectation of privacy even though acting in public and where a record is being made by a Public Authority of that person's activities for future consideration or analysis. Surveillance of publicly accessible areas of the internet should be treated in a similar way, recognising that there may be an expectation of privacy over information which is on the internet, particularly where accessing information on social media websites.
- 12.4 Private life considerations are particularly likely to arise if several records are to be analysed together in order to establish, for example, a pattern of behaviour, or if one or more pieces of information (whether or not available in the public domain) are covertly (or in some cases overtly) obtained for the purpose of making a permanent record about a person or for subsequent data processing to generate further information. In such circumstances, the totality of information gleaned may constitute private information even if individual records do not. Where such conduct includes covert surveillance, a Directed Surveillance authorisation may be considered appropriate.
- 12.5 Private information may include personal data, such as names, telephone numbers and address details. Where such information is acquired by means of covert surveillance of a person having a reasonable expectation of privacy, a Directed Surveillance authorisation is appropriate.
- 12.6 Information which is non-private may include publicly available information such as, books, newspapers, journals, TV and radio broadcasts, newswires, websites, mapping imagery, academic articles, conference proceedings, business reports, and more. Such information may also include commercially available data where a fee

may be charged, and any data which is available on request or made available at a meeting to a member of the public.

- 12.7 There is also an assessment to be made regarding the risk of obtaining collateral intrusion which is private information about persons who are not subjects of the surveillance (see section 47).

### **13. Confidential or Privileged Material**

- 13.1 Particular consideration should be given in cases where the subject of the investigation or operation might reasonably assume a high degree of confidentiality. This includes where the material contains information that is legally privileged, confidential journalistic material or where material identifies a journalist's source, where material contains confidential personal information or communications between a Member of Parliament and another person on constituency business. Directed Surveillance likely or intended to result in the acquisition of knowledge of confidential or privileged material must be authorised by the Chief Executive or nominated Deputy.

- 13.2 **Advice should be sought from the Head of Legal or nominated representative if there is a likelihood of obtaining this type of material.**

### **14. Lawful Grounds**

- 14.1 As mentioned earlier the Lawful Grounds for Directed Surveillance is a higher threshold for Local Authorities and cannot be granted unless it is to be carried out for the purpose of preventing or detecting a criminal offence(s) and it meets the serious crime test i.e. that the criminal offence(s) which is sought to be prevented or detected is:

- 1) Punishable, whether on summary conviction or on indictment, by a maximum term **of at least 6 months of imprisonment**, or,
- 2) Would constitute an offence under sections 146, 147 or 147A of the Licensing Act 2003 or section 7 of the Children and Young Persons Act 1933 (see 1.4 above). This is the only ground available to the Council and hence the only justification.

- 14.2 Preventing or detecting crime goes beyond the prosecution of offenders and includes actions taken to avert, end or disrupt the commission of criminal offences

### **15. Test Purchases**

- 15.1 Test purchase activity does not in general require authorisation as a CHIS under RIPA as vendor-purchaser activity does not normally constitute a relationship as the contact is likely to be so limited. However, if a number of visits are undertaken at the same establishment to encourage familiarity, a relationship may be established

and authorisation as a CHIS should be considered. If the test purchaser is wearing recording equipment and is not authorised as a CHIS, or an adult is observing, consideration should be given to granting a Directed Surveillance authorisation.

- 15.2 When conducting covert test purchase operations at more than one establishment, it is not necessary to construct an authorisation for each premise to be visited, but the intelligence must be sufficient to prevent “fishing trips”. Premises may be combined within a single authorisation provided that each is identified at the outset. Necessity, proportionality, and collateral intrusion must be carefully addressed in relation to each of the premises. It is unlikely that authorisations will be considered proportionate without demonstration that overt methods have been considered or attempted and failed. (Sec 245 OSC Procedures & Guidance 2016)

## **16. Urgent cases**

- 16.1 As from 1 November 2012, there is no provision to authorise urgent oral authorisations under RIPA for urgent cases as all authorisations have to be approved by a Justice of Peace (JP). If surveillance was required to be carried out in an urgent situation or as an immediate response, this would still have to be justified as necessary and proportionate under HRA. This type of surveillance is surveillance outside of RIPA, but still requires retrospective authorisation. (See Section 21 below).

## **17. Surveillance for Preventing Disorder**

- 17.1 Authorisation for the purpose of preventing disorder can only be granted if it involves a criminal offence(s) punishable (whether on summary conviction or indictment) by a maximum term of at least 6 months' imprisonment. Surveillance for disorder not meeting these criteria would need to be carried out as surveillance outside of RIPA. (See Section 21 below)

## **18. CCTV**

- 18.1 CCTV is now known as a Surveillance Camera Systems Section 29(6) Protection of Freedoms Act 2012. “Surveillance camera systems” is taken to include:

(a) closed circuit television (CCTV) or automatic number plate recognition (ANPR) systems;

(b) any other systems for recording or viewing visual images for surveillance purposes;

This includes:

- CCTV;
- Body Worn Video (BWV)
- Automatic Number Plate Recognition;
- Deployable mobile overt mobile camera systems.

- Any other system for recording or viewing visual images for surveillance purposes;
  - Any systems for storing, receiving, transmitting, processing or checking images or information obtained by those systems; and
  - Any other systems associated with, or otherwise connected with those systems.
- 18.2 The use of the conventional town centre CCTV systems operated by the Council do not normally fall under the RIPA regulations. However, it does fall under the General Data Protection Regulation and Data Protection Act 2018, the Surveillance Camera Code 2013, Information Commissioner's Office (ICO) 'In the picture: a data protection code of practice for surveillance cameras and personal information' and the Council's CCTV camera code of practice. However, should there be a requirement for the CCTV cameras to be used for a specific purpose to conduct surveillance it is likely that the activity will fall under Directed Surveillance and therefore require an authorisation.
- 18.3 Operators of the Council's CCTV system need to be aware of the RIPA issues associated with using CCTV and that continued, prolonged systematic surveillance of an individual may require an authorisation.
- 18.4 On the occasions when the CCTV cameras are to be used in a Directed Surveillance situation either by enforcement officers from relevant departments within the Council or outside Law Enforcement Agencies such as the Police, Blackpool Council's CCTV camera code of practice should be followed where relevant as well as the RIPA Codes of Practice.
- 18.5 The CCTV staff are to have a copy of the authorisation form in a redacted format, or a copy of the authorisation page. If it is an urgent oral authority from the Police, a copy of the applicant's notes are to be retained or at least some other document in writing which confirms the authorisation and exactly what has been authorised. It is important that the staff check the authority and only carry out what is authorised. A copy of the application or notes is also to be forwarded to the central register for filing. This will assist the Council to evaluate the authorisations and assist with oversight.
- 18.6 The Surveillance Camera Code of Practice 2013 defines a 'surveillance camera system' as:
- any other systems for recording or viewing visual images for surveillance purposes;
  - any systems for storing, receiving, transmitting, processing or checking the images or information obtained.
- 18.7 This definition will include body worn video (BWV) and overt cameras deployed to detect waste offences such as fly-tipping. This definition has far reaching

implications as the use of any cameras that meet the requirement will have to be used in a manner that complies with the codes of practice mentioned above and the General Data Protection Regulation and Data Protection Act 2018.

## **19. Automatic Number Plate Recognition (ANPR)**

- 19.1 Automated Number Plate Recognition (ANPR) does not engage RIPA if it is used for the purpose it is registered for, such as traffic flow management or safety and enforcement within car parks. However, it is capable of being a surveillance device if used in a pre-planned way to carry out surveillance by monitoring a particular vehicle by plotting its locations, e.g. in connection with illegally depositing waste (fly-tipping).
- 19.2 Should it be necessary to use any ANPR systems to monitor vehicles, the same RIPA principles apply where a Directed Surveillance Authorisation should be sought.

## **20 Internet and Social Media Investigations**

- 20.1 Online open source research is widely regarded as the collection, evaluation and analysis of material from online sources available to the public, whether by payment or otherwise to use as intelligence and evidence.
- 20.2 The use of online open source internet and social media research techniques has become a productive method of obtaining information to assist the Council with its regulatory and enforcement functions. It can also assist with service delivery issues and debt recovery. However, the use of the internet and social media is constantly evolving and with it the risks associated with these types of enquiries, particularly regarding breaches of privacy under Article 8 Human Rights Act (HRA) and other operational risks.
- 20.3 The internet is another method of carrying out surveillance (See definition section 7) and a computer is a surveillance device. Repeat viewing of individual 'open source' sites for the purpose of intelligence gathering and data collation may constitute Directed Surveillance. Activities of monitoring through, for example, a Facebook profile for a period of time and a record of the information is kept for later analysis or evidential purposes is likely to require a RIPA authorisation. Where covert contact is made with another person on the internet a CHIS authority may be required.
- 20.4 Where this is the case, the application process and the contents of this policy is to be followed.
- 20.5 Where the activity falls within the criteria of surveillance or CHIS outside of RIPA, again this will require authorising on a non RIPA form which will be authorised internally.

## 21. Surveillance Outside of RIPA (Non RIPA)

- 21.1 As already explained, for Directed Surveillance the criminal offence must carry a **6-month prison sentence** (Directed Surveillance crime threshold) or relate to the sale of alcohol or tobacco to children. This means that there are scenarios within an investigation that do not meet this threshold, however it is necessary to undertake surveillance. This will fall outside of RIPA. Examples include:
- Surveillance for anti-social behaviour disorder which do not attract a maximum custodial sentence of at least six months imprisonment.
  - Planning enforcement prior to the serving of a notice or to establish whether a notice has been breached.
  - Most licensing breaches.
  - Safeguarding vulnerable people.
  - Civil matters.
  - Disciplinary surveillance (see below).
- 21.2 In the above scenarios they are likely to be a targeted surveillance, which are likely to breach someone's article 8 rights to privacy. Therefore, the activity should be conducted in way which is HRA compliant, which will include necessary and proportionate.
- 21.3 Non RIPA surveillance also includes **staff disciplinary surveillance** in serious disciplinary investigations. Guidance dictates that this type of surveillance must be compliant with the Monitoring at Work Guidance issued by the Information Commissioner. This is to ensure that it complies with the HRA.
- 21.4 Should the investigation also involve a criminal offence which meet the RIPA criteria such as fraud, the option to carry out the surveillance under RIPA should be considered. However, it must be a genuine criminal investigation with a view to prosecuting the offender.
- 21.5 Should it be necessary to undertake disciplinary surveillance advice should be sought from the Head of Legal or nominated representative in conjunction with the Senior Responsible Officer (SRO).
- 21.6 As part of the process of formally recording and monitoring non RIPA surveillance, a non RIPA surveillance application form should be completed and authorised by an Authorising Officer (see Authorisation Flow Chart). A copy of the non RIPA surveillance application form can be obtained from The Hub.
- 21.7 The SRO will therefore maintain an oversight of non RIPA surveillance to ensure that such use is compliant with Human Rights legislation. The Central Records Officer will maintain a central record of non RIPA surveillance.

21.8 The RIPA codes also provide guidance that authorisation under RIPA is not required for the following types of activity; General observations as per section 3.33 in the codes of practice that do not involve the systematic surveillance of an individual or a group of people and should an incident be witnessed the officer will overtly respond to the situation:

- Use of overt CCTV and Automatic Number Plate Recognition systems.
- Surveillance where no private information is likely to be obtained.
- Surveillance undertaken as an immediate response to a situation.
- The use of a recording device by a CHIS in respect of whom an appropriate use or conduct authorisation has been granted permitting them to record any information in their presence.

21.9 The Council still requires non RIPA documentation forms to be completed where:

- Covert surveillance not relating to criminal offence which carries a maximum sentence of 6 months imprisonment or relate to the sale of alcohol or tobacco to children (this is likely to be surveillance outside of RIPA).
- The covert recording of noise where the recording is of decibels only or constitutes non-verbal noise (such as music, machinery or an alarm), or the recording of verbal content is made at a level which does not exceed that which can be heard from the street outside or adjoining property with the naked ear. In the latter circumstance, the perpetrator would normally be regarded as having forfeited any claim to privacy. In either circumstance this is outside of RIPA.

## **22. Joint Agency Surveillance**

22.1 In cases where one agency is acting on behalf of another, it is usually for the tasking agency to obtain or provide the authorisation. For example, where surveillance is carried out by Council employees on behalf of the Police, authorisation would be sought by the Police. If it is a joint operation involving both agencies, the lead agency should seek authorisation.

22.2 Council staff involved with joint agency surveillance are to ensure that all parties taking part are authorised on the authorisation form to carry out the activity. When staff are operating on another organisation's authorisation they are to ensure they see what activity they are authorised to carry out and make a written record. They must also provide a copy of the authorisation to the Central Records Officer. This will assist with oversight of the use of Council staff carrying out these types of operations. Line Managers should be made aware if their staff are involved in this type of surveillance.

## **23. Use of Third-Party Surveillance**

- 23.1 In some circumstances it may be appropriate or necessary for Blackpool Council to work with third parties who are not themselves a Public Authority (such as an individual, company or non-governmental organisation) to assist with an investigation. Where that third party is acting in partnership with or under the direction of the Council, then they are acting as our agent and any activities that the third party conducts which meet the RIPA definitions of Directed Surveillance should be authorised. This is because the agent will be subject to RIPA in the same way as any employee of the Council would be. The Authorising Officer should ensure that the agents are qualified or have the necessary skills to achieve the objectives. They should also ensure that they understand their obligations under RIPA. If advice is required, please contact the Head of Legal, or nominated representative.
- 23.2 Similarly, a surveillance authorisation should also be considered where the Council is aware that a third party (that is not a Public Authority) is independently conducting surveillance and the Council intends to make use of any suitable material obtained by the third party for the purposes of a specific investigation.

## **24. Surveillance Equipment**

- 24.1 The Council will maintain a central register of all surveillance equipment such as cameras and noise monitoring devices. This will require a description, serial number and an explanation of its capabilities.
- 24.2 The register will be held and maintained by Central Records Officer. This equipment is available for all departments use.
- 24.3 All equipment capable of being used for Directed Surveillance such as cameras etc. should be fit for purpose for which they are intended.
- 24.4 When completing an Authorisation, the applicant must provide the Authorising Officer with details of any equipment to be used and its technical capabilities. The Authorising Officer will have to take this into account when considering the intrusion issues, proportionality and whether the equipment is fit for the required purpose. The Authorising Officer must make it clear on the Authorisation exactly what equipment if any they are authorising and in what circumstances.

## **PART C Covert Human Intelligence Sources (CHIS)**

### **25. Introduction**

- 25.1 RIPA covers the activities of Covert Human Intelligence Sources (CHIS) which relates not only to sources commonly known as informants (members of the public providing the Council with information), but also the activities of undercover officers.

It matters not whether they are employees of the Council, agents or members of the public engaged by the Council to establish or maintain a covert relationship with someone to obtain information.

- 25.2 Not all human source activity will meet the definition of a CHIS. For example, a source may be a public volunteer or someone who discloses information out of professional or statutory duty or has been tasked to obtain information other than by way of a covert relationship. However, Officers must be aware that such information may have been obtained in the course of an ongoing relationship with a family member, friend or business associate. The Council has a duty of care to all members of the public who provide information to us and appropriate measures must be taken to protect that source. How the information was obtained should be established to determine the best course of action. The source and information should also be managed correctly in line with CPIA and the disclosure provisions.
- 25.3 Recognising when a source becomes a CHIS is therefore important as this type of activity may need authorisation. Should a CHIS authority be required, all of the staff involved in the process should make themselves fully aware of the contents of this Policy and the CHIS codes of Practice.
- 25.4 A CHIS, their conduct and the use to which they are put is defined within Section 26(7) and (8) of RIPA. Chapter 2 of the relevant Code provides examples of where this regime may apply.
- 25.5 Legal advice should always be sought where consideration is given to the use of CHIS.

## **26. Definition of CHIS**

- 26.1 Individuals act as a covert human intelligence sources (CHIS) if they:
- i) establish or maintain a covert relationship with another person to obtain information.
  - ii) covertly give access to information to another person, or
  - iii) disclose information covertly which they have obtained using the relationship or they have obtained because the relationship exists.
- 26.2 A relationship is established, maintained or used for a covert purpose if and only if it is conducted in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the purpose. This does not mean the relationship with the Council Officer and the person providing the information, as this is not covert. It relates to how the information was either obtained or will be obtained. Was it or will it be obtained from a third party without them knowing it was being passed on to the Council? This would amount to a covert relationship.
- 26.3 It is possible, that a person will become engaged in the conduct of a CHIS without a public authority inducing, asking or assisting the person to engage in that conduct.

An authorisation should be considered, for example, where a public authority is aware that a third party is independently maintaining a relationship (i.e. “self-tasking”) in order to obtain evidence of criminal activity, and the public authority intends to make use of that material for its own investigative purposes. (Section 2.26 Codes of CHIS Codes of Practice)

## **27. Vulnerable and Juvenile CHIS**

- 27.1 Special consideration must be given to the use of a Vulnerable Individual as a CHIS. A ‘Vulnerable Individual’ is a person who is or may be in need of community care services by reason of mental or other disability, age or illness and who is or may be unable to take care of himself, or unable to protect himself against significant harm or exploitation. Any individual of this description, or a Juvenile as defined below, should only be authorised to act as a source in the most exceptional circumstances and only then when authorised by the Chief Executive or, in their absence, the nominated Deputy.
- 27.2 Special safeguards also apply to the use or conduct of Juvenile Sources; that is sources under the age of 18 years. On no occasion should the use or conduct of a source under 16 years of age be authorised to give information against his parents or any person who has parental responsibility for him.
- 27.3 If the use of a Vulnerable Individual or a Juvenile is being considered as a CHIS you must consult with the Head of Legal or nominated representative before authorisation is sought as authorisations should not be granted in respect of a Juvenile CHIS unless the special provisions contained within the Regulation of Investigatory Powers (Juveniles) Order 2000; SI No. 2793 are satisfied.

## **28. Lawful Criteria**

- 28.1 The lawful criteria for CHIS authorisation is **prevention and detection of crime and prevention of disorder**. The serious crime criteria of the offence carrying a 6-month sentence etc. does not apply to CHIS.
- 28.2 Authorisations for Juvenile Sources must be authorised by the Chief or, in their absence, the nominated Deputy.

## **29. Conduct and Use of a Source**

- 29.1 The way the Council use a CHIS for covert activities is known as ‘the use and conduct’ of a source.
- 29.2 The use of a CHIS involves any action on behalf of a Public Authority to induce, ask or assist a person to engage in the conduct of a CHIS, or to obtain information by means of the conduct of a CHIS.

- 29.3 The conduct of a CHIS is establishing or maintaining a personal or other relationship with another person for the covert purpose of:
- a. Using such a relationship to obtain information, or to provide access to information to another person, or
  - b. Disclosing information obtained by the use of such a relationship or as a consequence of such a relationship or
  - c. Is incidental to anything falling within a) and b) above.
- 29.4 In other words, an authorisation for conduct will authorise steps taken by the CHIS on behalf, or at the request, of a Public Authority.
- 29.5 The use of a source is what the Authority does in connection with the source, such as tasking (see section 32), and the conduct is what a source does to fulfil whatever tasks are given to them or which is incidental to it. The Use and Conduct require separate consideration before authorisation. However, they are normally authorised within the same authorisation.
- 29.6 The same authorisation form is used for both use and conduct. A Handler and Controller must also be designated, as part of the authorisation process, and the application can only be authorised if necessary and proportionate. Detailed records of the use, conduct and tasking of the source also have to be maintained (see section 36).
- 29.7 Care should be taken to ensure that the CHIS is clear on what is or is not authorised at any given time, and that all the CHIS's activities are properly risk assessed. Care should also be taken to ensure that relevant applications, reviews, renewals and cancellations are correctly performed. (Section 210 CHIS Codes of Practice)
- 29.8 Careful consideration must be given to any particular sensitivities in the local community where the CHIS is being used and of similar activities being undertaken by other public authorities which could have an impact on the deployment of the CHIS. Consideration should also be given to any adverse impact on community confidence or safety that may result from the use or conduct of a CHIS or use of information obtained from that CHIS. (Section 3.18 CHIS Codes of Practice)

### **30. Handler and Controller**

- 30.1 Covert Human Intelligence Sources may only be authorised if the following arrangements are in place:
- That there will at all times be an officer (the **Handler**) within the Council who will have day to day responsibility for dealing with the source on behalf of the authority, and for the source's security. The Handler is likely to be the investigating officer.

- That there will at all times be another officer within the Council who will have general oversight of the use made of the source; (**Controller**) i.e. the line manager.
- That there will at all times be an officer within the Council who has responsibility for maintaining a record of the use made of the source. See CHIS record keeping (see section 36).

30.2 The **Handler** will have day to day responsibility for:

- Dealing with the source on behalf of the Local Authority concerned;
- Risk assessments
- Directing the day to day activities of the source;
- Recording the information supplied by the source; and
- Monitoring the source's security and welfare.
- Informing the Controller of concerns about the personal circumstances of the CHIS that might effect the validity of the risk assessment or conduct of the CHIS

30.3 The **Controller** will be responsible for:

- The management and supervision of the "Handler" and
- General oversight of the use of the CHIS;
- Maintaining an audit of case work sufficient to ensure that the use or conduct of the CHIS remains within the parameters of the extant authorisation.

### 31. **Undercover Officers**

31.1 Oversight and management arrangements for **undercover operatives**, while following the principles of the Act, will differ, in order to reflect the specific role of such individuals as members of the Council. The role of the handler will be undertaken by a person referred to as a '**cover officer**'. (Section 6.9 CHIS Codes of Practice). The Head of Legal, or nominated representative should be consulted before Undercover Officers are considered for deployment.

### 32. **Tasking**

32.1 Tasking is the assignment given to the source by the Handler or Controller such as by asking them to obtain information, to provide access to information or to otherwise act, incidentally, for the benefit of the relevant Local Authority. Authorisation for the

use or conduct of a source is required prior to any tasking where such tasking requires the source to establish or maintain a personal or other relationship for a covert purpose.

- 32.2 In some instances, the tasking given to a person will not require the source to establish a personal or other relationship for a covert purpose. For example, a member of the public is asked to maintain a record of all vehicles arriving and leaving a specific location or to record the details of visitors to a neighbouring house. A relationship has not been established or maintained in order to gather the information and a CHIS authorisation is therefore not available. Other authorisations under the Act, for example, Directed Surveillance, may need to be considered where there is a possible interference with the Article 8 rights of an individual.
- 32.3 Authorisations should not be drawn so narrowly that a separate authorisation is required each time the CHIS is tasked. Rather, an authorisation might cover, in broad terms, the nature of the source's task.

### **33. Risk Assessments**

- 33.1 The Council has a responsibility for the safety and welfare of the source and for the consequences to others of any tasks given to the source. It is a requirement of the codes that a risk assessment is carried out. This should be submitted with the authorisation request. The risk assessment should provide details of how the CHIS is going to be handled. It should also take into account the safety and welfare of the CHIS in relation to the activity and should consider the likely consequences should the role of the CHIS become known. The ongoing security and welfare of the CHIS after the cancellation of the authorisation should also be considered at the outset.

### **34. Use of Equipment by a CHIS**

- 34.1 If a CHIS is required to wear or carrying a surveillance device such as a covert camera it does not need a separate intrusive or Directed Surveillance authorisation, provided the device will only be used in the presence of the CHIS. It should be authorised as part of the conduct of the CHIS.
- 34.2 CHIS, whether or not wearing or carrying a surveillance device, in residential premises or a private vehicle, does not require additional authorisation to record any activity taking place inside those premises or that vehicle which takes place in their presence. This also applies to the recording of telephone conversations. This should have been identified at the planning stage.

### **35. CHIS Management**

- 35.1 The operation will require managing by the Handler and Controller which will include ensuring that the activities of the source and the operation remain focused and there is no status drift. It is important that the intrusion is assessed to ensure the operation remains proportionate. The security and welfare of the source will also be

monitored. The Authorising Officer should maintain general oversight of these functions.

- 35.2 During CHIS activity, there may be occasions when unforeseen actions or undertakings occur. Such incidences should be recorded as soon as practicable after the event and if the existing authorisation is insufficient, it should either be dealt with by way of a review and re-authorised (for minor amendments only) or it should be cancelled, and a new authorisation obtained before any further action is carried out. Similarly, where it is intended to task a CHIS in a new significantly different way than previously identified, the proposed tasking should be referred to the Authorising Officer, who should consider whether a separate authorisation is required. This should be done in advance of any tasking and details of such referrals must be recorded.

## **36. CHIS Record Keeping**

### **36.1 Centrally Retrievable Record of Authorisations**

- 36.2 A centrally retrievable record of all authorisations is held by the Central Records Officer. This record contains the relevant information to comply with the Codes of Practice. These records are updated whenever an authorisation is granted, renewed or cancelled and are available to the Investigatory Powers Commissioner (IPCO) upon request.

- 36.3 The records are retained for five years from the ending of the authorisation.

### **36.4 Individual Source Records of Authorisation and Use of CHIS**

- 36.5 Detailed records must be kept of the authorisation and the use made of a CHIS. An authorising officer must not grant an authorisation for the use or conduct of a CHIS unless they believe that there are arrangements in place for ensuring that there is at all times a person with the responsibility for maintaining a record of the use made of the CHIS. The Regulation of Investigatory Powers (Source Records) Regulations 2000; SI No: 2725 details the particulars that must be included in these records.

- 36.6 The particulars to be contained within the records are:

- a. The identity of the source;
- b. The identity, where known, used by the source;
- c. Any relevant investigating authority other than the authority maintaining the records;
- d. The means by which the source is referred to within each relevant investigating authority;

- e. Any other significant information connected with the security and welfare of the source;
- f. Any confirmation made by a person granting or renewing an authorisation for the conduct or use of a source that the information in paragraph (d) has been considered and that any identified risks to the security and welfare of the source have where appropriate been properly explained to and understood by the source;
- g. The date when, and the circumstances in which the source was recruited;
- h. Identity of the Handler and Controller (and details of any changes)
- i. The periods during which those persons have discharged those responsibilities;
- j. The tasks given to the source and the demands made of him in relation to his activities as a source;
- k. All contacts or communications between the source and a person acting on behalf of any relevant investigating authority;
- l. The information obtained by each relevant investigating authority by the conduct or use of the source;
- m. Any dissemination by that authority of information obtained in that way; and
- n. In the case of a source who is not an undercover operative, every payment, benefit or reward and every offer of a payment, benefit or reward that is made or provided by or on behalf of any relevant investigating authority in respect of the source's activities for the benefit of that or any other relevant investigating authority.

36.7 The person maintaining these records is the Central Records Officer.

### **36.8 Further Documentation**

36.9 In addition to the above, when appropriate records or copies of the following, as are retained by Blackpool Council for five years:

- A copy of the authorisation together with any supplementary documentation and notification of the approval given by the authorising officer;
- A copy of any renewal of an authorisation, together with the supporting documentation submitted when the renewal was requested;

- The reason why the person renewing an authorisation considered it necessary to do so;
- Any authorisation which was granted or renewed orally (in an urgent case) and the reason why the case was considered urgent;
- Any risk assessment made in relation to the CHIS;
- The circumstances in which tasks were given to the CHIS;
- The value of the CHIS to the investigating authority;
- A record of the results of any reviews of the authorisation;
- The reasons, if any, for not renewing an authorisation;
- The reasons for cancelling an authorisation; and
- The date and time when any instruction was given by the authorising officer that the conduct or use of a CHIS must cease.
- A copy of the decision by a Judicial Commissioner on the renewal of an authorisation beyond 12 months (where applicable).

36.10 The records kept by the Council should be maintained in such a way as to preserve the confidentiality, or prevent disclosure of the identity of the CHIS, and the information provided by that CHIS. (Sec 7.7 CHIS Codes of Practice)

36.11 The relevant application forms are available on The Hub. References in these forms to the 'Code' are to the [Covert Human Intelligence Sources Code of Practice](#), which should be consulted for further guidance.

## **PART D RIPA Roles and Responsibilities**

### **37. The Senior Responsible Officer (SRO)**

37.1 The nominated Senior Responsible Officer is the Director of Governance and Partnerships. The SRO with responsibilities for:

- The integrity of the process in place within Blackpool Council to authorise Directed Surveillance;
- Compliance with the relevant sections of RIPA and the Codes of Practice;

- Oversight of the reporting of errors to the Investigatory Powers Commissioner (IPC) and the identification of both the cause(s) of errors and the implementation of processes to minimise repetition of errors;
- Engagement with the Investigatory Powers Commissioner Office (IPCO) and the inspectors who support the Commissioner when they conduct their inspections;
- Where necessary, overseeing the implementation of any recommended post-inspection action plans and
- Ensuring that all Authorising Officers are of an appropriate standard, addressing any recommendations and concerns in the inspection reports prepared by the Investigatory Powers Commissioner.
- Provide training and further guidance and awareness of RIPA and the provisions of this Policy; and review the contents of this Policy.

### **38. RIPA Co-Ordinator is known in Blackpool as the Central Records Officer.**

38.1 The Central Records Officer is a Democratic Governance Senior Advisor who is responsible for storing all the original authorisations, reviews, renewals and cancellation forms and the signed approval or refusal documentation from the Justice of Peace (JP). This will include any authorisations that have not been authorised by the Authorising Officer or refused by a JP.

38.2 The Central Records Officer will:

- Keep the copies of the forms for a period of at least five years;
- Keep the Central Register (a requirement of the Codes of Practice) of all of the authorisations, renewals and cancellations; and Issue the unique reference number.
- Keep a spreadsheet for identifying and monitoring expiry dates and renewal dates.
- Along with, Directors, Heads of Service, Service Managers, Authorising Officers and the Investigating Officers must ensure that any electronic and paper records relating to a RIPA investigation are used, retained or destroyed in line with the Councils Information Management policies, departmental retention schedules and General Data Protection Regulation and the Data Protection Act 2018. (DPA)
- Provide administrative support and guidance on the processes involved.

- Monitor the authorisations, renewals and cancellations with a view to ensuring consistency throughout the Council;
- Monitor each department's compliance and act on any cases of non-compliance;

### **39. Managers Responsibility and Management of the Activity**

- 39.1 Line Managers within each department of the Council and those of wholly-owned companies are responsible for ensuring that in all cases where surveillance is required, due consideration is given to the need for covert surveillance before application is made for authorisation. That includes the consideration of using overt action, routine enquiries or inspections which are less intrusive.
- 39.2 If authorised it is important that all those involved in undertaking Directed Surveillance activities, including Line managers, are fully aware of the extent and limits of the authorisation. There should be an ongoing assessment for the need for the activity to continue including ongoing assessments of the intrusion. All material obtained, including evidence, should be stored in line with relevant legislation and procedures to safeguard its integrity and reduce a risk of challenge. (See use of material as evidence section 60)
- 39.3 Line Managers should also ensure that the relevant reviews (see section 52), renewals (see section 53) and cancellations (see section 54) are completed by the applicant in accordance with the codes and the dates set throughout the process.

### **40. Investigating Officers/ Applicant**

- 40.1 The applicant is normally an investigating officer who completes the application section of the RIPA form. Investigating Officers should think about the need to undertake Directed Surveillance or the use of a CHIS before they seek authorisation and discuss it with their Line manager. Investigating Officers need to consider whether they can obtain the information or achieve their objective by using techniques other than covert surveillance.
- 40.2 The applicant or some other person must carry out a feasibility study as this should be seen by the Authorising Officer. The person seeking the authorisation should then complete the application form having regard to the guidance given in this Policy and the statutory Codes of Practice. There should not be any real delay between the feasibility study and the completion of the application form to ensure that the details within the application are accurate and will not have changed. The form should then be submitted to the Authorising Officer for authorisation.
- 40.3 The applicant is likely to attend court to seek the approval of a JP and if approved and involved in the covert activity they must only carry out what is authorised and approved. They, or some other person will also be responsible for the submission of any reviews, renewals and cancellations.

## **41. Authorising Officers**

- 41.1 The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 prescribes that for Local Authorities the Authorising Officer shall be a Director, Head of Service, Service Manager or equivalent as distinct from the officer responsible for the conduct of an investigation.
- 41.2 There is a list, available on The Hub, showing the Authorising Officers within the Council who can grant authorisations.
- 41.3 The role of the Authorising Officers is to consider whether to authorise, review, or renew an authorisation. They must also officially cancel the RIPA covert activity. Authorising Officers must have been trained to an appropriate level so as to have an understanding of the requirements in the Codes of Practice and that must be satisfied before an authorisation can be granted.
- 41.4 Authorising Officers should not be responsible for authorising investigations or operations in which they are directly involved. Where an Authorising Officer authorises such an investigation or operation, the central record of authorisations should highlight this, and it should be brought to the attention of a Commissioner or Inspector during their next inspection.
- 41.5 Authorisations must be given in writing by the Authorising Officer by completing the relevant section on the authorisation form. When completing an authorisation, the case should be presented in a fair and balanced way. In particular, all reasonable efforts should be made to take into account information which weakens the case for the authorisation.
- 41.6 Authorising Officers must explain why they believe the activity is both necessary (see section 42) and proportionate (see section 43), having regard to the collateral intrusion. They must also consider any similar activity which may be taking place, or sensitivities in the area.
- 41.7 They also need to explain exactly what they are authorising, against who, in what circumstances, where etc. and that the level of the surveillance is appropriate to achieve the objectives. It is important that this is made clear on the authorisation as the surveillance operatives are only allowed to carry out what is authorised. This will assist with avoiding errors.
- 41.8 If any equipment such as covert cameras are to be used, the Authorising Officer should know the capability of the equipment before authorising its use. This will have an impact on collateral intrusion, necessity and proportionality. They should not rubber-stamp a request. It is important that they consider all the facts to justify their decision. They may be required to justify their actions in a court of law or some other tribunal.

- 41.9 The Authorising Officer may be required to attend court to explain what has been authorised and why.
- 41.10 Authorised Officers must acquaint themselves with the relevant Codes of Practice issued by the Home Office regarding RIPA and the current Procedures and Guidance issued by the Commissioner. This document also details the latest operational guidance to be followed. It is recommended that Authorising Officers hold their own copy of this document. This can be obtained from The Hub.

## **42. Necessity**

- 42.1 Obtaining an authorisation under RIPA will only ensure that there is a justifiable interference with an individual's Article 8 rights if it is necessary and proportionate for these activities to take place.
- 42.2 The Act first requires that the person granting an authorisation believe that the authorisation is necessary in the circumstances of the particular case for one or more of the statutory grounds which for Local Authority Directed Surveillance is the prevention and detection of crime and that the crime attracts a custodial sentence of a maximum of 6 months or more, or for the purpose of preventing or detecting specified criminal offences relating to the underage sale of alcohol and tobacco.
- 42.3 The lawful criteria for CHIS is prevention and detection of crime and prevention of disorder and the offence does not have to have a sentence of 6 months imprisonment.
- 42.4 The applicant and Authorising Officers must also be able to demonstrate why it is necessary to carry out the covert activity to achieve the objectives and that there were no other means of obtaining the same information in a less intrusive method. This is a part of the authorisation form.

## **43. Proportionality**

- 43.1 If the activities are deemed necessary, the Authorising Officer must also believe that they are proportionate to what is sought to be achieved by carrying them out. This involves balancing the seriousness of the intrusion into the privacy of the subject of the operation (or any other person who may be affected) against the need for the activity in investigative and operational terms.
- 43.2 The authorisation will not be proportionate if it is excessive in the overall circumstances of the case. Each action authorised should bring an expected benefit to the investigation or operation and should not be disproportionate or arbitrary. The fact that a suspected offence may be serious will not alone render the proposed actions proportionate. Similarly, an offence may be so minor that any deployment of covert techniques would be disproportionate. No activity should be considered proportionate if the information which is sought could reasonably be obtained by other less intrusive means.

- 43.3 When explaining proportionality, the Authorising Officer should explain why the methods and tactics to be adopted during the surveillance is not disproportionate.
- 43.4 The codes provide guidance relating to proportionality which should be considered by both applicants and Authorising Officers:
- Balancing the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence;
  - Explaining how and why the methods to be adopted will cause the least possible intrusion on the subject and others;
  - Considering whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the necessary result;
  - Evidencing, as far as reasonably practicable, what other methods had been considered and why they were not implemented.

#### **44. Collateral Intrusion**

- 44.1 Before authorising applications for Directed Surveillance, the Authorising Officer should also take into account the risk of obtaining collateral intrusion which is private information about persons who are not subjects of the surveillance.
- 44.2 Staff should take measures, wherever practicable, to avoid or minimise unnecessary intrusion into the privacy of those who are not the intended subjects of the surveillance. Where such collateral intrusion is unavoidable, the activities may still be authorised, provided this intrusion is considered proportionate to what is sought to be achieved. The same proportionality tests apply to anticipated collateral intrusion as to intrusion into the privacy of the intended subject of the surveillance.
- 44.3 All applications must therefore include an assessment of the risk of collateral intrusion and detail the measures taken to limit this to enable the Authorising Officer fully to consider the proportionality of the proposed actions. This is detailed in a section within the authorisation form.
- 44.4 In order to give proper consideration to collateral intrusion, an Authorising Officer should be given full information regarding the potential scope of the anticipated surveillance, including the likelihood that any equipment deployed may cause intrusion on persons or property other than the subject(s) of the application. If an automated system such as an online search engine is used to obtain the information, the Authorising Officer should be made aware of its potential extent and limitations. Material which is not necessary or proportionate to the aims of the operation or investigation should be discarded or securely retained separately where it may be required for future evidential purposes. It may also need retaining under CPIA. The Authorising Officer should ensure appropriate safeguards for the handling, retention

or destruction of such material, as well as compliance with General Data Protection Regulation and Data Protection Act 2018 requirements.

- 44.5 Where it is proposed to conduct surveillance activity specifically against individuals who are not suspected of direct or culpable involvement in the overall matter being investigated, interference with the privacy of such individuals should not be considered as collateral intrusion but rather as intended intrusion.
- 44.6 In the event that authorised surveillance unexpectedly and unintentionally interferes with the privacy of any individual other than the intended subject, the authorising officer should be informed by submitting a review form. Consideration should be given in any such case to the need for any separate or additional authorisation.
- 44.7 Where a Public Authority intends to access a social media or other online account to which they have been given access with the consent of the owner, the authority will still need to consider whether the account(s) may contain information about others who have not given their consent. If there is a likelihood of obtaining private information about others, the need for a Directed Surveillance authorisation should be considered, particularly (though not exclusively) where it is intended to monitor the account going forward.

## **PART E The Application and Authorisation Process**

### **45. Relevant Forms**

45.1 For both Directed Surveillance and CHIS authorisations there are 4 forms within the process. They are:

- Authorisation
- Review
- Renewal
- Cancellation

45.2 All the forms can be obtained from The Hub.

### **46. Duration of Authorisations**

46.1 Authorisations must be given for the maximum duration from the date approved by the JP/Magistrate but reviewed on a regular basis and formally cancelled when no longer needed. They do not expire, they must be cancelled when the surveillance is no longer proportionate or necessary. Therefore, a Directed Surveillance authorisation will cease to have effect after three months from the date of approval by the Magistrate unless renewed or cancelled. Durations detailed below:

|   |           |
|---|-----------|
| <b>Directed Surveillance</b>            | 3 months  |
| <b>Renewal</b>                          | 3 months  |
| <b>Covert Human Intelligence Source</b> | 12 months |

|                         |           |
|-------------------------|-----------|
| <b>Renewal</b>          | 12 months |
| <b>Juvenile Sources</b> | 4 months  |
| <b>Renewal</b>          | 4 months  |

46.2 It is the responsibility of the Investigating Officer to make sure that the authorisation is still valid when they undertake surveillance.

#### **47. Applications/Authorisation**

47.1 The applicant or some other person must carry out a feasibility study and intrusion assessment as this may be required by the Authorising Officer. The person seeking the authorisation should then complete the application form having regard to the guidance given in this Policy and the statutory Codes of Practice. There should not be any real delay between the feasibility study and the completion of the application form to ensure that the details within the application are accurate and will not have changed. The form should then be submitted to the Authorising Officer for authorisation.

47.2 When completing an application for authorisation, the applicant must ensure that the case for the authorisation is presented in the application in a fair and balanced way. In particular, all reasonable efforts should be made to take into account information which weakens the case for the warrant or authorisation. This is a requirement of the codes.

47.3 All the relevant sections must be completed with sufficient information to ensure that applications are sufficiently detailed for the Authorising Officer to consider Necessity, Proportionality having taken into account the Collateral Intrusion issues **Cutting and pasting or using template entries should not take place as this would leave the process open to challenge.**

47.4 If it is intended to undertake both Directed Surveillance and the use of a CHIS on the same surveillance subject, the respective authorisation should be completed and the respective procedures followed. Both activities should be considered separately on their own merits.

47.5 All applications will be submitted to the Authorising Officer via the Line Manager of the appropriate enforcement team in order that they are aware of the application and activities being undertaken by the staff. The Line Manager will perform an initial quality check of the application. However, they should not be involved in the sanctioning of the authorisation. The form should then be submitted to the Authorising Officer.

47.6 Applications whether authorised or refused will be issued with a unique number (allocated by the Central Records Officer). The number will be taken from the next available number in the central record of authorisations which is held by the Central Records Officer.

47.7 If not authorised, feedback will be provided to the applicant and the application will be forwarded to the Central Records Officer for recording and filing. If having received the feedback, the applicant feels it is appropriate to re submit the application, they can do so and it will then be considered again.

47.8 Following authorisation, the applicant will then complete the relevant section of the judicial application/order form. Although this form requires the applicant to provide a brief summary of the circumstances of the case, this is supplementary to and does not replace the need to supply a copy and the original RIPA authorisation as well.

#### **48. Arranging the Court Hearing**

48.1 It will be necessary within office hours to contact the administration at the Magistrates' Court to arrange a hearing. The hearing will be in private and heard by a single Justice of the Peace (JP). The application to the JP will be on oath.

48.2 Officers who may present the application at these proceedings will need to be formally designated by the Council under section 223 of the Local Government Act 1972 to appear, be sworn in and present evidence or information as required by the JP. If in doubt as to whether you are able to present the application seek advice from the Head of Legal, or nominated representative.

#### **49. Attending the Hearing**

49.1 The applicant will attend the hearing; however, the Authorising Officer should also attend the hearing if required, as the applicant cannot answer questions directed for the Authorising Officer. Upon attending the hearing, the officer must present to the JP the partially completed judicial application/order form, the original and a copy of the RIPA application/authorisation form, together with any supporting documents setting out the case. The original RIPA authorisation should be shown to the JP but will be retained by the Council so that it is available for inspection by IPCO, and in the event of any legal challenge or investigations by the Investigatory Powers Tribunal (IPT).

49.2 The JP will read and consider the RIPA authorisation and the judicial application/order form. They may have questions to clarify points or require additional reassurance on particular matters. These questions are supplementary to the content of the application form. **However, the forms and supporting papers must by themselves make the case. It is not sufficient for the Council to provide oral evidence where this is not reflected or supported in the papers provided.**

49.3 The JP will consider whether they are satisfied that at the time the authorisation was granted or renewed, there were reasonable grounds for believing that the authorisation was necessary and proportionate. In addition, they must be satisfied that the person who granted the authorisation was an appropriate Designated Person within the Council to authorise the activity and the authorisation was made

in accordance with any applicable legal restrictions, for example, the crime threshold for Directed Surveillance.

## **50. Decision of the Justice of the Peace (JP)**

- 50.1 The JP has a number of options which are:
- 50.2 **Approve or renew an authorisation.** If approved by the JP, the date of the approval becomes the commencement date for the duration of the three months and the officers are now allowed to undertake the activity.
- 50.3 **Refuse to approve or renew an authorisation.** The RIPA authorisation will not take effect and the Council may **not** use the technique in that case.
- 50.4 Where an application has been refused, the applicant may wish to consider the reasons for that refusal. If more information was required by the JP to determine whether the authorisation has met the tests, and this is the reason for refusal, the officer should consider whether they can reapply. For example, if there was information to support the application which was available to the Council, but not included in the papers provided at the hearing.
- 50.5 For, a technical error (as defined by the JP), the form may be remedied without going through the internal authorisation process again. The officer may then wish to reapply for judicial approval once those steps have been taken.
- 50.6 **Refuse to approve or renew and quash the authorisation.** This applies where the JP refuses to approve or renew the authorisation and decides to quash the original authorisation. However, the court must not exercise its power to quash the authorisation unless the applicant has had at least two business days from the date of the refusal in which to make representations. If this is the case, the officer will inform the Legal who will consider whether to make any representations.
- 50.7 The JP will record their decision on the order section of the judicial application/order form. The court administration will retain a copy of the Council's RIPA application and authorisation form and the judicial application/order form. The officer will retain the original authorisation and a copy of the judicial application/order form.
- 50.8 The Council may only appeal a JP decision on a point of law by judicial review. If such a concern arises, Legal will decide what action if any should be taken.

## **51. Post Court Procedure**

- 51.1 It will be necessary to work out the cancellation date from the date of approval and ensure that the applicant and the Authorising Officer is aware. The original application and the copy of the judicial application/order form should be forwarded to the Central Records Officer. A copy will be retained by the applicant and if necessary by the Authorising Officer. The central register will be updated with the

relevant information to comply with the Codes of Practice and the original documents filed and stored securely.

- 51.2 Where dates are set within the process such as reviews, they must be adhered to. This will help with demonstrating that the process has been managed correctly in line with the Codes of Practice and reduce the risk of errors.

## **52. Reviews**

- 52.1 When an application has been authorised and approved by a JP, regular reviews must be undertaken by the Authorising Officer to assess the need for the surveillance to continue.
- 52.2 In each case the Authorising Officer should determine how often a review should take place at the outset. This should be as frequently as is considered necessary and practicable. Particular attention is drawn to the need to review authorisations frequently where the surveillance provides a high level of intrusion into private life or significant collateral intrusion, or confidential information. They will record when they are to take place on the application form. This decision will be based on the circumstances of each application. However, reviews will be conducted on a monthly or less basis to ensure that the activity is managed. It will be important for the Authorising Officer to be aware of when reviews are required to ensure that the applicants submit the review form on time.
- 52.3 Applicants should submit a review form by the review date set by the Authorising Officer. They should also use a review form for changes in circumstances to the original application which would include a change to the level of intrusion so that the need to continue the activity can be re-assessed. However, if the circumstances or the objectives have changed considerably, or the techniques to be used are now different, a new application form should be submitted, and it will be necessary to follow the process again and be approved by a JP. The applicant does not have to wait until the review date if it is being submitted for a change in circumstances.
- 52.4 Line managers of applicants should also make themselves aware of when the reviews are required to ensure that the relevant forms are completed on time.
- 52.5 The reviews are dealt with internally by submitting the review form to the Authorising Officer. There is no requirement for a review form to be submitted to a JP.
- 52.6 The results of a review should be recorded on the central record of authorisations.

## **53. Renewal**

- 53.1 A renewal form is to be completed by the applicant when the original authorisation period is about to expire but Directed Surveillance or the use of a CHIS is still required.

- 53.2 Should it be necessary to renew an authorisation for Directed Surveillance or CHIS, this must be approved by a JP.
- 53.3 Applications for renewals should not be made until shortly before the original authorisation period is due to expire. However, they must take account of factors which may delay the renewal process (e.g. intervening weekends or the availability of the relevant Authorising Officer and a JP to consider the application).
- 53.4 The applicant should complete all the sections within the renewal form and submit the form to the Authorising Officer for consideration.
- 53.5 Authorising Officers should examine the circumstances with regard to Necessity, Proportionality and the Collateral Intrusions issues before making a decision to renew the activity. A CHIS application should not be renewed unless a thorough review has been carried out covering the use made of the source, the tasks given to them and information obtained. The Authorising Officer must consider the results of the review when deciding whether to renew or not. The review and the consideration must be documented.
- 53.6 If the Authorising Officer refuses to renew the application, the cancellation process should be completed. If the Authorising Officer authorises the renewal of the activity, the same process is to be followed as mentioned earlier for the initial application whereby approval must be sought from a JP.
- 53.7 A renewal takes effect on the day on which the authorisation would have ceased and lasts for a further period of three months.

#### **54. Cancellation**

- 54.1 The cancellation form is to be submitted by the applicant or another investigator in their absence. The Authorising Officer who granted or last renewed the authorisation must cancel it if they are satisfied that the Directed Surveillance no longer meets the criteria upon which it was authorised. Where the Authorising Officer is no longer available, this duty will fall on the person who has taken over the role of Authorising Officer or the person who is acting as Authorising Officer.
- 54.2 As soon as the decision is taken that Directed Surveillance should be discontinued, the applicant or other investigating officer involved in the investigation should inform the Authorising Officer. The Authorising Officer will formally instruct the investigating officer to cease the surveillance, noting the time and date of their decision. This will be required for the cancellation form. The date and time when such an instruction was given should also be recorded in the central record of authorisations.
- 54.3 The Investigating Officer submitting the cancellation should complete in detail the relevant sections of the form and include the period of surveillance and detail if any

images were obtained, particularly any images containing innocent third parties. The Authorising Officer should then take this into account and issues instructions regarding the management and disposal of the images etc. See sections 58 to 65 Safeguarding and the Use of Surveillance Material below.

- 54.4 The cancellation process should also be used to evaluate whether the objectives have been achieved and whether the applicant carried out what was authorised. This check will form part of the oversight function. Where issues are identified including errors (see section 65), they will be brought to the attention of the Line Manager and the Senior Responsible Officer (SRO). This will assist with future audits and oversight and comply with the Codes of Practice.
- 54.5 When cancelling a CHIS authorisation, an assessment of the welfare and safety of the source should also be assessed, and any issues identified.
- 54.6 All cancellations must be submitted to the Central Records Officer for inclusion in the central Record and storing securely with the other associated forms.
- 54.7 **Do not wait until the three month period is up to cancel. Cancel it at the earliest opportunity when no longer necessary and proportionate. Line Managers should be aware of when the activity needs cancelling and ensure that staff comply with the procedure.**

## **Part F Central Record and Safeguarding the Material**

### **55. Introduction**

- 55.1 Authorising Officers, applicants and Line Managers of relevant enforcement departments may keep whatever records they see fit to administer and manage the RIPA application process. This includes the legal obligations under the Criminal Procedures and Investigations Act. However, this will not replace the requirements under the Codes of Practice, which includes the fact that the Council must hold a centrally held and retrievable record.

### **56. Central Record**

- 56.1 The centrally retrievable record of all authorisations will be held and maintained by Central Records Officer It will be regularly updated whenever an authorisation is applied for, refused, granted, renewed or cancelled. The record will be made available to the relevant Commissioner or an Inspector from IPCO, upon request.
- 56.2 All original authorisations and copies of judicial applications/order forms whether authorised or refused, together with review, renewal and cancellation documents, must be sent within 24 hours to Central Records Officer who will be responsible for maintaining the central record of authorisations. They will ensure that all records are held securely with no unauthorised access. If in paper format, they must be forwarded in a sealed envelope marked confidential.

56.3 The documents contained in the centrally held register should be retained for at least five years from the ending of the authorisation or for the period stipulated by the Council's document retention policy, whichever is greater. The centrally held register contains the following information:

- If refused, (the application was not authorised by the AO) a brief explanation of the reason why. The refused application should be retained as part of the central record of authorisation;
- If granted, the type of authorisation and the date the authorisation was given;
- Details of attendances at the magistrates' court to include the date of attendances at court, the determining magistrate, the decision of the court and the time and date of that decision;
- Name and rank/grade of the authorising officer;
- The unique reference number (URN) of the investigation or operation;
- The title of the investigation or operation, including a brief description and names of subjects, if known;
- Frequency and the result of each review of the authorisation;
- If the authorisation is renewed, when it was renewed and who authorised the renewal, including the name and rank/grade of the authorising officer and the date renewed by the JP;
- Whether the investigation or operation is likely to result in obtaining confidential information as defined in this code of practice;
- The date the authorisation was cancelled;
- Authorisations by an Authorising Officer where they are directly involved in the investigation or operation. If this has taken place it must be brought to the attention of a Commissioner or Inspector during their next RIPA inspection.

56.4 As well as the central record the Central Records Officer will also retain:

- The original of each application, review, renewal and cancellation, copy of the judicial application/order form, together with any supplementary documentation of the approval given by the Authorising Officer;
- The frequency and result of reviews prescribed by the Authorising Officer;
- The date and time when any instruction to cease surveillance was given;

- The date and time when any other instruction was given by the Authorising Officer;
- A record of the period over which the surveillance has taken place. This should have been included within the cancellation form.

56.5 These documents will also be retained for five years from the ending of the authorisation.

## **57. Safeguarding and the Use of Surveillance Material**

57.1 This section provides guidance on the procedures and safeguards to be applied in relation to the handling of any material obtained through Directed Surveillance or CHIS activity. This material may include private, confidential or legal privilege information. It will also show the link to other relevant legislation.

57.2 The Council should ensure that their actions when handling information obtained by means of covert surveillance or CHIS activity comply with relevant legal frameworks and the Codes of Practice, so that any interference with privacy is justified in accordance with Article 8(2) of the European Convention on Human Rights. Compliance with these legal frameworks, including Data Protection requirements, will ensure that the handling of private information obtained continues to be lawful, justified and strictly controlled, and is subject to robust and effective safeguards. The material will also be subject to the Criminal Procedures Investigations Act (CPIA)

## **58. Authorised Purpose**

58.1 Dissemination, copying and retention of material must be limited to the minimum necessary for authorised purposes. For the purposes of the RIPA codes, something is necessary for the authorised purposes if the material:

- Is, or is likely to become, necessary for any of the statutory purposes set out in the RIPA Act in relation to covert surveillance or CHIS activity;
- Is necessary for facilitating the carrying out of the functions of public authorities under RIPA;
- Is necessary for facilitating the carrying out of any functions of the Commissioner or the Investigatory Powers Tribunal;
- Is necessary for the purposes of legal proceedings; or
- Is necessary for the performance of the functions of any person by or under any enactment.

## **59. Handling and Retention of Material**

59.1 As mentioned above, all material associated and obtained with an application will be subject of the provisions of the General Data Protection Regulation and Data Protection Act (DPA) 2018 and CPIA Codes of Practice. All officers involved within this process should make themselves aware of the provisions within this legislation and how it impacts on the whole RIPA process. Material obtained, together with

relevant associated paperwork should be held securely. Extra care needs to be taken if the application and material relates to a CHIS.

- 59.2 Material required to be retained under CPIA should be retained until a decision is taken whether to institute proceedings against a person for an offence or if proceedings have been instituted, at least until the accused is acquitted or convicted or the prosecutor decides not to proceed with the case.
- 59.3 Where the accused is convicted, all material which may be relevant must be retained at least until the convicted person is released from custody, or six months from the date of conviction, in all other cases.
- 59.4 If the court imposes a custodial sentence and the convicted person is released from custody earlier than six months from the date of conviction, all material which may be relevant must be retained at least until six months from the date of conviction.
- 59.5 If an appeal against conviction is in progress when released, or at the end of the period of six months, all material which may be relevant must be retained until the appeal is determined.
- 59.6 If retention is beyond these periods it must be justified under DPA. Each relevant service within the Council may have its own provisions under their Data Retention Policy which will also need to be consulted to ensure that the data is retained lawfully and for as long as is necessary.

## **60. Use of Material as Evidence**

- 60.1 Material obtained through Directed Surveillance, may be used as evidence in criminal proceedings. The admissibility of evidence is governed primarily by the common law, the Criminal Procedure and Investigations Act 1996 (CPIA), the Civil Procedure Rules, section 78 of the Police and Criminal Evidence Act 1996 and the Human Rights Act 1998.
- 60.2 Ensuring the continuity and integrity of evidence is critical to every prosecution. Accordingly, considerations as to evidential integrity are an important part of the disclosure regime under the CPIA and these considerations will apply to any material acquired through covert surveillance that is used in evidence. When information obtained under a covert surveillance authorisation is used evidentially, the Council will be able to demonstrate how the evidence has been obtained, to the extent required by the relevant rules of evidence and disclosure.
- 60.3 Where the product of surveillance could be relevant to pending or future criminal or civil proceedings, it should be retained in accordance with established disclosure requirements. In a criminal case the codes issued under CPIA will apply. They require that the investigator record and retain all relevant material obtained in an investigation and later disclose relevant material to the Prosecuting Solicitor. They in turn will decide what is disclosed to the Defence Solicitors.

60.4 There is nothing in RIPA which prevents material obtained under Directed Surveillance authorisations from being used to further other investigations

## **61. Dissemination of Information**

61.1 It may be necessary to disseminate material acquired through the RIPA covert activity within the Council or shared with other Councils or agencies, including the Police. The number of persons to whom any of the information is disclosed, and the extent of disclosure, should be limited to the minimum necessary. It must also be in connection with an authorised purpose as set out in Section 58. It will be necessary to consider exactly what and how much information should be disclosed. Only so much of the material may be disclosed as the recipient needs; for example, if a summary of the material will suffice, no more than that should be disclosed.

61.2 The obligations apply not just to the Council as the original authority acquiring the information, but also to anyone to whom the material is subsequently disclosed. In some cases, this will be achieved by requiring the latter to obtain permission from Blackpool Council before disclosing the material further. It is important that the Officer in Charge (OIC) of the enquiry considers these implications at the point of dissemination to ensure that safeguards are applied to the data.

61.3 A record will be maintained justifying any dissemination of material. If in doubt, seek advice.

## **62. Storage**

62.1 Material obtained through covert surveillance and CHIS authorisations, and all copies, extracts and summaries of it, must be handled and stored securely, so as to minimise the risk of loss. It must be held so as to be inaccessible to persons who are not required to see the material (where applicable). This requirement to store such material securely applies to all those who are responsible for the handling of the material. It will be necessary to ensure that both physical and IT security and an appropriate security clearance regime is in place to safeguard the material.

## **63. Copying**

63.1 Material obtained through covert surveillance may only be copied to the extent necessary for the authorised purposes set out above. Copies include not only direct copies of the whole of the material, but also extracts and summaries which identify themselves as the product of covert surveillance, and any record which refers to the covert surveillance and the identities of the persons to whom the material relates.

63.2 In the course of an investigation, the Council must not act on or further disseminate legally privileged items unless it has first informed the Investigatory Powers Commissioner that the items have been obtained.

## 64. Destruction

64.1 Information obtained through covert surveillance, and all copies, extracts and summaries which contain such material, should be scheduled for deletion or destruction and securely destroyed as soon as they are no longer needed for the authorised purpose(s) set out above. If such information is retained, it should be reviewed at appropriate intervals to confirm that the justification for its retention is still valid. In this context, destroying material means taking such steps as might be necessary to make access to the data impossible.

## Part G Errors and Complaints

### 65. Errors

65.1 Errors can have very significant consequences on an affected individual's rights. Proper application of the surveillance and CHIS provisions in the RIPA codes and this Policy should reduce the scope for making errors.

65.2. There are two types of errors within the codes of practice which are:

- Relevant error and
- Serious error.

#### 65.3 Relevant Error

65.4 An error must be reported if it is a "**relevant error**". A relevant error is any error by a Public Authority in complying with any requirements that are imposed on it by any enactment which are subject to review by a Judicial Commissioner. This would include compliance by public authorities with Part II of the 2000 Act (RIPA). This would include with the content of the Codes of Practice.

65.5 Examples of relevant errors occurring would include circumstances where:

- Surveillance activity has taken place without lawful authorisation.
- There has been a failure to adhere to the safeguards set out in the relevant statutory provisions and Chapter 9 of the Surveillance Codes of Practice relating to the safeguards of the material.

65.6 All relevant errors made by Public Authorities must be reported to the Investigatory Powers Commissioner by the Council as soon as reasonably practicable and a full report no later than ten working days. The report should include information on the cause of the error; the amount of surveillance conducted, and material obtained or disclosed; any unintended collateral intrusion; any analysis or action taken; whether any material has been retained or destroyed; and a summary of the steps taken to prevent recurrence.

## **65.7 Serious Errors**

- 65.8 The Investigatory Powers Commissioner must inform a person of any relevant error relating to that person if the Commissioner considers that the error is a serious error and that it is in the public interest for the person concerned to be informed of the error. The Commissioner may not decide that an error is a serious error unless they consider that the error has caused significant prejudice or harm to the person concerned. The fact that there has been a breach of a person's Convention rights (within the meaning of the Human Rights Act 1998) is not sufficient by itself for an error to be a serious error.
- 65.9 It is important that all staff involved in the RIPA process report any issues, so they can be assessed as to whether it constitutes an error which requires reporting.

## **66. Complaints**

- 66.1 Any person who reasonably believes they have been adversely affected by surveillance activity by or on behalf of the Council may complain to the Head of Legal who will investigate the complaint. A complaint can also be made to the official body which is the Investigatory Powers Tribunal (IPT). They have jurisdiction to investigate and determine complaints against any Public Authority's use of RIPA powers, including those covered by this Policy.
- 66.2 Complaints should be addressed to:

The Investigatory Powers Tribunal  
PO Box 33220  
London  
SW1H 9ZQ

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