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Blackpool Council

19 July 2023

To: Councillors Cartmell, Fenlon, Humphreys, Marshall, Roberts, Swift, Thomas and Warne

Mr David Swift – Independent Co-Opted Member

The above members are requested to attend the:

AUDIT COMMITTEE

Thursday, 27 July 2023 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 15 JUNE 2023 (Pages 1 - 6)

To agree the minutes of the last meeting of the Audit Committee held on 15 June 2023 as a true and correct record.

3 CHILDREN'S SERVICES FINANCIAL SYSTEMS INTERNAL AUDIT FOLLOW UP (Pages 7 - 24)

To consider a progress report on the recommendations made in the internal audit report of Children's Services Financial Systems issued on the 16 August 2022.

4 STRATEGIC RISK REGISTER DEEP DIVE - OPERATIONS (Pages 25 - 36)

To consider a progress report on individual risks identified in the Council's Strategic Risk Register.

5 EXTERNAL AUDITOR'S REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) AND STATEMENT OF ACCOUNTS 2020/2021 (Pages 37 - 250)

To consider and approve the audited Statement of Accounts for 2020-2021.

6 RISK SERVICES QUARTER ONE REPORT (Pages 251 - 274)

To provide the Audit Committee with a summary of the work completed by Risk Services in quarter one of the 2023/24 financial year.

7 ACTION TRACKER

To note that there are no outstanding items on the Committee's Action Tracker.

8 DATE OF NEXT MEETING

To note the date and time of the next meeting of the Committee as 14 September 2023, commencing at 6.00pm.

Venue information:

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

Other information:

For queries regarding this agenda please contact John Greenbank, Democratic Governance Senior Adviser, Tel: 01253 477229, e-mail john.greenbank@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.

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 15 JUNE 2023

Present:

Councillor Roberts (in the Chair)

Councillors

Cartmell	Humphreys	Thomas
Fenlon	Marshall	Warne

David Swift, Independent Co-opted Member

In Attendance:

Councillor Paul Galley, Chair of the Scrutiny Leadership Board
Tracy Greenhalgh, Head of Audit and Risk
Steve Thompson, Director of Resources
Mark Towers, Director of Governance and Partnerships

John Greenbank, Democratic Governance Senior Adviser (Scrutiny)

1 DECLARATIONS OF INTEREST

There were no declarations of interest on this occasion.

2 MINUTES OF THE LAST MEETING HELD ON 2 MARCH 2023

Resolved: That the minutes of the meeting held on 2 March 2023 be signed by the Chair as a true and correct record.

3 STRATEGIC RISK REGISTER DEEP DIVE - TECHNOLOGY

The Committee considered a deep dive into the Strategic Risk "Technology" which included the sub-risks (a) 'Cyber Threats', (b) 'Non-compliance with data protection legislation' and (c) 'Inability to undertake business critical activity due to software failures'.

(a) Cyber Threats
(c) Inability to undertake business critical activity due to software failures

Mr Tony Doyle, Head of ICT Services, presented an update in relation to sub-risk a and c. He informed members that cyber threats represented the most substantial element of the risk and that even large organisations could not be completely immune from cyber-attacks. Work at the Council therefore focussed on how to reduce the threat posed. As part of this the Council was conducting a pilot programme called "Phish It" which would use new software to identify phishing emails. This pilot would be undertaken with the IT team during July 2023, following which it was planned that the software would be implemented across the Council from September 2023.

It was also reported that the Council had undertaken discussions with Lancaster University regarding the undertaking a ransomware test attack. It was hoped that such a test would allow the Council to assess its response and inform future cyber security planning.

Mr Doyle also reported that the Council had a new cyber security insurer who had outlined the additional help they could provide to the Council to protect against cyber threats. This included regular scanning of the Council's systems to identify potential weaknesses.

Increased software system resilience was also reported, with HR and payroll being moved to cloud based systems. Mr Doyle added that the contracts with the suppliers of cloud hosting had been written to ensure that the Council maintained control regarding access and authentication.

The Committee discussed safeguards for business critical systems with Mr Doyle explaining that all the Council's services were encouraged to consider how they would operate without IT systems, including paper based working. It was recognised that in some areas this presented a significant challenge and therefore IT regularly reviewed the safeguards in place. In the event of a significant cyber attack Mr Doyle reported that the Council had two data storage sites, with backed-up power supplies to ensure their operation in the event of attacks on the power system. The Council conducted daily back-ups of its data to the storage sites and IT services regularly conducted exercises on data recovery.

(b) Non-compliance with data protection legislation

Mr Mark Towers, Director of Governance and Partnerships, presented an update in relation to the sub-risk. He reported that the primary mitigation was undertaken by the Council's Data Protection Officer (DPO) and their team. This team work to ensure data protection legislation was complied with both at the Council and its wholly-owned companies. In addition to the DPO was responsible for undertaking audits across the Council into data protection compliance in areas where breeches had bene identified. The DPO also regularly reported on data protection issues into meetings of the Corporate Leadership Team to ensure awareness at the highest levels of the Council. He added that a General Data Protection Regulation audit by the Information Commissioners Office had rated the Council "Good", which had positively demonstrated the mitigation in place.

A key part of data protection work was ensuring staff awareness of the relevant legislation and their responsibilities under it. All staff therefore were required to undertake data protection training as part of their induction, and then undertake refresher sessions throughout the course of their employment at the Council.
The Council had also moved its documents to the Sharepoint system. This software allowed greater control of access to documents ensuring their security.

Mr Towers also informed the Committee that the reporting of breeches had in some cases led to claims being made against the Council from people who believed they had been negatively impacted. Despite this the Council had successfully defended itself against the claims made and it was believed that these successes would help deter future claims being made.

Members discussed data protection training in relation to agency staff contracted at the Council. Mr Doyle explained that the Council had processes in place to restrict the access of agency staff to the Council's systems, and that their IT accounts would automatically expire at the end of their contracted period. All agency staff were also required to undertake the same data protection training as normally employed staff before they could access Council IT systems. Across the Council it was reported that Cyber Awareness training had a take up of 95%.

It was queried if the work being undertaken and planned would have an effect on the risk rating which was shown as high. Mr Doyle explained that this was unlikely and that the level of risk would remain high as the threat was expected to increase as technology developed, highlighting that Artificial Intelligence would create a significant challenge. The highest area of risk at the Council was reported as payroll, in light of the significant level of financial transactions it was responsible for.

Resolved: That the update be noted.

4 RISK SERVICES QUARTER FOUR REPORT

Ms Tracy Greenhalgh, Head of Audit and Risk, presented the Risk Services Quarter Four 2022/23 report. The report outlined that performance had been good during quarter four, with some areas exceeding expectation.

An update was provided regarding outstanding Priority One recommendations it was reported that, in relation to the Driving at Work audit the recommendations were being worked on urgently and it was foreseen that these would be resolved through improvements to the staff driving app. The Committee noted that the recommendations in this audit had been made due to incorrect usage of the driving at work app and Ms Greenhalgh confirmed that an update on progress against the recommendations would be brought to a future meeting for members to consider the outcome of the audit in more detail.

The Committee also discussed the audit of the Payment Sense Card Payment System. Ms Greenhalgh explained that normally financial systems would be audited together, however this system had been reviewed separately due to concerns raised by the Director of Resources due to the system being newly introduced.

It had been noted that following the audit of Leisure Services the recommendations from a report by Lancashire Constabulary remained under consideration, the Committee queried why this had been the case. Ms Greenhalgh explained that the recommendations from the police would be considered but that their were issues surrounding costs and resourcing that would need to be resolved to implement all of them.

The monitoring of the implementation of priority one recommendations was discussed by the Committee. Members noted that in a number of cases the timescales for the implementation of recommendations had been extended and expressed concern that this could lead to drift in services responses. Ms Greenhalgh explained that all extensions of timescales had been agreed between audit and service managers. Further to this all progress on priority one recommendations was reported to the Corporate Leadership Team to ensure that drift did not occur and all recommendations were implemented in a timely manner.

The 9.3% of cases of fraud identified following the Single Person Discount matching exercise against the Electoral Register the Committee noted that this had set a benchmark for the future levels to be measured against. Ms Greenhalgh added that in the first instance the fraud had been treated as error, but that action would be taken it future cases were identified.

Resolved: That the Risk Service Quarter Four report be noted.

5 ANNUAL AUDIT OPINION 2022/2023

Ms Tracy Greenhalgh, Head of Audit and Risk, presented the Annual Audit Opinion which sets out the individual and collective outcomes of the audit reviews undertaken in the year ended 31 March 2023 and provided an audit opinion on the control environment. Overall Ms Greenhalgh reported that the report provided the opinion that the audit environment was adequate.

A programme of planned audit work for 2023-24 was also presented. The report also set out that going forward the greatest area of risk for the Council was financial sustainability and that this remain an area of focus for the Committee in 2023-24.

The Committee discussed Ms Greenhalgh's work in addition to her responsibilities in relation to audit and what impact these would have upon her role. Ms Greenhalgh explained that all the areas under her role as Head of Audit and Risk were related and that regular one-to-one meetings with the Director of Resources allowed for the identification of any issues.

Resolved:

1. That the report be noted;
2. That the timetable for audit follow-up work in 2023-2024 be noted.

6 ANNUAL GOVERNANCE STATEMENT 2022/2023

Mr Mark Towers, Director of Governance and Partnerships, presented the draft Annual Governance Statement to the Committee. The statement set out the Council systems of governance and control for 2023-2024. Mr Towers reported that the document had been reviewed for 2023-2024 and updated following feedback from the Audit Team, the Scrutiny Leadership Board and members of the Cabinet. Improvements had included the addition of links within the statement to supporting documents. He added that the statement's action plan would be brought to the January 2024 meeting of the Committee to show progress and allow members consideration of the work being undertaken.

In relation to the supporting documents contained within the statement, the Committee noted that the Whistleblowing Policy was dated 2017. Mr Towers explained that this had been recognised and would be an area that audit would be asked to review and update during 2023-2024.

Members highlighted that the statement also made no reference to the delays experienced in signing of the accounts since 2020, and asked that details of this be included. Mr Towers agreed that this should be included and stated they would consult with the Director of Resources regarding how to achieve this.

Resolved: That the Annual Governance Statement 2023-2024 be approved, subject to the inclusion of details of the progress to sign off the Statement of Accounts since 2020.

7 EXTERNAL AUDIT UPDATE

Ms Nicola Wright, External Auditor, Deloitte, provided a verbal update on the progress to sign off the 2020-2021 and 2021-2022 Statements of Accounts. She reported that it had been planned to bring the 2020-2021 accounts to the meeting but these had been delayed due to capacity issues experienced. However it was now planned that the accounts would be presented to the July 2023 meeting of the Committee for consideration. Following this the 2021-2022 accounts would be brought to the September 2023 meeting of the Committee.

It was also reported that discussions had also begun on the timetable for the preparation of the 2022-2023 accounts. It was noted that although the deadline for signing off the 2022-2023 accounts would be September 2023, nationally experienced issues that had delayed the accounts in previous years meant that a further delay could be expected in 2023.

Resolved: That the update be noted.

8 INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME 2023/24

Ms Tracy Greenhalgh, Head of Audit and Risk, presented the Internal Audit Quality Assurance and Improvement Programme 2023-2024. The programme provided assurance on the effectiveness of the internal audit function at the Council and identified improvement work that would be undertaken in 2023-2024.

Resolved: That the Internal Audit Quality Assurance and Improvement Programme 2023-2024 be approved.

9 AUDIT ACADEMY TRAINING PROGRAMME 2023/24

Ms Tracy Greenhalgh, Head of Audit and Risk, presented the Audit Academy Training Programme 2023-2024. The programme set out the areas that would be covered by the academy in 2023-2024, with Ms Greenhalgh highlighting that the training would seek to give members knowledge of the key documents that would be considered by the Audit Committee.

The Chair welcomed the programme as set out and encouraged members of the Committee to attend as many sessions as possible.

Resolved: That the Audit Academy Training Programme 2023-2024 be approved.

10 AUDIT COMMITTEE ACTION TRACKER

The Committee gave consideration to the updated Action Tracker and noted the updates provided.

11 DATE OF NEXT MEETING

The date and time of the next meeting was noted as Thursday, 27 July 2023 at 6pm.

Chairman

(The meeting ended at 7.20 pm)

Any queries regarding these minutes, please contact:
John Greenbank, Democratic Governance Senior Adviser
Tel: 01253 477229
E-mail: john.greenbank@blackpool.gov.uk

Report to:	**AUDIT COMMITTEE**
Relevant Officer:	Chris Coyle, Assistant Director Children's Social Care
Date of Meeting	27 July 2023

CHILDREN'S SERVICES FINANCIAL SYSTEMS AUDIT FOLLOW-UP

1.0 Purpose of the report:

1.1 To consider a progress report on the recommendations made in the internal audit report of Children's Services Financial Systems issued on the 16 August 2022.

2.0 Recommendation(s):

2.1 To consider the actions being implemented to address the audit recommendations relating to the Children's Services Financial Systems audit.

3.0 Reasons for recommendation(s):

3.1 To enable Audit Committee to consider an update and progress report on the audit recommendations.

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

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

4.0 Other alternative options to be considered:

4.1 N/a

5.0 Council priority:

5.1 This audit impacts on the Council's organisational resilience priority.

6.0 Background information

6.1 Blackpool Council have a duty of care to support and provide for vulnerable children, whether fostering, special guardianship orders, adoption, leaving care support or emergency discretionary circumstances, there are multiple ways in which a child is supported throughout Children's Social Care. Support provided to the children within the care of the authority have cost implications, some of which are part of an agreed ongoing package of care, others being one-off discretionary payments.

6.2 The scope and assurance statement of the audit was as follows:

Scope

The scope of our audit was to review the financial systems and processes in place, efficiencies that can be made within the processes and further development plans.

Assurance Statement

We consider that the controls in place are inadequate with significant work required to establish a robust audit trail, ensuring appropriate authorisations are obtained and evidenced though the use of manual processing of invoices, and a review of the system development opportunities available to strengthen the overall finance process.

6.3 Does the information submitted include any exempt information? No

7.0 List of Appendices:

7.1 Appendix 3(a): Internal Audit Recommendations and Agreed Actions.

8.0 Financial considerations:

8.1 The controls being implemented will be done so within current budget constraints.

9.0 Legal considerations:

9.1 Risks need to be effectively managed in order to comply with relevant legislation.

10.0 Risk management considerations:

10.1 To enable the Audit Committee to gain assurance that risks are being effectively managed.

11.0 Equalities considerations:

11.1 Where equality analysis is appropriate these will have been undertaken whilst making decisions relating to the subject.

12.0 Sustainability, climate change and environmental considerations:

12.1 Any matters relating to sustainability, climate change and environmental considerations will be considered when making decisions relating to the subject.

13.0 Internal/external consultation undertaken:

13.1 The progress report has been prepared in conjunction with the relevant Head of Service and Chief Officer.

14.0 Background papers:

14.1 None.

Appendix 3(a) - Agreed Action Plan

Recommendation		***Priority***	***Agreed Action***	***Responsible officer***	***Target Date***	***Revised Target Date for outstanding actions***	***Progress***
R1	We recommend Finance Business Support procedures guides are formalised to include the document owner and review dates to ensure users are aware of current guidance.	3	Completed.	N/A	N/A		

Recommendation		Priority	Agreed Action	Responsible officer	Target Date	Revised Target Date for outstanding actions	Progress
R2	We recommend a working group is established in order to document a Financial Framework, (for example a flow chart), to identify the required journey of invoices for payment. The working group(s) should ensure appropriate approvals are sought in line with the scheme of delegation and a robust method of evidencing this should be introduced.	1	Agreed. Assistant Director of Children's Services (Social Care) to lead a Task and Finish Group in order to establish robust financial processes and produce a financial framework. Completed.	Assistant Director of Children's Services (Social Care)	31st October 2022		Completed. A working group was commenced in Oct 2022 to look at the approach to children's finances. The group has met monthly since to drive this response. The working group has prioritised the activity and the approach around finance framework.

Recommendation		Priority	Agreed Action	Responsible officer	Target Date	Revised Target Date for outstanding actions	Progress
R3	We recommend the membership for the Mosaic Project Board is reviewed to ensure that Children's Services is suitably represented.	2	Agreed. Assistant Director of Children's Services to request an invite to future Mosaic and Core+ Project Board meetings.	Assistant Director of Children's Services (Social Care)	31st August 2022		Completed. The AD for CSC now attends the MOSIAC Project Board. In addition a separate meeting has been set up outside of the board to ensure that there is clarity to the MOSIAC changes requests and the prioritisation of these requests.
R4	We recommend reconsideration to the priority of the Children's Services Purchasing and Payments' project is given, particularly in response to the risks and inefficiencies in current processes identified as part of this audit.	2	Agreed. Assistant Director of Children's Services to raise at Mosaic and Core+ Project Board.	Assistant Director of Children's Services (Social Care)	31st August 2022		Completed As part of the project work to drive this agenda the Childrens Services Purchasing an Payments Project has been prioritised.

Recommendation		Priority	Agreed Action	Responsible officer	Target Date	Revised Target Date for outstanding actions	Progress
R5	We recommend the Business Support (Adult Services) review the authorisation process for payment runs to include the Senior Finance Admin Officer as an authoriser, ensuring segregation of duties is in operation between preparation of the payment run and approval.	2	Agreed. To be reviewed as part of the transition of the Business Support Team from Children's Services to Adult Services.	Business Support Services Manager	31st December 2022		In progress

Recommendation		Priority	Agreed Action	Responsible officer	Target Date	Revised Target Date for outstanding actions	Progress
R6	We recommend the processes in place to process invoices received via the Home Finding Team are revised to ensure adequate approvals are sought in line with the Scheme of Delegation.	1	Agreed. To be reviewed as part of the Financial Framework Task and Finish Group.	Assistant Director of Children's Services (Social Care)	31st October 2022		In progress. To be completed Sept 2023 As part of the response to the audit we are adapting the processes so all request s going through via MOSIAC and approval of all those requests is in line with the scheme of delegation. The system will be set up to prevent deviation from the scheme of delegation. This work will commence with one off requests for children funded via Section 17 and the LAC financial assistance budget.

Recommendation		Priority	Agreed Action	Responsible officer	Target Date	Revised Target Date for outstanding actions	Progress
R6 (cont)							The forms and systems changes required are currently being built in MOSIAC and will be tested during the summer. There will be plan of education of staff prior to launching the approach of this in the second week of Sept ember 2023.

Recommendation		Priority	Agreed Action	Responsible officer	Target Date	Revised Target Date for outstanding actions	Progress
R7	We recommend consideration is given to utilising available systems E-procurement or Mosaic to process invoices received via the Home Finding Team (in the interim period between system developments), to ensure suitable authorisations are transparent.	1	Agreed. To be reviewed as part of the Financial Framework Task and Finish Group.	Assistant Director of Children's Services (Social Care)	31 October 2022		In progress. To be completed Sept 2023 As part of the response to the audit we are adapting the processes so all request s going through via MOSIAC and approval of all those requests is in line with the scheme of delegation. The system will be set up to prevent deviation from the scheme of delegation. This work will commence with one off requests for children funded via Section 17 and the LAC financial assistance budget. The forms and systems changes required are currently being built in MOSIAC and will be tested during the summer.

Recommendation		***Priority***	***Agreed Action***	***Responsible officer***	***Target Date***	***Revised Target Date for outstanding actions***	***Progress***
R7 (cont)							There will be plan of education of staff prior to launching the approach of this in the second week of September 2023

Recommendation		Priority	Agreed Action	Responsible officer	Target Date	Revised Target Date for outstanding actions	Progress
R8	We recommend a review of practices within Children's Social Care takes place to ensure transparency around who has checked and who has authorised invoices prior to payment, ensuring segregation of duties operates, the Scheme of Delegation is adhered to, with suitable records of expenditure are maintained.	1	Agreed. To be reviewed as part of the Financial Framework Task and Finish Group.	Assistant Director of Children's Services (Social Care)	31 October 2022		In progress To be completed Sept 2023 As part of the response to the audit we are adapting the processes so all request s going through via MOSIAC and approval of all those requests is in line with the scheme of delegation. The system will be set up to prevent deviation from the scheme of delegation. In addition as part of this work the scheme of delegation that covers decisions and also financial approval levels has been revised to be in line with this work. This work will commence with one off requests for children funded via Section 17 and the LAC financial assistance budget.

Recommendation		Priority	Agreed Action	Responsible officer	Target Date	Revised Target Date for outstanding actions	Progress
R8 (cont)							The forms and systems changes required are currently being built in MOSIAC and will be tested during the summer. There will be plan of education of staff prior to launching the approach of this in the second week of September 2023

Recommendation		Priority	Agreed Action	Responsible officer	Target Date	Revised Target Date for outstanding actions	Progress
R9	We recommend a more robust solution to obtain authorisation and segregation of duties should be put in place for Supporting Our Children invoices (For example FPM or E-procurement).	1	Agreed. To be reviewed as part of the Financial Framework Task and Finish Group.	Assistant Director of Children's Services (Social Care)	31 October 2022		In progress To be completed Oct 2023 As part of the response to the audit we are adapting the processes so all request s going through via MOSIAC and approval of all those requests is in line with the scheme of delegation. The system will be set up to prevent deviation from the scheme of delegation. In addition as part of this work the scheme of delegation that covers decisions and also financial approval levels has been revised to be in line with this work. This work will commence with one off requests for children funded via Section 17 and the LAC financial assistance budget.

Recommendation		***Priority***	***Agreed Action***	***Responsible officer***	***Target Date***	***Revised Target Date for outstanding actions***	***Progress***
R9 (cont)							The forms and systems changes required are currently being built in MOSIAC and will be tested during the summer. There will be plan of education of staff prior to launching the approach of this in the second week of September 2023.

Recommendation		Priority	Agreed Action	Responsible officer	Target Date	Revised Target Date for outstanding actions	Progress
R10	We recommend inclusion of Recurring Payments is considered as part of future development plans within Mosaic.	2	Agreed. To be captured as part of the wider Mosaic development requirements.	Assistant Director of Children's Services (Social Care)	31 August 2022		In progress. To be completed Oct 2023 We will addressed as part of the work recurring payments. In terms of non-placement recurring costs these will only be able to be approved for a 6 week period at any time to ensure review and scrutiny. In terms of other recurring costs we are also streamlining the recruiting costs so they are undertaken at the same point no matter what the placement type (this is an issue as carers move between Reg24 approval, foster care approval and SGO approval).

Recommendation		Priority	Agreed Action	Responsible officer	Target Date	Revised Target Date for outstanding actions	Progress
R11	We recommend a programme of induction training to all officers within the Scheme of Delegation to ensure processes and responsibilities are understood and followed accordingly.	2	Agreed. Head of Safeguarding and Principal Social Worker and Senior Practice Development Leader to liaise with the Business Support Team (Adult Services) and Children's Finance (Accountancy) to ensure a suitable training is developed and incorporated into Management and Leadership Academy.	Head of Safeguarding and Principal Social Worker Senior Practice Development Leader	31 December 2022		In progress. To be completed Sept 2023 The scheme of delegation has been revised part of this work and development work will be undertaken with the teams to ensure awareness and understanding of the scheme of delegation and their responsibilities within it.
R12	We recommend review of Children's Services risk registers takes place to suitably establish the key financial risks and address the mitigation controls and actions required in order to reduce the risks.	2	Accepted. Risk Registers to be reviewed and updated before the next deadline.	Assistant Director of Children's Services (Social Care)	30 September 2022		In progress. This will be completed in Oct 2023 to accurately reflect the work undertaken and the processes in place.

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Report to:	**AUDIT COMMITTEE**
Relevant Officer:	Victoria Gent, Director of Children's Services Chris Coyle, Assistant Director Children's Social Care Kate Aldridge, Head of Corporate Delivery, Performance and Commissioning, Strategy
Date of Meeting	27 July 2023

STRATEGIC RISK REGISTER DEEP DIVE – OPERATIONS

1.0 Purpose of the report:

1.1 To consider a progress report on individual risks identified in the Council's Strategic Risk Register.

2.0 Recommendation(s):

2.1 To consider the controls being implemented to manage the strategic risk relating to operations.

3.0 Reasons for recommendation(s):

3.1 To enable the Audit Committee to consider an update and progress report in relation to an individual risk identified on the Strategic Risk Register.

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

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

4.0 Other alternative options to be considered:

4.1 None.

5.0 Council priority:

5.1 The risk impacts on the community priority.

6.0 Background information

6.1 At its meeting in March 2023, the Audit Committee agreed to continue to invite Strategic Risk Owners to attend future meetings to provide updates and progress reports in relation to the individual risks identified on the Strategic Risk Register.

6.2 Does the information submitted include any exempt information? No

7.0 List of Appendices:

7.1 Appendix 4(a) - Strategic Risk Register Deep Dive – Operations

8.0 Financial considerations:

8.1 The controls being implemented will be done so within current budget constraints.

9.0 Legal considerations:

9.1 Risks need to be effectively managed in order to comply with relevant legislation.

10.0 Risk management considerations:

10.1 The Audit Committee to gain assurance that strategic risks are being effectively managed.

11.0 Equalities considerations:

11.1 Equality analysis should have been undertaken, where necessary, when decisions were made in relation to the identification of the actions identified in this document. As this report presents monitoring against pre-agreed actions, no further equality analysis has been undertaken as part of this report.

12.0 Sustainability, climate change and environmental considerations:

12.1 Sustainability, climate change and environmental matters should have been considered, where necessary, when decisions were made in relation to the identification of the actions identified in this document. As this report presents monitoring against pre-agreed actions, no further analysis has been undertaken as part of this report.

13.0 Internal/external consultation undertaken:

13.1 The progress report has been prepared in conjunction with risk owners.

14.0 Background papers:

14.1 None.

Appendix 4(a) - Risk Category: Operations

Risk Appetite: Minimalist

Risk: a) Failure of Children's Social Care.

Risk Owner: Director of Children's Services, Director of Strategy (Assistant Chief Executive)

Gross Risk Score	25	Impact – 5	Likelihood – 5

What impact does this have?

- Preventable death / injury to a child.
- Unsustainable costs for looked after children.
- Disjointed external market reducing access to suitable and cost effective care packages.

What opportunities does this create?

- Consider options for shared services and opportunities for flexible use of new funding streams.
- Implementation of robust working practices in a Council run Children's Services.
- Focus on preventative work to avoid the need for Child Protection interventions.

What controls do we already have in place?

- Recommendations made by OFSTED are articulated in clear plans which drive the work of the senior leadership team in Children's Social Care.
- Performance and quality impact information is accurate and kept up to date to ensure a comprehensive view of actual performance and financial position.
- Regular engagement with OFSTED and the DfE.
- Participation in national reviews, such as the children's care review, to consider wider system issues with the care service.
- Early Help Strategy in place which aims to prevent children entering into the care system.
- Better Start Partnership Board in place to help improve opportunities for early years.
- Safeguarding processes and procedures in place including regular audit.
- Getting to Good Board in place to drive improvement.
- Robust supervision, training and personal development for social workers and managers.
- Contract monitoring and quality assurance procedures in place for commissioned services.
- Commissioning Team in place to work with the marketplace to ensure access to appropriate services for social care.
- Strategic Children and Family Partnership Board in place, governing and monitoring improvement across the whole system.

Net Risk Score	15	Impact – 5	Likelihood – 3

What are we doing to further manage the risk?

Continue to reduce numbers of Looked After Children in a safe, sustainable way through improvements of the social care system.

Since June 2022 there has been a reduction of 10% in the number of looked after children and the service is moving towards a target of 500 which will bring it in line with other comparable authorities. However, the reduction in numbers will only occur when it is safe and secure to do so and would not be based on a financial decision when there was a significant risk or safeguarding concerns.

The Council has recently been awarded £760k in funding from the Department for Education which will be used to further improve the model of practice across Blackpool and should help with reduced numbers of children being brought into care.

Early intervention is also a focus for the team and the Family Hubs, which opened in June, and will be a key element in identifying, at an early stage, the level of need so that appropriate support can be provided. There is some, albeit small, trajectory that the early interventions are starting to take effect but larger scale impacts may not be seen for a number of years.

Implement any recommendations arising from the February 2023 OFSTED report.

The overall judgement grade of the inspection was as follows:

- The impact of leaders on social work practice with children and families - Requires improvement to be good.
- The experiences and progress of children who need help and protection - Requires improvement to be good.
- The experiences and progress of children in care and care leavers – Good.
- Overall effectiveness - Requires improvement to be good.

Work is underway to address the key areas of concern identified in the OFSTED report of which there were four, these being:

- The multi-agency response to children suffering domestic abuse or long-term neglect, and to those children with complex needs.
- Work with partners to strengthen their contribution to early help and neglect.
- Sufficient placements to meet children's assessed needs.
- The timeliness of meeting children's dental and emotional needs.

Steps taken include instigating a review of the governance arrangements for the Strategic Partnership working groups to help develop a cohesive strategic approach which will then meet operational needs.

Practice has changed with regards to domestic abuse cases and steps are being taken to take a broader view of the issues, with our partners, and have more focus on the experience of the children rather than the adults. It is likely that a scrutiny review in this area will be undertaken to help inform the future direction.

As outlined in the previous action, steps are being taken in terms of early help and intervention and the support provided to help prevent children going into care in a safe and appropriate way.

Implement the new safeguarding arrangements based on a local footprint.

It is anticipated that this will be formally launched in September. Plans have been put in place to fund

the change and the policy and procedures have been written. The process is currently done via Lancashire so work is underway to assess what impact this may have on employees so that appropriate action can be taken. **<u>Continue to develop the children's care provider market to ensure adequate and quality provision in the town and develop sufficiency.</u>** We maintain a good relationship with providers and currently there is a strong focus on placement sustainability. Work continues to focus on future market needs and some successful pilot work has been undertaken on early help / interventions. The focus is to ensure that when a child needs to be cared for away from home they receive an excellent standard of care and value for money is achieved. It is a nationally challenging market due to the associated costs. In addition, new schemes are being brought in such as for the registration of providers for 16-17 year olds which, whilst it bring benefits to the quality of care for these young people, will result in cost pressures.

Target Risk Score	10	Impact – 5	Likelihood – 2

What will these additional actions achieve?
The actions being taken aim to reduce the number of looked after children and bring these in line with comparator authorities whilst always keeping the safeguarding of the child at the forefront of any decision making. This will be achieved by reducing the number of children entering the care system and reducing the number of children placed in costly residential placements. Continued development of the children's care providers is also needed to ensure that excellent care is delivered and value for money is achieved.

What barriers do we face?
One of the key barriers is ensuring that our partner organisations effectively work with the Council with the best interests of the child in mind. More work is needed on collaborative decision making and shared protocols so that all partners work in a cohesive way when making decisions.

Do these actions contribute to the sustainability of the Council?
Children's Services regularly overspend due to demands on the service and therefore it is essential that spending is brought under control as failure to do so impacts on the financially sustainability of the Council.

Do these actions impact on the Council's finances?
The full year impact of the Children's Social Care pressures, as at M7 2022/23, were right-sized as part of the Corporate Medium Term Financial Plan, equating to an additional budget of £5.221m being provided to the service. However, Children's Social Care Placements had a worsening position of £5,359k, mainly due to the additional support required following the breakdown of high cost placements and New to Care Placements offsetting the work to step children down coming in at a greater pace than expected. The actual number of residential placements at 31st May 2023 is 83, whereas the plan suggested there should be 60 by the end of March.

There was also an additional Children's Services savings target of £1,924k, of which, only £658k is anticipated to be met this financial year, leaving a further budget gap of £1,266k.

As at the end of May 2023 the Children's Services Directorate is forecasting an overspend of £6,625k for the financial year to March 2024.

Therefore, it is essential that the actions identified in the strategic risk register are effectively delivered in order to meet budget targets.

How does this contribute to the Council Plan?

The work of Children's Services contributes to the community priority.

Any links to other strategic risks?

Strategy, Finance, Legal

Any additional changes to this strategic risk?

The focus is to continue to ensure that children and young people across the town continue to be safe.

Risk: b) Failure of Adult Social Care.

Risk Owner: Director of Adult Services, Director of Strategy (Assistant Chief Executive)

Gross Risk Score	25	Impact – 5	Likelihood – 5

What impact does this have?

- Preventable death / injury to a vulnerable adult.
- Unsustainable costs for Adult Social Care.
- Fragile external market reducing due to increased costs and recruitment issues.

What opportunities does this create?

- Options for shared services and greater integration with health via the ICB.
- Opportunities for flexible use of new funding streams.

What controls do we already have in place?

- The Director of Adult Service has been appointed as a Director of Health Integration and is accountable to the Council and the ICB. As part of this they have a place on the ICB Executive Team as well.
- A local authority Chief Executive (not Blackpool) has been appointed to the ICB to represent the views of local government.
- Robust supervision, training and personal development for social workers and managers.
- Contract monitoring and quality assurance procedures in place for commissioned services.
- Robust inspection regime by the Care Quality Commission (CQC) for providers with CQC assurance coming on stream later this year for the whole system of adult care.
- Strong communication links with care providers through a provider forum.

- Access to direct payments and personal budgets to give service users a choice as to their care.
- Safeguarding processes and procedures in place.
- Adult Service Governance Committee in place.
- Commissioning Team in place to work with the marketplace to ensure access to appropriate services for social care.
- Payment of the real living wage in the care sector.

Net Risk Score	15	Impact – 5	Likelihood – 3

What are we doing to further manage the risk?

Continued participation in the development of integrated care systems to ensure the best health and social care provision for residents.

The Lancashire and South Cumbria Integrated Care Board (ICB) has replaced NHS Blackpool and NHS Fylde and Wyre Clinical Commissioning Groups (which were previously known as the Fylde Coast CCGs), NHS Morecambe Bay CCG, West Lancashire CCG, NHS Chorley and South Ribble, NHS Greater Preston CCGs (previously known as Central Lancashire CCGs) and NHS Blackburn with Darwen CCG and NHS East Lancashire CCG. The Council's Director of Adult Services has been appointed to the ICB and now holds a joint role which is key to helping ensure a coordinated and integrated approach going forward.

At a local level the Health and Wellbeing Strategy articulates the strategic priorities for Blackpool against which delivery is overseen by the Health and Wellbeing Board, chaired by the Cabinet Member for Levelling Up – People. Blackpool was represented by Adult Services, Children's Services and by the Chief Executive to feed into the development of the Lancashire and South Cumbria Integrated Care Strategy 2023-2028.

The Integrated Care Strategy 2023-2028 sets out the priority areas that will be focused on to improve the health and wellbeing of residents, and to make sure that our health and care services are more joined up and easier to access. The vision is that it wants people in Lancashire and South Cumbria to live longer, healthier, happier lives than they currently do.

The Strategy focuses on five key areas of people's lives:

- **Starting Well**: Give our children the best start in life, supporting them and their families with problems that affect their health and wellbeing, and getting them ready to start school.

- **Living Well**: Reduce ill health and tackle inequalities across mental and physical health for people of all ages by understanding the cause of these unfair differences.

- **Working Well**: Increase ambition, aspiration and employment, with businesses supporting a healthy and stable workforce and employing people who live in the local area.

- **Ageing Well**: Support people to stay well in their own home, with connections to their communities and more joined up care.

- **Dying Well**: Encourage all our residents to feel comfortable in talking about planning for dying, and to be well-supported when a loved one dies.

For Blackpool, a Place Based Partnership is in place which serves as a consultative body at present. This includes representation from the Council, the Acute Trust, Mental Health Trust and a number of partners from the voluntary and private sector. Going forward this group will develop a phased programme which will focus on devolving NHS resources in the community to best meet the needs of the residents of Blackpool. The transfer of funding from the NHS to other local partners will help ensure that the right types of services are available in the community to support residents. Robust governance arrangements will need to be implemented for this going forward and discussions held with the Director Governance and Partnership to start the process of considering options.

The Council, through the joint director post, will be working alongside colleagues in the ICB and all relevant local partners including NHS providers, the education sector, employers and the third sector to ensure a positive impact for the residents who reside in the Blackpool footprint.

Continue to monitor the long term impact and consequences of the pandemic on the health and wellbeing of our vulnerable residents and respond to different demands including increased complexity of cases and the impact on the care sector linking to the new ICB arrangements.

This continues to be monitored on an ongoing basis as there continues to be an increase in the Adult Social Care commissioning for residents new to the service and existing service users who have more complex needs. The trajectory of need continues to increase across the board, some of which could be attributed to the impact of the pandemic and others due to ongoing pressures in the health sector which in turn increases demand for social care. There is clear evidence that the acuity of needs is increasing thus resulting in the need for more social care. In Blackpool frailty starts at the age of 45 due to deprivation and alcohol / drug use which adds to the additional pressures in the system.

Population health resources of the ICB are joining together with the Public Health Team at the Council to help work through where there are impacts on health and where we can achieve the best outcome by focusing on particular activities and conditions.

The system is characterised by significant peaks and troughs which is indicative of a system in crisis. A number of factors can contribute to the peaks such as bank holidays and pressures at hospital and further work is required on the development of control charts to better understand this. The transformational work planned to take place across community services will be a key driver in furthering understanding as the intention will be to shift the focus from what is happening in the hospital, with an increased focus on what is happening in the community.

Prepare for and participate in the planned CQC assurance process of social care

The new CQC assurance process will be a review of the whole system of which Adult Social Care is part of. Preparations are ongoing for this and the service participated in a peer review in May 2023, of which the findings overall were positive and the areas of improvement identified through this were, in the main, known to the Council.

The peer review found that the Council are very good at 'doing the doing' and having a positive impact at an operational level through the use of good problem solving skills. The review found that there was good leadership across all levels and that the Council was trusted by its providers. However, it did find that the service has to get better at evidencing what it does, develop policy and strategy around the key areas of work and make better use of data to build a picture of current and future needs. It also found that there was a lack of shared knowledge around equality, diversity and inclusion.

In response to this action, plans are being developed and appropriately prioritised to demonstrate to the CQC the continuous improvement journey in Adult Social Care. To further support this process an internal audit is planned for later this year to help ensure that risks continue to be managed in what is a very challenging service area. It is not yet known when the CQC inspection will take place but feedback from pilot sites has been used to develop and inform the assurance process which will be adopted nationally.

Continue to work with our partners to manage the hospital discharge process.

A Transfer of Care Hub is in place which Adult Social Care staff collocated at the hospital as part of a multi-disciplinary team to ensure that effective discharge to assess in the community arrangements are in place. Good working relationships are in place and Adult Social Care staff are integrated into the process and are very proactive. The volume of cases coupled with the more complex needs which require commissioned solutions continues to be a challenge which is impeded in part by challenges across the care sector. Appropriate funding is in place through the Better Care Fund to help manage the increased demand on the service and the staff take a flexible and innovative approach to identify solutions which best meet the needs of the service users.

Continue to support the care sector who are still recovering from the pandemic and face a number of challenges such as increasing costs and recruitment issues.

The Director of Adult Services continues to have regular meetings with care providers across the town and ongoing support is provided via Adult Social Care's Provider Hub. There are three provider forums chaired by providers including for residential and nursing care, care at home services and supported living. The Council attends all of these provider forums as a partner.

A Workforce Recruitment and Retention Sub-Group of the Health and Social Care Career Academy is in place where providers are equal partners and meet with Adult Social Care, education providers and Skills for Care to share best practice and ensure appropriate links are in place with the College and the Job Centre. One of the key tasks undertaken by this group was to support providers to register for the Workforce Development Fund and provide statistical data to Skills for Care. This is still work in progress and the outcome will enable a robust data set to inform future workforce development needs and access funding for this via Skills for Care. This data will also be used by Skills for Care to provider an accurate picture of the sector when engaging in national lobbying.

The Adult Social Care team, who along with colleagues from Blackpool Teaching Hospitals NHS Foundation Trust, Fylde Coast Health and Social Care Career Academy and Lancashire and South Cumbria Integrated Care Board were highly commended in the Public Partnership Award at the LGC Awards. The submission was for the innovative Health and Social Care Career Academy work taking place across Blackpool and The Fylde coast, which has:

- Worked in partnership on recruitment and retention in health and social care roles.
- Supported the delivery of integrated person-centric care with partners.
- Offered training and support for an integrated model of care training.

- Equipped employees with the qualifications they need in the industry from entry level to management.
- Shared learning to support other local authorities to address training and recruitment issues and create their own academy.

Skills for England have also advised that the Health and Social Care Career Academy should be the envy of England due to its innovative and effective approach to developing the social care sector.

Adult Social Care are engaged in the call for evidence by the Department of Health and Social Care who are undertaking a consultation on social care workforce reform and looking at ways in which further professionalism can be brought into all elements of the care sector.

Continue to develop the Adult Social Care market to ensure adequate and quality provision in the town and develop sufficiency.

It should be noted that Blackpool has the highest proportion of good providers across most of the North West and this is in part due to the really good relationships that are in place with providers across the town and market position statements are in the process of being updated so that the Council is clear about future needs. There is sufficiency for residential placements however demand for nursing placements and dementia care placements are challenging and joint working is underway though the ICB to look for solutions to this. Care at home provision fluctuates in terms of demand and therefore it can sometimes be difficult to access services when demand is high. There is strong provision in place for day care across the town however demand has decreased and work is ongoing to see whether this is a result of the post pandemic era.

Working relationships are in place with Health Watch to enable independent scrutiny of care and also the CQC to monitor provider performance.

The Council pays providers the equivalent of the Real Living Wage to help ensure that they can retain staff on a salary which exceeds the National Living Wage.

There is still fragility in the market place nationally but the Council continues to work closely with its providers to ensure good provision across the town.

Target Risk Score	10	Impact – 5	Likelihood – 2

What will these additional actions achieve?
The Council has limited control over demand and therefore the actions identified aim to manage this as best as they can through ensuring the adequate supply of services / support to meet the needs of vulnerable residents. Through the ICB, further work is being undertaken on preventative measures however the benefits of this may not be realised for years and in some cases will be part of generational change. Through the transformation of community support more focus will be placed on primary prevention which is working with partners to keep residents healthy from an early stage and through each stage of their life. This work will help identify where resources need to be focused in order to achieve the best outcome for this. There will still be a focus on secondary prevention which is for those people who already have long term conditions and need to continue to receive support.

What barriers do we face?
Resource is the greatest barrier to managing risk whether this is having adequate funding to meet the demands placed on the service or through recruitment issues across the care sector as a whole. Reduced staffing or the use of less experienced staff can in itself create a risk as this could result in an increase in safeguarding concerns being identified by or reported to the Council which then also impacts on resource due to the time required to investigate such issues. It is important that all staff are clear about what constitutes a potential safeguarding issue to enable resource to be focused on the risky areas.

Do these actions contribute to the sustainability of the Council?
The work of Adult Services has a key role in looking after the vulnerable residents across Blackpool and helping to support them in the community. It also helps provide support to residents of working age by providing some respite from caring responsibilities to help ensure that they can continue to work. The plans being developed by the Place Based Partnership will expand this even further considering all stages of a resident's life, coupled with the work of the Health and Social Care Career Academy in helping people develop skills and get into work.

Do these actions impact on the Council's finances?
The service is forecasting an overspend of £800k. £400k of these pressures relate to Out of Area Residential and Nursing Placements fee uplifts being significantly greater than forecast. A further £400k of pressures relate to Care at Home services whereby the current commissioned hours exceeds the budget by 400 hours per week.

How does this contribute to the Council Plan?
The provision of Adult Social Care is a key contributor to the Council's community priority.

Any links to other strategic risks?
Strategy, Finance, Legal, Security

Any additional changes to this strategic risk?
They key change will be the outcome of the CQC assurance review on the whole system of Adult Social Care as this is a new process and therefore it is likely that there will be recommendations which need to be addressed going forward. Transformational work is taking place across Adult Social Care using the Three Conversations model and we are being supported by Partner for Change to implement this. The Mental Health Service has also received two years fixed funding to help the service transform the way in which they respond to a service user when they arrive at the front door. All of this work will further improve the way in which services users are managed when they approach the service for support. The Community Transformation work which is being planned by the Place Based Partnership is likely to create risk and opportunities going forward which will need to be effectively managed.

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Report to:	**AUDIT COMMITTEE**
Relevant Officer:	Steve Thompson, Director of Resources
Date of Meeting	27 July 2023

EXTERNAL AUDITOR'S REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) AND STATEMENT OF ACCOUNTS 2020/2021

1.0 Purpose of the report:

1.1 To consider Deloitte's Governance Report and the audited Statement of Accounts for 2020/2021

2.0 Recommendation(s):

2.1 To consider the External Auditor's Report to those charged with Governance (ISA 260) for 2020/2021.

2.2 To consider the audited Statement of Accounts for 2020/2021.

3.0 Reasons for recommendation(s):

3.1 To enable the Committee to approve the Statement of Accounts to ensure compliance 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: The economy - maximising growth and opportunity across Blackpool.

5.0 Background Information

5.1 At its meeting on 11 November 2021 the Committee approved the 2020/2021 Statement of

Accounts subject to no material changes. However, in January 2022 a local authority external auditor raised the issue of how local authorities account for infrastructure assets. Local authority external auditors were advised not to certify any accounts until the matter had been resolved.

5.2 The issue raised by auditors was in relation to the de-recognition (removal of carrying amount) of parts of infrastructure assets when replacement expenditure is undertaken. There are also related issues for the reporting of gross historic cost and accumulated depreciation.

Following a consultation by CIPFA during Spring/Summer 2022 a temporary solution was approved by Parliament in late November 2022. The Local Authority (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 SI 1232/2022 – new regulation 30M (3) provides that where a local authority replaces a component of an infrastructure asset, the authority has a choice how to identify the carrying amount to be de-recognised in respect of that component.

New regulation 30M applies to statement of accounts for the years beginning on or before 1 April 2024 and to those statement of accounts that have not already been certified by the auditor. The regulation will remain in place until 31 March 2025.

5.3 The 2020/2021 Statement of Accounts have been amended and are included at Appendix 5(a).

5.4 Once the governance report has been considered and the management representation letter has been signed by the Director of Resources, it is expected that the Auditor will finalise their statements in order that the final audited accounts can be published.

Does the information submitted include any exempt information? No

List of Appendices:

Appendix 5(a) - Statement of Accounts 2020/2021
Appendix 5(b) - External Auditor’s Report ISA 260 2020/2021

6.0 Financial considerations:

6.1 None

7.0 Legal considerations:

7.1 None

8.0 Risk management considerations:

8.1 None

9.0 Equalities considerations:

9.1 None

10.0 Sustainability, climate change and environmental considerations:

10.1 None

11.0 Internal/ External Consultation undertaken:

11.1 None

12.0 Background papers:

12.1 None

Blackpool Council

Appendix 5(a)

Draft Statement of Accounts

For the Year Ended 31st March 2021

Contents

Introduction by Director of Resources – Steve Thompson

Blackpool Council's accounts show the financial results of the Council for the financial year 2020/21 and the financial position as at 31st March 2021.

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 format of the accounts complies with CIPFA standards and is similar to those of previous years.

The 2020/21 Budget was again challenging with a budget savings target of £19.65m on the back of successfully delivering £151.7m over the previous 9 years. The Budget underwent detailed consideration and scrutiny over a lengthy formulation period. From the very outset this has 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 levels rises by at least 2.0% for the period from 1st April 2020 to 31st March 2021 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;
- pension auto-enrolment based on previous uptakes;
- a non-pay inflation contingency, to address contractual commitments and valid non-pay pressures @ 1.9%;
- Treasury Management budget predicated on a Base Rate of 1.00% (0.25% above current Base Rate);
- the latest estimates of Settlement Funding Assessment; and
- the Council fulfils 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.

During the year the Council has been faced with unprecedented challenges of the Covid-19 pandemic which has meant significant changes to the way the Council has had to operate and deliver services to the local community. The financial impact of the pandemic on the Council has been significant with additional costs in response to the pandemic and loss of income due to national lockdowns and restrictions. Central Government has provided significant financial support to the Council in 2020/2021 and has also provided funding so the Council can administer support schemes to businesses and local residents on behalf of the Government.

In recognition of the impact of the Covid-19 pandemic the legislation for 2020/2021 required the draft accounts to be published no later than 31st July 2021 rather than the pre-pandemic deadline of 31st May. It also required the audited accounts to be published by 30th September 2021 (previously 31st July). The public inspection of accounts took place between 1st August 2021 and 13th September 2021.

However there have been delays in publishing the final audited accounts due to a national issue in relation to accounting for Infrastructure Assets. A temporary solution to the issue was approved by Parliament at the end of November 2022.

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 31st March 2021.

Steve Thompson
Director of Resources

Section 1

Narrative Report

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 35 square kilometres and has a population of around 139,446. The number of people per kilometre is 10 times the England and Wales average.

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 2020 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 - 15 years		16 - 64 years		Age 65 and over	
	Number	Number	%	Number	%	Number	%
England	56,550,138	10,852,240	19.2	35,233,879	62.3	10,464,019	18.5
Blackpool	138,381	26,083	18.9	83,865	60.6	28,433	20.5

Source: Office for National Statistics (ONS) – 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 2020/21 was as follows:

Labour Party	21 Councillors
Conservative Party	16 Councillors
Independent (Blackpool Independents)	2 Councillors
Independent (Non-aligned)	3 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 eight 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 Assistant.

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:

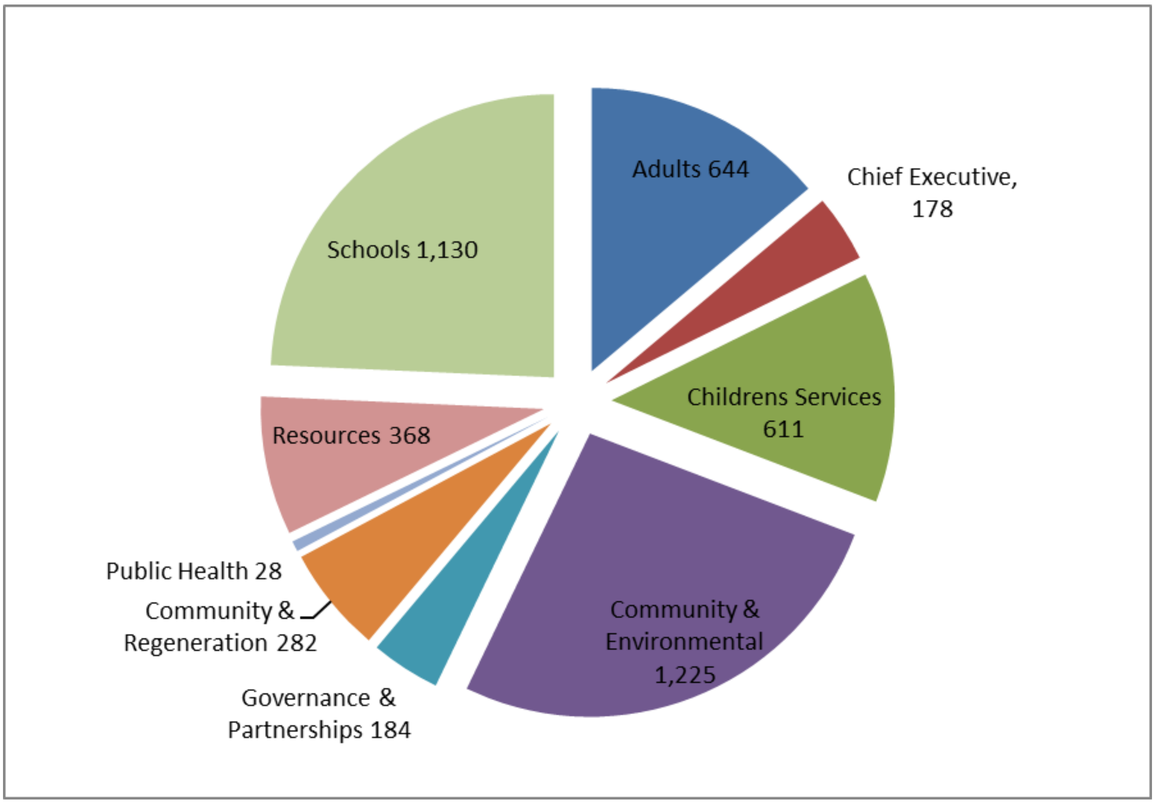
Chief Executive (Head of Paid Service)
Director of Adult Services (Statutory)
Director of Children's Services (Statutory)
Director of Public Health (Statutory)
Director of Governance and Partnership Services (Monitoring Officer)
Director of Resources (Statutory Finance Officer)
Director of Community and Environmental Services
Director of Communications and Regeneration
Director of Strategy and Assistant Chief Executive

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

- developing strategies
- delivering plans.

Staffing

At 31st March 2021 the Council employed 3,520 people (31st March 2020: 3,480) and also employed a further 1,130 (31st March 2020: 1,105) people in maintained schools. This represents 2,228 Full Time Equivalent Council staff (2019/20: 2,189) and 675 Full Time Equivalent schools staff (2019/20: 676). These support the Council's services as follows:



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 orgainsations.

2020/2021 Financial Performance of the Council

2020/2021 Revenue Budget and Capital Programme

On 9th March 2020 the Council approved the 2020/2021 Revenue Budget and Capital Programme.

The Revenue Budget Net Requirement was set at £142.569m. The Council approved a 3.99% increase on Council Tax (including a 2% increase on the Adult Social Care Precept) for 2020/2021. The three year Capital Programme was approved, with £20.474m of resources being allocated to capital schemes in 2020/2021.

The Revenue Budget and Capital Programme are monitored throughout the year and monthly monitoring reports are presented to the Council's Executive and relevant Scrutiny Committee. In addition to these reports, the Council's Treasury Management performance of its investments and borrowing is reported to the Executive.

Revenue Outturn Position 2020/2021

The Council's 2020/2021 revenue outturn position compared to the budget is set out in the following table:

	2020/21 Adjusted Cash Limit Budget £ '000	2020/21 Actuals £ '000	2020/21 Variation £ '000
Directorate			
Chief Executive	370	337	(33)
Governance and Partnership Services	1,822	2,715	893
Ward Budgets	517	454	(63)
Resources	3,815	3,173	(642)
Communication and Regeneration	4,738	4,983	245
Strategic Leisure Assets	4,916	6,310	1,394
Strategic Leisure Assets - Transfer from Reserves	-	(1,394)	(1,394)
Growth and Prosperity	(11,549)	(1,464)	10,085
Growth and Prosperity - Transfer to Reserves	-	(8,832)	(8,832)
Community and Environmental Services	48,708	48,123	(585)
Adult Services	62,846	59,918	(2,928)
Children's Services	66,522	67,644	1,122
Public Health	26	26	-
Budgets Outside the Cash Limit	18,889	9,445	(9,444)
Contributions and Contingencies	(59,506)	(53,285)	6,221
Levies	455	415	(40)
Total Net Expenditure	**142,569**	**138,568**	**(4,001)**
Financed by:			
Council Tax	(60,135)	(60,135)	-
Revenue Support Grant	(15,030)	(15,030)	-
Business Rates Baseline	(19,510)	(19,510)	-
Business Rates - Top Up	(24,468)	(24,468)	-
Section 31 Grants	(21,039)	(21,039)	-
Enterprise Zone	(324)	(324)	-
Collection Fund Surpluses	(2,063)	(2,063)	-
Total	**(142,569)**	**(142,569)**	**-**
Amount transfer (to)/from Working Balances	**-**	**(4,001)**	**(4,001)**

The Council achieved a surplus of £4.001m for the financial year when compared to the budget. This surplus was transferred to the General Fund Working Balances and increased them from £2.292m to £6.293m at 31st March 2021.

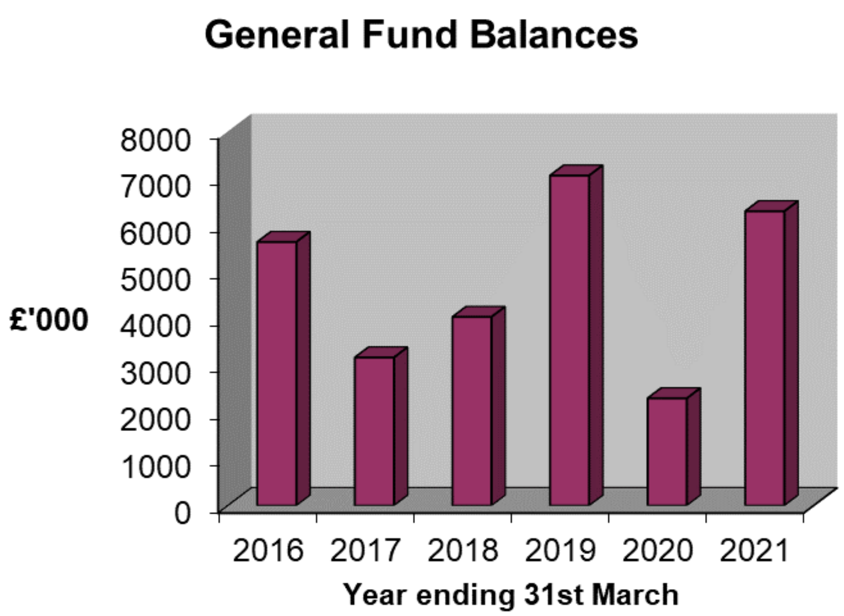
The Comprehensive Income and Expenditure Statement shows a Deficit on the Provision of Services of £26.981m. The difference between this and the outturn surplus above relates to the adjustments which are made to the Comprehensive Income and Expenditure Statement through the Movement in Reserves to ensure the Council's General Fund Balance is prepared on a funding basis rather than an accounting basis. The following table shows the breakdown of the differences between the outturn surplus and the Deficit on the Provision of Services.

	£000
Revenue Outturn	(4,001)
Housing Revenue Account net requirement	1,798
Depreciation and Impairment	51,993
IAS 19 Pension and Annual Leave	17,132
Capital Grants	(19,280)
DSG Deficit to Adjustment Account	2,664
Collection Fund movement	18,972
Minimum Revenue Provision	(5,288)
Gains/Losses on sale of assets	705
Movements to/from Earmarked Reserves	(25,630)
Movements to/from Schools Reserves	(1,178)
Revenue contributions to capital	(11,220)
Other	314
Deficit on Provision of Services	**26,981**

General Fund Working Balances

In setting the Council's original budget for 2020/2021 the target Unallocated General Fund Working Balances as at 31st March 2021 were approximately £6,000,000. However the outturn position means that the actual General Fund Working Balances as at 31st March 2021 were slightly higher than the target at £6,293,000.

The next graph shows the change in the General Fund Working Balances over the last 6 years. Further information is shown in Note 10.



Earmarked Revenue Reserves

Earmarked Revenue Reserves are reserves which have been set aside to fund specific commitments and projects. The reserves are continuously reviewed for relevance, appropriateness and materiality.

The total earmarked revenue reserves increased by £25.6m to £75.448m during the year. The increase mainly relates to £14.599m of Business Rates Section 31 grants received by the Council in 2020/2021 to compensate for the loss of Business Rates income as a result of the extended retail reliefs given to eligible local businesses to support them through the Covid-19 pandemic. In addition there was also an increase on the Museum's reserve of £4.2m which relates to contributions received to be spent on the setting up and refurbishment of the Museum in 2021/22 and 2022/23 in time for it opening during 2023. A new reserve was also set up in 2020/21 for £1.5m to be spent on future regeneration schemes within the town. £2.0m related to Covid grants and other funding to be spent in 2021/22. Finally there was a £1.7m general increase in departmental reserves for future projects and budget stabilisation.

These grants are being held in earmarked revenue reserves to offset the Business Rates Collection Fund deficit created by the reliefs given which will be realised in 2021/2022. These grants are being held in reserves due to the accounting timing differences in terms of the receipt of the grant and their application and are not available to fund the Council's General Fund expenditure.

Capital Outturn 2020/2021

The total of the Council's capital spending in 2020/2021 was £49.880m, which is a 47.9% decrease from the previous year. The main reason for the decrease was £50.6m acquisition of Houndshill Shopping Centre in 2019/20. The net book value of the Council's capital assets as at 31st March 2021 was £815.769m.

The main areas of capital spending during the year were:

2019/2020 £000		**2020/2021 £000**
64,595	Communication and Regeneration	26,743
10,048	Community and Environment	5,633
2,687	Adult Services	2,067
4,611	Children's Services	3,164
1,798	Governance and Partnership Services	755
3,807	Housing - Private Sector Housing	133
4,574	Housing - HRA	8,856
3,617	Resources	2,529
95,737	**Total**	**49,880**

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

2019/2020 £000		**2020/2021 £000**
-	Capital receipts	2,069
22,780	Grants	23,627
64,408	Borrowing	13,103
8,549	Other	11,081
95,737	**Total**	**49,880**

As at 31st March 2021 the Council held a balance of usable capital receipts amounting to £13.792m (2019/20 £11.411m). 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.
- A three year programme to refurnish all trams.
- The development of new council homes at Troutbeck Crescent, Mereside creating a vibrant family friendly living area.
- Blackpool Town Deal which is expected to commence in 2022/2023. The objective of the Towns Fund is to 'drive the economic regeneration of towns to deliver long-term economic and productivity growth'.

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.

The balance on the HRA reserve stands at £3.032m at 31 March 2021 (31st March 2020 £4.830m).

Treasury Management

At its meeting on 9th March 2020 the Council approved the 2020/2021 Treasury Management Strategy and Annual Investment Strategy. This is an annual plan of how the Council will manage its investments and cash flows. It identifies the Council's borrowing needs and shows how it will invest temporary surplus cash balances and how it will control its banking, money market and capital market transactions.

At 31st March 2021 the Council had total borrowings of £339.094m (31st March 2020 £332.644m), being £79.487m (2019/20 £87.460m) long term and £259.607m short term (2019/20 £245.184m).

At 31st March 2021 the Council has short term investments of £4.350m which is a decrease of £17m from 31st March 2020. The long term investments were £25.436m which is a decrease of £1.974m from 31st March

2020. This is due to a reduction in valuation of the Council's subsidiary companies due to the uncertainty over forecast income during the Covid-19 pandemic.

Business Rate Retention Pilot Scheme

From 1st April 2013 up to 31st March 2019, the local government finance regime was revised with the introduction of a retained business rates scheme. The main aim of the scheme was 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 National Non-Domestic Rate (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%).

On 13th December 2018 the Ministry of Housing, Communities and Local Government (MHCLG) approved the establishment of a Lancashire-wide 75% Business Rate Pilot Pool (including Blackpool) in 2019/20 to share risk and reward. As part of this, the 50% rate retention scheme increased to 75% and authorities in the pool forego the Revenue Support Grant. The value of the Revenue Support Grant was taken into account when revised business rate tariffs and top-ups for the pilot authorities were set. The Government also increased the Safety Net from 92.5% to 95% for the new pilot pools. Consequently, from 1st April 2019 to 31st March 2020 the income relating to Blackpool was shared between central government (25%), the Council (73.5%) and the Fire Authority (1.5%).

From 1st April 2020 the pilot scheme ceased and the business rates shares reverted back to the previous shares of 50% Central Government, 49% Blackpool Council and 1% Lancashire Fire Authority.

Pension Fund Liability

The actuarial valuation of the Council's pension scheme liabilities shown in the balance sheet has increased by £68.484m during the year. The increase in the liability is due some fundamental changes in market implied Retail Price Index (RPI) due at least in part to the UK Statistics Authority and HM Treasury confirming a change to the RPI formula, and as a result changes were made to the setting of the CPI assumption for accounting purposes. Further details are given in note 47 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 1st April 2020. In return a discount would be given to the Council resulting in an annual budget saving.

In setting the 2020/2021 budget the Council opted to make the 3 year advance payment of its employer pension contributions totalling £33.579m. This means the Council has paid its employer pension contributions to LCPF for 2020/21, 2021/22 and 2022/23. This has resulted in a budget saving of £1.989m over the 3 years.

Covid-19 Pandemic

Covid-19 pandemic is perhaps the UK's single greatest domestic emergency since the Second World War and the worst public health crisis this country has faced in generations.

During the 2020/2021 financial year we have witnessed a huge upheaval in the way we work and live. The financial impact of Covid-19 on the Council in 2020/2021 has resulted in losses of income due to national lockdowns and restrictions, and additional costs in response to the pandemic. Central Government has provided funding to the Council towards these and has also provided funding so the Council can administer the payments of support grants to businesses and local residents. The following table shows a list of the grants received by the Council in 2020/2021 towards the Covid-19 pandemic.

Grant	Credited to Taxation & Non-Specific Grant Income £000	Credited to Services £000	Agent* (not included in CIES) £000
Ministry of Housing, Communities and Local Government (MHCLG)			
COVID-19 Local Authority Support Grant	10,179		
Sales, Fees and Charges Compensation Scheme	8,461		
COVID-19 Business Rates Reliefs	14,768		14,177
Council Tax Hardship Fund	2,803		
Adult Social Care Workplace Capacity Fund		452	
Clinically Extremely Vulnerable (CEV) Funding		214	
Community Champions Fund		212	
Compliance and Enforcement Grant		114	
Rough Sleeping Emergency Funding/Accommodation Project		147	
Self Isolation Fund		269	
Department for Business, Energy and Industrial Strategy			
Business Support Grants Mandatory			44,995
Business Support Grants Discretionary		2,425	
Local Restrictions Support Grant Mandatory			44,227
Local Restrictions Support Grant Discretionary		2,452	
Additional Restrictions Grant		825	
Department for Health and Social Care			
Rapid Testing Grant		109	434
Contain Outbreak Management Fund		1,230	
Test and Trace Support Grant		1,694	
Infection Control Fund		990	3,412
Department for Transport			
Light Rail Revenue Grant (LRRG) including Restart			2,106
Additional Home to School Transport Funding		466	
COVID-19 Bus Services Support Grants (CBSSG), including Restart		156	
Emergency Active Travel Fund		415	
Department for Work and Pensions			
Winter Support Grant Scheme		526	
Department for Environment, Food and Rural Affairs			
Local Authority Emergency Assistance Grant for Food and Essential Supplies	261		
Total Covid-19 Grants Received in 2020/21	**36,472**	**12,696**	**109,351**

* The Council acts as an agent where it is required to administer the payment of grants to a third party on behalf of the Government. The Council has no control over the amount and timing of the grant.

It is important to highlight how the Council has responded to the challenge of managing services during a pandemic.

As the health crisis gathered momentum, resulting in a UK wide lockdown, the Council's ability to deliver services in the usual manner altered virtually overnight as some non-essential services temporarily closed, many staff moved to home working and essential care services found themselves facing a rapidly escalating demand. Some of the crisis measures that are in place are likely to last for the foreseeable future and as a "new normal" emerges, the Council will find ways of delivering services. At the same time the Council have a duty to plan for the future and map out a road to recovery for the local economy.
Blackpool Council is a core partner in the Lancashire Local Resilience Forum (LRF). The LRF is responsible for the coordination of a range of critical activities in emergency situations between the county's public services.

The LRF is coordinating activity on crucial issues such as hospital capacity, procurement of adequate supplies of personal protective equipment and emergency stocks of food to support the vulnerable.
The pandemic and emergency restrictions placed upon the population necessitated the urgent need for the Council to take a lead role in the shaping and delivering vital support services to help residents and protect the most vulnerable people in the community.

The immediate response was the launch of the Council's unique Corona Kindness Campaign, closely followed by the establishment of 12 community hubs across Blackpool. Corona Kindness is being delivered in partnership with a number of community based organisations, private companies and voluntary services. Services initially on offer ranged from the provision of food and pharmaceuticals to dog walking and talking to those who felt socially isolated. The services were expanded to also include advice on fuel supplies and household finances and provision of lists of local suppliers who could deliver food to the doorstep.

A critical part of the Council's response to this crisis has been enhanced level of support to our providers of adult social care. Social care is at the forefront of the crisis along with the NHS.

The Council recognised this situation early and built a new Provider Support and Resilience Hub to offer direct support to our providers through this very difficult and challenging period.

This hub provides hands on, practical support to any social care provider (residential care and care at home) requiring assistance. This includes supply and correct use of personal protective equipment; infection prevention and control; help with staffing; and supporting people who move where their needs deteriorate suddenly.

A critical part of the response to the pandemic has been the immediate establishment of an enhanced support service to help protect the local economy. With thousands of Blackpool's businesses and their employees facing huge upheaval after the Government lockdown announcement, it was vital that we were able to deliver a dedicated service that gave credible help and guidance to those who needed it.

As part of its emergency measures the Government announced £10,000 Small Business Grants to eligible small businesses and grants of up to £25,000 through the Retail, Hospitality and Leisure Grant Fund. On 1st April 2020 the Council received a total of £59m from the Government to start the process of paying business support grant payments to local businesses. Further grants were received during the year due to national lockdowns and tier restrictions and were paid to businesses and residents.

Despite the disruption caused by the pandemic the Council were determined to do everything possible to protect children and to continue the Council's Children's Service improvement journey. Children with the greatest concerns are in receipt of face-to-face visits by social workers. Other children open to the service now get virtual visits using technology with which the family is familiar, or by phone.

The vast majority of Blackpool schools have remained open providing care for vulnerable children and children of key workers. Support was given to head teachers as they decided on the appropriate measures to suit their individual schools layout, staffing levels and pupil numbers.

Central Government directed all local authorities to try to accommodate anyone rough sleeping, homeless, or at serious risk of becoming homeless. Accommodation being used allows people to self-isolate as necessary and follow Government guidelines. Our Homeless Partnership, Food Partnership and community hubs are supporting all individuals.

For all categories, wraparound support is in place ranging from housing, physical health, mental health, substance misuse services, the Food Partnership and many others, through the coordination of Public Health. In addition, the Council's Housing Options service continues to work with our partners to provide outreach services to identify any new rough sleepers, and provide advice to people who might be at risk of homelessness and supporting them to remain in their own homes as long as it is safe to do so.

The Council relaxed compliance measures in relation to Council Tax and Business Rates collection and allowed Council Tax payers and businesses to defer payments for the first two months of 2020/21 with revised payment plans over June 2020 to March 2021. The Council also applied the Government's hardship relief scheme to Council Tax payers of working age in receipt of Council Tax Reduction.

Other income streams, such as car parking, school catering and registrars services, property rental income, licencing, planning and building control have all been interrupted. The challenge for 2020/21 was for the Council to regain the lost or deferred income to avoid placing an additional burden on the people and businesses of Blackpool whilst at the same time attempting to manage its finances effectively. Central Government have provided the Council with support in the form of Sales, Fees and Charges grants to cover some of this lost income.

Central Government has provided several cash grants including four tranches of Covid-19 un-ringfenced grants totalling £16.264m (£6.1m of which was received on 27 March 2020, £0.4m of it used in 2019/20 and £5.7m was carried forward into 2020/21 via an earmarked reserve) to meet urgent and unforeseen costs and financial pressures impacting on the Council and the Blackpool economy.

Key Financial Risks

Achieving Further Savings

The Council has a savings programme to realise £20.3m savings in 2021/22. Further savings are expected to be required over the next 6 years. As the Council's budget reduces finding additional savings becomes more difficult.

The Council's Medium Term Financial Sustainability Strategy (MTFSS) covering the period 2021/22 to 2026/27 presents a financial outlook, an assessment of risks and an indication of the Council's challenges over these 6 years. Since the last 4 year settlement ending in 2019/20 the Council has to plan based on 1 year only settlements due to the consequences of exiting the European Union, followed by the impact of Covid 19.

The 10 key principles of the MTFSS are:

- the statutory obligation to balance the Council's budget in each year of the period;
- resourcing services in line with Council priorities;
- embedding a culture of value for money and efficiency savings in all activities;
- keeping local taxes and charges as low as practicable;
- maximising the level and resilience of the resources of cash, assets and people;
- ensuring significant risks are identified and mitigated where possible;
- ensuring financial reserves reflect the levels of business and risk;
- optimising capital spending freedoms;
- a sympathetic but robust approach to income and debt management in accordance with a refreshed Income and Debt Recovery Strategy
- adherence to the Council's climate emergency declaration of reaching net carbon zero by 2030 (and measures to lead the town towards the same objective).

Brexit

On 31st January 2020 the UK left the European Union and was in a transition period until 31st December 2020 while the government sought agreement of the terms of the departure.

At 11pm on 31st December 2020 the UK left the EU single market and customs union. This is likely to affect the costs of materials and labour in relation to capital schemes and also the costs and availability of labour at least in the short term. This risk will be managed through the budget monitoring process and in the longer term via it's Medium Term Financial Plan.

In preparation for the EU Exit, the Council has established a working group of officers from across the council overseeing the preparations and working in conjunction with the Lancashire Resilience Forum (LRF). The Council also engaged on EU Exit related matters through a number of regional and national forums including working with the Local Government Association (LGA) and various Whitehall departments.

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 31st March 2021. 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 2020/21 and the CIPFA Bulletin 09 Closure of the Financial Statements issued in April 2021.

The Council prepares its accounts on a going concern basis under the assumption that it will continue in existence into the foreseeable future.

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

Transparency

The Government's Transparency Agenda encourages local authorities to make public data openly available. Details of the Council's spend over £250, senior managers' salaries and trade union facility data 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 the 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 authority'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;
- assessed the Council's (and the Group's) ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumptions that the functions of the Council (and the Group) will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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 2021.

Steve Thompson
Director of Resources

4. Approval of the Accounts

In accordance with the Accounts and Audit Regulations (England) 2015, I certify that the Statement of Accounts have been approved by the Audit Committee on .

Councillor Jason Roberts
Chair of the Audit Committee

Section 3

Independent Auditor's Report

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Section 4

Core Financial Statements

Comprehensive Income and Expenditure Statement for the Year Ended 31st March 2021

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.

Restated 2019/2020				2020/21		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
13,055	(6,366)	6,689	Chief Executive	8,197	(6,423)	1,774
11,992	(3,846)	8,146	Governance and Partnership Services	8,362	(3,954)	4,408
190	(2)	188	Ward Budgets	454	-	454
30,924	(9,867)	21,057	Resources	27,872	(10,189)	17,683
36,865	(9,840)	27,025	Communications & Regeneration	25,378	(11,732)	13,646
10,157	(4,818)	5,339	Strategic Leisure Assets	22,007	(4,379)	17,628
69,090	(21,323)	47,767	Community and Environmental Services	64,104	(18,548)	45,556
83,339	(22,447)	60,892	Adult Services	93,724	(36,314)	57,410
134,670	(75,311)	59,359	Children's Services	146,457	(80,745)	65,712
13,182	(21,120)	(7,938)	Public Health	15,655	(25,507)	(9,852)
58,051	(69,619)	(11,568)	Budgets Outside the Cash Limit	58,181	(64,780)	(6,599)
3,385	(24,244)	(20,859)	Contingencies, Levies etc	12,318	(17,847)	(5,529)
15,745	(18,817)	(3,072)	Housing Revenue Account	14,767	(19,515)	(4,748)
480,645	**(287,620)**	**193,025**	**Net Cost of Services**	**497,476**	**(299,933)**	**197,543**
1,787	-	1,787	Other Operating Expenditure (Note 11)	1,032	-	1,032
15,284	(16,532)	(1,248)	Financing & Investment Income & Expenditure - Other (Note 12)	19,024	(7,646)	11,378
-	(163,519)	(163,519)	Taxation and Non-Specific Grant Income (Note 13)	-	(182,972)	(182,972)
497,716	**(467,671)**	**30,045**	**Deficit on Provision of Services**	**517,532**	**(490,551)**	**26,981**
		(14,033)	(Surplus) or Deficit on revaluation of non-current assets (Note 29)			(9,928)
		(27,364)	Remeasurement of the net defined benefit liability (Note 29 and Note 47)			75,308
		(41,397)	**Other Comprehensive Income and Expenditure**			**65,380**
		(11,352)	**Total Comprehensive Income and Expenditure**			**92,361**

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' (i.e. 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.

2020/21

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Restated Balance as at 1st April 2020	**(1,576)**	**(49,818)**	**(4,830)**	**(11,411)**	**(3,112)**	**(70,747)**	**(164,209)**	**(234,956)**
Reporting of Schools Budget Deficit to new Adjustment Account at 1st April 2020	(3,098)	-	-	-	-	(3,098)	3,098	-
Restated Balance as at 1st April 2020	**(4,674)**	**(49,818)**	**(4,830)**	**(11,411)**	**(3,112)**	**(73,845)**	**(161,111)**	**(234,956)**
Movements in Reserves in 2020/21								
(Surplus) or Deficit on the provision of services	31,365	-	(4,384)	-	-	**26,981**	-	**26,981**
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	65,380	**65,380**
Total Comprehensive Income and Expenditure	**31,365**	**-**	**(4,384)**	**-**	**-**	**26,981**	**65,380**	**92,361**
Adjustments between accounting basis and funding basis under regulations (Note 9)	(62,175)	-	6,182	(2,381)	-	**(58,374)**	58,374	-
Net (Increase) or Decrease before Transfer to Earmarked Reserves	**(30,810)**	**-**	**1,798**	**(2,381)**	**-**	**(31,393)**	**123,754**	**92,361**
Transfer (to)/from Earmarked Reserves (Note 10)	25,630	(25,630)	-	-	-	-	-	-
(Increase)/Decrease in 2020/21	**(5,180)**	**(25,630)**	**1,798**	**(2,381)**	**-**	**(31,393)**	**123,754**	**92,361**
Balance as at 31st March 2021	**(9,854)**	**(75,448)**	**(3,032)**	**(13,792)**	**(3,112)**	**(105,238)**	**(37,357)**	**(142,595)**

Restated 2019/20

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Restated Balance as at 1st April 2019	**(8,988)**	**(41,662)**	**(5,705)**	**(7,527)**	**(3,112)**	**(66,994)**	**(156,610)**	**(223,604)**
Movements in Reserves in 2019/2020								
(Surplus) or Deficit on the provision of services	33,459	-	(3,414)	-	-	**30,045**	-	**30,045**
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	(41,397)	**(41,397)**
Total Comprehensive Income and Expenditure	**33,459**	**-**	**(3,414)**	**-**	**-**	**30,045**	**(41,397)**	**(11,352)**
Adjustments between accounting basis and funding basis under regulations (Note 9)	(34,203)	-	4,289	(576)	-	**(30,490)**	30,490	**-**
Net (Increase) or Decrease before Transfer to Earmarked Reserves	**(744)**	**-**	**875**	**(576)**	**-**	**(445)**	**(10,907)**	**(11,352)**
Transfer (to)/from Earmarked Reserves (Note 10)	8,156	(8,156)	-	(3,308)	-	**(3,308)**	3,308	**-**
(Increase)/Decrease in 2019/2020	**7,412**	**(8,156)**	**875**	**(3,884)**	**-**	**(3,753)**	**(7,599)**	**(11,352)**
Restated Balance as at 31st March 2020	**(1,576)**	**(49,818)**	**(4,830)**	**(11,411)**	**(3,112)**	**(70,747)**	**(164,209)**	**(234,956)**

Balance Sheet As At 31st March 2021

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 1st April 2019 £000	Restated 31st March 2020 £000		Notes	31st March 2021 £000
401,656	441,117	Property, Plant and Equipment	14	446,602
308,457	304,280	Infrastructure Assets	15	298,177
8,185	8,364	Heritage Assets	16	8,345
50,565	58,529	Investment Property	17	61,211
-	466	Intangible Assets	19	737
897	753	Surplus Assets	18	697
17,524	20,649	Long Term Investments	21	22,899
57,924	78,273	Long Term Debtors	22	80,932
845,208	**912,431**	**Long Term Assets**		**919,600**
445	642	Inventories	23	774
49,499	57,055	Short Term Debtors	24	68,675
800	774	Short Term Loans		1,235
7,618	19,504	Cash and Cash Equivalents	25	3,458
58,362	**77,975**	**Current Assets**		**74,142**
(159,452)	(245,184)	Short Term Borrowing	20	(259,607)
(69,148)	(69,712)	Short Term Creditors	26	(93,538)
(14,551)	(13,123)	Short Term Provisions	27	(9,363)
(243,151)	**(328,019)**	**Current Liabilities**		**(362,508)**
(99,161)	(96,511)	Long Term Creditors	26	(93,359)
(89,895)	(87,460)	Long Term Borrowing	20	(79,487)
(232,296)	(230,786)	Pension Liability	47	(299,270)
(63)	(63)	Other Long Term Liabilities		(62)
(15,400)	(12,611)	Capital Grants in Advance	41	(16,461)
(436,815)	**(427,431)**	**Long Term Liabilities**		**(488,639)**
223,604	**234,956**	**Net Assets**		**142,595**
(66,994)	(70,747)	Usable Reserves	28	(105,238)
(156,610)	(164,209)	Unusable Reserves	29	(37,357)
(223,604)	**(234,956)**	**Total Reserves**		**(142,595)**

Cash Flow Statement for the Year Ended 31st March 2021

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.

Restated 2019/2020 £000		**Notes**	**2020/2021 £000**
30,045	Net deficit on the provision of services		26,981
(54,739)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	30	(49,640)
27,532	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	30	139
2,838	**Net cash flows from Operating Activities**		**(22,520)**
111,692	Investing Activities	31	9,870
(102,644)	Financing Activities	32	(3,396)
11,886	**Net increase or (decrease) in cash and cash equivalents**		**(16,046)**
7,618	Cash and cash equivalents at the beginning of the reporting period		19,504
19,504	**Cash and cash equivalents at the end of the reporting period**		**3,458**

Section 5

Notes to the Accounts

CONTENTS FOR NOTES TO THE ACCOUNTS

1. Prior Year Adjustments

Capital Financing Requirement – Note to the Accounts

A review of the capital financing requirement has resulted in a change to the opening balance at 1st April 2019 and changes to the figures in note 43 for 2019/20 as follows:

	2019/20 Accounts £000	Restated 2019/20 £000	Variance £000
Capital Financing Requirement			
Restated Opening Capital Financing Requirement	**338,851**	**440,708**	101,857
Capital Investment			
Property, Plant & Equipment	78,492	78,147	(345)
Investment Properties	984	196	(788)
Assets under Construction	8,323	8,591	268
Revenue Expenditure funded from Capital under Statute	5,289	5,289	-
Long Term Debtor - Loan to Blackpool Transport Services	6,650	6,650	-
Long Term Debtor - Loan to Blackpool Housing Company	5,000	5,000	-
Long Term Debtor - Loan to Ocean Boulevard III	5,389	5,597	208
Long Term Debtor - Loan to Coolsilk	3,661	3,943	282
Long Term Debtor - Loan to Blackpool Airport	813	814	1
Long Term Debtor - Enveco Leased Vehicles	2,851	2,138	(713)
Long Term Debtor - Other business loans	-	191	191
Blackpool Housing Company Shares	-	3,125	3,125
Sources of Finance			
Capital Receipts	-	-	-
Government Grants & Other Contributions	(22,780)	(24,479)	(1,699)
Sums set aside from Revenue	(20,277)	(15,923)	4,354
Payments Received for :-			-
Long Term Debtor -Loan to Blackpool Transport Services	(1,789)	(1,789)	-
Long Term Debtor - Loan to Blackpool Victoria Hospital	(923)	(923)	-
Long Term Debtor - Loan to Laila's Fine Foods	(94)	(84)	10
Long Term Debtor - Loan to Ocean Boulevard III	(500)	(500)	-
Long Term Debtor - Blackpool Pleasure Beach	-	(688)	(688)
Lease/PFI Repayments	-	3,306	3,306
Closing Capital Financing Requirement	**409,940**	**519,309**	**109,369**
Explanations of Movements in Year			
Increase in underlying need to borrow (unsupported by Government Financial Assistance)	71,809	78,601	6,792
Increase in Capital Financing Requirement	**71,809**	**78,601**	**6,792**

The prior year adjustment does not affect the core financial statements

Property, Plant and Equipment – Note to the Accounts

Trams

Following a review of infrastructure assets the purchase of new trams had been included within infrastructure assets rather than vehicles, plant and equipment. The trams have been moved to vehicles, plant and equipment and the changes to the notes to the accounts is as follows:

	2019/20 Accounts £000	Restated 2019/20 £000	Variance £000
Infrastructure assets cost or valuation - Opening balance at 1st April	515,506	475,922	39,584
Infrastructure assets depreciation - Opening balance at 1st April	(179,885)	(167,464)	(12,421)
			-
Infrastructure assets net book value Opening balance at 1st April	**335,621**	**308,458**	**27,163**
			-
Vehicles, plant and equipment cost or valuation - Opening balance at 1st April	46,313	85,897	(39,584)
			-
Vehicles, plant and equipment depreciation - Opening balance at 1st April	(38,651)	(51,072)	12,421
			-
Vehicles, plant and equipment net book value - Opening balance at 1st April	7,662	34,825	(27,163)

The prior year adjustment does not affect the core financial statements

Long Term Investment – Subsidiary Company Valuations

Shares in Council wholly owned subsidiaries have been held at fair value valuation since the introduction of International Financial Reporting Standards (IFRS) in 2010/2011. Following a review of the valuations it was noted that CIPFA's Code of Practice on Local Authority Accounting states that shares in subsidiaries may be held at cost in the single entity balance sheet as long as the subsidiaries are included in the Group Accounts. As all the subsidiaries have been included in the Group Accounts the balance sheet has been restated to include the subsidiaries shares at cost.

Removal of Voluntary Aided Schools

Three voluntary aided schools are included on the balance sheet however the schools are owned by the Diocese and therefore the schools have been removed from the Council's balance sheet.

The change on the core financial statements of the above changes is shown below:

Effect on Comprehensive Income and Expenditure Statement

	2019/2020				Restated 2019/2020		
	Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**	**Non Current Assets**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
Chief Executive	13,055	(6,366)	6,689		13,055	(6,366)	6,689
Governance and Partnership Services	11,992	(3,846)	8,146		11,992	(3,846)	8,146
Ward Budgets	190	(2)	188		190	(2)	188
Resources	30,924	(9,867)	21,057		30,924	(9,867)	21,057
Communications & Regeneration	37,525	(9,840)	27,685	(660)	36,865	(9,840)	27,025
Strategic Leisure Assets	10,157	(4,818)	5,339		10,157	(4,818)	5,339
Community and Environmental Services	69,090	(21,323)	47,767	-	69,090	(21,323)	47,767
Adult Services	83,339	(22,447)	60,892		83,339	(22,447)	60,892
Children's Services	134,919	(75,311)	59,608	(249)	134,670	(75,311)	59,359
Public Health	13,182	(21,120)	(7,938)		13,182	(21,120)	(7,938)
Budgets Outside the Cash Limit	58,051	(69,619)	(11,568)		58,051	(69,619)	(11,568)
Contingencies, Levies etc	3,385	(24,244)	(20,859)		3,385	(24,244)	(20,859)
Housing Revenue Account	15,745	(18,817)	(3,072)		15,745	(18,817)	(3,072)
Net Cost of Services	**481,554**	**(287,620)**	**193,934**		**480,645**	**(287,620)**	**193,025**
Other Operating Expenditure (Note 11)	1,787	-	1,787		1,787	-	1,787
Financing & Investment Income & Expenditure - Other (Note 12)	10,163	(3,933)	6,230		10,163	(3,933)	6,230
Financing and Investment Income and Expenditure - Investment Properties (Note 17)	5,121	(12,599)	(7,478)		5,121	(12,599)	(7,478)
Taxation and Non-Specific Grant Income - Other (Note 13)	-	(163,519)	(163,519)		-	(163,519)	(163,519)
Deficit on Provision of Services	**498,625**	**(467,671)**	**30,954**		**497,716**	**(467,671)**	**30,045**
(Surplus) or Deficit on revaluation of non-current assets (Note 29)			3,384				3,384
Impairment (gains)/losses on non-current assets charged to Revalution Reserve (Note 29)			(17,417)				(17,417)
(Surplus) or deficit on revaluation of available for sale financial assets			4,465	(4,465)			-
Remeasurement of the net defined benefit liability (Note 29 and Note 47)			(27,364)				(27,364)
Other Comprehensive Income and Expenditure			**(36,932)**				**(41,397)**
Total Comprehensive Income and Expenditure			**(5,978)**				**(11,352)**

Effect on the Movement in Reserves Statement - Unusable Reserves

	Balances at 31st March 2019 as previously stated £'000	2019/20 Restated £'000	Change to Balances at 31st March 2020 £'000
Balance at 1st April 2019	**(171,901)**	**(156,610)**	**15,291**
(Surplus)/Deficit on the provision of services	30,954	30,045	(909)
Other Comprehensive Income and Expenditure	(36,932)	(41,397)	**(4,465)**
Adjustments between accounting basis and funding basis under regulations	31,399	30,490	**(909)**
Net increase or decrease before transfer to earmarked reserves	**(5,533)**	**(10,907)**	**(5,374)**
Increase/Decrease in 2019/20	**(2,225)**	**(7,599)**	**(5,374)**
Balance as at 31st March 2020	**(174,126)**	**(164,209)**	**9,917**

Effect on Opening Balance Sheet 1st April 2019

	Balances at 31st March 2019 as previously stated £'000	**Opening Balance Sheet 1st April 2020 Restated £'000**	**Change to Balances £'000**
Property, Plant and Equipment	714,178	710,113	(4,065)
Long Term Investments	28,750	17,524	(11,226)
Long Term Assets	**860,499**	**845,208**	(15,291)
Net Assets	**238,895**	**223,604**	(15,291)
Unusable Reserves	(171,901)	(156,610)	15,291
Total Reserves	(238,895)	**(223,604)**	15,291

	Balances at 31st March 2020 as previously stated £'000	**2019/20 Restated £'000**	**Change to Balances at 31st March 2020 £'000**
Property, Plant and Equipment	748,553	745,397	(3,156)
Long Term Investments	27,410	20,649	(6,761)
Long Term Assets	**922,348**	**912,431**	(9,917)
Net Assets	**244,873**	**234,956**	(9,917)
Unusable Reserves	(174,126)	(164,209)	9,917
Total Reserves	(244,873)	**(234,956)**	9,917

2. 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.

2020/21 Service Area	Outturn as reported to Executive (including HRA) £000	Adjustments to arrive at the net amount chargeable to the General Fund and HRA balances £000	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Chief Executive	337	(93)	244	1,530	1,774
Governance and Partnership Services	2,715	161	2,876	1,532	4,408
Ward Budgets	454	-	454	-	454
Resources	3,173	3,819	6,992	10,691	17,683
Communications & Regeneration	(6,707)	2,808	(3,899)	17,545	13,646
Strategic Leisure Assets	6,310	-	6,310	11,318	17,628
Community and Environmental Services	48,123	(20,575)	27,548	18,008	45,556
Adult Services	59,918	(10,111)	49,807	7,603	57,410
Children's Services	67,644	(17,936)	49,708	16,004	65,712
Public Health	26	(10,234)	(10,208)	356	(9,852)
Budgets Outside the Cash Limit	9,445	11,737	21,182	(27,781)	(6,599)
Contingencies, Levies etc	(52,871)	47,436	(5,435)	(94)	(5,529)
Housing Revenue Account	(4,710)	6,144	1,434	(6,182)	(4,748)
Net Cost of Services	**133,857**	**13,156**	**147,013**	**50,530**	**197,543**
Other Income and Expenditure	(137,239)	(41,167)	(178,406)	7,844	(170,562)
(Surplus) or Deficit on Provision of Services	**(3,382)**	**(28,011)**	**(31,393)**	**58,374**	**26,981**

Reconciliation of Movement in Balances	**General Fund** **£000**	**HRA** **£000**	**Total** **£000**
Opening General Fund and HRA Balances 1st April 2020	(4,674)	(4,830)	(9,504)
(Surplus)/Deficit on Provision of Services	(5,180)	1,798	(3,382)
Closing General Fund and HRA Balances 31st March 2021	**(9,854)**	**(3,032)**	**(12,886)**

Restated 2019/20 Service Area	Outturn as reported to Executive (including HRA) £000	Adjustments to arrive at the net amount chargeable to the General Fund and HRA balances £000	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Chief Executive	528	766	1,294	5,395	6,689
Governance and Partnership Services	3,974	(53)	3,921	4,225	8,146
Ward Budgets	188	-	188	-	188
Resources	1,004	13,487	14,491	6,566	21,057
Communications & Regeneration	2,022	7,931	9,953	17,072	27,025
Strategic Leisure Assets	5,339	-	5,339	-	5,339
Community and Environmental Services	42,637	2,694	45,331	2,436	47,767
Adult Services	54,015	1,104	55,119	5,773	60,892
Children's Services	55,032	(2,518)	52,514	6,845	59,359
Public Health	21	(7,955)	(7,934)	(4)	(7,938)
Budgets Outside the Cash Limit	13,416	(6,330)	7,086	(18,654)	(11,568)
Contingencies, Levies etc	(16,049)	(4,784)	(20,833)	(26)	(20,859)
Housing Revenue Account	3,128	(314)	2,814	(5,886)	(3,072)
Net Cost of Services	**165,255**	**4,028**	**169,283**	**23,742**	**193,025**
Other Income and Expenditure	(156,958)	(12,770)	(169,728)	6,748	(162,980)
(Surplus) or Deficit on Provision of Services	**8,297**	**(8,742)**	**(445)**	**30,490**	**30,045**

Reconciliation of Movement in Balances	General Fund	HRA	Total
	£000	£000	£000
Opening General Fund and HRA Balances 1st April 2019	(8,988)	(5,705)	(14,693)
(Surplus)/Deficit on Provision of Services	7,412	875	8,287
Closing General Fund and HRA Balances 31st March 2020	**(1,576)**	**(4,830)**	**(6,406)**

2a. Notes to the Expenditure and Funding Analysis

	Adjustments between Funding and Accounting Basis 2020/2021			
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	(195)	1,659	66	1,530
Governance and Partnership Services	73	1,420	39	1,532
Ward Budgets	-	-	-	-
Resources	5,988	4,579	124	10,691
Communications and Regeneration	14,666	2,848	31	17,545
Strategic Leisure Assets	11,318	-	-	11,318
Community and Environmental Services	12,595	5,388	25	18,008
Adult Services	286	7,225	92	7,603
Children's Services	1,690	11,429	2,885	16,004
Public Health	-	350	6	356
Budgets Outside the Cash Limit	(4,727)	(22,987)	(67)	(27,781)
Contingencies	-	(94)	-	(94)
Housing Revenue Account	(6,182)	-	-	(6,182)
Net Cost of Services	**35,512**	**11,817**	**3,201**	**50,530**
Other income and expenditure from the Expenditure and Funding Analysis	(19,772)	4,723	22,893	7,844
Difference between General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on the Provision of Services	**15,740**	**16,540**	**26,094**	**58,374**

Adjustments between Funding and Accounting Basis Restated 2019/2020				
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	4,049	1,360	(14)	5,395
Governance and Partnership Services	3,118	1,071	36	4,225
Ward Budgets	-	-	-	-
Resources	2,722	3,853	(9)	6,566
Communications and Regeneration	14,832	2,240	-	17,072
Strategic Leisure Assets	-	-	-	-
Community and Environmental Services	(1,893)	4,371	(42)	2,436
Adult Services	(21)	5,845	(51)	5,773
Children's Services	(434)	7,299	(20)	6,845
Public Health	-	-	(4)	(4)
Budgets Outside the Cash Limit	(6,187)	(12,467)	-	(18,654)
Contingencies	-	-	(26)	(26)
Housing Revenue Account	(5,886)	-	-	(5,886)
Net Cost of Services	**10,300**	**13,572**	**(130)**	**23,742**
Other income and expenditure from the Expenditure and Funding Analysis	10,488	-	(3,740)	6,748
Difference between General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on the Provision of Services	**20,788**	**13,572**	**(3,870)**	**30,490**

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 i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted 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 Statement.

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.

2b. Expenditure and Income Analysed By Nature

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

Restated 2019/2020 £000		**2020/2021 £000**
	Expenditure	
135,171	Employee expenses	110,169
289,927	Other Services expenses	342,064
54,974	Depreciation, amortisation, impairment	51,993
7,586	Interest payments	7,551
68	Precepts and Levies	70
487	Payments to Housing Capital Receipts Pool	257
1,232	Loss on the disposal of assets	705
5,449	Pension Interest Cost and return on assets	4,723
494,894	**Total Expenditure**	**517,532**
	Income	
149,136	Fees, charges and other service income	145,414
6,805	Interest and investment income	3,584
89,042	Income from council tax, non-domestic rates	62,688
219,866	Government grants and contributions	278,865
464,849	**Total Income**	**490,551**
30,045	**Deficit on the Provision of Services**	**26,981**

3. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/2021 financial year and its position at the year-end 31st March 2021. 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, under Section 21 of the 2003 Act, primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021 (the 'Code') supported by International Financial Reporting Standards (IFRS).

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

The accounts have been prepared on a going concern basis under the assumption that the Council will continue in existence for the foreseeable future and the Council's services will continue to be delivered.

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 1st 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 2020/21 for these contracts is £828,888 (2019/20 £827,680).

iii. 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.

iv. 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.

v. Charges to Revenue for Non-Current Assets

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

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- Amortisation of intangible 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.

vi. 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 (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council'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 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.

vii. 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 entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

However, the arrangements for the NHS and teachers’ schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The 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 Pension 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 – i.e. 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 2.1% to 2.4% in 2020/2021 (2.3% to 2.5% in 2019/2020) 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:

  - Unquoted securities – professional estimate
  - Unitised 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 as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
  - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Contributions paid to the Lancashire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Every three years, following the revaluation of the Fund, the Council has the option to pay three years employer's contributions and deficit contribution up front which results in a saving to the Council. When the up-front payment is made the contributions and deficit payment are included in the year to which they relate. The future years are held in the pension reserve.

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.

viii. 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.

ix. Financial Instruments

Financial Liabilities

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

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

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 (i.e. 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 22. 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 o 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 are 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 Council 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)

Financial assets that are measured at FVOCI are recognised on the balance sheet when the Council becomes 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 arise in Other Comprehensive Income and Expenditure. The Council has equity instruments designated at fair value through other Comprehensive Income (FVOCI).

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 1st 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.

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 31st 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 in the form of 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 Heritage Assets

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However some of the measurement rules have been relaxed in relation to heritage assets as detailed below. The Council'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 valuation provided by the Head of Heritage. These 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 Council 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 Council'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. Valuations have been provided by the Head of Heritage at 31st March 2018 and these have 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 Heritage.

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

The collection is 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 Council'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 valuation 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 Council 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 Council'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 net realisable value 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. 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. Infrastructure Assets

Infrastructure assets include the highways network, seawall and sea defences and the tramway.

Highways network includes carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the infrastructure assets is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Council and the cost of the item is measured reliably.

Measurement

Infrastructure assets are generally measured at depreciated historic cost. However, this is a modified form of historic cost – opening balances for the infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1st April 1994 which was deemed at that time to be historic cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the infrastructure assets are assessed by the Chief Engineer/Project Manager using industry standards where applicable as follows:

Road Type:	
A,B,C, Strategic -	25 years
Distributor -	42 years
Unclassified -	43 years
Bridges -	120 years
Seawall -	50 to 100 years
Tramway -	60 years

Disposals and De-recognition

When a component of the infrastructure assets is disposed of or decommissioned, the carrying amount of the component 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 (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts 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 transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xix. 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 Council 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.

xx. 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 Council 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 Council 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 Council 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. Any loss would be debited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain/loss on disposal.

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.

xxi. Overheads and Support Services

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

The main basis for charging of overhead costs is percentage time, floor area and actual time allocation.

xxii. 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; and

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

The de-minimis level for capitalisation is £15,000.

The Council 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 Council). In the latter case, where an asset is acquired via an exchange the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

- Community assets and assets under construction – depreciated historical cost;
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- Surplus Assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective; and
- 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 current value. This includes schools, libraries etc.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum 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); and
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line 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); and
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line 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 (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the 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 1 to 40 years, as advised by a suitably qualified officer.

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 assets 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 reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any 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.

xxiii. 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.

xxiv. 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.

xxv. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance 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 – these reserves are explained in the relevant accounting policies.

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 Council as if they were the transactions cash flows and balances of the Council.

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.

4. Accounting Standards That Have Been Issued But Not Yet Adopted

Under the Code of Practice on Local Authority Accounting in the UK 2020/2021 (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. The standards will be introduced into the 2021/22 accounts.

- Definition of a Business – Amendments to IFRS 3 Business Combinations.
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS39, and IFRS 7.
- Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16.

5. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 3 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.

- 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.

6. 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 Council's Balance Sheet at 31st March 2021 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**
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. Further information is included in Note 47.	The effects on the net pension liability of changes in individual assumptions can be measured although the assumptions interact in complex ways. During 2020/2021 the Council's actuaries advised that the Council's net pension liability had increased by £68.484m.
Fair Value Measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or discounted cash flow (DCF) model). 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. 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). 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 and 20.	The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels and discount rates – adjusted for regional factors investment properties. Significant change in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties.

7. Material Items of Income and Expense

On 7th May 2020 the Council took advantage of the option by the pension fund to make a one off payment in advance to cover its employers' future service contributions and deficit recovery payments for the three years 2020/21 to 2022/23. The value of the payment totalled £33.579m and resulted in a saving to the Council of £1.989m over the 3 year period.

In 2020/2021 the Council received both its local share and the central share of additional Business Rates Section 31 grants totalling £28.5m. This is to compensate for the loss of Business Rates income as a result of the extended retail relief given to retail hospitality and leisure businesses and nursery providers to support them through the Covid -19 pandemic. In Collection Fund accounting the deficit incurred as a result of the loss of Business Rates income in 2020/2021 will not be charged to the General Fund until 2021/2022. As a result the local share of £14.3m has been transferred to an earmarked revenue reserve to be drawn down in 2021/22 to offset the deficit. The remaining central share of £14.2m will be paid back to central government in 2021/22 and has been included as a creditor.

The Council received £34.4m of additional government grants during 2020/21 to cover the additional costs and losses of income during the Covid 19 pandemic.

At 1st April 2020 the Houndshill Shopping Centre was held on the balance sheet under Property, Plant and Equipment at a value of £39.6m. Following a revaluation of the property at 31st March 2021 there has been an impairment loss of £11.6m and it is now held on the balance sheet at a value of £28m.

The Conference Centre at the Winter Gardens is included at cost on the balance sheet as an asset under construction until the asset is fully operational in 2022. Following a revaluation of the asset the carrying amount (cost) is significantly higher than the revalued amount. Therefore an impairment loss of £11.318m has been included in 2020/21. The asset is now held on the balance sheet at a value of £10m.

8. Events After The Reporting Period

The Statement of Accounts was authorised for issue by the Director of Resources on . 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 31st March 2021 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 1st April 2022 Lancashire Management Operations Limited transferred to Blackpool Housing Company. Both companies are 100% wholly-owned Council subsidiary companies. This transfer will be reflected in the 2022/23 Statement of Accounts.

On 11th August 2022 the Council replaced some of its temporary borrowing with long term Public Works Loan Board (PWLB) loans. 13 loans totalling £125m have been taken with interest rates between 2.9% and 3.18%. The maturity period of the loans is between 18 and 50 years.

9. 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 Council 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 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 repayment 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.

2020/2021	Usable Reserves General Fund Balance £000	 Housing Revenue Account £000	 Capital Receipts Reserve £000	 Major Repairs Reserve £000
Adjustments to the Revenue Resources				
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	(16,540)	-	-	-
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	55	-	-	-
Council Tax and NDR (transfers to or (from) Fund Adjustment Account)	(18,971)	-	-	-
Holiday Pay (transferred to the Accumulated Absences Reserve)	(592)	-	-	-
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).	(54,585)	(2,674)	55	(2,523)
Transfer of the deficit on the Dedicated Schools Grant to the Dedicated Schools Grant Adjustment Account	(2,664)	-	-	0
Total Adjustments to Revenue Resources	**(93,297)**	**(2,674)**	**55**	**(2,523)**
Payments to the government housing receipts pool (funded by transfer from the Capital Receipts Reserve)	(257)	-	257	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	5,288	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,178	8,727	-	-
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	2,523
Total Adjustments between Revenue and Capital Resources	**7,209**	**8,727**	**257**	**2,523**
Adjustments to Capital Resources				
Application of capital grants to finance capital expenditure	19,151	129	-	-
Use of capital receipts reserve to finance capital expenditure	-	-	2069	-
Total Adjustments to Capital Resources	**19,151**	**129**	**2,069**	**-**
Total Adjustments	**(66,937)**	**6,182**	**2,381**	**-**

Restated 2019/2020	Usable Reserves General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000
Adjustments to the Revenue Resources			
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)	(13,572)	-	-
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	31	-	-
Council Tax and NDR (transfers to or (from) Collection Fund Adjustment Account)	3,710	-	-
Holiday Pay (transferred to the Accumulated Absences Reserve)	129	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account).	(53,665)	(3,283)	(1,063)
Total Adjustments to Revenue Resources	**(63,367)**	**(3,283)**	**(1,063)**
Adjustments between Revenue and Capital Resources			
Payments to the government housing receipts pool (funded by transfer from the Capital Receipts Reserve)	(487)	-	487
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	9,533	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,447	6,144	-
Total Adjustments between Revenue and Capital Resources	**11,493**	**6,144**	**487**
Adjustments to Capital Resources			
Application of capital grants to finance capital expenditure	17,671	1,428	-
Total Adjustments to Capital Resources	**17,671**	**1,428**	**-**
Total Adjustments	**(34,203)**	**4,289**	**(576)**

10. 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 2020/2021.

	Balance at 1st April 2019 £000	Transfers Out 2019/2020 £000	Transfers In 2019/2020 £000	Balance at 31st March 2020 £000	Transfers Out 2020/2021 £000	Transfers In 2020/2021 £000	Balance at 31st March 2021 £000
General Fund:							
Balances held by schools under scheme of delegation	(2,353)	286	(317)	(2,384)	166	(1,344)	(3,561)
School DSG Balances	422	3,161	(483)	3,100	(3,100)	-	-
Unallocated Reserves	(7,057)	4,765	-	(2,292)	-	(4,001)	(6,293)
Total General Fund	**(8,988)**	**8,212**	**(800)**	**(1,576)**	**(2,934)**	**(5,345)**	**(9,854)**
Earmarked Reserves							
Potential Pay Liabilities	(2,919)	1,240	(2,811)	(4,490)	448	(151)	(4,193)
Public/Private Partnership Reserve	(4,833)	6,431	(633)	965	3,574	(1,346)	3,193
Council Tax & Non-Domestic Rates Deficits	(12,574)	11,669	(7,323)	(8,228)	21,779	(19,663)	(6,112)
Museum Reserve	(294)	11	(1,337)	(1,620)	9	(4,170)	(5,781)
Transformation Reserve	(518)	692	(1,298)	(1,124)	355	-	(769)
Specific Settlements in Dispute	(539)	-	-	(539)	-	-	(539)
Strategic Investments	(320)	-	-	(320)	-	-	(320)
Financial systems upgrade, renewals & replacements	(118)	45	(428)	(501)	398	(64)	(167)
Financial Instruments	(14)	14	-	-	-	-	-
Treasury Management - Prudential borrowing	(465)	-	(332)	(797)	-	-	(797)
Insurances	(1,100)	-	(5,943)	(7,043)	639	(2,411)	(8,815)
Enterprise Zone	(170)	429	(496)	(237)	414	(389)	(212)
Opportunity Area	(3,096)	3,096	(1,631)	(1,631)	1,631	(1,131)	(1,131)
Vehicles Replacement Reserve	(1,202)	2,056	(2,326)	(1,472)	3,063	(3,260)	(1,669)
Contributions to Future Regeneration projects	-	-	-	-	140	(1,625)	(1,485)
Covid-19 support grant	-	380	(6,085)	(5,705)	5,705	(2,061)	(2,061)
Covid-19 Non-Domestic Rates S31 Reliefs	-	-	-	-	-	(14,599)	(14,599)
Future Increases in Pension	-	-	-	-	-	(1,400)	(1,400)
Adult Social Care Support	(3,469)	3,126	(870)	(1,213)	160	(3,031)	(4,084)
Financial Inclusion and Hardship	(82)	-	(192)	(274)	14	(1,369)	(1,629)
Housing General Fund - Homelessness	(1,025)	94	(402)	(1,333)	168	(370)	(1,535)
Town Centre Regeneration	(1,814)	-	(969)	(2,783)	78	(623)	(3,328)
Early Years Funding	-	-	(790)	(790)	390	(1,027)	(1,427)
Enterprise and Employment	(356)	223	(970)	(1,103)	607	(635)	(1,131)
Other departmental reserves	(6,754)	3,702	(6,528)	(9,580)	4,458	(10,335)	(15,457)
Total Earmarked Reserves	**(41,662)**	**33,208**	**(41,364)**	**(49,818)**	**44,030**	**(69,660)**	**(75,448)**
HRA							
Housing Revenue Account	**(5,705)**	**875**	**-**	**(4,830)**	**1,798**	**-**	**(3,032)**

11. Other Operating Expenditure

2019/2020 £000		2020/2021 £000
68	Flood Defence Levy	70
487	Payments to the Government Housing Capital Receipts Pool	257
1,232	Losses on the disposal of non-current assets	705
1,787	**Total**	**1,032**

12. Financing And Investments Income And Expenditure

2019/2020 £000		2020/2021 £000
7,586	Interest payable and similar charges	7,551
5,449	Net interest on the net defined benefit liability/(asset)	4,723
(2,872)	Pension Pooling - Business Combinations	-
(3,092)	Interest receivable and similar income	(3,584)
(841)	Dividend - Council Owned Subsidiaries	-
(7,478)	Investment Properties	2,688
(1,248)	**Total**	**11,378**

13. Taxation And Non Specific Grant Income

2019/2020 £000		2020/2021 £000
(56,837)	Council Tax Income	(60,135)
(3,690)	Collection Fund (surplus)/deficit movement	16,954
(28,515)	Retained Business Rates	(19,507)
(27,137)	Business Rates Top Up	(24,468)
(22,156)	Non-ringfenced government grants	(40,065)
(19,099)	Capital Grants & contributions	(19,280)
(6,085)	Covid-19 Un-ringfenced Grants	(21,704)
-	S31 NNDR Extended Reliefs (Covid-19)	(14,767)
(163,519)	**Total Taxation and Non-Specific Grant Income**	**(182,972)**

14. Property, Plant And Equipment (PPE)

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

2020/2021

	Council Dwellings & Other HRA £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	PP&E Under Construction £000	Total PP&E £000	*PFI Assets Included in PPE £000*
Cost or Valuation							
Restated Balance as at 1 April 2020	**123,365**	**265,313**	**89,784**	**66**	**24,212**	**502,740**	*32,705*
Additions	8,856	4,277	3,759	1	16,244	**33,137**	-
Revaluation increases to Revaluation Reserve	1,734	2,216	-	-	-	**3,950**	-
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	-	(11,731)	-	-	(11,100)	**(22,831)**	-
Derecognition - Disposals	(567)	(1,270)	-	-	-	**(1,837)**	-
Transfer	187	2,595	-	-	-	**2,782**	-
Balance as at 31 March 2021	**133,575**	**261,400**	**93,543**	**67**	**29,356**	**517,941**	*32,705*
Depreciation and Impairment							
Restated Balance as at 1 April 2020	**(2,253)**	**(8,669)**	**(50,701)**	**-**	**-**	**(61,623)**	*(9,419)*
Depreciation Charge	(2,523)	(8,204)	(4,544)	-	-	**(15,271)**	*(1,198)*
Depreciation written out on Revaluation Reserve	-	3,785	-	-	-	**3,785**	-
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	2,253	31	-	-	-	**2,284**	-
Derecognition - Disposals	-	953	-	-	-	**953**	-
Transfer	(37)	(1,430)	-	-	-	**(1,467)**	-
Balance as at 31 March 2021	**(2,560)**	**(13,534)**	**(55,245)**	**-**	**-**	**(71,339)**	*(10,617)*
Net Book Value							
Balance as at 31 March 2021	**131,015**	**247,866**	**38,298**	**67**	**29,356**	**446,602**	**22,088**
Restated Balance as at 31 March 2020	**121,112**	**256,644**	**39,083**	**66**	**24,212**	**441,117**	**23,286**

Comparative Movements Restated 2019/2020

	Council Dwellings & Other HRA £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	PP&E Under Construction £000	Total PP&E £000	*PFI Assets Included in PPE £000*
Cost or Valuation							
Restated Balance as at 1 April 2019	**117,887**	**236,077**	**85,898**	**66**	**22,199**	**462,127**	*32,705*
Additions	7,571	55,473	3,886	-	8,591	**75,521**	-
Revaluation increases/decreases to Revaluation Reserve	-	7,663	-	-	-	**7,663**	-
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(258)	(31,775)	-	-	(6,354)	**(38,387)**	-
Derecognition - Disposals	(1,835)	(221)	-	-	(224)	**(2,280)**	-
Transfer		(1,904)	-	-		**(1,904)**	-
Balance as at 31 March 2020	**123,365**	**265,313**	**89,784**	**66**	**24,212**	**502,740**	*32,705*
Depreciation and Impairment							
Balance as at 1 April 2019	**-**	**(13,539)**	**(46,932)**	**-**	**-**	**(60,471)**	*(8,220)*
Depreciation Charge	(2,253)	(8,417)	(3,769)	-	-	**(14,439)**	*(1,199)*
Depreciation written out on Revaluation Reserve	-	6,051	-	-	-	**6,051**	-
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	-	6,887	-	-	-	6,887	-
Derecognition - Disposals	-	349	-	-	-	**349**	-
Restated Balance as at 31 March 2020	**(2,253)**	**(8,669)**	**(50,701)**	**-**	**-**	**(61,623)**	*(9,419)*
Net Book Value							
Restated Balance as at 31 March 2020	**121,112**	**256,644**	**39,083**	**66**	**24,212**	**441,117**	*23,286*
Restated Balance as at 31 March 2019	**117,887**	**222,538**	**38,966**	**66**	**22,199**	**401,656**	*24,485*

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 (between 3 and 125 years).
- 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 (between 5 and 40 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 31st March 2021 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 £31.6m. Similar commitments at 31st March 2020 were £20.5m. The major commitments are in relation to Central Business District Phase 2 (£20.3m), the tramway extension (£0.5m), the Conference Centre (£3.6m), Enterprise Zone (£2m) and Troutbeck housing scheme (£5.2m).

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 2020/2021. 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 (RICS). 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 outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors.

In respect of the Blackpool Council car parks and social housing portfolios as at the valuation date we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base our judgements. Our valuation of the car parks and social housing, included within this report, is therefore reported as being subject to ‘material valuation uncertainty’ as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.

For the avoidance of doubt this explanatory note, including the ‘material valuation uncertainty’ declaration, does not mean that the valuation(s) cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.

The valuations were carried out by internal and external valuers who are RICS qualified.

	Council Dwellings £000	Other Land & Buildings £000	Surplus Assets £000	Total £000
Valued at fair value as at:				
31/03/2021	131,015	85,593	697	217,305
31/03/2020	-	80,378	-	80,378
31/03/2019	-	56,860	-	56,860
31/03/2018	-	25,035	-	25,035
Total Cost or Valuation	**131,015**	**247,866**	**697**	**379,578**

15. Infrastructure Assets

Movements on Balances

In accordance with the Temporary Relief offered by the Update to the Code on Infrastructure Assets this note does not include the gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The Council has chosen not to disclose this information as to the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

Restated 2019/2020 £000		2020/2021 £000
308,457	**Net Book Value (Modified Historic Cost) at 1st April**	**304,280**
11,126	Additions	6,977
(15,303)	Depreciation	(13,797)
-	Transfer	717
304,280	**Net Book Value at 31st March**	**298,177**

16. Heritage Assets

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

	Art Collection	Civic Regalia	Other	Tower & Local History Collection	Illuminations	Stanley Park Statues	**Total**
	£000	£000	£000	£000	£000	£000	**£000**
Cost or Valuation 1st April 2020	5,655	689	20	1,450	550	-	**8,364**
Revaluations	-	(19)	-	-	-	-	**(19)**
Balance 31st March 2021	**5,655**	**670**	**20**	**1,450**	**550**	**-**	**8,345**

	Art Collection	Civic Regalia	Other	Tower & Local History Collection	Illuminations	Stanley Park Statues	**Total**
	£000	£000	£000	£000	£000	£000	**£000**
Cost or Valuation 1st April 2019	5,655	510	20	1,450	550	-	**8,185**
Purchases	-	-	-	-	-	-	**-**
Revaluations	-	179	-	-	-	-	**179**
Balance 31st March 2020	**5,655**	**689**	**20**	**1,450**	**550**	**-**	**8,364**

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 31st March 2018.

Civic Regalia

The Authority's civic regalia was formally valued as at 31st March 2012 by an external valuer. The valuations were based on commercial markets. The valuation has been updated based on market prices as at 31st March 2021.

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 31st March 2018.

Illuminations

These assets have been valued by the Head of Heritage as at 31st 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 on a separate line in the Comprehensive Income and Expenditure Statement.

2019/2020 £000		2020/2021 £000
(6,905)	Rental income from investment property	(4,062)
5,121	Direct operating expenses arising from investment property	4,434
(5,694)	Net (gains)/losses from fair value adjustments	2,316
(7,478)	**Net (gain)/loss**	**2,688**

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.

2019/2020 £000		2020/2021 £000
50,565	**Balance at start of the year**	**58,529**
	Additions -	
15	- Purchases	4,843
181	- Construction	175
-	Disposals	(20)
	Transfer -	
2,074	- (To)/from PPE	-
6,573	Upward Revaluation	224
(879)	Impairment	(2,540)
58,529	**Balance at end of the year**	**61,211**

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 3 Accounting Policies xxvii 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 2021 by the authority's Chief Valuation Officer, who is RICS qualified, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

In respect of the Victoria Street properties portfolio as at the valuation date we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base our judgements. Our valuation of the properties, included within this report, is therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.

For the avoidance of doubt this explanatory note, including the 'material valuation uncertainty' declaration, does not mean that the valuation(s) cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.

18. Surplus Assets

2019/2020 £000		2020/2021 £000
897	**Balance outstanding at start of year**	**753**
57	Revaluation gains/(losses)	8
(3)	Impairment losses	(12)
(25)	Disposals	-
	Assets declassified as surplus assets:	
(173)	- property, plant and equipment	(52)
753	**Balance outstanding at year end**	**697**

19. Intangibles

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets consist of purchased software licenses.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to intangibles is 5 years.

The carrying amount of intangible assets is amortised on a straight line basis. The cost is charged to the IT administration cost centre and then absorbed as an overhead across all the service headings in the cost of services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

2019/2020 £000		2020/2021 £000
-	**Net Carrying Amount at 1st April 2020**	**466**
	Additions:	
466	Purchases	364
-	Amortisation for the period	(93)
466	**Net Carrying Amount at 31st March 2021**	**737**
	Comprising:	
466	Gross Carrying Amount	830
-	Accumulated Amortisation	(93)
466		**737**

20. Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non exchange contracts such as those relating to taxes and government grants do not give rise to 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	
	31/03/2020 £000	31/03/2021 £000	31/03/2020 £000	31/03/2021 £000	31/03/2020 £000	31/03/2021 £000	31/03/2020 £000	31/03/2021 £000
Amortised Cost								
Principal	-	-	78,273	80,932	21,350	4,350	-	5,654
Trade Debtors	-	-	-	-	-	-	46,670	36,805
Cash & Cash Equivalents	-	-	-	-	-	(892)	-	-
Total Amortised Cost	**-**	**-**	**78,273**	**80,932**	**21,350**	**3,458**	**46,670**	**42,459**

Financial Liabilities

`	Non Current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31/03/2020 £000	31/03/2021 £000	31/03/2020 £000	31/03/2021 £000	31/03/2020 £000	31/03/2021 £000	31/03/2020 £000	31/03/2021 £000
Amortised Cost								
Principal & accrued loan interest	87,460	79,487	-	-	245,184	259,607	793	588
PFI and Finance Lease	-	-	96,408	93,355	-	-	4,243	4,390
Total Financial Liabilities	**87,460**	**79,487**	**96,408**	**93,355**	**245,184**	**259,607**	**5,036**	**4,978**
Non Financial Liabilities	-	-	103	4	-	-	46,664	51,010
Total	**87,460**	**79,487**	**96,511**	**93,359**	**245,184**	**259,607**	**51,700**	**55,988**

Income, Expense, Gains and Losses

	2020/2021			2019/2020		
	Financial Liabilities measured at amortised cost £000	Financial Assets - loans & receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets - loans & receivables £000	Total £000
Interest expense	7,551	-	**7,551**	7,586	-	**7,586**
Total expense in Surplus or Deficit on the Provision of Services	**7,551**	**-**	**7,551**	**7,586**	**-**	**7,586**
Interest income	-	(3,584)	**(3,584)**	-	(3,092)	**(3,092)**
Total income in Surplus or Deficit on the Provision of Services	**-**	**(3,584)**	**(3,584)**	**-**	**(3,092)**	**(3,092)**
Net gain/(loss) for the year	**7,551**	**(3,584)**	**3,967**	**7,586**	**(3,092)**	**4,494**

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 31st March 2021 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 2021		31st March 2020	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Financial Liabilities	339,094	363,137	332,644	365,031
Long term creditors	93,359	93,359	96,511	96,511

The fair value of the liabilities reflects the cost to the Council if it chose to repay its Public Works Loans Board (PWLB) loans at 31st March 2021 as the aggregate net present value of future cash flows, discounted using the appropriate discount rate taken from the premature repayment set of rates in force at the close of business on the last working day of the financial year.

	31st March 2021		31st March 2020	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Financial assets held at amortised cost	5,467	5,467	20,920	20,920
Long term debtors	80,932	80,932	78,547	76,135
Short term debtors	36,805	36,805	57,055	57,055

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 2021) 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.

21. Long Term Investments

Restated 31st March 2020 £000		31st March 2021 £000
	Ordinary Shares (£1 per share) in:-	
2,789	Blackpool Transport Services Ltd	2,789
13,600	Blackpool Housing Company	15,850
4,250	Blackpool Airport	4,250
10	Municipal Bonds Agency	10
20,649	**Total**	**22,899**

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.

Blackpool Housing Company

Blackpool Housing Company Limited was set up on 26th 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 £15,850,000.

The movement in share value in 2020/2021 is as follows:

	£000
Shares as at 31st March 2021	13,600
Purchase of shares in 2020/21	2,250
Shares as at 31st March 2021	**15,850**

Regional and City Airports (Blackpool) Holdings Ltd

On 12th September 2017 the Council purchased 100% shares in Regional and City Airports (Blackpool) Holdings Limited for £4,250,000.

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 31st March 2021 the Council had purchased £10,000 worth of shares in the Company which equates to 0.13%.

Blackpool Waste Services Limited

Blackpool Waste Services Limited was set up on 1st July 2019. The company was set up to deliver the domestic waste service in Blackpool. The Council owns 100% of the shares valued at £1.

Lancashire Management Operations Limited

Lancashire Management Operations was set up on 15th November 2018. The company is wholly owned by the Council and was set up to manage and operate the Tramshed student accommodation in Preston.

The Council owns 100% of the shares valued at £1.

Blackpool Operating Company Ltd (Sandcastle Waterpark)

The Council purchased the operation of the centre from a private company on 20th 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 16th 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, Blackpool Airport Limited and Blackpool Waste Services Limited and Lancashire Management Operations Limited.

22. 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.

31st March 2020 £000		31st March 2021 £000
17,742	Blackpool Transport Services	13,298
6,461	Blackpool Teaching Hospital (NHS)	4,615
2,812	Blackpool Pleasure Beach	2,390
19,200	Blackpool Housing Company	22,800
4,488	Create Developments (Blackpool) Ltd	4,781
8,988	Coolsilk	9,333
11,845	Ocean Boulevard III	10,939
912	Laila's Fine Foods	754
814	Blackpool Airport Operations Ltd	1,052
1,215	Small Business Loans	1,146
552	Waste Disposal Site (prev PFI)	552
652	Adult Social Care Deferred Payments	737
447	Lancashire County Developments	468
2,138	Enveco Refuse Vehicles	1,731
7	Council Mortgages - (Right to Buy)	7
-	Red Rocket Group	113
	Covid Recovery Fund:	
-	Blackpool Transport Services	3,716
-	Blackpool Entertainment Company	2,500
78,273	**Total**	**80,932**

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 was increased to £100m. A further increase to £200m was agreed as part of the 2019/20 budget process. 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 £1.2m.

Blackpool Transport Services Limited

On 23rd 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 11th September 2017 the Executive agreed to offer Blackpool Transport Services Limited a further loan facility of £16.2m. The release of the funds was phased as shown in the table below:

Date Purchased	Number of Buses	Cost £
October 2017	20	4,782,532
April 2018	9	1,468,485
May 2018	9	1,498,985
April 2019	8	1,430,000
June 2019	7	1,348,361
March 2020	19	3,871,848
Total		**14,400,211**

Blackpool Teaching Hospitals NHS Foundation Trust

On 13th 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.

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 was due to be repaid by November 2020 and interest is charged at the market rate. Prior to the expiry date Blackpool Pleasure Beach requested to re-finance the loan and this was agreed. The loan and applicable interest is due to be repaid in full by November 2029.

Blackpool Housing Company

On 20th 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.

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.

Create Development (Blackpool) Ltd

On 18th 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 16th 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.

Ocean Boulevard III Ltd

At its meeting on 24th 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.

Laila's Fine Foods

On 10th 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.

Blackpool Airport Operations Limited

At its meeting on 23rd March 2020 the Executive agreed to the provision of a £1m business loan to Blackpool Airport Operations Ltd (BAOL) over a 25 year repayment term towards essential capital investment at Blackpool Airport.

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 2020/2021 was £468,056 (£447,247 in 2019/2020). The movement in fair value of £20,809 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.

Enveco Refuse Vehicles

At its meeting on 16th July 2018 the Executive agreed for form an arms-length company (Enveco) to manage the Council's domestic waste service following the termination of the contract with an external supplier.

As part of the new arrangement the Executive agreed to the Council purchasing a number of new refuse vehicles and funding them through prudential borrowing. The vehicles were then leased by the Council to Enveco, who are repaying the lease to the Council over 84 monthly equal instalments including interest.

Covid-19 Recovery Fund

On 2nd November 2020 the Leader of the Council agreed to set up a £20m Covid-19 Recovery Fund, with a 20% contingency of £4m. This was to be ring-fenced for Council Wholly Owned Companies and was taken from the previously established business loans fund. The Covid-19 pandemic has led to a number of council wholly owned companies facing significant income losses as a result of lockdown and subsequent social distancing restrictions. This has impacted on both profitability and cash flow.

The terms of the support require the companies to demonstrate cumulative breakeven income and expenditure position by the end of year 5 of their recovery plan. The loans are tailored to the individual circumstances of the company and its recovery plan, the loan may be offered as either:

- an interest-only basis with a balloon principal repayment, or
- monthly repayments of principal and interest.

The loans are offered at fixed rates over 5 years.

23. Inventories

2020/2021	**Consumables £000**	**Materials £000**	**Total £000**
Balance outstanding at start of the year	**117**	**525**	**642**
Purchases	675	1,495	**2,170**
Recognised as an expense in the year	(338)	(1,700)	**(2,038)**
Balance outstanding at year end	**454**	**320**	**774**

2019/2020	**Consumables £000**	**Materials £000**	**Total £000**
Balance outstanding at start of the year	**66**	**379**	**445**
Purchases	77	2,189	**2,266**
Recognised as an expense in the year	(26)	(2,043)	**(2,069)**
Balance outstanding at year end	**117**	**525**	**642**

24. Debtors

31st March 2020 £000		31st March 2021 £000
4,477	Trade receivables	10,663
10,385	Prepayments	2,405
40,714	Other receivable amounts	43,234
	Debtors for local taxation:	
16,011	- Council Tax	18,420
5,340	- NNDR	13,714
(19,872)	Total impairment	(19,761)
57,055	**Net Value of Debtors**	**68,675**

25. Cash and Cash Equivalents

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

31st March 2020 £000		31st March 2021 £000
26	Cash held by the Authority	27
21,350	Short term deposits with institutions	4,350
(1,872)	Bank current accounts	(919)
19,504	**Total Cash and Cash Equivalents**	**3,458**

26. Creditors

Short Term Creditors

31st March 2020 £000		31st March 2021 £000
(42,339)	Trade payables	(38,246)
(1,389)	Other payables - PFI	(1,009)
(4,008)	Other payables - non PFI	(31,666)
(18,012)	Receipts in Advance	(21,444)
	Creditors for local taxation:	
(289)	- Council tax	(417)
(3,675)	- NNDR	(756)
(69,712)	**Total Short Term Creditors**	**(93,538)**

Long Term Creditors

31st March 2020 £000		31st March 2021 £000
(39,232)	PFI schemes liabilities	(37,364)
(29,203)	Ex Waste PFI scheme Liability	(28,089)
(27,973)	Finance lease liabilities	(27,902)
(103)	Other long term creditors	(4)
(96,511)	**Total Long Term Creditors**	**(93,359)**

27. Provisions

	Injury and Damage Compensation Claims £000	Other Provisions £000	Total £000
Balance at 1 April 2020	**(1,329)**	**(11,794)**	**(13,123)**
Additional Provisions Made in 2020/2021	(1,050)	(5,660)	**(6,710)**
Amounts Used in 2020/2021	668	8,468	**9,136**
Unused Amounts Reversed Back in 2020/2021	1,334	-	**1,334**
Balance at 31 March 2021	**(377)**	**(8,986)**	**(9,363)**

	Injury and Damage Compensation Claims £000	Other Provisions £000	Total £000
Balance at 1 April 2019	**(6,609)**	**(7,942)**	**(14,551)**
Additional Provisions Made in 2019/2020	(1,450)	(10,405)	**(11,855)**
Amounts Used in 2019/2020	537	5,979	**6,516**
Write Back Unused Amounts	6,193	574	**6,767**
Balance at 31 March 2020	**(1,329)**	**(11,794)**	**(13,123)**

Outstanding legal cases

Injury Compensation Claims

Most of the injury compensation claims are individually insignificant. 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 within few years. 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.

28. Usable Reserves

31st March 2020 £000		31st March 2021 £000
716	Schools Reserves	(3,561)
(2,292)	Unallocated General Fund Reserves	(6,293)
(4,830)	Housing Revenue Account	(3,032)
(49,818)	Earmarked Revenue Reserves	(75,448)
(11,411)	Capital Receipts Reserve	(13,792)
(3,112)	Capital Reserves	(3,112)
(70,747)	**Total Usable Reserves**	**(105,238)**

29. Unusable Reserves

Restated 31st March 2020 £000		31st March 2021 £000
(100,463)	Revaluation Reserve	(104,300)
(293,157)	Capital Adjustment Account	(279,587)
1,633	Financial Instruments Adjustment Account	1,578
230,786	Pensions Reserve	322,635
(4,199)	Collection Fund Adjustment Account	14,772
1,191	Accumulated Absences Account	1,783
-	Dedicated Schools Grant Adjustment Account	5,762
(164,209)	**Total Unusable Reserves**	**(37,357)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council 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.

2019/2020 £000		2020/2021 £000
(93,912)	**Balance at 1st April**	**(100,463)**
(7,989)	Upward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(3,889)
(6,044)	Depreciation written out to Revaluation Reserve	(6,039)
67	Accumulated gains on assets sold or scrapped	99
7,415	Amount written off to the Capital Adjustment Account	5,992
(100,463)	**Balance at 31st March**	**(104,300)**

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

Restated 2019/2020 £000		2020/2021 £000	2020/2021 £000
(309,771)	**Balance at 1st April**		**(293,157)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
55,808	- Charges for depreciation and impairment of non-current assets	51,991	
(91)	- Revenue expenditure funded from capital under statute	112	
2,226	- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,078	
57,943			53,181
(7,415)	Adjusting amounts written out of the Revaluation Reserve	(5,992)	
50,528	Net written out amount of the cost of non-current assets consumed in year		47,189
	Capital financing applied in year:		
-	- Use of the Capital Receipts Reserve to finance new capital expenditure	(2,069)	
(19,098)	- Application of grants to capital financing from the Capital Grants Unapplied Account	(19,280)	
(9,532)	- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(5,288)	
(8,590)	- Capital expenditure charged against the general fund and HRA balances	(10,905)	
3,306	- Business loans repayment of principal	3,923	
(33,914)			(33,619)
(293,157)	**Balance at 31st March**		**(279,587)**

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.

2019/2020 £000		2020/2021 £000
1,664	**Balance at 1st April**	**1,633**
(31)	Amount by which finance costs are charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(55)
1,633	**Balance at 31st March**	**1,578**

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.

2019/2020 £000		2020/2021 £000
244,578	**Balance at 1st April**	**230,786**
(27,364)	Remeasurement of net defined benefit liability (Actuarial gains/(losses) on pension assets (liabilities)	75,308
31,570	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	27,683
(4,872)	Transfer of Blackpool Transport Services pension surplus into pooling arrangement	-
(844)	Employers pension contributions and deficit payments for future years	181
(12,282)	Employers pension conributions and direct payments to pensions in year	(11,323)
230,786	**Balance at 31st March**	**322,635**

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.

The significant year on year movement on non-domestic rates arises from the additional business rates reliefs given to support particular business sectors during the Covid-19 pandemic which was not reflected in the business rate income estimated in January 2020 and therefore not reflected and paid across to the General Fund in 2020/2021. These business rate reliefs will be paid to the General Fund in 2021/2022.

2019/2020 £000		2020/2021 £000
(489)	**Balance at 1st April**	**(4,199)**
83	Amount by which council tax credited to the Comprehensive Income and Expenditure Statement is different to council tax income calculated for the year in accordance with statutory requirements	2,308
(3,793)	Amount by which non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different to non-domestic rates income calculated for the year in in accordance with statutory requirements	16,663
(4,199)	**Balance at 31st March**	**14,772**

Accumulated Absences Account

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

2019/2020 £000		2020/2021 £000
1,320	**Balance at 1st April**	**1,191**
(1,320)	Settlement or cancellation of accrual made at the end of the preceding year	(1,191)
1,191	Amounts accrued at the end of the current year	1,783
1,191	**Balance at 31st March**	**1,783**

Dedicated Schools Grant (DSG) Adjustment Account

The Dedicated Schools Grant Adjustment Account was created following a statutory instrument to amend The Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations). The instrument amends the 2003 Regulations by establishing new accounting practices in relation to the treatment of local authorities' school budget deficits such as where a local authority has a deficit on its school budget for the financial years beginning 1st April 2020, 1st April 2021 and 1st April 2022, it must not charge the amount of that deficit to the revenue account. The council must record the deficit in an unusable reserve created solely for the purpose of recording deficits relating to its school budgets.

2019/2020 £000		2020/2021 £000
-	**Balance at 1st April**	-
-	Reporting of Schools Budget Deficit to new Adjustment Account at 1st April	3,098
-	Deficit on Schools Budget for the year	2,664
-	**Balance at 31st March**	**5,762**

30. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2019/2020 £000		2020/2021 £000
(3,008)	Interest Received	(3,584)
7,187	Interest Paid	7,551
(841)	Dividend Received	-

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

Restated 2019/2020 £000		2020/2021 £000
(61,502)	Depreciation/Impairment charges to CIES	(51,993)
(13,572)	Movement in Pension Liability	(16,540)
-	Increase in Short Term Loans	461
7,556	(Increase)/decrease in Debtors	5,966
197	Increase/(decrease) in Inventories	132
1,428	(Increase)/decrease in Provisions	3,760
(564)	(Increase)/decrease in Creditors	(23,826)
2,650	(Increase)/decrease in Creditors over 1 year	3,152
2,789	(Increase)/decrease in Capital Receipts in Advance	(3,113)
6,279	Other non-cash items credited to the net surplus or deficit on the provision of services	32,361
(54,739)	**Total**	**(49,640)**

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

2019/2020 £000		2020/2021 £000
19,099	Capital grants credited to the surplus or deficit on the provision of services	19,280
4,723	Loss on disposal of property, plant and equipment investment property and intangible assets	137
3,710	Billing Authorities - Collection Fund adjustments	(19,278)
27,532	**Total**	**139**

31. Cash Flow Statement – Investing Activities

31st March 2020 £000		31st March 2021 £000
101,939	Purchase of property, plant & equipment, investment property and intangible assets	45,495
33,596	Other payments/receipts	(10,661)
(1,063)	Proceeds from sale of property, plant and equipment, investment property and intangible assets	(1,858)
(22,780)	Capital Grants received	(23,106)
111,692	**Net cash flows from investing activities**	**9,870**

32. Cash Flow Statement – Financing Activities

31st March 2020 £000		31st March 2021 £000
(557,077)	Cash receipts of short and long term borrowing	(510,436)
(21,120)	Other receipts from financing activities	-
473,780	Repayments of short and long term borrowing	503,987
1,773	Other payments for financing activities	3,053
(102,644)	**Net cash flows from financing activities**	**(3,396)**

33. Reconciliation of Liabilities Arising From Financing Activities

	1st April 2020 £000	Financing Cash Flows £000	Non-Financing Cash Flows £000	31st March 2021 £000
Long term borrowings	87,460	(7,973)	-	79,487
Short term borrowings	245,184	14,423	-	259,607
Lease liabilities	57,280	(1,244)	(45)	55,991
PFI Liabilities	39,231	(1,772)	(96)	37,363
Total Liabilities from Financing Activities	**429,155**	**3,434**	**(141)**	**432,448**

	1st April 2019 £000	Financing Cash Flows £000	Non-Financing Cash Flows £000	31st March 2020 £000
Long term borrowings	89,895	(2,435)	-	87,460
Short term borrowings	159,452	85,732	-	245,184
Lease liabilities	75,451	(18,135)	(36)	57,280
PFI Liabilities	42,707	(3,302)	(174)	39,231
Total Liabilities from Financing Activities	**367,505**	**61,860**	**(210)**	**429,155**

34. Road Charging Schemes under the Transport Act 2000

2019/2020 £000		2020/2021 £000
(1,571)	On-street parking operation surplus	**(1,055)**
	Utilised to Fund:	
5,341	Public Transport	4,273
391	Traffic Management & Road Safety	230
5,732	**Total Qualifying Expenditure**	**4,503**

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.

35. Agency Services

The Council provides payroll services for a number of other local authorities, schools including academies and its wholly-owned subsidiary companies. These organisations pay a management fee to the Council for the service. The total management fee received by the Council in 2020/2021 was £149,445 (2019/2020 £200,635) and is based on the number of employees paid.

In 2020/21 the Council received government grants totalling £109.368m in relation to support for local businesses and care homes during the Covid-19 pandemic. The Council acted as agent and passed these grants onto the appropriate organisations in line with government requirements. At 31st March 2021 a creditor of £29.652m is included on the balance sheet for amounts still to be paid to organisations in 2021/22. If there is any mounts left over after the creditors has been distributed these must be paid back to government.

36. Pooled Budgets

On 1st 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.

2019/2020 £000			2020/2021 £000	
		Funding provided to the pooled budget:		
15,061		Blackpool Council	15,183	
17,702		Blackpool CCG	18,456	
	32,763			33,639
		Expenditure met from the pooled budget:		
24,671		Blackpool Council	24,841	
7,813		Blackpool CCG	8,219	
	32,484			33,060
	279	Net surplus arising on the pooled budget during the year		579

37. Members' Allowances

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

2019/2020 £000		2020/2021 £000
835	Allowances	825
72	Expenses	79
907	**Total**	**904**

38. Officers' Remuneration

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

	Number in 2020/2021		**Number in 2019/2020**	
	Schools	**Other Staff**	**Schools**	**Other Staff**
£50,000 - £54,999	13	32	10	28
£55,000 - £59,999	6	21	7	23
£60,000 - £64,999	3	17	5	15
£65,000 - £69,999	4	9	4	6
£70,000 - £74,999	6	6	6	8
£75,000 - £79,999	1	3	-	2
£80,000 - £84,999	-	2	1	-
£85,000 - £89,999	1	-	2	2
£90,000 - £94,999	2	1	-	-
£95,000 - £99,999	-	1	-	1
£100,000 - £104,999	-	4	-	3
£105,000 - £109,999	-	2	-	2
£110,000 - £114,999	-	-	-	-
£115,000 - £119,999	-	1	-	1
£120,000 - £124,999	-	1	-	1
£140,000 - £144,999	-	-	-	1
£145,000-£149,999	-	1	-	-
TOTAL	**36**	**101**	**35**	**93**

The remuneration paid to the Authority's senior officers is in the above table and is broken down as follows:

Employees in Post 2020/2021

Post Holder Information	Salary £	Expense Allowance £	Total Excluding Pensions £	Employer Pension Contributions £	Total Including Pensions £
Chief Executive - Neil Jack	146,855	-	146,855	22,909	169,764
Director of Resources	105,842	54	105,896	16,511	122,407
Director of Communication & Regeneration	100,026	-	100,026	-	100,026
Director of Governance & Partnership Services	100,182	370	100,552	15,628	116,180
Director of Community & Environmental Services	100,182	-	100,182	15,628	115,810
Director of Public Health	119,364	12	119,376	16,468	135,844
Director of Children's Services	106,257	-	106,257	16,576	122,833
Director of Adult Services	100,182	710	100,892	15,628	116,520
Director of Strategy and Assistant Chief Executive	95,672	-	95,672	14,925	110,597
TOTAL	**974,562**	**1,146**	**975,708**	**134,273**	**1,109,981**

Employees in Post 2019/2020					
Post Holder Information	**Salary**	**Expense Allowance**	**Total Excluding Pensions**	**Employer Pension Contributions**	**Total Including Pensions**
	£	**£**	**£**	**£**	**£**
Chief Executive - Neil Jack	143,485	334	143,819	14,487	158,306
Director of Resources	103,413	1,832	105,245	15,653	120,898
Director of Communications and Regeneration	103,695	641	104,336	-	104,336
Director of Governance & Partnership Services	100,044	-	100,044	14,807	114,851
Director of Community & Environmental Services	100,044	-	100,044	1,153	101,197
Director of Public Health	120,096	196	120,292	16,574	136,866
Director of Children's Services	105,762	-	105,762	16,574	122,336
Director of Adult Services	97,884	334	98,218	14,487	112,705
Director of Strategy and Assistant Chief	88,327	246	88,573	13,072	101,645
TOTAL	**962,750**	**3,583**	**966,333**	**106,807**	**1,073,140**

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	
	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021 £000	2019/2020 £000
£0 - £20,000	1	10	35	25	36	35	327	188
£20,001 - £40,000	-	1	3	5	3	6	90	168
£40,001 - £60,000	-	-	2	1	2	1	102	50
£60,001 - £80,000	-	-	1	-	1	-	76	-
£80,001 - £100,000	1	-	-	-	1	-	83	-
Total	**2**	**11**	**41**	**31**	**43**	**42**	**678**	**406**

39. 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 Deloitte.

	2020/2021 £000	2019/2020 £000
Fees payable to auditors with regard to external audit services carried out by the appointed auditor	85	85
Additional fees payable to auditors in relation to the previous year's audit	-	18
Fees payable to auditors for the certification of grant claims and returns	9	18
Total	**94**	**121**

40. Disclosure of Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Education and Skills Funding Agency, 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 and Early Years (England) (No2) Regulations 2018. 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 2020/2021 are as follows:

	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000
Final DSG for 2020/21 before academy & high needs recoupment			120,967
Academy & high needs figure recouped for 2020/21			(72,275)
Total DSG after Academy & high needs recoupment for 2020/21			48,692
B/F from 2019/20			(3,105)
C/F to 2021/22 agreed in advance			0
Agreed initial budget distribution in 2020/21	26,576	19,010	45,586
In year adjustments	-	-	-
Final budgeted distribution for 2020/21	26,576	19,010	45,586
Less Actual Central Expenditure	32,338		
Less Actual ISB deployed to Schools		19,010	
Plus Local authority contribution for 2020/21	-	-	-
C/F to 2021/22	(5,762)	-	(5,762)

41. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/2021.

	2020/2021 £000	2019/2020 £000
Credited to Taxation and Non Specific Grant Income		
Business Rates Retained	19,507	28,515
Business Rates Top Up	24,468	27,137
Revenue Support Grant	15,030	-
Section 31 Grants (NNDR 1 return)	6,017	7,515
New Homes Bonus	266	454
Adult Social Care Grants	16,477	12,196
Opportunity Area	1,950	2,012
Covid-19 Grants:		
- Covid-19 support grant	10,179	6,085
- Sales, Fees and Charges	8,461	-
- Council Tax Hardship Fund	2,803	-
- DEFRA Emergency Assistance Grant	261	-
- Additional S31 Business Rate Reliefs	14,767	-
Other Contributions	324	427
Capital Grants - Other	19,280	19,099
Total	**139,790**	**103,440**
Credited to Services		
Dedicated Schools Grant	48,692	45,701
Pupil Premium Grant	3,474	3,247
Housing Benefit Administration Subsidy	746	763
Rent Allowance Subsidy	42,336	51,012
Rent Rebates Subsidy	10,933	10,813
Public Health Grant	18,512	17,941
Street Lighting PFI	2,627	2,627
Building Schools for the Future PFI	3,024	3,024
Universal Infant Free School Meals	556	596
Sustainable Transport Access Fund	2,500	2,498
Museum Project	3,505	955
Project Adder Grant (Public Health)	825	-
Independent Living Fund	168	168
Department for Transport Condition Surveys/Resurfacing Funding	2,060	2,100
Covid-19 Grants:		
- Contain Outbreak Management Fund/Test and Trace	1,230	-
- Infection Control	990	-
- Rapid Testing	109	-
- Workforce Capacity Fund	452	-
- Emergency Active Travel	415	-
- Bus Services Grant	156	-
- Complaince and Enforcement	114	-
- Rough Sleeping/Accomodation Project	147	-
- Clinically Extremely Vulnerable Support	214	-
- Community Champions	212	-
- Schools Catch Up Grant	293	-
- Winter Grant	526	-
- Self Isolating Fund	269	-
- Discretionary Business Support Grants	3,277	-
- Other Covid grants including New Burdens	206	-
Other Grants and Contributions	6,849	3,496
Total	**155,417**	**144,941**

As part of the Council's Growth and Prosperity programme the Council, working in partnership with Blackpool and the Fylde College (B&FC), commissioned a consultant team to prepare a comprehensive 'Masterplan and Delivery Plan' for a multiversity campus on the edge of Blackpool Town Centre for which the costs would be equally shared.

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:

	2020/2021 £000	2019/2020 £000
Current Liabilities		
Revenue Grants Received in Advance		
S31 Business Rate Retention 2020/21	-	6,017
Department for Transport - Project Amber	4,392	4,400
Rogue Landlord	-	63
Sport England	22	46
Green Homes	2,000	-
Active Travel	308	-
Covid-19 - Contain Outbreak/Test & Trace	4,767	-
Other	908	247
Total	**12,397**	**10,773**
Long Term Liabilities		
Capital Grants Received in Advance		
Department of Health	360	360
Environment Agency grants	2,807	2,183
Local Transport Plan	8,159	4,612
Empty Homes	2,013	2,142
Education & Skills Funding Agency	3,122	2,788
Other Grants & Contributions	-	526
Total	**16,461**	**12,611**

42. 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 40. Capital grant receipts unspent at 31st March 2021 are shown in Note 41.

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 2020/21 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 2020/21 is shown in Note 37.

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 £223,317 in 2020/2021 (2019/2020 - £266,704). The Council had an outstanding creditor with Calico at 31st March 2021 of £2,500. These payments were to meet the Council's social responsibilities.

These transactions were conducted at arms-length and in accordance with the Council'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.

The Director of Resources is a Trustee at Trinity Hospice and Treasurer at Clevr Money (previously known as Blackpool, Fylde and Wyre Credit Union). The Council received £79,557 from Trinity Hospice in relation to funding social care support staff and the collection of waste. £48,188 was received by the Council from Clevr Money in 2020/21 mainly in relation to waste collection and postage.

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 36.

The Council received £3.3m from Lancashire Enterprise Partnership (LEP) towards capital projects including the tramway extension and quality corridor regeneration works. The Council had an outstanding debtor with LEP at 31st March 2021 of £1.485m in relation to contributions to the cost of capital schemes.

Entities Controlled or Significantly Influenced by the Council

The Council 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 31st March 2021 was £19,236,000.

The Council 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 31st March 2021 was £22,800,000.

The Council controls Blackpool Airport Limited through its ownership of 100% shares in the Company. The authority provided loans to the Company. The balance outstanding on these loans at 31st March 2021 was £1,052,000.

The Council controls Blackpool Operating 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 31st March 2021 was £1,101,000

The Council controls Blackpool Entertainment 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 31st March 2021 was £2,500,000.

Full details on these loans are within Note 22.

The Council controls Blackpool Coastal Housing (BCH) through the ownership of 100% shares in the Company. In 2020/21 the Council made payments to BCH of £11,195,170 in relation to the management and maintenance of the Council's housing stock.

The authority also controls Blackpool Waste Services Limited and Lancashire Management Operations Limited through its ownership of 100% shares in the companies. Full details are in Section 7 Group Accounts.

All transactions between the Council and the subsidiary companies are included in Note G2 within the Group Accounts section.

43. 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.

	2020/2021 £000	Restated 2019/2020 £000
<u>Capital Financing Requirement</u>		
Restated Opening Capital Financing Requirement	**519,309**	**440,708**
Capital Investment		
Property, Plant & Equipment	23,870	78,147
Intangible Assets	466	-
Investment Properties	5,018	196
Assets under Construction	16,244	8,591
Revenue Expenditure funded from Capital under Statute	4,438	5,289
Long Term Debtor - Loan to Blackpool Transport Services	-	6,650
Long Term Debtor - Loan to Create	294	-
Long Term Debtor - Loan to Blackpool Housing Company	3,600	5,000
Long Term Debtor - Loan to Laila's Fine Foods	19	-
Long Term Debtor - Loan to Ocean Boulevard III	282	5,597
Long Term Debtor - Loan to Coolsilk	345	3,943
Long Term Debtor - Loan to Blackpool Airport	238	814
Long Term Debtor - Enveco Leased Vehicles	-	2,138
Long Term Debtor - Red Rocket Group	113	-
Long Term Debtor - Other business loans	-	191
Blackpool Housing Company Shares	2,250	3,125
Sources of Finance		
Capital Receipts	(2,069)	-
Government Grants & Other Contributions	(23,607)	(24,479)
Sums set aside from Revenue	(11,888)	(15,923)
Payments Received for :-		
Long Term Debtor -Loan to Blackpool Transport Services	(2,222)	(1,789)
Long Term Debtor - Loan to Blackpool Victoria Hospital	(923)	(923)
Long Term Debtor - Loan to Laila's Fine Foods	(65)	(84)
Long Term Debtor - Enveco Leased Vehicles	(407)	-
Long Term Debtor - Loan to Ocean Boulevard III	(305)	(500)
Long Term Debtor - Blackpool Pleasure Beach	(110)	(688)
Long Term Debtor - Other business loans	(428)	
Lease/PFI Repayments	(407)	3,306
Closing Capital Financing Requirement	**534,055**	**519,309**
Explanations of Movements in Year		
Increase in underlying need to borrow (unsupported by Government Financial Assistance)	14,746	78,601
Increase in Capital Financing Requirement	**14,746**	**78,601**

44. Long Term Creditors

Waste Services

The Council has recognised a creditor in respect of the borrowing raised by Lancashire County Council to settle the PFI liability in respect of the former Lancashire Waste PFI. The assets underpinning the finance lease are the land and buildings comprising the waste plants and are included within Property, Plant and Equipment – Other Land and Buildings on the balance sheet. Blackpool Council's share of the liability is 12.5%.

The total future repayments payable at 31st March 2021 were as follows:

	31st March 2021 £000	31st March 2020 £000
Payments due no later than one year	1,114	1,070
Payments due later than one year not later than five years	4,898	4,718
Payment due later than five years	23,191	24,486
Total	**29,203**	**30,274**

Authority as Lessee

Finance Leases

Ribble House

At its meeting on 19th 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 31st March 2021 was £19.3m which is included within Investment Properties on the balance sheet.

The total future repayments payable at 31st March 2021 were as follows:

	Minimum Lease Payments	
	31st March 2021 £000	31st March 2020 £000
Not later than one year	690	690
Later than one year and not later than five years	2,760	2,760
Later than five years	15,194	15,884
Total	**18,644**	**19,334**

Tramshed

In 2018/19 the Council entered into a 30 year lease for the Tramshed – a purpose-built student accommodation property. The property is managed by a wholly owned subsidiary of the Council and it's net book value of £14.925m (£15.317m in 2019/20) is included within Investment Properties on the balance sheet.

The future repayments payable at 31st March 2021 were as follows:

	Minimum Lease Payments	
	31st March 2021 £000	**31st March 2020 £000**
Not later than one year	709	707
Later than one year and not later than five years	2,856	2,847
Later than five years	16,110	16,828
Total	**19,675**	**20,382**

The Authority as Lessor

The Council has granted various property leases including the lease of the Sandcastle Waterpark, Ribble House and part of Number One Bickerstaffe Square. The future minimum lease payments under non-cancellable lease for all property leases in future years are:

	Minimum Lease Payments	
	31st March 2021 £000	**31st March 2020 £000**
Not later than one year	2,176	2,176
Later than one year and not later than five years	7,661	6,498
Later than five years	4,820	9,339
Total	**14,657**	**18,013**

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.

45. 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 1st 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 31st March 2021 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Service £000	Repayment Liability £000	Interest £000	Total Payment Due £000
Payable 2021/22	1,313	675	1,785	3,773
Payable in two to five years	6,139	2,618	6,560	15,317
Payable in six to ten years	9,272	4,300	6,548	20,120
Payable in eleven to fifteen years	10,394	7,213	3,944	21,551
Payable in sixteen to twenty years	2,835	3,149	417	6,401
Total	**29,953**	**17,955**	**19,254**	**67,162**

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:

2019/2020 £000		2020/2021 £000
(19,244)	Balance outstanding at start of year	(18,643)
601	Payments during the year	688
(18,643)	**Total**	**(17,955)**

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 4th 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 31st March 2021 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Service £000	Repayment Liability £000	Interest £000	Total Payment Due £000
Payable 2021/2022	1,818	1,192	1,122	4,132
Payable in two to five years	5,812	6,333	4,443	16,588
Payable in six to ten years	10,891	13,424	5,008	29,323
Payable in eleven to fifteen years	12,500	15,015	1,685	29,200
Total	**31,021**	**35,964**	**12,258**	**79,243**

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:

2019/2020 £000		2020/2021 £000
(23,463)	Balance outstanding at start of year	(22,790)
1,005	Payments during the year	1,084
(332)	Additions	(879)
(22,790)	**Total**	**(22,585)**

46. 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 2020/2021 the Council paid £2,820,418 (2019/20 £2,437,327) to the Department for Education in respect of teachers retirement benefits, representing 23.68% (2019/20 20.68%) 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 £2.8m.

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 47.

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

NHS Staff Pension Scheme

From 1st 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 2020/2021, the Council paid £80,255 (2019/20 £81,970) to the NHS Pension Scheme in respect of Public Health employees' retirement benefits, representing 14.38% (2019/20 14.38%) 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 £74,580.

47. 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 (i.e. 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. The government is of the opinion that the difference in treatment will need to be remedied across all public sector pension schemes. The figures include an allowance for the McCloud judgement.

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	
	2020/21 £000	**2019/20 £000**	**2020/21 £000**	**2019/20 £000**
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Service Cost comprising				
- current service cost	22,623	23,174	-	-
- past service costs	-	2,947	-	-
- curtailments	337	-	-	-
Financing & Investment Income and Expenditure				
Net interest expense	4,649	5,369	74	80
Total Post-employment Benefits charged to the Surplus/Deficit on the Provision of Services	**27,609**	**31,490**	**74**	**80**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
- Actuarial gains and losses arising on changes in financial assumptions	151,876	(11,954)	338	(81)
- Actuarial gains and losses arising on changes in demographic assumptions	-	(31,506)	-	(86)
- Experience gains and losses	(57,787)	13,349	-	(44)
Return on plan assets	(19,068)	2,958	(51)	-
Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement	**75,021**	**(27,153)**	**287**	**(211)**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(27,609)	(31,490)	(74)	(80)
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	34,351	687		
Retirement benefits payable to pensioners			156	157

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	
	2020/21 £000	**2019/20 £000**	**2020/21 £000**	**2019/20 £000**
Present value of the defined benefit obligation	1,039,054	882,784	3,348	3,143
Fair value of plan assets	(743,132)	(655,141)	-	-
Net liability arising from defined benefit obligation	**295,922**	**227,643**	**3,348**	**3,143**

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2020/21	**2019/20**	**2020/21**	**2019/20**
	£000	**£000**	**£000**	**£000**
Opening fair value of scheme assets	655,141	626,341	-	-
Interest Income	16,298	15,891	-	-
Remeasurement gain/(loss):				
- The return on plan assets , excluding the amount included in the net interest expense	57,787	(13,349)	-	-
- Other	(425)	(401)	-	-
Contributions from employer	34,351	687	156	157
Contributions from employees into the scheme	4,563	4,320	-	-
Benefits paid	(24,583)	(23,273)	(156)	(157)
Business combinations	-	44,925	-	-
Closing fair value of scheme assets	**743,132**	**655,141**	**-**	**-**

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits Arrangements	
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
Opening balance at 1 April	882,784	855,206	3,143	3,431
Current service cost	22,198	22,773	-	-
Interest cost	20,947	21,260	74	80
Contributions from scheme participants	4,563	4,320	-	-
Remeasurement (gains) and losses:				
- Actuarial (gains)/losses arising from changes in demographic assumptions	-	(31,506)	-	(86)
- Actuarial (gains)/losses arising from changes in financial assumptions	151,876	(11,954)	338	(81)
- Experience (gains) and losses	(19,068)	2,958	(51)	(44)
Past service cost	-	2,788	-	-
Losses/(gains) on curtailment	337	159	-	-
Benefits paid	(24,583)	(23,273)	(156)	(157)
Business Combinations	-	40,053	-	-
Closing balance at 31 March	**1,039,054**	**882,784**	**3,348**	**3,143**

	Fair Value of Scheme Assets	
	2020/21	**2019/20**
	£000	**£000**
Cash & cash equivalents	16,412	7,207
Bonds:		
- Corporate	-	16,380
Sub total bonds	-	16,380
Property:		
-Retail	730	655
- Commercial	12,002	8,517
Sub total property	12,732	9,172
Private Equity: Overseas	400,057	347,224
Other investment funds:		
- Credit Funds	99,338	103,512
- Pooled Fixed Income	24,771	34,722
- Infrastructure	89,121	90,409
- Property	93,101	46,515
- UK Pooled Equity Funds	7,600	-
Sub total other investment funds	313,931	275,158
Total assets	**743,132**	**655,141**

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 2019.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2020/21 £000	**2019/20 £000**	**2020/21 £000**	**2019/20 £000**
Post Retirement Mortality Assumptions:				
Non Retired:				
Men/Women	110%/94%	110%/94%	110%/94%	110%/94%
Retired				
Men/Women	103%/91%	103%/91%	103%/91%	103%/91%
Longevity at 65 for current pensioners:				
- Men	22.4yrs	22.3yrs	22.4yrs	22.3yrs
- Women	25.1yr	25.0 yrs	25.1yr	25.0yrs
Longevity at 75 for current pensioners:				
- Men	-	-	13.7yrs	13.6yrs
- Women	-	-	15.9yrs	15.8yrs
Longevity at 65 for future pensioners:				
- Men	23.9yrs	23.8 yrs	-	-
- Women	26.9yrs	26.8yrs	-	-
Rate of inflation	2.7%	2.1%	2.7%	2.1%
Rate of increase in salaries	4.2%	3.6%	-	-
Rate of increase in pensions	2.8%	2.2%	2.8%	2.2%
Rate for discounting scheme liabilities	2.1%	2.4%	2.1%	2.4%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method.

	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	3.03%	31,444
Rate of Inflation - increase by 0.1%	1.74%	18,049
Rate of increase in salaries - increase by 0.1%	0.18%	1,832
1% increase in real discount rate	(1.71%)	(17,741)

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 2022.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 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.

The Council opted to make the 3 year advance payment of its employer pension contributions and deficit payments totalling £33.579m in 2020/21. This covers the contributions for 2020/21, 2021/22 and 2022/23.

48. 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; and
- 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

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 £4.35m 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 recoverability applies to all of the Authority's deposits but there was no evidence at 31st March 2021 that this was likely to crystallize therefore no separate provision for loss has been made in the accounts. The Council limits the amount of borrowing undertaken, thereby reducing the potential credit risk from placing deposits.

Expected Credit Losses

Expected credit losses are an allowance based on all reasonably possible future events that could result in default, weighted by likelihood of occurrence. They are calculated by comparing the net present value of all contractual cash flows that are due with the net present value of all cash flows that are expected to be received. There were no significant expected losses identified.

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

	Amount at 31st March 2021 £000	**Historical experience of default %**	**Historical experience adjusted for market conditions at 31st March 2021 %**	**Estimated maximum exposure to default and uncollectability At 31st March 2021 £000**	**Estimated maximum exposure at 31st March 2020 £000**
Deposits with banks and financial institutions	4,350	-	-	-	-
Customers	53,897	35%	-	18,864	16,432

Of the £63m current debtors £10.663m relates to invoices raised for customer accounts.

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 and invoices should be paid within 30 days, however £5.283m of the £10.663m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31st March 2021 £000	31st March 2020 £000
Up to 3 months	550	1,256
Three to six months	1,764	672
Six months to one year	1,189	604
1-2 years	820	1,172
2-3 years	364	190
Over 3 years	596	583
Total	**5,283**	**4,477**

The year on year increase is due to the Council's response to the Covid-19 pandemic. The Council introduced a moratorium on collecting debts in the early days of the pandemic and agreed terms and repayment plans with some rental customers in order to protect and support local businesses. In light of this, the Council carried out additional reviews when considering the impairment allowance.

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:

	31st March 2021 £000	31st March 2020 £000
Less than one year	259,607	245,184
Between one and two years	3,024	6,184
Between two and five years	6,808	9,833
Between five and ten years	20,312	22,157
Between ten and fifteen years	11,810	11,814
Between fifteen and twenty years	-	-
More than twenty years	37,533	38,472
Total	**339,094**	**333,644**

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 £2.5m effect on the financial statements. This assumption is based on the methodology used in the Note 19 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 £25.426m 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 £1.27m gain or loss being recognised in the Other Comprehensive Income and Expenditure for 2020/21.

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.

49. 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.

As at 31st March 2021 the Council had no material contingent assets to disclose.

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

50. Heritage Assets: Five Year Summary of Transactions

Information on Illuminations and Civic Regalia is not available before 1st 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.

	2016/2017 £000	2017/2018 £000	2018/2019 £000	2019/2020 £000	2020/2021 £000
Balance B/fwd					
Cenotaph	120	120	20	20	20
Civic Regalia	591	591	510	510	689
Illuminations	500	500	550	550	550
Tower Collection & Local Family History Collection	900	900	1,450	1,450	1,450
Art Collection	5,000	5,000	5,655	5,655	5,655
Stanley Park Statues	653	653	-	-	-
Total Balance B/fwd	**7,764**	**7,764**	**8,185**	**8,185**	**8,364**
Additions					
Art Collection	-	55	-	-	-
Total Additions	**-**	**55**	**-**	**-**	**-**
Impairment/Revaluation					
Cenotaph	-	(100)	-	-	-
Civic Regalia	-	(81)	-	179	(19)
Illuminations	-	50	-	-	-
Tower Collection & Local Family History Collection	-	550	-	-	-
Art Collection	-	600	-	-	-
Stanley Park Statues	-	(653)	-	-	-
Total Impairment/Revaluation	**-**	**366**	**-**	**179**	**(19)**
Balance C/fwd					
Cenotaph	120	20	20	20	20
Civic Regalia	591	510	510	689	670
Illuminations	500	550	550	550	550
Tower Collection & Local Family History Collection	900	1,450	1,450	1,450	1,450
Art Collection	5,000	5,655	5,655	5,655	5,655
Stanley Park Statues	653	-			
Total Balance C/fwd	**7,764**	**8,185**	**8,185**	**8,364**	**8,345**

Section 6

Supplementary Single Entity Financial Statements

Housing Revenue Account

Housing Revenue Account

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.

Housing Revenue Account

Income and Expenditure Statement for the Year Ended 31st March 2021

2019/2020		2020/2021	
£000		**£000**	**£000**
	Expenditure		
3,988	Repairs and maintenance	3,935	
8,725	Supervision and management	7,932	
186	Rent, rates , taxes and other charges	145	
2,511	Depreciation and impairment of non-current assets	2,523	
52	Debt management costs	30	
283	Movement in the allowance for bad debts	240	
15,745	**Total Expenditure**		**14,805**
	Income		
(16,766)	Dwelling rents	(17,094)	
(120)	Non-dwelling rents	(119)	
(1,676)	Charges for services and facilities	(1,949)	
(255)	Contributions towards expenditure	(353)	
(18,817)	**Total Income**		**(19,515)**
(3,072)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**(4,710)**
	HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
772	Loss on sale of HRA non-currents assets	150	
(1,428)	Capital grants	(129)	
399	Interest payable and similar charges	341	
(85)	Interest and investment income	(36)	326
(3,414)	**Surplus for the year on HRA services**		**(4,384)**

Movement on the Housing Revenue Account Statement for the Year Ending 31st March 2021

	2020/2021 £000	2019/2020 £000
Balance on HRA Reserve at 1st April	**(4,830)**	**(5,705)**
Surplus for the year on HRA Income and Expenditure Statement	(4,384)	(3,414)
Adjustments between accounting basis and funding basis under statute	6,182	4,289
Net increase or decrease in year	1,798	875
Balance on HRA Reserve at 31st March	**(3,032)**	**(4,830)**

Notes to the HRA Statement

1. Housing Revenue Account Stock

The Council owned 4,741 dwellings at 31st March 2021 which are analysed below:-

	2020/2021	2019/2020
Bedsits	51	56
Flats	2,885	2,853
Maisonettes	1	30
Bungalows	8	8
Houses	1,728	1,735
Multi occupied dwellings	68	54
Total	**4,741**	**4,736**

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

	2020/2021	2019/2020
Stock at 1st April	**4,736**	**4,801**
Less: Sales to tenants	(9)	(28)
Disposal of Troutbeck properties	-	(81)
Other Disposals	-	(3)
Add: Queens Park Phase II	-	8
William Lyons House	14	-
Hoyle House	-	12
Other Additions/Purchases	-	17
Recovery Houses/Hostels	-	10
Stock at 31st March	**4,741**	**4,736**

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

	2020/2021 £000	2019/2020 £000
Operational assets:		
Council dwellings	123,239	118,763
Other HRA	7,626	2,350
Stock at 31st March	**130,865**	**121,113**

2. Dwelling Rents

This is the total rent due for the year after allowance is made for voids etc. During the year 3.3% of lettable properties, excluding hostels, were vacant (2019/20: 3.1%). This includes properties intentionally held vacant pending the ongoing re-development of the Troutbeck estate and other sites. During the year the average void rate for hostels was 24.6% (2019/20 - 11%).

The average rent (excluding Affordable Rent properties) was £69.19 a week in 2020/21, an increase of 2.88% over the previous year.

	2020/2021 £000	2019/2020 £000
Vacant possession value of properties	293,881	283,494

The vacant possession value of dwellings held on 31st March 2021 was £293,880,905. The difference between this and the Existing Use Value (Social Housing) and Existing Use Value (Affordable Rent) valuation of £121,420,847 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:

	2020/2021 £000	2019/2020 £000
Balance at 1st April	**-**	**-**
Transferred to MRR during the year	-	-
Transfer between MRR and HRA during the year	2,523	2,253
Debits to MRR during the financial year in respect of capital expenditure:		
Houses held within HRA	(2,523)	(2,253)
Balance at 31st March	**-**	**-**

4. Housing Repairs Account

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

	2020/2021 £000	2019/2020 £000
Balance at 1st April	**-**	**-**
Add: Revenue contribution	3,935	3,988
Less: Expenditure in year		
Responsive repairs	(2,810)	(2,879)
Planned maintenance	(1,125)	(1,109)
Balance at 31st March	**-**	**-**

5. Capital Expenditure within Housing Revenue Account

	2020/2021 £000	2019/2020 £000
Total capital expenditure within the Housing Revenue Account on land, housing & other property	**11,379**	**7,571**
Sources of funding for the above Capital Expenditure:		
- Revenue contributions (as defined in Local Government & Housing Act 1989)	8,492	3,747
- Major Repairs Reserve	2,523	2,253
- Grants and other funding	364	1,571
Total capital expenditure within the HRA	**11,379**	**7,571**

Usable capital receipts totalling £76,963 were received and carried forward to be applied in future years.

6. Depreciation Charge within the HRA

	2020/2021 £000	2019/2020 £000
Depreciation charges for:		
- Operational assets, comprising dwellings and other land and buildings	2,467	2,203
- Non-Operational assets	56	50
Total	**2,523**	**2,253**

7. Impairment

	2020/21 £000	2019/2020 £000
Impairment charges in respect of land, houses and other property within the HRA	-	258

The basis of valuation of the housing stock within the HRA is Existing Use Value – Social Housing (EUV-SH) and Existing Use Value – Affordable Housing (EUV-AH). This is calculated by applying a prescribed discount factor to the Existing Use Value – Vacant Possession (EUV-VP) as advised by the Ministry for Housing, Communities and Local Government (MHCLG).

There is no government guidance on how the EUV-AH should be calculated. Having taken advice from the Valuer it has been calculated using a discount factor of 52% on the basis that the average difference in chargeable rent between EUV-SH and EUV-AH within the estates is 52%.

The 2020/2021 HRA revaluation exercise was a desk top review which resulted in an increased value to both the social housing stock and the non-dwelling assets.

8. Government Rules

The Localism Act 2011 resulted in the cessation of the Housing Subsidy System on 31st March 2012 and the introduction of the HRA self-financing system on 1st 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 2020/2021 amounted to £894,000 compared to £675,000 in the previous year. During the year 2020/2021 rent arrears as a proportion of gross collectable rent (including service charges) were 4.55% (2019/2020: 3.52%).

Amounts written off during the year amounted to £2,100 (2019/20: £426,000). The total provision for bad and doubtful rental debts in the Housing Revenue Account at 31st March 2021 is £814,000 (£578,000 at 31st March 2020). This provision has been calculated in accordance with the Housing Revenue Account (Arrears of Rents and Charges) Directions 1990.

In common with many other housing providers there was some impact on rent collection due to Covid-19 and this was particularly the case with former tenants arrears in the absence of legal means of redress during the pandemic. A 1% increase in arrears as a proportion of gross collectible rent is lower than many other comparable organisations including the use of algorithm software.

Collection Fund

Collection Fund Statement 2020/2021

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 (NNDR).

2019/2020 £000 Council Tax	2019/2020 £000 NNDR	2019/2020 £000 Total		2020/2021 £000 Council Tax	2020/2021 £000 NNDR	2020/2021 £000 Total
			Income			
68,180		68,180	Council Tax Receivable	73,875		73,875
	45,603	45,603	Business Rates Receivable		13,775	13,775
68,180	**45,603**	**113,783**	**Total Income**	**73,875**	**13,775**	**87,650**
			Expenditure			
			<u>Apportionment of previous year's surplus/(deficit)</u>			
	(1,503)	(1,503)	Central Government		755	755
1,146	(1,473)	(327)	Blackpool Council	477	1,539	2,016
51	(30)	21	Lancashire Fire Authority	21	31	52
134		134	Police & Crime Commissioner for Lancashire	62		62
			<u>Precepts, Demands and Shares</u>			
	9,447	9,447	Central Government		19,581	19,581
56,837	28,515	85,352	Blackpool Council	60,135	19,507	79,642
2,537	582	3,119	Lancashire Fire Authority	2,633	398	3,031
7,357		7,357	Police & Crime Commissioner for Lancashire	7,857		7,857
			<u>Charges to Collection Fund</u>			
668	680	1,348	less: Increase/Decrease in BDP	4,943	1,345	6,288
	2,550	2,550	less:Increase/Decrease in Provision for Appeals		1,554	1,554
	251	251	less:Cost of Collection		248	248
	655	655	less: Transitional Protection Payments	(10)	1,014	1,004
68,730	**39,674**	**108,404**	**Total Expenditure**	**76,118**	**45,972**	**122,090**
550	**(5,929)**	**(5,379)**	**(Surplus)/Deficit for the Year**	**2,243**	**32,197**	**34,440**
			Collection Fund Balance			
(1,890)	2,310	420	Fund balance at 1st April (Surplus)/Deficit	(1,340)	(3,619)	(4,959)
(1,340)	**(3,619)**	**(4,959)**	**(Surplus)/Deficit as at 31st March**	**903**	**28,578**	**29,481**
			Allocated to:			
(1,141)	(2,660)	(3,801)	- Blackpool Council	768	14,003	14,771
(50)	(54)	(104)	- Lancashire Fire Authority	33	286	319
(149)		(149)	-Police & Crime Commissioner for Lancashire	102		102
	(905)	(905)	- Central Government		14,289	14,289
(1,340)	**(3,619)**	**(4,959)**	**Total**	**903**	**28,578**	**29,481**

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 1st April 2013 up to 31st March 2019, the local government finance regime was revised with the introduction of a retained business rates scheme. The main aim of the scheme was 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%).

On 13th December 2018 the Ministry of Housing, Communities and Local Government (MHCLG) approved the establishment of a Lancashire-wide 75% Business Rate Pilot Pool (including Blackpool) in 2019/20 to share risk and reward. As part of this, the 50% rate retention scheme increased to 75% and authorities in the pool forego Revenue Support Grant. The value of the Revenue Support Grant was taken into account when revised business rate tariffs and top-ups for the pilot authorities were set. The Government also increased the Safety Net from 92.5% to 95% for the new pilot pools. Consequently, from 1st April 2019 to 31st March 2020 the income relating to Blackpool was shared between Central Government (25%), the Council (73.5%) and the Fire Authority (1.5%).

Following the ending of the pilot, the percentage shares reverted to previous rates and from 1st April 2020 the income is shared between Central Government (50%), the Council (49%) and Lancashire Fire Authority (1%).

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

2. Council Tax

The Council as a billing authority is required to set a tax base for each billing year by 31st 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 2020/2021 was 37,157 (36,521 in 2019/2020). 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 2020/2021 was calculated as follows:

Band	Chargeable Dwellings	Proportion of Band D Tax	Equivalent Band D Dwellings
A Reduced	32	5/9	18
A	17,032	6/9	11,355
B	15,033	7/9	11,692
C	8,940	8/9	7,947
D	3,950	1	3,950
E	1,660	11/9	2,029
F	499	13/9	721
G	217	15/9	362
H	19	18/9	38
Less Family Annex Discount			1
Less allowances for non collection			953
Tax Base for the Calculation of Council Tax			**37,157**

3. 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.

The business rates shares payable for 2020/2021 were estimated before the start of the financial year as £19.581m (50%) (£9.447m in 2019/20 at 25%) to Central Government, £0.398m (1%) (£0.582m in 2019/20 at 1.5%) to Lancashire Fire Authority and £19.507m (49%) (£28.515m in 2019/20 at 73.5%) to Blackpool Council. These sums have been paid in 2020/2021 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 Council received top up grant to the General Fund in 2020/2021 to the value of £24.468m (£27.137m in 2019/2020).

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 2020/2021 has been calculated at £15.902m (£13.623m in 2019/2020).

For 2020/2021, the total non-domestic rateable value at the year- end is £124.84m. The national multiplier for 2020/2021 was 49.9p (50.4p in 2019/2020) for qualifying small businesses and the standard multiplier being 51.2p (49.1p in 2019/2020) for all other businesses.

4. Allocation Of Closing Balances

The allocation of the closing balances for 2020/2021 between the preceptors is as follows:

	Central Government £000	Blackpool Council £000	Lancashire Fire Authority £000	Police and Crime Commissioner for Lancashire £000	Total £000
Council Tax					
Arrears at 31st March 2021		18,421	783	2,455	**21,659**
Receipts in Advance		(955)	(41)	(127)	**(1,123)**
Bad Debt Provision		(7,688)	(327)	(1,025)	**(9,040)**
Surplus/Deficit		768	33	102	**903**
Business Rates					
Arrears at 31st March 2021	4,901	4,803	98		**9,802**
Receipts in Advance	(186)	(182)	(4)		**(372)**
Bad Debt Provision	(2,318)	(2,272)	(46)		**(4,636)**
Appeals	(7,951)	(7,792)	(159)		**(15,902)**
Surplus/Deficit	14,289	14,003	286		**28,578**

Section 7

Group Accounts

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, Regional & City Airports (Blackpool) Holdings Ltd, Blackpool Waste Services Ltd and Lancashire Management Operations Limited are 100% owned by the Council and are therefore classified as subsidiaries. They are incorporated into the accounts on a line-by-line basis.

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 20th 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 15th 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 16th 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 26th 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: 06581425

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 taken over 100% ownership of the airport site.

Blackpool Waste Services Limited

Registered Address: Number One Bickerstaffe Square, Talbot Road, Blackpool FY1 3AH
Company Number: 11645026

On 1st July 2019 Blackpool Waste Services Limited took over Blackpool's domestic waste services contract. The Company is wholly owned by the Council.

Lancashire Management Operations Limited

Registered Address: Number One Bickerstaffe Square, Talbot Road, Blackpool FY1 3AH
Company Number: 11680239

The company was incorporated in November 2018 and is responsible for the management of Tramshed student accommodation in Preston. The company is wholly owned by the Council.

Core Financial Statements - Group

Group Movement in Reserves Statement

2020/21

	General Fund Balance £000	Earmarked General Fund Reserves £000	HRA £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Group Reserves £000	Total Reserves £000
Restated Balance as at 1st April 2020	**(1,576)**	**(49,818)**	**(4,830)**	**(11,411)**	**-**	**(3,112)**	**(70,747)**	**(164,209)**	**(234,956)**	**7,058**	**(227,898)**
Reporting of Schools Budget Deficit to new Adjustment Account at 1st April	(3,098)	-	-	-	-	-	(3,098)	3,098	-	-	-
Restated Balance as at 1st April 2020	**(4,674)**	**(49,818)**	**(4,830)**	**(11,411)**	**-**	**(3,112)**	**(73,845)**	**(161,111)**	**(234,956)**	**7,058**	**(227,898)**
Movements in Reserves in 2020/21											
(Surplus) or Deficit on the provision of services	31,365		(4,384)	-	-	-	**26,981**	-	**26,981**	3,788	**30,769**
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	65,380	**65,380**	5,839	**71,219**
Total Comprehensive Income and Expenditure	**31,365**	**-**	**(4,384)**	**-**	**-**	**-**	**26,981**	**65,380**	**92,361**	**9,627**	**101,988**
Adjustments between accounting basis and funding basis under regulations (Note 10)	(62,175)	-	6,182	(2,381)	-	-	**(58,374)**	58,374	-		-
Net (Increase) or Decrease before Transfer to Earmarked Reserves	**(30,810)**	**-**	**1,798**	**(2,381)**	**-**	**-**	**(31,393)**	**123,754**	**92,361**	**9,627**	**101,988**
Transfer (to)/from Earmarked Reserves (Note 11)	25,630	(25,630)	-	-	-	-	-	-	-	-	-
(Increase)/Decrease in 2020/21	**(5,180)**	**(25,630)**	**1,798**	**(2,381)**	**-**	**-**	**(31,393)**	**123,754**	**92,361**	**9,627**	**101,988**
Balance as at 31st March 2021	**(9,854)**	**(75,448)**	**(3,032)**	**(13,792)**	**-**	**(3,112)**	**(105,238)**	**(37,357)**	**(142,595)**	**16,685**	**(125,910)**

2019/20

	General Fund Balance £000	Earmarked General Fund Reserves £000	HRA £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Group Reserves £000	Total Reserves £000
Restated Balance as at 1st April 2019	**(8,988)**	**(41,662)**	**(5,705)**	**(7,527)**	**-**	**(3,112)**	**(66,994)**	**(156,610)**	**(223,604)**	**1,210**	**(222,394)**
Movements in Reserves in 2019/2020											
Surplus or Deficit on the provision of services	33,459	-	(3,414)	-	-	-	**30,045**	-	**30,045**	(3,130)	**26,915**
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	(41,397)	**(41,397)**	8,969	**(32,428)**
Total Comprehensive Income and Expenditure	**33,459**	**-**	**(3,414)**	**-**	**-**	**-**	**30,045**	**(41,397)**	**(11,352)**	**5,839**	**(5,513)**
Adjustments between accounting basis and funding basis under regulations	(34,203)	-	4,289	(576)	-	-	**(30,490)**	30,490	**-**	-	**-**
Net increase or Decrease before Transfer to Earmarked Reserves	**(744)**	**-**	**875**	**(576)**	**-**	**-**	**(445)**	**(10,907)**	**(11,352)**	**5,839**	**(5,513)**
Transfer to/from Earmarked Reserves	8,156	(8,156)	-	(3,308)	-	-	**(3,308)**	3,308	**-**	-	**-**
Increase/Decrease in 2019/2020	**7,412**	**(8,156)**	**875**	**(3,884)**	**-**	**-**	**(3,753)**	**(7,599)**	**(11,352)**	**5,839**	**(5,513)**
Restated Balance as at 31st March 2020	**(1,576)**	**(49,818)**	**(4,830)**	**(11,411)**	**-**	**(3,112)**	**(70,747)**	**(164,209)**	**(234,956)**	**7,049**	**(227,907)**

Group Comprehensive Income and Expenditure Statement

Restated 2019/2020				2020/2021		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
13,055	(6,366)	6,689	Chief Executive	8,197	(6,423)	1,774
11,992	(3,846)	8,146	Governance and Partnership Services	8,362	(3,954)	4,408
190	(2)	188	Ward Budgets	454	-	454
30,924	(9,867)	21,057	Resources	27,872	(10,189)	17,683
31,734	(9,840)	21,894	Communication and Regeneration	25,378	(11,732)	13,646
10,157	(4,818)	5,339	Strategic Leisure Assets	22,007	(4,379)	17,628
69,090	(21,323)	47,767	Community and Environmental Services	64,104	(18,548)	45,556
83,339	(22,447)	60,892	Adult Services	93,724	(36,314)	57,410
134,670	(75,311)	59,359	Children's Services	146,457	(80,745)	65,712
13,182	(21,120)	(7,938)	Public Health	15,655	(25,507)	(9,852)
98,782	(114,652)	(15,870)	Budgets Outside the Cash Limit	95,190	(99,174)	(3,984)
3,385	(24,244)	(20,859)	Contingencies	12,318	(17,847)	(5,529)
15,745	(18,817)	(3,072)	Housing Revenue Account	14,767	(19,515)	(4,748)
516,245	**(332,653)**	**183,592**	**Cost of Services**	**534,485**	**(334,327)**	**200,158**
1,867	-	1,867	Other Operating Expenditure	1,032		1,032
21,836	(16,543)	5,293	Financing & Investment Income & Expenditure - Other	20,430	(7,647)	12,783
-	(163,518)	(163,518)	Taxation and Non-Specific Grant Income	-	(182,972)	(182,972)
539,948	**(512,714)**	**27,234**	**Deficit on Provision of Services**	**555,947**	**(524,946)**	**31,001**
		(319)	Tax of Subsidiaries			(232)
		26,915	**Group Deficit**			**30,769**
		(8,456)	Surplus or Deficit on revaluation of non-current assets			(9,928)
		(32,545)	Remeasurement of the net defined pension liability			80,160
		8,573	Other Movements			987
		(32,428)	**Other Comprehensive Income and Expenditure**			**71,219**
		(5,513)	**Total Comprehensive Income and Expenditure**			**101,988**

Group Balance Sheet

Restated 1st April 2019	Restated 31st March 2020		Notes	31st March 2021
£000	£000			£000
425,991	473,568	Property, Plant and Equipment	G3	476,153
308,457	304,280	Infrastructure Assets		298,177
8,185	8,364	Heritage Assets		8,345
76,043	92,289	Investment Property	G4	101,382
-	466	Intangible Assets		737
897	753	Surplus Assets		697
10	10	Long Term Investments		10
30,843	38,379	Long Term Debtors		32,525
850,426	**918,109**	**Long Term Assets**		**918,026**
1,274	1,475	Inventories		1,544
54,241	58,360	Short Term Debtors	G5	73,105
13,504	26,957	Cash and Cash Equivalents	G6	10,248
69,019	**86,792**	**Current Assets**		**84,897**
(159,452)	(245,184)	Short Term Borrowing		(259,607)
(80,866)	(81,768)	Short Term Creditors	G7	(102,858)
(17,845)	(15,037)	Provisions		(11,058)
(258,163)	**(341,989)**	**Current Liabilities**		**(373,523)**
(98,905)	(94,795)	Long Term Creditors		(92,919)
(89,895)	(87,460)	Long term Borrowing		(79,487)
(234,625)	(240,076)	Pension Liability		(314,552)
(63)	(63)	Other Long Term Liabilities		(62)
(15,400)	(12,611)	Capital Grants in Advance		(16,461)
(438,888)	**(435,005)**	**Long Term Liabilities**		**(503,481)**
222,394	**227,907**	**Net Assets**		**125,919**
(66,191)	(70,333)	Usable Reserves		(101,386)
(156,203)	(157,574)	Unusable Reserves		(24,533)
(222,394)	**(227,907)**	**Total Reserves**		**(125,919)**

Group Cash Flow Statement

Restated 2019/2020 £000		2020/2021 £000
26,915	**Deficit on the provision of services**	**30,769**
(44,545)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(53,288)
25,205	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	139
7,575	**Net cash flows from Operating Activities**	**(22,380)**
108,522	Investing Activities	9,067
(102,644)	Financing Activities	(3,396)
13,453	**Net increase or (decrease) in cash and cash equivalents**	**(16,709)**
13,504	Cash and cash equivalents at the beginning of the reporting period	26,957
26,957	**Cash and cash equivalents at the end of the reporting period**	**10,248**

Notes to the Group Accounts

G1. 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.

G2. 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 reserves.

ii) The Council owns shares to the value of £15,850,000 in Blackpool Housing Company. This has been taken out of long term investments and capital 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 reserves

iv) An amount of £1,353,000 representing amounts outstanding between the Council and Blackpool Coastal Housing has been taken out of debtors and creditors.

v) An amount of £19,236,000 representing loans to Blackpool Transport from the Council has been taken out of long term debtors and long term creditors.

vi) An amount of £22,800,000 representing loans to Blackpool Housing Company from the Council has been taken out of long term debtors and long term creditors.

vii) An amount of £420,000 representing amounts outstanding between the Council and Blackpool Waste Services has been taken out of debtors and creditors.

viii) An amount of £732,000 representing amounts outstanding between the Council and Lancashire Management Operations Limited has been taken out of debtors and creditors.

ix) An amount of £1,052,000 representing a loan to Blackpool Airport from the Council has been taken out of long term debtors and long term creditors.

x) An amount of £1,718,000 representing a lease arrangement for waste vehicles between the Council and Blackpool Waste Services has been taken out of long term debtors and long term creditors.

xi) An amount of £262,000 representing amounts outstanding between the Council and Blackpool Housing Company has been taken out of debtors and creditors.

xii) An amount of £611,000 representing amounts outstanding between the Council and Blackpool Entertainment Company has been taken out of debtors and creditors.

xiii) An amount of £1,235,000 representing a short term cash flow loan to Blackpool Airport Ltd from the Council has been taken out of short term loans and creditors.

xiv) An amount of £2,500,000 representing a loan to Blackpool Entertainment Company from the Council has been taken out of long term debtors and long term creditors.

xv) An amount of £1,101,000 representing a loan to Blackpool Operating Company from the Council has been taken out of long term debtors and long term creditors.

G3. Property, Plant and Equipment

2020/2021

	Council Dwellings & Other HRA £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	PP&E Under Construction £000	Total PP&E £000	*PFI Assets Included in PPE £000*
Cost or Valuation							
Restated Balance as at 1 April 2020	**123,365**	**277,506**	**136,392**	**66**	**24,212**	**561,541**	*32,705*
Additions	8,856	4,400	5,862	1	16,244	**35,363**	-
Revaluation increases/decreases to Revaluation Reserve	1,734	2,216	-	-	-	**3,950**	-
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	-	(11,731)	-	-	(11,100)	**(22,831)**	-
Derecognition - Disposals	(567)	(2,968)	(3,029)	-	-	**(6,564)**	-
Derecognition - Other	-	-	-	-	-	-	-
Transfer	187	2,594	-	-	-	**2,781**	-
Balance as at 31 March 2021	**133,575**	**272,017**	**139,225**	**67**	**29,356**	**574,240**	*32,705*
Depreciation and Impairment							
Restated Balance as at 1 April 2020	**(2,253)**	**(15,987)**	**(69,733)**	**-**	**-**	**(87,973)**	*(9,419)*
Depreciation Charge	(2,523)	(8,442)	(9,802)	-	-	**(20,767)**	*(1,198)*
Depreciation written out on Revaluation Reserve		3,785	-	-	-	**3,785**	-
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	2,253	31	-	-	-	**2,284**	-
Derecognition - Disposals		2,975	2,827	-	-	**5,802**	-
Derecognition - Other	(37)	(1,181)	-	-	-	**(1,218)**	-
Balance as at 31 March 2021	**(2,560)**	**(18,819)**	**(76,708)**	**-**	**-**	**(98,087)**	*(10,617)*
Net Book Value							
Balance as at 31 March 2021	**131,015**	**253,198**	**62,517**	**67**	**29,356**	**476,153**	**22,088**
Restated Balance as at 31 March 2020	**121,112**	**261,519**	**66,659**	**66**	**24,212**	**473,568**	**23,286**

Restated Comparatives 2019/2020

	Council Dwellings & Other HRA £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	PP&E Under Construction £000	Total PP&E £000	*PFI Assets Included in PPE £000*
Cost or Valuation							
Restated Balance as at 1 April 2019	**117,887**	**248,156**	**125,464**	**66**	**22,199**	**513,772**	*32,705*
Additions	7,571	55,587	14,650	-	8,591	**86,399**	-
Revaluation increases/decreases to Revaluation Reserve	-	7,663	-	-	-	**7,663**	-
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(258)	(31,775)	-	-	(6,354)	**(38,387)**	-
Derecognition - Disposals	(1,835)	(221)	(3,722)	-	(224)	**(6,002)**	-
Transfer		(1,904)	-	-		**(1,904)**	-
Restated Balance as at 31 March 2020	**123,365**	**277,506**	**136,392**	**66**	**24,212**	**561,541**	*32,705*
Depreciation and Impairment							
Restated Balance as at 1 April 2019	**-**	**(20,620)**	**(67,161)**	**-**	**-**	**(87,781)**	*(8,220)*
Depreciation Charge	(2,253)	(8,654)	(5,912)	-	-	**(16,819)**	*(1,199)*
Depreciation written out on Revaluation Reserve	-	6,051	-	-	-	**6,051**	-
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	-	6,887	-	-	-	6,887	-
Derecognition - Disposals	-	349	3,340	-	-	**3,689**	-
Restated Balance as at 31 March 2020	**(2,253)**	**(15,987)**	**(69,733)**	**-**	**-**	**(87,973)**	*(9,419)*
Net Book Value							
Restated Balance as at 31 March 2020	**121,112**	**261,519**	**66,659**	**66**	**24,212**	**473,568**	*23,286*
Restated Balance as at 31 March 2019	**117,887**	**227,536**	**58,303**	**66**	**22,199**	**425,991**	*22,088*

G4. Investment Properties

2019/2020 £000		2020/2021 £000
75,757	**Balance at start of the year**	**92,289**
	Additions -	
8,163	- Purchases	10,581
181	- Construction	174
-	Disposals	(20)
	Transfer -	
2,074	- (To)/from PPE	-
6,993	Upward Revaluation	898
(879)	Impairment	(2,540)
	Net gains/(losses) from fair value adjustments to Surplus/(Deficit) on Provision of Services	
92,289	**Balance at end of the year**	**101,382**

In addition to the Council's investment properties (Note 17) the above table includes £40.2m of investment property held by Blackpool Housing Company. The properties are valued by a Director of Blackpool Housing Company.

G5. Short Term Debtors

The group short-term debtors are made up of the following amounts:

31st March 2020 £000		31st March 2021 £000
34,590	Trade receivables	41,804
13,117	Prepayments	6,846
9,174	Other receivable amounts	12,082
	Debtors for local taxation:	
16,011	- Council Tax	18,420
5,340	- NNDR	13,714
(19,872)	Total impairment	(19,761)
58,360	**Net Value of Debtors**	**73,105**

G6. Cash and Cash Equivalents

The group cash and cash equivalents are made up of the following amounts:

31st March 2020 £000		31st March 2021 £000
26	Cash held	29
21,350	Short term deposits with institutions	4,350
5,581	Bank current accounts	5,869
(1,872)	Bank Overdraft	(919)
26,957	**Total Cash and Cash Equivalents**	**10,248**

G7. Short Term Creditors

The group short-term creditors are made up of the following amounts:

31st March 2020 £000		31st March 2021 £000
(44,158)	Trade payables	(40,752)
(1,389)	Other payables - PFI	(1,009)
(14,245)	Other payables - non PFI	(38,480)
(18,012)	Receipts in Advance	(21,444)
	Creditors for local taxation:	
(289)	- Council tax	(417)
(3,675)	- NNDR	(756)
(81,768)	**Total Short Term Creditors**	**(102,858)**

Section 8

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 (e.g. short term debtors). Non-current assets yield benefit to the Council for a period of more than one year (e.g. 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.

Curtailment

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, i.e. 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 (i.e. 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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Blackpool Council

Audit Update Report to the Audit Committee on the 2020/21 audit

Issued on 18 July 2023 for the meeting on 27 July 2023

Deloitte Confidential: Government and Public Services

Contents

Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting an update to the Audit Committee on the progress of our 2020/21 audit.
I would like to draw your attention to the key messages within this paper:

Status of our Statement of Accounts audit	Our financial statements audit is substantially complete, subject to completion of the following areas: • Review of the revised Statement of Accounts to ensure all expected adjustments have been made, including our review of the prior period adjustment disclosures; • Finalisation of our outstanding queries in relation to the accounting for Infrastructure Assets; • Completion of our internal quality assurance procedures; • Review of events from 31 March 2021 to the date of signing the financial statements; and • Receipt of signed management representation letter. We are working constructively with the Council to complete our work and we will provide the Committee with a verbal update on our progress at the meeting on 27 July 2023.
Status of our Value for Money audit	Our Value for Money work is ongoing, and will be reported in our Auditor's Annual Report, within three months of the signing of the audit opinion as specified under the National Audit Office Auditor Guidance Note 3. In our audit planning report, which was presented to the Committee on 30 September 2021, we highlighted three risks of significant weakness in the Council's arrangements. These risks covered financial sustainability, the 2018 Ofsted findings in relation to Children's services and the Council's commercial activities. Our work is still ongoing in relation to financial sustainability and the Council's commercial activities. However, based on the work performed we have concluded that there is a significant weakness in relation to the 2018/19 Ofsted findings. We have included more detail in relation to this weakness on page 20. It should be noted that our financial statement audit opinion will refer to this significant weakness in arrangements.

Introduction

The key messages in this report (continued)

Infrastructure Assets and change in risk assessment	There have been a series of issues raised with CIPFA and the Department for Levelling Up, Housing and Communities (DLUHC) with regard to the treatment of infrastructure assets in local authority Statement of Accounts. Following a series of discussions at national technical groups, which were attended by Deloitte, and also several consultations that were overseen by CIPFA and DLUHC, the following has been issued: • **CIPFA Code Update** On 29 November 2022 the CIPFA code was updated to remove the requirement for authorities to disclose gross book value and accumulated depreciation for infrastructure assets. • **Statutory Instrument** A statutory instrument was laid before parliament on 30 November 2022, and came into effect on 25 December 2022, with the main purpose to allow authorities to make the assumption that any infrastructure asset additions recognised are replacing components that have been fully depreciated. • **CIPFA Bulletin 12 – Accounting for Infrastructure Assets – Temporary Solution** This was released on 12 January 2023 and provides example disclosures and examples of how both the Statutory Instrument and the Code update impact on the accounting for infrastructure assets. Based on the changes to the guidance and also the issues identified across the local government sector in relation to the accounting for infrastructure assets, the decision was made to make infrastructure assets an other area of audit focus. We have provided more detail regarding this risk and the audit findings at the point of writing this report on page 19. No other changes in risk assessment have occurred since we issued our audit plan.
Conclusions from our testing	We have identified four uncorrected misstatements, which impact on the primary statements, and three uncorrected disclosure misstatements. Further details of these misstatements can be viewed on pages 29 to 31. We have also identified two prior period adjustments, which impact on the primary statements, and one prior period adjustment that impacts on a disclosure note. Further details of these misstatements can be viewed at pages 32 to 34. The revised Statement of Accounts has been updated to reflect these prior period adjustments.
Narrative Report and Annual Governance Statement	• We have reviewed the Council's Narrative Report and Annual Governance Statement, to consider whether it is misleading or inconsistent with other information known to us from our audit work. • We suggested a number of changes to the Narrative Report. It is our understanding that these changes have been made by Officers. We are currently reviewing the revised Narrative Report to ensure that all expected changes have been made and we will verbally update the Audit Committee on 27 July 2023 after we have completed our review of the revised Narrative Report. • The quality of the draft Statement of Accounts has been discussed in more detail on page 7.

Introduction

The key messages in this report (continued)

Duties as public auditor	• We did not receive any objections from local electors this year. • We have not identified any matters that would require us to issue a public interest report. • We have not had to exercise any other audit powers under the Local Audit and Accountability Act 2014.
Whole of Government Accounts (WGA)	We are required to perform testing on the Council's WGA submission, checking its consistency to the audited financial statements and reporting our findings to the National Audit Office (together with our audit opinion and key issues from our audit). Although the OSCAR system has now closed the NAO still require us to complete an assurance statement in relation to the Council's 2020/21 Whole of Government Accounts submission. However, the Council falls below the new threshold of £2bn, and as a result the level of work required will be minimal.
Internal Audit interaction	The audit team has met with the Head of Internal Audit, and we have arranged regular catch up meetings throughout the year. We have reviewed their audit reports to help inform our risk assessment procedures. It should however be noted that we have not placed any reliance on the work of Internal Audit during the year.

Nicola Wright
Audit Partner

Quality Indicators

Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason
Timing of key accounting judgements	!	Management have discussed key judgement areas, such as property valuations, with the audit team throughout the audit. However, there have been a number of significant adjustments required in areas such as pensions (see page 18) and property valuations (see page 15), and we have identified a control weakness in relation to management's review of property valuation reports (see page 24).
Adherence to deliverables timetable	!	Management delivered against the agreed deliverables timetable, with only minor delays in some areas, largely due to limited capacity within the finance team. However, there were often several iterations of deliverables required.
Access to finance team		The finance team has been accessible throughout the audit. The audit team has had daily calls with the Corporate Finance Accountant, as well as weekly catch up calls with the Strategic and Technical Finance Manager and the Head of Accountancy to discuss audit queries.
Quality and accuracy of management accounting papers	!	Our review of management accounting papers has raised a number of queries and this has often resulted in additional work being required by the finance team. We have discussed improvement points with the finance team throughout the audit and are aware that these have been considered and taken into account when preparing working papers for the 2021/22 audit.

! Improvement required ! Developing Mature

Quality Indicators

Impact on the execution of our audit (continued)

Area	Grading	Reason
Quality of draft Statement of Accounts	!	Our initial review of the draft Statement of Accounts identified a number of inconsistencies between the primary statements and supporting notes. Our audit testing has also identified a significant number of material adjustments that were required to the draft Statement of Accounts in order to ensure compliance with the CIPFA Code. In addition, during the audit we became aware of a lack of secondary review of any revisions to the Statement of Accounts before they were presented to the audit team for audit. Further detail regarding this control finding can be viewed on page 24.
Volume and magnitude of identified errors	!	We have set out all unadjusted differences on pages 29 to 31. In addition, to these unadjusted errors, we have also identified four prior year adjustments and a large number of other adjustments above our reporting threshold of £0.5m. These are all set out on pages 32 to 41. The volume of required adjustments is more significant than we would usually expect and has resulted in additional time being required on the audit.

! Improvement required ! Developing Mature

Responsibilities of the Audit Committee

Helping you fulfil your responsibilities

Why do we interact with the Audit Committee?

- To communicate audit scope
- To provide timely and relevant observations
- To provide additional information to help you fulfil your broader responsibilities

Page 214

As a result of regulatory change in recent years, the role of the Audit Committee has significantly expanded. We set out here a summary of the core areas of Audit Committee responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Audit Committee in fulfilling its remit.

Oversight of external audit

- At the start of each annual audit cycle, ensure that the scope of the external audit is appropriate.
- Make recommendations as to the auditor appointment and implement a policy on the engagement of the external auditor to supply non-audit services.

Integrity of reporting

- Impact assessment of key judgements and level of management challenge.
- Review of external audit findings, key judgements, level of misstatements.
- Assess the quality of the internal team, their incentives and the need for supplementary skillsets.
- Assess the completeness of disclosures, including consistency with disclosures on strategy and, provide advice in respect of the fair, balanced and understandable statement.

Internal controls and risks

- Review the internal control and risk management systems.
- Explain what actions have been, or are being, taken to remedy any significant failings or weaknesses.

Oversight of internal audit

- Monitor and review the effectiveness of the internal audit activities.

Whistle-blowing and fraud

- Ensure that appropriate arrangements are in place for the proportionate and independent investigation of any concerns raised by staff in connection with improprieties.

Our audit explained

We tailor our audit to your organisation and your strategy

Identify changes in your business and environment

In our planning report, we identified the key changes in your operations and articulated how these impacted our audit approach.

Scoping

Our planning report set out the scoping of our audit in line with the Code of Audit Practice. No changes have been made to the approach set out in our audit plan.

Other findings

As well as our conclusions on the significant risks and our Value for Money work, we are required to report to you our observations on the internal control environment as well as any other findings from the audit.

Page 215

Determine materiality

When planning our audit we set our materiality at £11.2m (Council only £10.5m) based on total gross expenditure per the draft financial statements for 2020/21. There has been no change to our materiality calculation since the presentation of our planning report to the Committee. We will also report any misstatements above £0.5m to the Committee.

Significant risk assessment

In our planning report, we explained our risk assessment process and detailed the significant risks we have identified on this engagement. No new significant risks have been identified, but we have included a new other area of audit focus in relation to infrastructure assets.

Conclude on significant risk areas

We have set out the status of our significant risk work and conclusions reached on pages 10 to 15.

Our audit report

Our audit is ongoing but subject to the successful clearance of the outstanding areas on page 3 of this report, we expect to issue an unmodified audit opinion.

Significant risks

Risk of fraud in revenue recognition

Risk identified	Under ISA 240 (UK), there is a presumed risk that revenue may be misstated due to improper revenue recognition. Local authorities have a statutory duty to balance their annual budget and are operating in a financially challenged environment with reducing levels of government funding and increasing demand for services. Achievement of budget is critical to minimising the impact and usage of the Council's usable reserves and provides a basis for the following year's budget. Any deficit outturn against the budget is therefore not a desirable outcome for the Council and management, and therefore this desire to achieve budget increases the risk that the financial statements may be materially misstated. Our judgement is that the significant risk at the Council relates to the recognition of grants with terms and conditions attached, including the new grants received in year relating to Covid-19 where terms and conditions may be less clear and there is no historical basis for the accounting treatment. There is a risk that the Council will recognise the income before the terms and conditions have been met. There are also a number of grants relating to Covid-19, such as the business rates relief, where management need to determine if they are acting in the capacity of an "agent" or "principal".
Deloitte response and challenge	We have completed the following procedures: • Assessed the design and implementation of the controls in relation to the accounting treatment of grant income, including Covid-19 grants; • Reviewed management's assessment of the accounting treatment of each significant grant claim, with a particular emphasis on Covid-19 related grants, and challenged the appropriateness of the approach adopted; and • Tested a sample of grants with terms and conditions attached, including the new Covid-19 related grants, to ensure that where management judgements have been made relating to the recognition of the income, all terms and conditions have been achieved.
Findings and Conclusion	After completing our testing, we have identified no errors above our reporting threshold that impact on the income value recognised by the Council in the Comprehensive Income and Expenditure Statement (CIES). However, we have identified the following disclosure misstatements that have now been amended: • Three disclosure misstatements in note 43 – Grant Income of the draft Statement of Accounts that are above our reporting threshold were identified. Further detail of these misstatements can be found on page 41. • We identified that note 37 – Agency services did not include £109.4m of Covid-19 grant income where the Council had acted as an agent, receiving income on behalf of other organisations. Further detail of this misstatement can be found on page 40. No further matters were identified that we are required to bring to the attention of the Audit Committee.

Significant risks

Completeness of accrued expenditure

Risk identified	Under ISA 240 (UK), there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. In the current year, we have identified the risk as relating specifically to year end accruals. There is an inherent fraud risk associated with the under-recording of expenditure in order for the Council to report a more favourable year-end position. For Blackpool Council, there is therefore an inherent risk that it may materially misstate its expenditure through the understatement of accruals in an attempt to report a more favourable year end position.
Deloitte response and challenge	We have completed the following procedures: • Assessed the design and implementation of the key controls in place in relation to the recording of accruals; • Tested a sample of accruals to supporting documentation to check whether they are valid liabilities, that the amount accrued is appropriately supported, and that the liability was incurred as at 31 March 2021; and • Tested a sample of post year end payments made, per the Council's bank statements, in order to ensure that the associated expenditure has been included in the correct period.
Findings and Conclusion	After completing our testing, we have identified the following matters: • An over-accrual of £5.7m in relation to historic Housing Benefit overpayments was included in the draft Statement of Accounts. The accrual was made by the Council to reflect the impact of housing benefit overpayments on the subsidy the Council receives from the Department for Work and Pensions. However, the impact of the overpayments is already included elsewhere in the Statement of Accounts and as a result it is not necessary to include a separate accrual at the year end. The Council have amended for this in the revised Statement of Accounts. Further detail in relation to this misstatement can be viewed on pages 35 and 36. • A documentation weakness relating to the year end accruals review meetings was also identified. Further detail in relation to this weakness can be viewed on page 22. No further matters were identified that we are required to bring to the attention of the Audit Committee.

Significant risks

Valuation of property assets

Risk identified

The value of land and buildings and investment properties represent significant balances in the Council's Statement of Accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgements in respect of key assumptions and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet.

The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a four year cycle. As a result of this, however, individual assets may not be revalued for three years and any changes to the factors used in the valuation process could materially affect the value of the Council's assets as at year end.

There is therefore a risk that the value of property assets materially differ from the year end fair value, particularly given that valuations are inherently judgemental and include a number of assumptions.

It should be noted that investment properties are also regularly revalued. As a result of the Covid-19 pandemic, there has been significant market movements during the year which will impact on the valuations of the investment properties held by the Council. This increases the level of judgment required in valuing the assets.

Deloitte response and challenge

We have completed the following procedures:

- Reviewed the design and implementation of the controls in place in relation to the valuation of property assets;
- Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Engaged our valuation specialists, Deloitte Real Assets Advisory, to review and challenge the appropriateness of the assumptions used in the valuation of the Council's property assets, including assessing the impact of Covid-19 on the valuation of the Council's property assets;
- Engaged our valuation specialists, Deloitte Real Assets Advisory, to review and challenge the inclusion of a 'material valuation uncertainty' paragraph of the valuation reports for the Council owned car parks, Council Dwellings and Victoria Street properties;
- Tested a sample of key asset information used by the Council's valuers in performing their valuation, such as gross internal areas, back to supporting documentation;
- Reviewed assets not subject to valuation in 2020/21 in order to confirm that the remaining asset base is not materially misstated; and
- Reviewed the presentation of revaluation movements, and the disclosures included in the Statement of Accounts.

Significant risks

Valuation of property assets (continued)

Findings and Conclusion

At the time of writing this report, we are completing our internal quality assurance procedures in relation to our work around the valuation of property assets, and we will provide the Audit Committee with an update on the status of these procedures on 27 July 2023.

However, our work to date has identified the following matters in relation the valuation of property assets:

- Two uncorrected misstatements relating to the valuation of the Council's car parks and the Houndshill Shopping Centre. The combined value of these misstatements is a valuation overstatement of £2.2m. Further detail regarding both misstatements can be viewed on pages 29 and 30.
- One corrected misstatement relating to the valuation of the Winter Gardens at 31 March 2021. Further detail regarding this can be viewed on pages 35 and 37.
- One control weakness relating to the lack of evidence of review of the valuation reports received from the valuers by officers. Further detail regarding this can be viewed on page 22.

It is also necessary to draw the Audit Committee's attention to the inclusion of 'material valuation uncertainty' paragraphs in the valuation reports for the Council owned car parks, Council Dwellings and Victoria Street properties. The revised Statement of Accounts have been updated to include paragraphs explaining the 'material valuation uncertainty' in notes 14 and 17.

The inclusion of these 'material valuation uncertainty' paragraphs mean that it is necessary for the audit opinion to draw attention to these paragraphs. As a result an 'emphasis of matter' will be added to the audit opinion to draw attention to management's disclosures.

No further matters have been identified that we are required to bring to the Audit Committee's attention.

Significant risks

Management override of controls

Risk identified

In accordance with ISA 240 (UK), management override of controls is a significant risk due to fraud for all entities. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions.

The key judgements in the financial statements include those which we have selected to be the significant audit risks (recognition of grant income with terms and conditions attached, completeness of accrued expenditure and the Council’s property valuations) and any one-off and unusual transactions where management could show bias. These are inherently the areas in which management has the potential to use their judgment to influence the Statement of Accounts.

Deloitte response and challenge

We have considered the overall sensitivity of judgements made in the preparation of the Statement of Accounts, and note that:

- The Council delivered an underspend for 2020/21 per the Council’s outturn report; and
- Senior management’s remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

Journals

- We have tested the design and implementation of controls in relation to the processing of journals and accounting estimates.
- We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.
- We have used Spotlight data analytics tools to test a sample of journals, based upon identification of items of potential audit interest. Our analysis has covered all journals posted in the year.

Significant unusual transactions

- We have not identified any material unusual transactions outside the normal course of business of the Council.

Significant risks

Management override of controls (continued)

Deloitte response and challenge (continued)	**Accounting estimates** • We have reviewed accounting estimates for bias that could result in material misstatements due to fraud. • We have performed testing on key accounting estimates as discussed on pages 11, 12, 16 and 17.
Findings and Conclusion	We have completed our testing of journal entries and have no matters to report to the Audit Committee. We have concluded our work in relation to key accounting estimates on pages 11, 12, 16 and 17.

Other areas of audit focus

Net pension liability valuation

Risk identified

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Lancashire County Pension Fund, which is part of the Local Government Pension Scheme.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's Balance Sheet. Per the draft financial statements as at 31 March 2021, this totalled £322 million. As a result of this being an estimated balance there is a risk that inappropriate inputs and assumptions are used, which could result in the net pension liability valuation being materially misstated.

Deloitte response and challenge

We have completed the following procedures:

- Agreed the actuarial report for the Council produced by Mercers, the scheme actuary, to the Statement of Accounts pension disclosures;
- Reviewed the disclosures made in the Statement of Accounts against the requirements of the Code;
- We have engaged the audit team of Lancashire County Pension Fund to request the completion audit procedures obtain over the information supplied to the actuary in relation to the Council;
- Assessed the independence and expertise of the actuary supporting the basis of reliance upon their work;
- Reviewed and challenged the assumptions made by Mercers;
- Assessed the reasonableness of the Council's share of the total assets of the scheme by reference to the Pension Fund financial statements; and
- Reviewed the accounting of the upfront pension contribution made by the Council to assess whether this is in line with the requirements of the CIPFA Code.

Findings and Conclusion

We have completed our procedures and identified the following matters:

- The Council have not included the impact of the Goodwin pension ruling in the Statement of Accounts. Our actuarial specialists have estimated that if this were included it would increase the pension liability by £1m. Further detail is included on pages 29 and 30.
- The Council made an upfront pension contribution on 1 April 2020. The impact of this was not included in the actuaries initial valuation. The inclusion of the pension contributions resulted in the pension liability reducing to £299m. In addition, the draft Statement of Accounts incorrectly accounted for the upfront pension contributions. This has now been amended in the revised Statement of Accounts. Further detail is included on pages 35 and 36.

No further matters were identified that we are required to bring to the attention of the Audit Committee.

Other areas of audit focus

Investment valuations

Risk identified

The subsidiary entities are valued by an external valuer, based on a range of assumptions including the future expected performance of the individual entities. Due to the impact of Covid-19 on the economy, there is an increased risk that some of these investments may require impairment if the business plans have been impacted significantly.

Deloitte response and challenge

We have completed the following procedures:

- Reviewed the CIPFA Code and the requirements for investment valuations;
- Consulted with Deloitte technical specialists regarding the application of the CIPFA Code; and
- Agreed the values disclosed to underlying records.

Findings and Conclusion

At the time of writing this report, we are completing our internal quality assurance procedures in relation to our work around the valuation of property assets, and we will provide the Audit Committee with an update on the status of these procedures on 27 July 2023.

Our work to date has identified the Council values the investments held using differing methods, with some investments valued at market value and others at cost. However, per the CIPFA Code the basis of valuation should be consistent across the whole class of asset. The audit team challenged the Council regarding the valuation inconsistency between investments and the Council agreed to amend the financial statements to ensure the valuation basis was consistent.

The decision to value the investments at cost was made due to the nature of the investments held and the fact that they are not held for capital appreciation purposes, but instead to support the Council's wider regeneration objectives.

As a result of the change being material, it was necessary for the Council to amend the opening position at the earliest possible date, which is 1 April 2019, to reflect that a similar situation was in place in previous years. This has been treated as a prior period adjustment in the Statement of Accounts.

This has resulted in a decrease in the investment valuations at 1 April 2019 of £11.6m. A separate prior period adjustments disclosure has been added to the revised Statement of Accounts, which we are currently in the process of reviewing. Further detail regarding this adjustment can be found on pages 32 and 33.

No further matters have been identified that we are required to bring to the Audit Committee's attention.

Other areas of audit focus

Long term debtor recoverability

Risk identified	At 31 March 2021, the Council had provided loans totalling £86m to a number of its subsidiaries and also some private companies. During the year, the Council offered a six month repayment holiday from 1 April 2020 to 30 September 2020 to all businesses with a loan from the Council. Due to the impact of Covid-19 on a wide range of companies within the economy, we believe there is a risk that some of these entities may not be able to repay the loans provided by the Council, and as a result, the value of the loans at 31 March 2021 may need to be impaired.
Deloitte response and challenge	We have completed the following procedures: • Obtained loan agreements from the Council for a sample of loans, in order to allow us to review the terms and conditions included in the agreements, with a particular focus on any collateral that is included in the agreements; • Reviewed and assessed the current operational status of each company in our sample, including reviewing the latest set of audited financial statements for the company, in order to identify any potential risks to the recoverability of the loan provided by the Council; and • Obtained and reviewed management's assessment of the recoverability of the loans.
Findings and Conclusion	We have completed our procedures and identified one control weakness relating to the loan agreements between the Council and its subsidiary companies not being signed. Further details regarding this control finding can be viewed on page 22. As part of our subsequent events work, it has come to light that one of the long term debtors, which totals £9.3m at 31 March 2021, is at risk of being repaid to the Council. However, we are aware that per the agreement between the Council and the third party the associated assets will revert to the Council on default of the debtor. We have reviewed the value of the assets as part of our audit procedures and identified that the value of the assets exceeds the value of the debtor amount and therefore we are comfortable that no provision for this amount has been included in the Statement of Accounts. No further matters have been identified that we are required to bring to the Audit Committee's attention.

Other areas of audit focus

Infrastructure assets

Risk identified

Infrastructure assets are inalienable assets, expenditure on which is only recovered by continued use of the asset created. They include carriageways, structures, street lighting, street furniture and traffic management systems, and are measured at historical cost, in line with the requirements of the CIPFA Code.

The CIPFA Code requires that where a component of an asset is replaced:

- the cost of the new component should be reflected in the carrying amount of the infrastructure asset; and
- the gross costs and accumulated depreciation of the old component should be derecognised to avoid double counting.

In 2020/21, auditors identified that local authorities in the UK have not been properly accounting for infrastructure assets since the move to IFRS due to deficits in the information held by authorities. This has resulted in the risk of Council's overstating the value of the infrastructure assets held, as assets that have been disposed of are not written out, and also inappropriate useful economic lives being used.

Deloitte response and challenge

We are in the process of finalising the following procedures:

- Reviewing the full listing of the Council's infrastructure assets to ensure that the underlying records are sufficiently disaggregated and it is possible to identify what each asset recognised in the Statement of Accounts relates to;
- Reviewing and challenging the useful economic lives used by the Council, including obtaining supporting documentation to support the lives used and comparing the lives to the expected lives as included in the CIPFA bulletin; and
- Reviewing the disclosures included in the revised Statement of Accounts to ensure they are in line with the requirements of the CIPFA Code update, CIPFA Bulletin and the Statutory Instrument.

Status

At the time of writing this report, we have identified one issue as part of our audit procedures. This relates to the inclusion of trams in infrastructure assets historically, when per the CIPFA Code these should be classified as vehicles, plant and equipment. As this is a material historic issue a prior year adjustment is necessary. The revised Statement of Accounts has included a separate disclosure for prior year adjustments, which we are currently in the process of reviewing. We will provide an update to the Audit Committee on 27 July 2023. Further details can be viewed on page 34.

No further matters have been identified. However, we have not finalised the procedures set out above and will provide the Audit Committee with a verbal update on 27 July 2023.

Value for money

Our work is ongoing and will be reported in our Auditor's Annual Report

Value for Money requirements

We are required to consider the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources. Under the revised requirements of the Code of Audit Practice 2020 and related Auditor Guidance Note 03 ('AGN03'), we are required to:

- Perform work to understand the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources against each of the three reporting criteria (financial sustainability, governance, and improving economy, efficiency and effectiveness);
- Undertake a risk assessment to identify whether there are any risks of significant weaknesses in arrangements. This was completed at the audit planning stage and we identified three risks of significant weakness in the Council's arrangements. These risks covered financial sustainability, the 2018/19 Ofsted findings in relation to Children's services and the Council's commercial activities;
- If any risks of significant weaknesses are identified, perform procedures to determine whether there is in fact a significant weakness in arrangements, and if so to make recommendations for improvement; and
- Issue a narrative commentary in the Auditor's Annual Report, setting out the work undertaken in respect of the reporting criteria and our findings, including any explanation needed in respect of judgements or local context for findings. If significant weaknesses are identified, the weaknesses and recommendations will be included in the reporting, together with follow-up of previous recommendations and whether they have been implemented. Where relevant, we may include reporting on any other matters arising we consider relevant to Value for Money arrangements, which might include emerging risks or issues arising.

Status of our work and significant weaknesses

Our Value for Money work is ongoing, and will be reported in full in our Auditor's Annual Report, within three months of the date of our audit opinion as specified under the National Audit Office Auditor Guidance Note 3.

It should be noted that there is a requirement to include any known significant weaknesses in our audit report, if they are known at the date the audit report is issued.

As part of our procedures, we are aware that in 2018/19, the Council received an "Inadequate" rating from Ofsted. The monitoring reports produced by Ofsted, since the initial rating, have highlighted that progress has been made. However, as at 31 March 2021 the "inadequate" rating remained in place, with Ofsted highlighting that there are still a number of areas for improvement.

Therefore we have concluded that a significant weakness in the Council's arrangements in relation to 2018/19 Ofsted findings remains and as a result we are required to highlight this significant weakness in our audit opinion.

Our work in relation to the other significant risks of weakness is still ongoing and we will provide an update to the Audit Committee on 27 July 2023.

Other significant findings

Internal control and risk management

During the course of our audit, we have identified a number of internal control and risk management findings, which we have included below for information.

Area	Observation	Management response	Priority
Review of Statement of Accounts	**Finding** – A number of inconsistencies and casting errors were identified in the draft Statement of Accounts that were shared with the audit team. It is our expectation that these issues would be identified and amended before the Statement of Accounts are presented for audit. **Recommendation** - A detailed review of the Statement of Accounts and the accounting treatment for all significant transactions should be undertaken by senior members of the finance team to identify any issues before the Statement of Accounts are presented for audit.	TBC	
Exit package agreements	**Finding** – As part of our audit procedures, we have tested a sample of exit packages that are disclosed in note 40 of the draft Statement of Accounts. During our testing we identified that the Council does not retain a copy of the signed exit package agreement between the Council and the former employee. **Recommendation** – We recommend that the Council ensures that signed exit package agreements are retained.	TBC	
Valuation of Heritage Assets	**Finding** – The Council's Heritage Asset portfolio was most recently revalued by the Head of Heritage in 2018. The Council deemed that the revaluation by the Head of Heritage was appropriate as they have extensive experience of working with heritage assets. However, we would expect heritage asset revaluations to be performed by an external body who have appropriate qualifications in place, in order to allow them to provide the valuation. **Recommendation –** We recommend that the Council engage an external body to provide updated Heritage Asset revaluations in future years.	TBC	

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

Low Priority

Medium Priority

High Priority

Other significant findings

Internal control and risk management (continued)

Area	Observation	Management response	Priority
Accruals review meetings	**Finding** - As part of the year-end procedure to identify accruals, the finance team hold meetings with the Director of Resources to discuss the month 12 budget monitoring and the adjusted cash limited budget. This allows the finance team to identify any missed accruals. No evidence of these meetings, such as meeting minutes, are produced. **Recommendation** – The Council should look to maintain minutes of these discussions to provide evidence of this control taking place.	TBC	
Review of property valuers reports	**Finding** – On an annual basis the Council commissions a number of property valuers to provide valuations of the Council's property assets. We would expect officers at the Council to would review and challenge these reports when they are received. However, we have not identified any evidence of this review taking place. **Recommendation** – Officers should review and challenge all property valuation reports when received before they are added to the Statement of Accounts.	TBC	
Long term debtor – signed loan agreements	**Finding** - We have identified that the loan agreements between the Council and its subsidiary companies have not been signed. It should be noted that both the Council and the subsidiaries are aware of the terms of the loan agreements. **Recommendation** – In order to avoid potential legal challenge it is recommended that the Council ensure all agreements are signed going forward.	TBC	
Going concern assessment	**Finding** - We have identified that management do not prepare a formal going concern assessment on an annual basis. This is because the Council prepares the Statement of Accounts on a continuing provision of service basis, which means that only an act of parliament could result in the Council no longer being a going concern. It is however best practice for an assessment to be prepared. **Recommendation** – The Council should perform a going concern assessment on an annual basis.	TBC	

Other significant findings

Internal control and risk management (continued)

Area	Observation	Management response	Priority
IT findings – CEDAR: Mirroring access	**Finding** - Access for Starters are specified by mirroring an existing user's access privileges; this is an option provided in the new Starters form. This poses a risk that access which is not required may be mistakenly passed onto the new starter and therefore privilege creep could occur. In mitigation, the process is formalised with a specific form that needs to be filled in and sent to the IT team by the relevant line manager, therefore access is approved by an appropriate user. **Recommendation** – The Council should consider ending the process of mirroring access rights when adding a new starter to the system.	TBC	
IT findings – CEDAR, Capita and Orchard leavers access	**Finding** - For CEDAR, Capita and Orchard leavers, access is revoked on a monthly basis by the System Administration Teams once a leavers report is received from HR. The System Administration Teams then go through the list to check if that individual had access to the systems and that their access has been removed. The risk is therefore that an individual may have access to a system for up to a month before their access is withdrawn, as IT are not notified of the leaver until they receive the report from HR. **Recommendation –** The Council should consider introducing a process whereby line managers are required to inform the IT department of leavers in advance of their leaving date, so that access can be revoked on a more timely basis.	TBC	
IT findings – User access reviews	**Finding** - There are no periodic reviews of the appropriateness of user access rights for CEDAR, Orchard and Selima, thereby increasing the risk that management fail to detect where user access rights are in excess of expected access rights or where a user has access rights that override an effective segregation of duties. In turn, this increases the risk that users are able to create inappropriate transactions or inappropriately amend financial data within the application. **Recommendation –** The Council should implement a formal, proactive review of the appropriateness of user access rights for CEDAR, Orchard and Selima.	TBC	

Other significant findings

Internal control and risk management (continued)

Area	Observation	Management response	Priority
IT findings – Change Management	**Finding** - For multiple applications (CEDAR, Orchard and Selima) the user who develops and tests a change, also has the ability to implement the change into the live IT environment. Thereby there is no segregation of duties in place to ensure only appropriate changes to the systems are implemented. **Recommendation** – The Council should look to restrict the access of individuals who can develop and test changes, so that they are unable to also implement the change in the live IT environment.	TBC	
IT Findings – Password lockout	**Finding** - Password lockout thresholds are not enabled for Selima, Orchard and Cedar and are set below the recommended practise for Captia and Windows AD at 3 attempts. Further, lockout duration was not enabled for Cedar and Selima. There is therefore a risk that the accounts are more easily hacked as passwords are not enforced with recommended parameters. In mitigation, all systems meet the recommended parameters for Minimum length. In addition, Complexity is enforced on all passwords across the systems. **Recommendation** – The Council should consider introducing password lockout thresholds and lockout durations.	TBC	

Our audit report

The form and content of our report

Here we discuss how the results of the audit impact on our audit report. An overview of our financial statements audit work will be included in our Auditor’s Annual Report.

Page 231

Our opinion on the financial statements

Our audit is ongoing but subject to the successful clearance of the outstanding areas on page 3 of the report, we expect to issue an unmodified audit opinion.

Emphasis of matter and other matter paragraphs

We intend to include details on the emphasis of matter paragraph in relation to property valuations as set out on page 12 of this report.

There are no other matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

Value for Money reporting by exception

Our opinion will note that our Value for Money work is on-going, it will also flag any significant weaknesses in the Council’s arrangements at the date it is issued. Currently, this will include the 2018/19 Ofsted findings as a significant weakness.

We will report our final Value for Money conclusions as part of our Auditor’s Annual Report and Audit Certificate.

Irregularities and fraud

We will explain the extent to which we considered the audit to be capable of detecting irregularities, including fraud.

In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations. We will discuss the areas identified where fraud may occur and any identified key audit matters relating to fraud.

Recent changes to ISAs (UK) mean this requirement will apply to **all** entities for periods commencing on or after 15 December 2019.

Your annual report

We are required to report by exception on any issues identified in respect of the Narrative Report and Annual Governance Statement.

	Requirement	Deloitte response
Narrative Report	The Narrative Report is expected to address (as relevant to the Council): • Organisational overview and external environment; • Governance; • Operational Model; • Risks and opportunities; • Strategy and resource allocation; • Performance; • Outlook; and • Basis of preparation.	We have completed the following: • Assessed whether the Narrative Report has been prepared in accordance with CIPFA guidance; and • Reviewed the Narrative Report to assess whether it is consistent with the annual accounts and our knowledge acquired during the course of performing the audit, and is not otherwise misleading. Based on our initial review, we suggested a number of minor changes to the Narrative Report. It is our understanding that these changes have been made by Officers. We are currently reviewing the revised Narrative Report to ensure that all expected changes have been made and we will verbally update the Audit Committee on 27 July 2023 after we have completed our review of the revised Narrative Report.
Annual Governance Statement	The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.	We have completed the following: • Assessed whether the information given in the Annual Governance Statement meets the disclosure requirements set out in CIPFA guidance, is misleading, or is inconsistent with other information from our audit. Based on our initial review, we suggested a number of minor changes to the Annual Governance Statement. It is our understanding that these changes have been made by Officers. We are currently reviewing the revised Annual Governance Statement to ensure that all expected changes have been made and we will verbally update the Audit Committee on 27 July 2023 after we have completed our review of the revised Annual Governance Statement.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Current status of our work on key audit judgements and our observations on the quality of your Statement of Accounts and Narrative Report;
- Our internal control observations; and
- Other insights we have identified to the date of issuing our report.

The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Audit Committee.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and work under the Code of Audit Practice in respect of Value for Money arrangements.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

Deloitte LLP

Newcastle upon Tyne| 18 July 2023

Appendices

Audit adjustments

Uncorrected misstatements

The following misstatements have been identified, which have not been corrected by management. We communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

		Debit/ (credit) Comprehensive Income and Expenditure Statement £m	Debit/ (credit) OCI £m	Debit/(credit) Net Assets £m	Debit/ (credit) General Fund £m	Debit/ (credit) Unusable Reserves £m
Misstatements identified in current year						
Assets not depreciated in first year of use	[1]	1.0	-	(1.0)	-	-
Valuation of Council owned car parks	[2]	3.6	-	(3.6)	-	-
Valuation of Houndshill Shopping Centre	[3]	(1.4)	-	1.4	-	-
Impact of Goodwin pension ruling	[4]	-	1.0	(1.0)	-	-
Total		**3.2**	**1.0**	**(4.2)**	**-**	**-**

We have set out on the following pages additional detail in relation to each of the misstatements highlighted above.

Audit adjustments (continued)

Uncorrected misstatements

We have set out below further detail in relation to each of the misstatements identified in the table on the previous page.

Title	Finding
[1] Assets not depreciated in first year of use	The Council does not depreciate assets in the first year after acquisition. We have calculated the expected impact of this to be the understatement of depreciation by £1m.
[2] PPE - Car park valuations	The Council revalued six car parks in year, the total value at 31 March 2021 of these was £17.8m. We engaged our internal property valuation specialists to review the car park valuations which were prepared by the Council's internal valuers. Our specialists challenged the valuation approach adopted by the Council's valuers and concluded that the latest Royal Institution of Chartered Surveyors guidance, in relation to the valuation of car parks had not been applied. The impact of applying the guidance is that the car park valuations at 31 March 2021 would decrease by £3.6m, to £14.2m.
[3] PPE - Houndshill valuation	The Council have engaged Jones Lang LaSalle (JLL) to value the Houndshill Shopping Centre as at the 31 March 2021. JLL's final valuation report values the asset at £29.4m. However the asset has been included within the Statement of Accounts at £28.0m. This is because the Council received a draft valuation for Houndshill of £28.0m, which was used as part of the production of the Statement of Accounts. Due to the increase in valuation between the draft and final reports being immaterial, the Council made the decision not to amend the Statement of Accounts.
[4] Pension liability - Goodwin	The Goodwin ruling relates to a legal challenge made against the Government in respect of unequitable benefits for male spouses of female members of pension schemes (in respect of service earned before 1998). As part of the Council's pension valuation, this ruling has not been taken into consideration, and therefore no allowance for this ruling has been included in the Council's Statement of Accounts. We have engaged our actuarial specialists, who have estimated that the inclusion of an allowance for the Goodwin ruling would increase the Council's pension liability by £1.0m.

Audit adjustments (continued)

Uncorrected disclosures misstatements

Disclosure misstatements

The following uncorrected disclosure misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK).

Disclosure	Finding
Note 14. Property, Plant and Equipment – Houndshill Shopping Centre depreciation	Our testing identified that the Houndshill Shopping Centre was not depreciated in year. The depreciation charge for the year should have been £0.8m. However, as the Shopping Centre has been fully revalued at the year end, there is no impact on the CIES of not including this depreciation charge, as this charge would be written out of the CIES at 31 March 2021. As a result, we have included this a disclosure only finding as the charge should be reflected in note 14.
Note 19. Financial Instruments	As part of our accruals testing, we identified that the Council had accrued for several invoices that were received pre year end. We would normally expect these to be included in trade creditors at the year end rather than being accrued for. Accruals have been correctly excluded by the Council from note 19, as they do not meet the definition of a financial instrument. However, as the Council has actually received the invoices for these accruals, we believe they should not have been excluded. As we have only tested a sample we have calculated an expected error, which totals £1m. Therefore based on this calculation we would expect the creditors value in note 19 to increase by £1m.
Housing Revenue Account (HRA) – Note 9. Rent Arrears	The rent arrears value disclosed in note 9 is £0.9m. However, based on the testing we have performed we have identified that the actual HRA debtors at the year end is £0.2m.

Audit adjustments (continued)

Prior year adjustments identified – impacting on Primary Statements

The following misstatements have been identified, which have resulted in management posting entries to correct previous financial years.

Prior year adjustments at 1 April 2019

		Debit/ (credit) Comprehensive Income and Expenditure Statement £m	Debit/ (credit) OCI £m	Debit/(credit) Net Assets £m	Debit/ (credit) General Fund £m	Debit/ (credit) Unusable Reserves £m
Prior year adjustments – Impact on 1 April 2019						
Long term investment valuations	[1]	-	-	(11.6)	-	11.6
Removal of Voluntary Aided and Voluntary Controlled Schools	[2]	-	-	(4.1)	-	4.1
Total		**-**	**-**	**(15.7)**	**-**	**15.7**

We have set out on the following pages additional detail in relation to each of the misstatements highlighted above.

Audit adjustments (continued)

Prior year adjustments identified – impacting on Primary Statements

We have set out below further detail in relation to each of the misstatements identified in the table on the previous page.

Title	Finding
[1] Long term investment valuations	The Council holds a number of long term investments in subsidiary companies, which are fully consolidated into the Council's Group Accounts. In prior years, a number of the investments have been held at market value, whilst some of the investments have been held at cost. However, per the CIPFA Code the basis of valuation should be consistent across the whole class of asset. The audit team challenged the Council regarding the valuation inconsistency between investments and the Council agreed to amend the financial statements to ensure the valuation basis was consistent. The decision to value the investments at cost was made due to the nature of the investments held and the fact that they are not held for capital appreciation purposes, but instead to support the Council's wider regeneration objectives. As a result of the change being material, it was necessary for the Council to amend the opening position at the earliest possible date, which is 1 April 2019, to reflect that a similar situation was in place in previous years.
[2] Removal of Voluntary Aided and Voluntary Controlled Schools	As part of our audit of the Council's Property, Plant and Equipment balance, we have reviewed and challenged the Council's treatment of School's in detail. This review identified that in the draft Statement of Accounts the Council held two Voluntary aided/controlled Schools on the Council's Balance Sheet. The total value of these assets was £4.1m at 1 April 2019. As part of our procedures we obtained the land registry deeds for these assets, which confirmed that the assets were not owned by the Council. We have therefore agreed with the Council that these assets should not remain on the Council's Balance Sheet.

Audit adjustments (continued)

Prior year adjustments - Disclosures

Disclosure misstatements

The following corrected prior year adjustment disclosure misstatements have been identified, which have been updated by the Council in the revised Statement of Accounts.

Disclosure	Finding
Note 14. Property, Plant and Equipment – Infrastructure Assets	During our review of assets included in the infrastructure assets balance, we identified that the Council had classified trams as Infrastructure Assets. However, based on the definitions included in the CIPFA Code these should have instead been classified as Vehicles, Plant and Equipment. The total value of trams included in Infrastructure Assets at 1 April 2019 was £27.2m. This has now been transferred into Vehicles, Plant and Equipment in the revised Statement of Accounts. There has been no impact on depreciation of this reclassification.
Note 45. Capital Expenditure and Capital Financing	The Council is required to disclose its Capital Financing Requirement (CFR) in the Statement of Accounts. This is the the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. As part of our audit procedures, we performed a reconciliation between the CFR disclosed in note 45 and other areas of the Statement of Accounts. This reconciliation identified a difference of £109.4m. Officers have reviewed this difference and identified that this is due to draft figures being used in previous years to calculate the CFR rather than the final audited position. A prior year adjustment has therefore been posted which increases the 2019/20 opening CFR to £519.3m.

Audit adjustments

Corrected misstatements

The following misstatements above our reporting threshold of £0.5m have been identified up to the date of issue of this report, which have been corrected by management. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

		Debit/ (credit) Comprehensive Income and Expenditure Statement £m	Debit/ (credit) OCI £m	Debit/(credit) Net Assets £m	Debit/ (credit) General Fund £m	Debit/ (credit) Unusable Reserves £m
Misstatements identified in current year						
Pension – Treatment of upfront pension contributions	[1]	-	-	23.2	-	(23.2)
Accruals – Over-accrual in relation to Housing Benefit overpayment	[2]	(5.7)	-	5.7	-	-
Creditors – Debit balances in creditors ledger	[3]	-	-	-	-	-
CIES – Manual adjustment	[4]	-	-	-	-	-
Property, Plant and Equipment – Asset held at historic cost	[5]	0.6	-	(0.6)	-	-
Reclassification of long term debtors to short term debtors	[6]	-	-	-	-	-
Revaluation Reserve – removal of negative reserves and assets no longer owned by the Council	[7]	-	-	-	-	-
Property, Plant and Equipment – Winter Gardens Impairment	[8]	11.3	-	(11.3)	-	-
Total		**6.2**	**-**	**17.0**	**-**	**(23.2)**

We have set out on the following pages additional detail in relation to each of the misstatements highlighted above.

Audit adjustments (continued)

Corrected misstatements

We have set out below further detail in relation to each of the misstatements identified in the table on the previous page.

Title	Finding
[1] Pension – Treatment of upfront pension contributions	As part of the triennial revaluation of the LGPS, the Council agreed to pay pension contributions totalling £34m in April 2020. These payments covered the years 2020/21, 2021/22 and 2022/23, with a total of £23.2m relating to the years after 2020/21. On review of the IAS 19 report produced by the Council's actuary, it was noted that the actuary had not included the upfront payment in their initial valuation for 2020/21. The Council therefore requested a revised IAS19 valuation that included this information. The impact was that the net pension liability for 2020/21 reduced by £23.2m. In the draft Statement of Accounts, the Council included the upfront pension contributions of £23.2m in the pension reserve, which is an unusable reserve. However, per the CIPFA Code this reserve should only contain transactions that have previously been included in the Comprehensive Income and Expenditure Statement (CIES). The upfront pension contributions for 2021/22 and 2022/23 have not been recognised in the CIES and therefore they should not be included in the pensions reserve. As a result, it was agreed with the Council that this treatment was incorrect and instead the upfront pension contributions should be recognised in the net pension liability at 31 March 2021, which is in line with the recognition principles set out in IAS19.
[2] Accruals – Over-accrual in relation to Housing Benefit overpayment	In the draft Statement of Accounts, the Council included an accrual of £5.7m in relation to historic overpayments made to Housing Benefit claimants. The Council explained that this accrual was made on the assumption the Council would need to make a repayment to the DWP for the overpayment amount. However, the Council have confirmed that this payment has not been made to the DWP post 31 March 2021. In addition, it is our understanding that Housing Benefit overpayments in year are reflected in the Housing Benefit subsidy claim, which calculates the overall eligible subsidy payment the Council can claim for the year. The overall eligible subsidy amount is disclosed in the Statement of Accounts at the year end, and as this figure takes into account the total overpayments made in year, it is not necessary to include a separate accrual for overpayments.
[3] Creditors – Debit balances in creditors ledger	Our testing has identified debit balances of £0.9m that are included on the creditors ledger. Given the nature of these balances, we would expect them to be reclassified to debtors which would have the impact of increasing the creditors value by £0.9m and also increasing the debtors value in the accounts by £0.9m.

Audit adjustments (continued)

Corrected misstatements (continued)

Title	Finding
[4] CIES – Manual adjustment	When preparing the Statement of Accounts, the Council is required to remove all internal recharges from the trial balance before the accounts are produced. This is in line with CIPFA guidance that states transactions between internal Council departments should not be disclosed in the CIES. As part of our audit procedures, we have reviewed and tested this process in order to gain assurance no material misstatements have occurred as a result of the manual adjustments made by the Council. This testing has identified one manual adjustment that has been made in error of £4.7m. The impact of this adjustment is that both gross income and gross expenditure in the draft CIES were understated by £4.7m. The net impact of this error on the Deficit on Provision of Services line is £nil.
[5] Property, Plant and Equipment – Asset held at historic cost	In line with the CIPFA Code, the Council operates a rolling property valuations programme. This requires all land and buildings to be revalued at least once in every four year period. During our testing we identified an asset with a net book value of £0.6m that was held at historic cost and therefore had not been revalued. The Council performed a review of this asset and identified that it was in fact a duplicate of another asset held on the Council's Balance Sheet that was included in the rolling valuations programme. The duplicate asset has now been removed from the Council's Balance Sheet.
[6] Reclassification of long term debtors to short term debtors	The long term debtors held by the Council mainly relate to loans provided by the Council to businesses operating within the Blackpool area. As part of our testing, we identified that elements of these loans would be repaid within a 12 month period following 31 March 2021. We would therefore expect these to be classified as short term rather than long term debtors. The total value of the short term elements included in long term debtors was £5.7m. This is a reclassification within the Balance Sheet and therefore it does not have an impact on the net assets value that is disclosed.
[7] Revaluation Reserve – removal of negative reserves and assets no longer owned by the Council	We identified a net balance of £3.9m included in the revaluation reserve that relates to assets with negative revaluation reserve balances and assets that have been disposed of by the Council but where a reserve balance is still held. An asset can not have a negative revaluation reserve and on disposal all assets should be removed from the revaluation reserve. The correcting entry for this adjustment is to reduce the revaluation reserve by £3.9m and increase the Capital Adjustment Account by the same amount.

Audit adjustments (continued)

Corrected misstatements (continued)

Title	Finding
[8] Property, Plant and Equipment – Winter Gardens Impairment	At 31 March 2021, the Winter Gardens was included in the draft Statement of Accounts in Assets Under Construction at a value of £21m. After the Winter Gardens became operational in 2021/22, the Council obtained a valuation of the asset from a qualified property valuer. This valuation saw the assets value reduce to £10m. We therefore challenged the Council as to whether the value at 31 March 2021 was still appropriate or whether an impairment charge was required. The Council have subsequently performed a detailed impairment review of the asset as at 31 March 2021. This concluded that the value of the asset in Assets under Construction was overstated and an impairment of £11m has been included in the revised Statement of Accounts.

Audit adjustments (continued)

Corrected disclosure misstatements

Disclosure misstatements

The following disclosure misstatements, which are above our reporting threshold of £0.5m, were identified in the draft Statement of Accounts that were presented for audit. These have all been amended in the updated Statement of Accounts.

Disclosure	Finding
Note 7. Material Items of Income and Expenditure	The revaluation of the Houndshill Shopping Centre at 31 March 2021, identified a downwards revaluation of £11.6m. This value was correctly recognized in the CIES by the Council, but as this is a material item of expenditure per the CIPFA Code this should have also been separately disclosed in this note.
Note 14. Property, Plant and Equipment – Revaluation disclosure	The CIPFA Code requires Councils to disclose the value of assets revalued in every year of the property revaluation rolling programme. The Council have correctly included this disclosure in note 14. However, when testing the draft Statement of Accounts disclosure we identified that the values disclosed did not agree to underlying records.
Note 14. Property, Plant and Equipment - Capital Commitments	Per the CIPFA Code, the Council is required to disclose the amount of contractual commitments for the acquisition of property, plant and equipment that the Council has entered for the following year. The draft Statement of Accounts disclosed the capital commitments value as £44.1m. After completing our testing we identified that this should have been disclosed as £31.6m.
Note 19. Financial Instruments	Three disclosure errors were identified during our testing of note 19. These are set out below: • Cash and cash equivalents of £3.4m were not included in the draft disclosure. • Trade debtors value of £59.9m in the draft disclosure, included items that do not meet the definition of a financial instrument. • Non financial liabilities value of £71.9m in the draft disclosure, included items that do not meet the definition of a financial instrument.

Audit adjustments (continued)

Corrected disclosure misstatements (continued)

Disclosure	Finding
Note 37. Agency Services	In the draft Statement of Accounts, the Council did not disclose the £109.4m of Covid-19 grant income, where the Council had received income on behalf of other organisations. This has now been amended in the revised Statement of Accounts.
Note 38. Pooled Budgets	Our testing identified that the funding provided to the pooled budget from both Blackpool Council and Blackpool CCG, as well as the expenditure met by Blackpool CCG on behalf of the pooled budget was incorrectly disclosed in the note. We have set out below the values disclosed in the draft Statement of Accounts and the revised values that are now included:
Note 40. Exit Packages	Per the CIPFA Code, exit packages should be disclosed in the financial year that the Council becomes demonstrably committed to making the payment. As a result, we would expect the Council to disclose exit packages when they enter into a signed agreement with the employee rather than when the payment is made. However, during our testing we identified five exit packages, totaling £58k that were agreed in 2020/21 but were not included in the disclosure.

Note 38 values:

	Draft SoA value	Revised SoA value
Blackpool Council funding	£13,683,000	£15,183,000
Blackpool CCG funding	£27,956,000	£18,456,000
Blackpool CCG expenditure	£16,219,000	£8,219,000

Audit adjustments (continued)

Corrected disclosure misstatements (continued)

<table>
<tr><th>Disclosure</th><th>Finding</th></tr>
<tr><td>Note 43. Grant Income</td><td>Three presentational errors were identified in the draft grant income note. These errors occurred due to the Council preparing the disclosure manually rather than relying on underlying system reports. This resulted in the full grant amounts being included in grant income credited to services, where portions of the grant had also been correctly included in revenue grants received in advance.
The errors related to the following grants:
<table>
<tr><th></th><th>Draft SoA value</th><th>Revised SoA value</th></tr>
<tr><td>Green Homes Grant</td><td>2,000,000</td><td>nil</td></tr>
<tr><td>Contain Outbreak Management Fund</td><td>5,997,000</td><td>1,230,000</td></tr>
<tr><td>Discretionary Business Support</td><td>8,969,000</td><td>3,277,000</td></tr>
</table></td></tr>
<tr><td>Note 49. Defined Benefit Pension Schemes – Basis for estimating liabilities</td><td>Per the CIPFA Code it is a requirement for authorities to produce a sensitivity analysis that demonstrates to the user of the accounts the impact of adjusting the pension assumptions used by the actuary. The Council has correctly disclosed this information, however we identified that the Council had incorrectly calculated the monetary impact of increasing members life expectancy by one year as £3.1m in the draft Statement of Accounts. This should have instead been £31.4m.</td></tr>
<tr><td>Housing Revenue Account (HRA) – Note 2. Dwelling Rents</td><td>In note 2 of the HRA in the draft Statement of Accounts, the Council disclosed the total valuation of the housing stock held by the Council. The value disclosed was £118.7m, which did not agree to the year end valuation. This has now been correctly updated to £121.4m.</td></tr>
<tr><td>Collection Fund Statement</td><td>In the draft Statement of Accounts, Council Tax income was disclosed as £69.8m. However, after performing our testing we identified that this was understated by £4.1m as write offs of uncollectable amounts had been incorrectly included in this value. The revised Council Tax income value is £73.9m.</td></tr>
</table>

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 March 2021 in our final report to the Audit Committee.
Fees	There are no non-audit fees for 2020/21 outside of those noted in the table on the following page.
Non-audit services	We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no other relationships with the Council, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

Independence and fees (continued)

The professional fees expected to be charged by Deloitte in the period from 1 April 2020 to 31 March 2021 are as follows:

	2020/21 Audit £	2019/20 Audit £
Financial statement audit including Whole of Government work	84,818	84,818
Additional fee for prior year audit [1]*	-	43,904
Additional fee for changes in the current year [2]*	TBC	-
Total audit	84,818	128,722
Teachers' Pensions certification fees	4,000	4,000
Pooling of Housing Capital Receipts certification fees	5,000	4,000
Housing benefits certification fees	-	10,250
Total assurance services	9,000	18,250
Total fees	TBC	146,972

[1] During the audit in 2019/20, we were required to complete additional, unforeseen procedures in a number of areas, including property valuations, work around the pension transfer between Blackpool Transport Services and the Council, Covid-19 additional procedures and the recoverability of long term debtors. These procedures resulted in a significant amount of additional time being required on the audit. We have discussed these additional procedures and the corresponding fee implications with the Director of Resources and have communicated an additional fee of £43,904 is required.

2] During the 2020/21 audit we have also been required to complete additional procedures that are not taken into account in the scale fee of £84,818 above. Following the completion of the audit we will discuss the fee implications with the Director of Resources and present our fee proposal back to the Audit Committee.

* All additional fees are subject to agreement with the PSAA.

Report to:	**AUDIT COMMITTEE**
Relevant Officer:	Tracy Greenhalgh, Head of Audit and Risk
Date of Meeting	27 July 2023

RISK SERVICES QUARTER ONE 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 one of the 2023/24 financial year.

2.0 Recommendation(s):

2.1 Audit Committee is asked to note to content of the report.

3.0 Reasons for recommendation(s):

3.1 To ensure that the Council has effective risk management processes in place.

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

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

4.0 Other alternative options to be considered:

4.1 N/a

5.0 Council priority:

5.1 The work of the internal audit team contributes to the achievement of all of the Council's priorities.

6.0 Background information

6.1 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 at 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.

6.2 Does the information submitted include any exempt information? No

7.0 List of Appendices:

7.1 Appendix 6(a) – Risk Services Quarter One Report

8.0 Financial considerations:

8.1 All work has been delivered within the agreed budget for Risk Services.

9.0 Legal considerations:

9.1 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.

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 Equalities considerations:

11.1 Where appropriate matter pertaining to equalities will be considered as part of the advice and assurance work of Audit and Risk.

12.0 Sustainability, climate change and environmental considerations:

12.1 Where appropriate matter pertaining to sustainability, climate change and the environment will be considered as part of the advice and assurance work of Audit and Risk.

13.0 Internal/external consultation undertaken:

13.1 None.

14.0 Background papers:

14.1 None.

Audit and Risk Services Quarter One Report
1st April to 30th June 2023

Contents   Page

Blackpool Council: Audit and Risk

1. *Quarter One Summary*

Service Developments

Internal Audit

Internal audits that have been scoped in the quarter and/or fieldwork underway include:

Directorate	Internal Audits
Adult Services	• Preparing for Adulthood • Scheme of Delegation and Authorisation of Packages
Children's Services	• Children's Services Medium Term Financial Strategy • Virtual School • Implementation of SEND Inspection
Chief Executives	• Organisational Culture
Communication and Regeneration	• Community Renewal Fund Grant
Community and Environmental	• Stores
Corporate	• Transparency Code • Cost of Living Crisis Support • Capital Project Management • Use of Consultants • Corporate Compliance
Governance and Partnerships	• NHS Data Security and Protection Tool Kit (self-assessment validation) • Dealing with Member / MP Enquires • Whistleblowing
Resources	• Payroll • Statutory Property Inspections • Business Rates
Schools	• St Johns CoE Primary School • Our Lady of Assumption RC Primary School • Pupil Referral Unit

Details of the scope and final outcome for each of the above audits will be reported to Audit Committee in the Audit and Risk quarterly report once the fieldwork has been completed and the draft report agreed.

We have recently offered the last vacant role in audit to a candidate who we are hoping will join the team in quarter two. This will see the team back to full establishment from September 2023.

Corporate Fraud

The Corporate Fraud Team are continuing to examine results from the National Fraud Initiative Premium Single Person Discount Service. To date, all individuals highlighted as high risk matches have been contacted (where appropriate), resulting in a current 'error rate' of approximately 10% and additional Council Tax liabilities of £21.5k being identified. To date a total of 547 letters have been issued to 279 addresses as part of this exercise. Work has now progressed to contacting those individuals falling within the medium risk category.

Following completion of the necessary training, work is currently underway to update the counter fraud pages of the Council's website.

In conjunction with Civil Enforcement Officers, the Corporate Fraud Team took part in a 'National Blue Badge Day of Action' - the focus being to support genuine badge holders, and challenging individuals who appeared to be abusing the scheme. Our participation was formally recognised and the positive impact of collaborative efforts praised by the Minister for Roads and Local Transport.

Over 200 Blue Badges were inspected, and whilst the majority were seen to be being used correctly, some misuse was found, with 10 badges being seized, 2 Penalty Charge Notices and 6 misuse letters issued - as a result of an expired badge, use of a deceased person's badge, or the badge holder not being present. Overall, badge holders were pleased to see that the Council were actively supporting disabled motorists. Due to the positive feedback received, and the results from our participation in the national 'day of action', planning is underway to conduct a similar local exercise in the near future.

Risk and Resilience

During the quarter 67% of scheduled risk management groups were held with any postponed meetings now rearranged. Risk workshops have taken place for the ShowTown project, Multiversity Project and Shared Prosperity Fund.

The key priority for the team is the insurance procurement exercise where a tender questionnaire is currently being prepared to ensure covers are in place for the Council and its wholly owned companies from April 2024. A significant amount of information is required to populate the tender questionnaire so the team is focused on collecting this in order to demonstrate how the Council and its companies manage their risk profile.

Work continues on the implementation of the claims handling system with data currently being migrated into the new system. Once complete, further testing will be carried out and it is anticipated that the system will be rolled out in quarter two.

The Corporate Business Continuity Plan has been reviewed and following discussions with the Corporate Leadership Team a review of the critical activities listed is underway to ensure that services are reinstated by priority with some cannot fail services being the priority for resource in the first instance should an incident occur. A revised list will be taken to the Senior Leadership Team in September for review and challenge before final approval is sought from the Corporate Leadership Team.

The online version of the ACT Aware counter terrorism training was rolled out across the Council in the quarter with all staff being encouraged to complete the course.

Health and Safety

The modernisation of the health and safety management system on the Hub is ongoing and covers corporate documentation including the Statement of Intent, Framework, Organising for HandS Work and Guidance Notes and Arrangements. Final checks are being made on the functionality of the SharePoint site and this will be launched across the Council in quarter two. Once launched a review of health and safety pro-formas will be undertaken and these will be added to the new site later in the year.

The roll out of the accident reports system as part of the new HR system has been delayed due to issues found when testing the system. As a result further work is being undertaken with the provider to deal with the issues and then further testing can be carried out before go-live.

In support of the above system development 'How to Guides' are being prepared to ensure that managers can easily navigate the systems to access the information which they require.

A pause has been placed on the delivery of corporate health and safety training in the quarter due to resourcing issues however it is planned that this will be picked up in quarter two. Any urgent training needs are being addressed and bespoke health and safety training and tool box talks are being provided on request to high risk service areas. This includes providing evacuation chair training to a number of settings owned by the Council.

The team continue to deliver services to a number of external organisations which generates an income for the team. These include two of the wholly owned companies, schools (in and out of borough) and Fylde Borough Council.

Blackpool Council: Audit and Risk

After a number of staffing changes over the last six months there is now just one vacancy left to fill in the team and a recruitment campaign is currently underway.

Performance

Risk Services performance indicators

Performance Indicator (Description of measure)	2023/24 Target	2023/24 Actual
Professional and technical qualification as a percentage of the total.	85%	70%

Internal Audit Team performance indicators

Performance Indicator (Description of measure)	2023/24 Target	2023/24 Actual
Percentage audit plan completed (annual target).	90%	16%
Percentage draft reports issued within deadline.	96%	100%
Percentage audit work within resource budget.	92%	93%
Percentage of positive satisfaction surveys.	85%	92%
Percentage compliance with quality standards for audit reviews.	85%	93%

Risk and Resilience Team performance indicators

Performance Indicator (Description of measure)	2023/24 Target	2023/24 Actual
Percentage of Council service business continuity plans up to date.	100%	92%
Percentage of risk registers revised and up to date at the end of the quarter.	100%	100%
Number of risk and resilience training and exercise sessions held (annual target).	6	1
Percentage of property risk audit programme completed in the quarter.	100%	100%

The updated information for risk registers is as follows:

Risk Management Group	Percentage updated by end of June 2023	Risk Registers Not Updated
Adult Services	100%	N/A
Central Support Services	100%	N/A
Children's Services	100%	N/A

Communications and Regeneration	100%	N/A
Community and Environmental Services	100%	N/A
Public Health	100%	N/A

The updated information for business continuity plans is as follows:

Directorate	Percentage Updated Within 12 Months	BC Plans Not Updated
Adult Services	92%	Home Care
Chief Executive	100%	N/A
Children's Services	100%	N/A
Communications and Regeneration	81%	Strategic Leisure Assets
Community and Environmental Services	100%	N/A
Governance and Partnerships	100%	N/A
Public Health	100%	N/A
Resources	100%	N/A

Health and Safety performance indicators

Performance Indicator (Description of measure)	2023/24 Target	2023/24 Actual
RIDDOR Reportable Accidents for Employees	0	0

There were no new RIDDOR cases relating to employees reported in the quarter.

Corporate Fraud Team performance indicators

Performance Indicator (Description of measure)	2023/24 Target	2023/24 Actual
% of agreed Council employees completed i-Pool fraud awareness course.	100%	83%

As at the end of Quarter 1, the overall completion rate has decreased by 1% from last quarter (i.e. 84% to 83%).

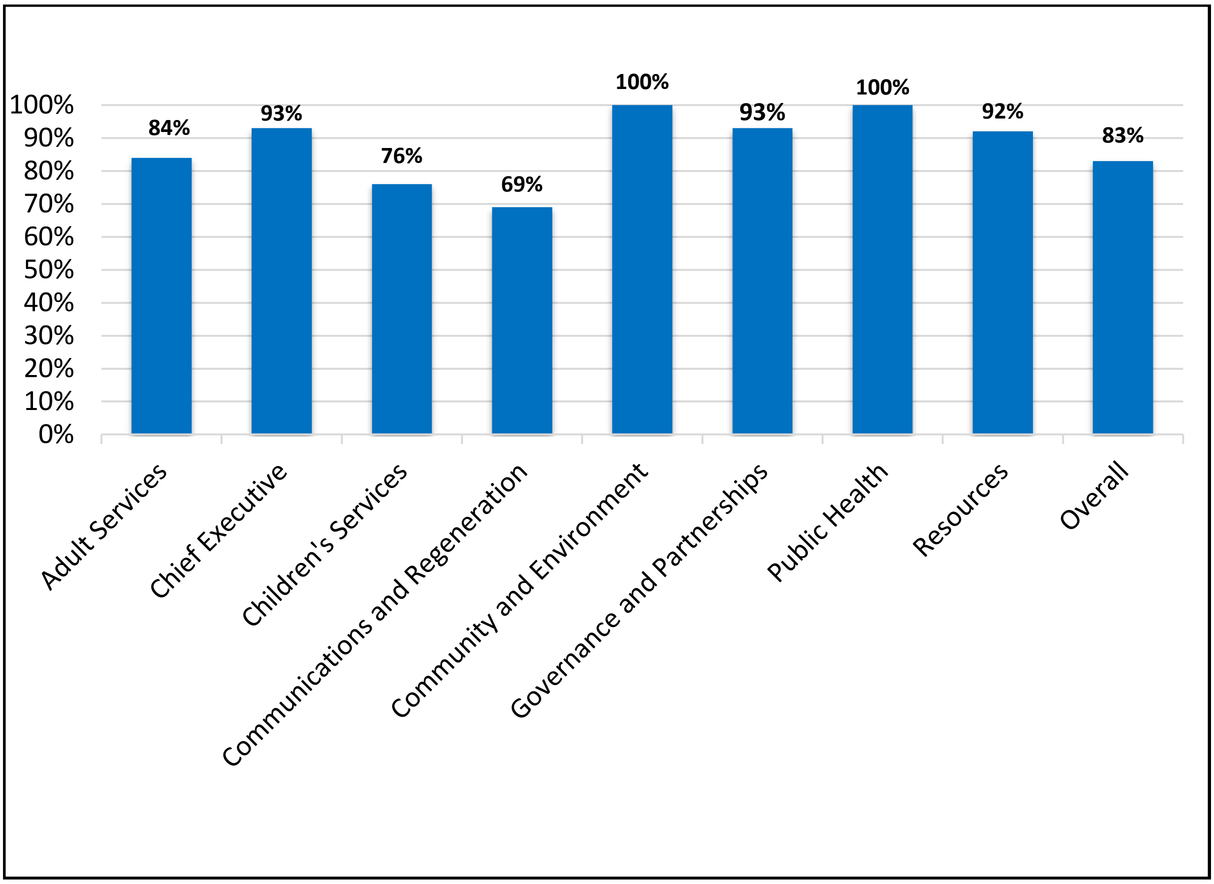
An increased level of completion has been noted in both Adult Services (1%) and Governance and Partnerships (2%), although these increases have been offset by reductions in both Communications and Regeneration (1%) and Resources (1%).

Further analysis of the individual completions have shown that there have been a number of staffing changes during the quarter. Our analysis indicates that the majority of staff leavers had previously completed the training, and newly recruited staff are yet to do so. Hence, it is understandable that these Directorate completion percentages have decreased, thereby having an apparent adverse effect on the overall completion rate.

Blackpool Council: Audit and Risk

The Corporate Fraud and Investigations Team continue to promote, and monitor the completion of the i-Pool course on a quarterly basis, highlighting to the relevant Chief Officers those mandated members of staff who have yet to complete the course.

Mandatory i-Pool Fraud Awareness Training 2023/34 (by Directorate)



2. ***Appendix A: Performance and Summary Tables for Quarter One***

Internal Audit reports issued in period

<table>
<tr><th>Directorate</th><th>Review Title</th><th>Assurance Statement</th></tr>
<tr><td>Chief Executives</td><td>Community Engagement</td><td>
<u>Scope</u>
The scope of our audit was to review:

Whether plans are in place to roll out and embed the Community Engagement Framework;
How the authority’s Community Engagement Framework compares with similar frameworks;
Whether governance and oversight arrangements are in place to ensure that community engagement activities are carried out appropriately;
Whether appropriate governance arrangements are in place for ‘Friends Groups’ which have been set up to improve park and green space facilities.

<u>Overall Opinion and Assurance Statement</u>
Adequate
We consider that controls relating to Community Engagement are adequate with most risks identified and assessed and some changes necessary. A Blackpool Community Engagement Framework has been produced to encourage a consistent approach to community engagement across the authority. Progress is underway to implement the framework and develop the community engagement function.
<u>Number of Recommendations Made</u>
<table>
<tr><td>Priority 1</td><td>0</td></tr>
<tr><td>Priority 2</td><td>4</td></tr>
<tr><td>Priority 3</td><td>4</td></tr>
</table>
<u>Management Response</u>
The Strategy Development Proposal template will be presented at a SLT meeting to raise awareness.
The Strategy, Policy and Research Manager has promoted the framework with the wholly owned companies. The Community Engagement and Partnership Manager will promote the framework within the Council by the end of September.
The value of involving the Communications Team in the processes of planning consultation and engagement activities and sharing results will be promoted.
The Head of Information Governance/Data Protection Officer will be consulted to ensure compliance with GDPR. The agreed parameters will then be reflected in the framework.
</td></tr>
</table>

<table>
<tr>
<td>Chief Executive</td>
<td>Recruitment, Retention and Succession Planning</td>
<td>
<u>Scope</u>

The scope of our audit was to review:
• Hard to recruit to professional roles and the strategies deployed by services to address skill shortages and attract the right workforce;
• The strategies in place for succession planning and retention of staff;
• How services engage with HR in the recruitment process; and
• The support provided by HR in terms of hard to recruit to posts.

<u>Overall Opinion and Assurance Statement</u>

Adequate
The recruitment market is challenging at present and this is reflected as a high risk area in the Strategic Risk Register. However, in terms of processes we consider that the controls in place are adequate in terms of recruitment activities. Recruiting Managers gave positive feedback on the HR team however most believed the processes as they currently stand could be improved, particularly the pre-employment checks. The audit identified that managers believe the recruitment process needs modernising.

Succession planning is not currently centrally reviewed or measured albeit the framework and process does form part of the annual IPA process. It is therefore difficult to determine how well as an organisation we are actively doing this, particularly for hard to recruit to roles.

<u>Number of Recommendations Made</u>
<table>
<tr><td>Priority 1</td><td>0</td></tr>
<tr><td>Priority 2</td><td>5</td></tr>
<tr><td>Priority 3</td><td>0</td></tr>
</table>
<u>Management Response</u>

The Council has used many different approaches to recruitment particularly in hard to fill roles such as Social Workers with good success and it was pleasing to note that the audit did not identify any further innovation from external organisations/Local Authorities which was not already in place.

Some managers have expressed frustration at the time taken to undertake our range of comprehensive pre-employment checks and whilst this can take time these are an essential and important part of the recruitment process.

We will work with a group of managers to identify if there is scope for any further improvements to the recruitment process in addition to the modernisation
</td>
</tr>
</table>

Directorate	Review Title	Assurance Statement
		which has already taken place. Training on the recruitment process will also be developed and provided to all recruiting managers so that they better understand their responsibilities. Succession planning is a service responsibility and forms part of the annual IPA process. It is not currently centrally reviewed or measured and an audit on succession planning has been included on the Audit Plan for 2023/2024. The refresh of the Workforce Development Strategy has been delayed due to Covid and the implementation of a new HR and Payroll system but this will be reviewed in the next twelve months.

Blackpool Council: Audit and Risk

<table>
<tr><th>Directorate</th><th>Review Title</th><th>Assurance Statement</th></tr>
<tr><td>Communication and Regeneration</td><td>Heritage Service Transition</td><td>
<u>Scope</u>
The scope of our audit was to review:
• The current position in relation to the transition of the Heritage Service to the new company;
• The management and governance arrangements;
• Whether a clear plan is in place which identifies the activities and associated timescales required;
• The funding arrangements for the new company;
• The arrangements in place for the current and future storage and care of the heritage collections and artefacts.
<u>Overall Opinion and Assurance Statement</u>
Inadequate
The physical fit out of the interior and exhibition of the museum is currently underway. However, the recent resignation of the Chief Executive and subsequent retirement of the Head of Heritage Services has the potential to increase the risk of further delays. We therefore consider the controls are presently inadequate. We do however appreciate that there is some time prior to the opening of the attraction to resolve the outstanding issues.
<u>Number of Recommendations Made</u>
<table>
<tr><td>Priority 1</td><td>2</td></tr>
<tr><td>Priority 2</td><td>5</td></tr>
<tr><td>Priority 3</td><td>3</td></tr>
</table>
<u>Management Response</u>
The Business Plan has now been updated and is awaiting sign off by the Board at their next meeting.
A new CEO has now been appointed and is due to take up the role in September 2023. The advert has also gone out to appoint additional board members.
The transfer of staff will be covered as part of the TUPE activities which will be led by HR. The budget of the transferring staff will also be clarified.
The legal team will be consulted to ensure ownership rights of the heritage collections are clearly stated in the SLA and fully understood by the new company.
A plan will be developed to ensure that the Council’s collections are protected upon their return from storage and consideration given to how this can be achieved and what responsibility will be placed on the new company for ensuring appropriate emergency planning procedures are in place.
</td></tr>
</table>

Blackpool Council: Audit and Risk

<table>
<tr><th>Directorate</th><th>Review Title</th><th>Assurance Statement</th></tr>
<tr><td>Community and Environmental</td><td>Trading Standards</td><td>
<u>Scope</u>
The scope of our audit was to review:

Oversight and governance of enforcement activities including policies and procedures;
Business and consumer advice including maintenance of the approved contractor list; and
Whether statutory functions are being dealt with in a timely manner and given priority over non-statutory duties.

<u>Overall Opinion and Assurance Statement</u>
Adequate
We consider that the controls in place are adequate some risks identified and assessed, several changes necessary. Some data cleansing is required in the system utilised by the Trading Standards Team and the service should look to streamlining the data entry process to bring about greater consistency.
<u>Number of Recommendations Made</u>
<table>
<tr><td>Priority 1</td><td>0</td></tr>
<tr><td>Priority 2</td><td>5</td></tr>
<tr><td>Priority 3</td><td>1</td></tr>
</table>
<u>Management Response</u>
The Trading Standards and Licensing Manager will establish when the next weights and measures return is due so that there is sufficient time to procure the service from another authority and the return is submitted in a timely manner.
The divisional risk assessment exercise will be concluded.
The service will liaise with the Data Protection Officer so that records which fall outside of the retention schedule can be deleted.
The service will review the options available to them in terms of utilising other case management systems or liaise with the current provider to streamline the current system so a more consistent approach can be applied.
The service will review the usage of the Safe and Secure Directory by obtaining the number of web page hits to determine whether or not this service should continue to be provided or streamline the offering.
</td></tr>
</table>

Appendix 6(a)

Blackpool Council: Audit and Risk

<table>
<tr><th>Directorate</th><th>Review Title</th><th>Assurance Statement</th></tr>
<tr><td>Corporate</td><td>Not in Education, Employment or Training</td><td>
<u>Scope</u>
The scope of our audit was to review:

Whether the Council’s roles and responsibilities relating to NEET are understood and clearly defined;
How Council Services work together to help address NEET, and ensure that statutory duties are met; and
Partnership arrangements between the Council and key partners (such as the Job Centre and the College).

<u>Overall Opinion and Assurance Statement</u>
<table><tr><th>Good</th></tr></table>
We consider that the controls in place relating to the understanding of roles and responsibilities regarding NEET are good. The recently published Ofsted report highlights the positive improvements in the support provided at a corporate and individual level in creating opportunities for young people to access education, training and employment. This area of Children’s Services is now graded as ‘good’ as a result.

The Council and its key partners work together to identify and provide support to NEET young people in order to provide education, training and employment, which assists with the adherence to the Council’s statutory duties.

<u>Number of Recommendations Made</u>
<table>
<tr><td>Priority 1</td><td>0</td></tr>
<tr><td>Priority 2</td><td>0</td></tr>
<tr><td>Priority 3</td><td>3</td></tr>
</table>
<u>Management Response</u>
Consideration will be given to undertaking a review in order to understand the barriers to school age offenders not obtaining their entitled educational hours.

Steps will be taken to highlight how Council managers who are recruiting are able to link into the Platform to further support NEET.

Consideration will be given to mapping the various roles and responsibilities and associated provisions in place to address NEETs both within the various teams involved at the Council and across the partnerships.
</td></tr>
</table>

Blackpool Council: Audit and Risk

<table>
<tr><th>Directorate</th><th>Review Title</th><th>Assurance Statement</th></tr>
<tr>
<td>Corporate</td>
<td>Social Value</td>
<td>
<u>Scope</u>
The scope of our audit was to review:

Current practice and process to secure social value;
Effectiveness of community stakeholder engagement;
Data collection, monitoring and evaluation; and
Capacity and resource allocated.

<u>Overall Opinion and Assurance Statement</u>
Adequate
We consider that the controls in place are adequate with some risk identified and assess, several changes necessary. It is recognised that better monitoring of outcomes is required, this is currently being assessed and new operating arrangements are to be introduced to help alleviate the current issues.

<u>Number of Recommendations Made</u>
<table>
<tr><td>Priority 1</td><td>0</td></tr>
<tr><td>Priority 2</td><td>4</td></tr>
<tr><td>Priority 3</td><td>3</td></tr>
</table>
<u>Management Response</u>
The procurement guidance will be updated in line with the new legislation and will include a detailed social value guide for officers procuring, goods, services or works.

Steps will be taken to determine whether staff working within social value should be accredited.

The Social Value policy will be periodically reviewed and this will include an evaluation of social value delivery and outcomes. This process will include key stakeholders.

The Corporate Social Value Group and Social Value Coordinator will continue to engage on any key strategies and plans to ensure social value is adequately covered.

A timetable will be established to identify Social Value Champions.

More joined up working between social value and community engagement will be undertaken.

The Social Value Coordinator will ensure that work in relation to social value remains aligned to the Department of Levelling Up, Housing and Communities guidance on Best Value and Social Value.
</td>
</tr>
</table>

<table>
<tr>
<td>Resources</td>
<td>IT Help Desk and Device Management</td>
<td>
<u>Scope</u>
The scope of our audit was to review:

The effectiveness of the revised approach to the IT Helpdesk raised issues function;
The effectiveness of the device management system (including the issue, repair, recycling and return of devices); and
The activity being undertaken to understand and respond to the demand for smart phones.

<u>Overall Opinion and Assurance Statement</u>
Split Assurance
We consider that the controls in place are adequate overall with some risks identified and assessed and a few changes recommended in terms of documenting process. It should also be ensured that communication methods within the ICT team are improved to ensure that staff covering Helpdesk functions are familiar with process changes.

Our testing identified concerns regarding the controls relating to the return of devices following users leaving the authority, and this element of the scope has therefore been assessed as inadequate.

<u>Number of Recommendations Made</u>
<table>
<tr><td>Priority 1</td><td>1</td></tr>
<tr><td>Priority 2</td><td>3</td></tr>
<tr><td>Priority 3</td><td>4</td></tr>
</table>
<u>Management Response</u>
There is a failure of line managers to return devices. Where devices have not been returned a member of the off-boarding team has been assigned the task of contacting line managers. The need for line managers to return devices will also be raised at the Senior Leadership Team.

Leaver’s accounts and devices should be deactivated on their last working day. There is a process in place for this, therefore the incident identified in audit testing in which the account was not disabled is being investigated by ICT.

The device return procedure will incorporate aspects of the mobile phone device return process.

The prioritisation of incidents reported to the help desk is being considered as part of the triage process.

Experienced staff members will be encouraged to be part of the induction meeting for new staff members, as well as be encouraged to spend time in the office to work closer with less experienced staff members.
</td>
</tr>
</table>

Directorate	Review Title	Assurance Statement
		The updating of documented procedures is being completed by the Change Team.

Progress with Priority 1 audit recommendations

One priority one recommendation was implemented in the quarter:

- Heritage Service Transition x 1

A number of priority one recommendations which were due in the quarter have had their deadline extended following discussion between the relevant Head of Service and the Head of Audit and Risk. There has been no movement on these since June Audit Committee as the revised deadlines fall into quarter two. Therefore, it is anticipated that a number of these outstanding issues will be resolved by the next quarterly report. These include:

- Water Self-Supply x 1
- Managing the Leavers Process x 1
- CCTV x 1
- Animal Health Outbreak Management x 1
- Track Maintenance Programme x 1
- Wholly Owned Companies Governance Arrangements x 1
- Energy Management x 2
- Cyber Security (Data Infrastructure) x 1
- Highways Enforcement x 1
- Commissioning x 1
- Children's Services Financial Systems x 5
- Illuminations x 1

A number of priority one recommendations have been made which are not yet due for implementation and these include:

- Driving at Work x 3
- IT Help Desk and Device Management x 1
- Heritage Service Transition x 1

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 April 2023 and June 2023, the Council authorised no RIPAs.

Fraud and Error Data

The fraud and error statistics can be found in Appendix B.

Insurance claims data

The graphs at Appendix C show the cost of liability insurance claims paid to date during each financial year by the Council.

Blackpool Council: Audit and Risk

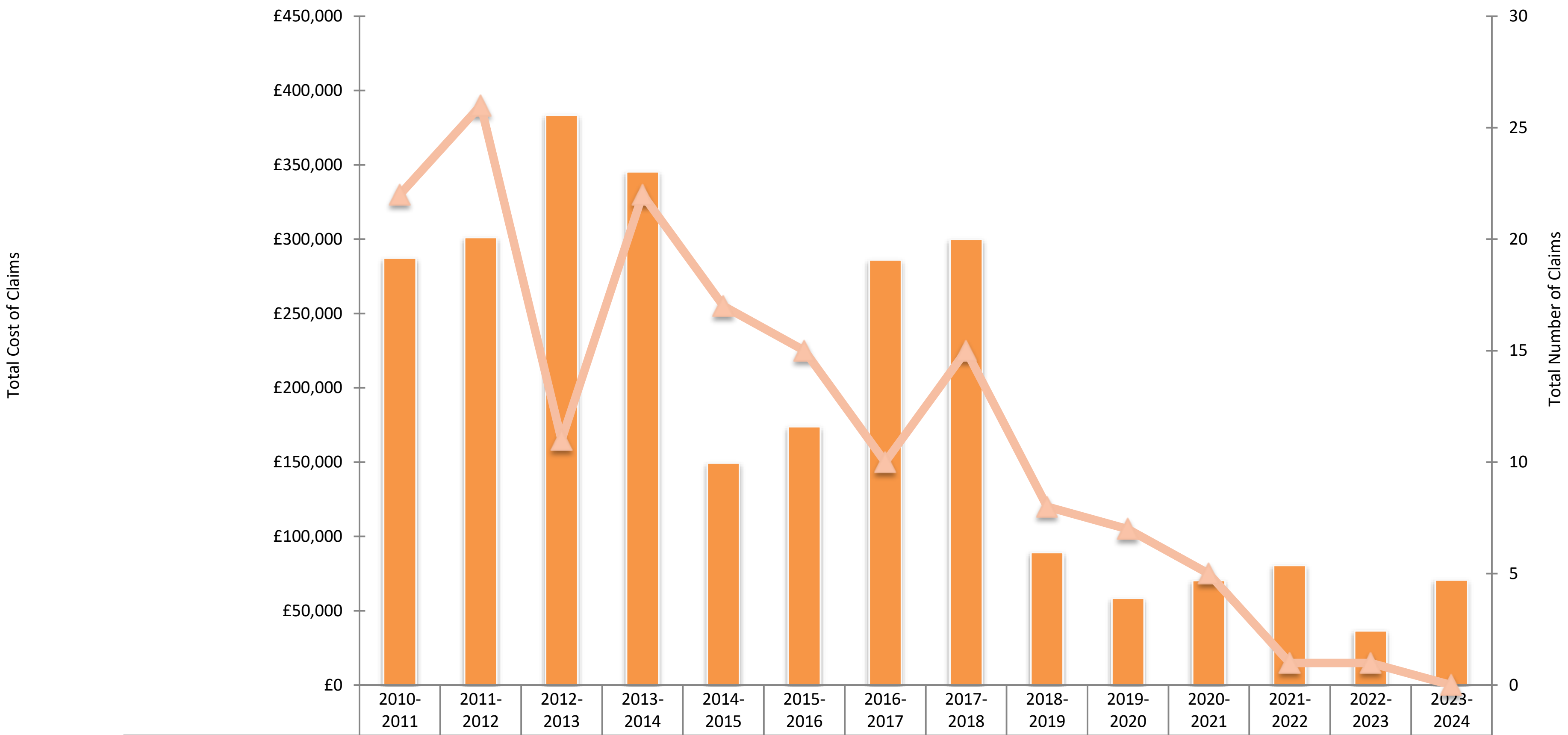
3. ***Appendix B - Fraud and Error Statistics 2023/24***

CORPORATE FRAUD AND ERROR STATISTICS 2023/2024	Number of Cases Brought Forward from 2022/2023	Referrals Received				Case Closures									Total Value of Fraud Proven / Error Identified	Action Taken on Closed Cases					Number of Cases Currently Under Investigation
		Internal	External	NFI	Total Number of Referrals Received	Fraud Proven			Error Proven			No Fraud / Error Identified				No Further Action	Recommendation	Disciplinary	Administrative Penalty	Prosecution	
						Int	Ext	NFI	Int	Ext	NFI	Int	Ext	NFI							
TYPE OF FRAUD	**ANNUAL SUMMARY 2023 / 2024**																				
Council Tax – Single Person Discount	7	7	6	-	13	-	-	-	4	-	-	3	1	-	£2,692.55	8	-	-	-	-	12
Council Tax Reduction (CTRS)	15	4	3	534	541	-	-	-	2	-	1	9	-	108	£13,211.18	120	-	-	-	-	436
Housing Benefit Claims	-	-	-	49	49	-	-	-	-	-	-	-	-	22	-	22	-	-	-	-	27
Housing Tenants	-	-	-	97	97	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	97
Payroll	5	3	-	157	160	3	-	-	-	-	-	-	-	15	-	15	-	3	-	-	147
Business Rates	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4
Procurement	-	-	-	5,296	5,296	-	-	-	-	-	-	-	-	20	-	20	-	-	-	-	5,276
Fraudulent Insurance Claims	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2
Social Care	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-
Abuse of Position – Financial Gain	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abuse of Position – Data	2	-	-	-	-	1	-	-	-	-	-		-	-	-	-	-	1	-	-	1
General Financial Fraud	12	1	4	-	5	-	-	-	-	-	-	2	3	-	-	5	-	-	-	-	12
Blue Badge/Travel Concession/Resident Parking	2	-	1	1,227	1,228	-	-	-	-	-	334	-	-	891	£123,200.00	1,225	-	-	-	-	5
Housing / Right to Buy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Premium Council Tax Exercise (SPD/CTRS)	-	-	-	31,083	31,083	-	-	-	-	-	41	-	-	355	£21,417.53	396	-	-	-	-	30,687
TOTALS	**49**	**15**	**14**	**38,443**	**38,472**	**4**	**-**	**-**	**6**	**-**	**376**	**14**	**4**	**1,411**	**£160,521.26**	**1,811**	**-**	**4**	**-**	**-**	**36,706**

Blackpool Council: Audit and Risk

4. Appendix C – Insurance Claim Payments by Financial Year

Total Number and Cost of Employer Liability Claims (Paid) as at 30.06.2023

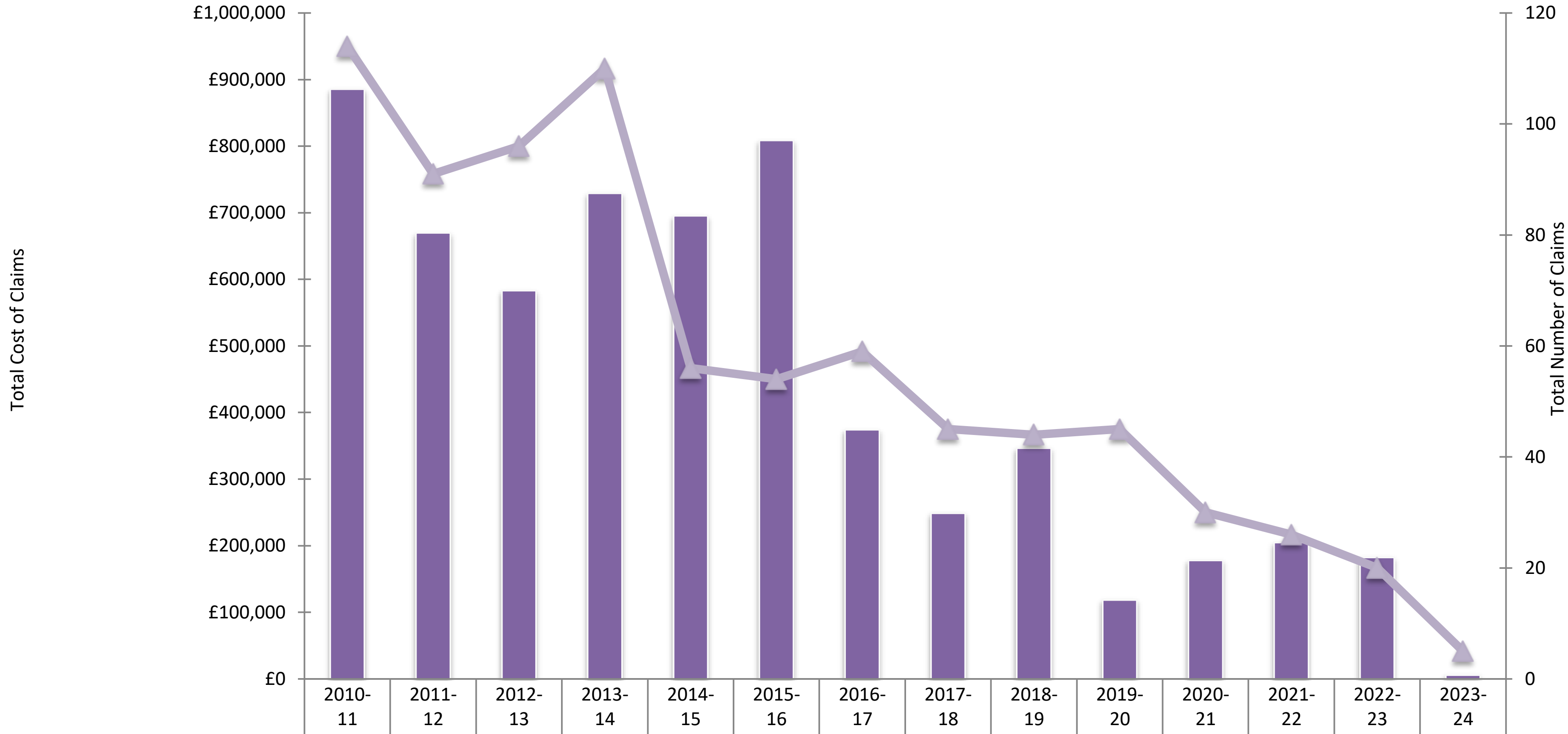


	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Payments Made	£287,329	£301,170	£383,447	£345,395	£149,514	£173,921	£286,045	£299,961	£89,210	£58,467	£70,393	£80,522	£36,535	£70,723
Total Number of Claims (By Notification Date)	22	26	11	22	17	15	10	15	8	7	5	1	1	0

Appendix 6(a)

Blackpool Council: Audit and Risk

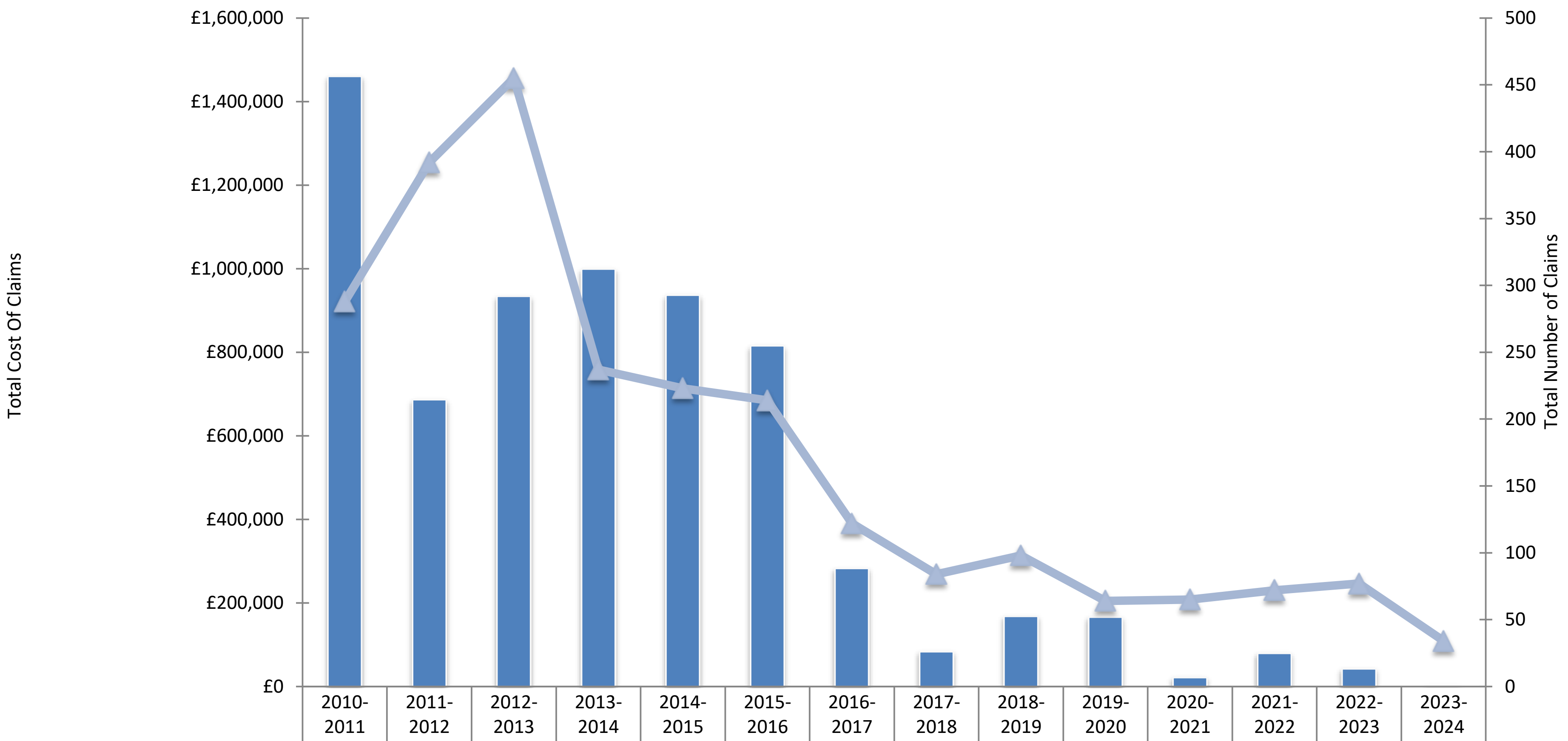
Total Number and Cost of Public Liability Claims (Paid) as at 30.06.2023



	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Payments Made	£885,718	£669,626	£583,142	£729,041	£695,199	£808,739	£373,983	£248,806	£346,354	£118,272	£177,936	£204,809	£182,185	£5,655
Total Number of Claims (By Notification Date)	114	91	96	110	56	54	59	45	44	45	30	26	20	5

Blackpool Council: Audit and Risk

Total Number and Cost of Public Liability Highways Claims (Paid) as at 30.06.2023

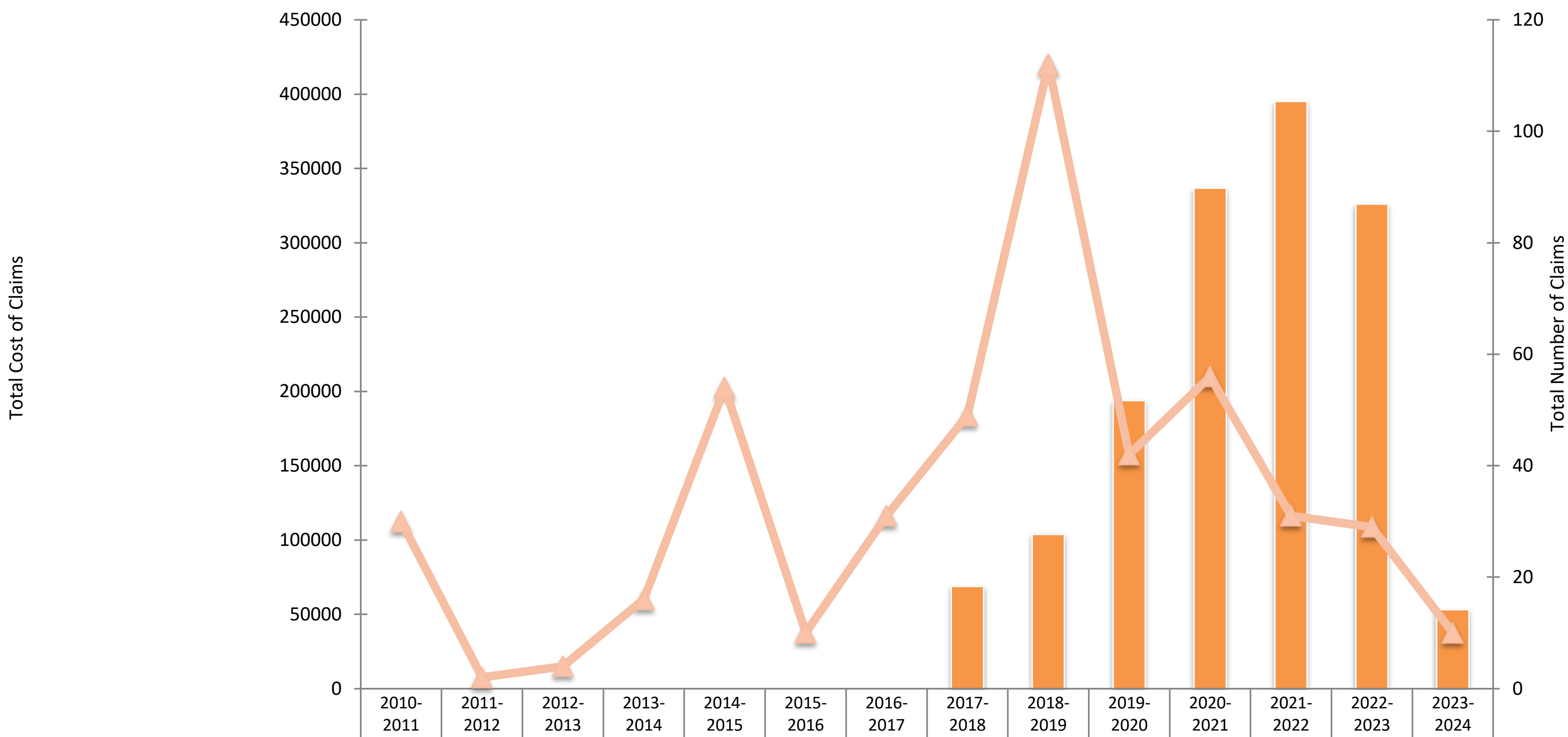


	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Payments Made	£1,460,5	£686,291	£934,112	£999,197	£936,676	£815,338	£282,325	£83,316	£167,924	£166,138	£21,369	£79,495	£41,998	£1,177
Total Number of Claims (By Notification Date)	288	392	455	237	223	214	122	84	98	64	65	72	77	34

Appendix 6(a)

Blackpool Council: Audit and Risk

Total Number and Cost of Sensitive Claims / Notifications (Paid) as at 30.06.2023

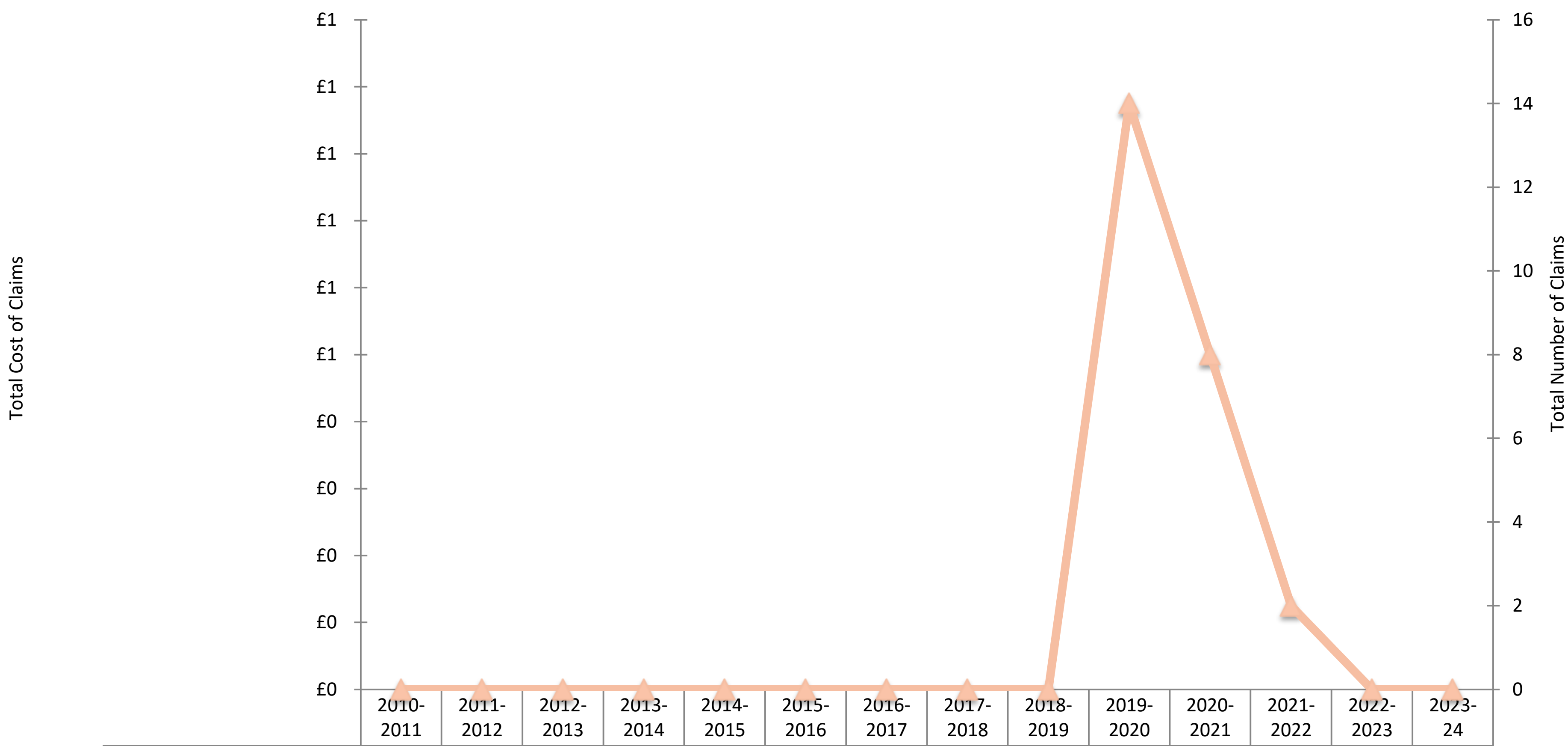


	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Payments Made	0	0	0	0	0	0	0	£68,803	£103,722	£193,832	£336,667	£395,078	£326,083	£53,136
Total Number of Claims (By Notification Date)	30	2	4	16	54	10	31	49	112	42	56	31	29	10

Appendix 6(a)

Blackpool Council: Audit and Risk

Total Number and Cost of Data Breach Claims (Paid) as at 30.06.2023



	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-24
Payments Made	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total Number of Claims (By Notification Date)	0	0	0	0	0	0	0	0	0	14	8	2	0	0

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