

# Blackpool Council

## Draft Statement of Accounts For the Year Ended 31<sup>st</sup> March 2021



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## Introduction by Director of Resources – Steve Thompson

Blackpool Council's accounts show the financial results of the Council for the financial year 2020/21 and the financial position as at 31<sup>st</sup> 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 style and 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 1<sup>st</sup> April 2020 to 31<sup>st</sup> 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 requires draft accounts to be published no later than 31<sup>st</sup> July 2021 rather than the pre-pandemic deadline of 31<sup>st</sup> May. It also requires the audited accounts to be published by 30<sup>th</sup> September 2021 (previously 31<sup>st</sup> July). The public inspection of accounts will take place between 1<sup>st</sup> August 2021 and 13<sup>th</sup> September 2021.

The Narrative Report provides information about Blackpool, including key issues affecting the Council and its accounts. It also provides a summary of the financial position as at 31<sup>st</sup> March 2021.

Steve Thompson  
Director of Resources

## Narrative Report

### An Introduction to Blackpool

Blackpool is a seaside town situated on the north-west coast of England. It is the world's first mass market seaside resort, with a proud heritage stretching back over 150 years. It covers an area of approximately 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:

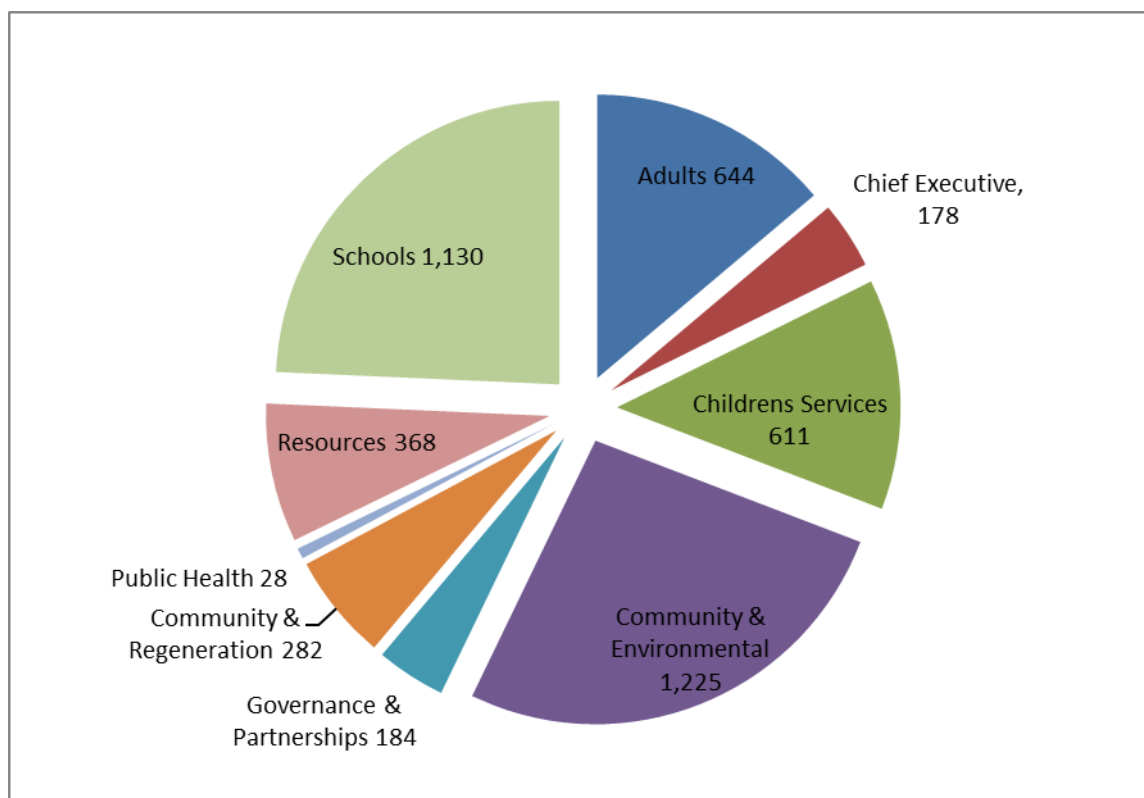
Chief Executive (Head of Paid Service)  
 Director of Adult Services (Statutory)  
 Director of Children's Services (Statutory)  
 Director of Public Health (Statutory)  
 Director of Governance and Partnership Services (Monitoring Officer)  
 Director of Resources (Statutory Finance Officer)  
 Director 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 31<sup>st</sup> March 2021 the Council employed 3,520 people (31<sup>st</sup> March 2020: 3,480) and also employed a further 1,130 (31<sup>st</sup> 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 UK's 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 expand by maximising take-up of the Business Loans Fund.
- Work with partners to deliver the Opportunity Area programme, raising attainment and aspirations of our young people.

#### Improving Housing

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

### Priority Two – Communities

#### Young People

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

#### Health and Social Care

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

#### Safeguarding

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

#### Increasing Resilience

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

## **2020/2021 Financial Performance of the Council**

### **2020/2021 Revenue Budget and Capital Programme**

On 9<sup>th</sup> 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:



|   | <b>2020/21<br/>Adjusted<br/>Cash Limit<br/>Budget<br/>£ '000</b> | <b>2020/21<br/>Actuals<br/>£ '000</b> | <b>2020/21<br/>Variation<br/>£ '000</b> |
|---|--|---------------------------------------|---|
| <b><u>Directorate</u></b>                         |  |                                       |   |
| 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)                                    |
| <b>Total Net Expenditure</b>                      | <b>142,569</b>   | <b>138,568</b>                        | <b>(4,001)</b>                          |
| 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)                               | -                                       |
| <b>Total</b>                                      | <b>(142,569)</b>   | <b>(142,569)</b>                      | <b>-</b>                                |
| <b>Amount transfer (to)/from Working Balances</b> | <b>-</b>   | <b>(4,001)</b>                        | <b>(4,001)</b>                          |

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 31<sup>st</sup> March 2021.

The Comprehensive Income and Expenditure Statement shows a Deficit on the Provision of Services of £47.730m. 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.

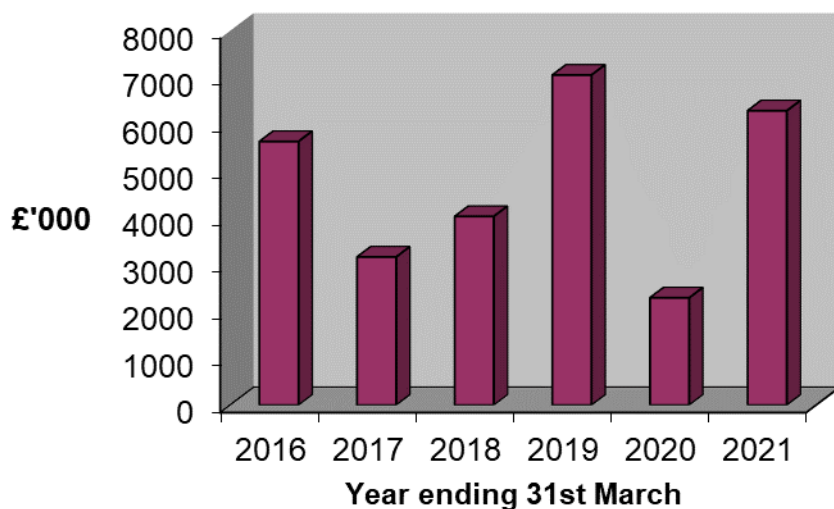
|   | £000           |
|---|----------------|
| Revenue Outturn                                   | (4,001)        |
| Housing Revenue Account net requirement           | 1,798          |
| Depreciation and Impairment                       | 45,523         |
| IAS 19 Pension and Annual Leave                   | (6,232)        |
| Capital Grants                                    | (19,280)       |
| DSG Deficit to Adjustment Account                 | 2,664          |
| Collection Fund movement                          | 19,278         |
| Minimum Revenue Provision                         | (5,288)        |
| Gains/Losses on sale of assets                    | 250            |
| Movements to/from Earmarked Reserves              | (26,730)       |
| Movements to/from Schools Reserves                | (1,178)        |
| Revenue contributions to capital                  | (11,957)       |
| Other   | 201            |
| <b>(Surplus)/Deficit on Provision of Services</b> | <b>(4,952)</b> |

### General Fund Working Balances

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

### General Fund Balances



## 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 £26.73m to £76.548m 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.

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 Houndshell Shopping Centre in 2019/20. The net book value of the Council's capital assets as at 31<sup>st</sup> March 2020 was £825.963m.

The main areas of capital spending during the year were:

| <b>2019/2020<br/>£000</b> |                                     | <b>2020/2021<br/>£000</b> |
|---------------------------|-------------------------------------|---------------------------|
| 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                     |
| <b>95,737</b>             | <b>Total</b>                        | <b>49,880</b>             |

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

| <b>2019/2020<br/>£000</b> |                    | <b>2020/2021<br/>£000</b> |
|---------------------------|--------------------|---------------------------|
|                           | - Capital receipts | 1,858                     |
| 22,780                    | Grants             | 23,627                    |
| 64,408                    | Borrowing          | 13,103                    |
| 8,549                     | Other              | 11,292                    |
| <b>95,737</b>             | <b>Total</b>       | <b>49,880</b>             |

As at 31<sup>st</sup> 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 refurbish 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 (31<sup>st</sup> March 2020 £4.830m).

### **Treasury Management**

At its meeting on 9<sup>th</sup> 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 31<sup>st</sup> March 2021 the Council had total borrowings of £339.094m (31<sup>st</sup> March 2020 £332.644m), being £79.487m (2019/20 £87.460m) long term and £259.607m short term (2019/20 £245.184m).

At 31<sup>st</sup> March 2021 the Council has short term investments of £4.350m which is a decrease of £17m from 31<sup>st</sup> March 2020. The long term investments were £25.436m which is a decrease of £1.974m from 31<sup>st</sup> 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 1<sup>st</sup> April 2013 up to 31<sup>st</sup> 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 13<sup>th</sup> 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 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020 the income relating to Blackpool was shared between central government (25%), the Council (73.5%) and the Fire Authority (1.5%).

From 1<sup>st</sup> 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 £91.378m 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 46 to the accounts. The figures reported in the Balance Sheet are valued in line with IFRS accounting standard IAS 19.

### **Pension Fund Advanced Payment**

The triennial valuation of the Council's pension fund was completed by Lancashire County Pension Fund (LCPF) in February 2017. Following the valuation, an option was made available to the Council allowing the payment of its employer pension contributions over the next 3 years in advance (rather than on a monthly basis) on 1<sup>st</sup> April 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 &<br>Non-Specific Grant<br>Income<br>£000 | Credited to<br>Services<br>£000 | Agent (not<br>included in<br>CIES<br>£000 |
|--|--|---------------------------------|---|
| <b>Ministry of Housing, Communities and<br/>Local Government (MHCLG)</b> |  |                                 |   |
| Covid-19 Local Authority Support Grant                                   | 10,179   |                                 |   |
| Sales, Fees and Charges Compensation Scheme                              | 8,461  |                                 |   |
| Covid-19 Business Rate Reliefs   | 14,768   |                                 | 14,177                                    |
| Council Tax Hardship Fund  | 2,803  |                                 |   |
| Adult Social Care Workforce Capacity Fund                                |  | 452                             |   |
| Clinically Extremely Vulnerable (CEV) Funding                            |  | 214                             |   |
| Community Champions  |  | 212                             |   |
| Compliance and Enforcement Grant   |  | 114                             |   |
| Rough Sleeping Emergency Funding/Accommodation Project                   |  | 147                             |   |
| Self Isolation Fund  |  | 269                             |   |
| 75% Local Tax Income Guarantee Scheme                                    | 395  |                                 |   |
| <b>Department for Business, Energy and Industrial Strategy</b>           |  |                                 |   |
| Business Support Grants Mandatory  |  |                                 | 44,995                                    |
| Business Support Grants Discretionary                                    |  | 2,425                           |   |
| Local Restrictions Support Grants Mandatory                              |  |                                 | 41,744                                    |
| Local Restrictions Support Grants Discretionary                          |  | 2,517                           |   |
| Additional Restrictions Grants   |  | 4,027                           |   |
| <b>Department for Health and Social Care</b>                             |  |                                 |   |
| Rapid Testing Grant  |  | 109                             | 434                                       |
| Contain Outbreak Management Fund   |  | 4,303                           |   |
| Test and Trace Support Grant   |  | 1,694                           |   |
| Infection Control Fund   |  | 990                             | 3,412                                     |
| <b>Department for Transport</b>  |  |                                 |   |
| Light Rail Revenue Grant (LRRG) including Restart                        |  |                                 | 2,106                                     |
| Additional Home to School Transport                                      |  | 466                             |   |
| Covid-19 Bus Services Support Grant (CBSSG) including Restart            |  | 156                             |   |
| Emergency Travel Fund  |  | 415                             |   |
| <b>Department for Work and Pensions</b>                                  |  |                                 |   |
| Winter Support Grant Scheme  |  | 526                             |   |
| <b>Department for Environment, Food and Rural Affairs</b>                |  |                                 |   |
| Emergency Assistance Grant for Food and Essential Supplies               | 261  |                                 |   |
| <b>Total Covid-19 Grants Received in 2020/21</b>                         | <b>36,867</b>  | <b>19,036</b>                   | <b>106,868</b>                            |

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. The principle of bringing together those who need help with those who can offer help has been the key to success of this initiative.

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 1<sup>st</sup> 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 in the next 3 years. As the Council's budget reduces finding additional savings becomes more difficult.

### **Brexit**

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

At 11pm on 31<sup>st</sup> December 2020 the UK left the EU single market and customs union.

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 31<sup>st</sup> 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](http://www.blackpool.gov.uk)

## **Transparency**

The Government's Transparency Agenda encourages local authorities to make public data openly available. Details of the Council's spend over £250, 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 (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 11<sup>th</sup> November 2021.

Councillor Paul Galley  
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 31<sup>st</sup> 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.

| 2019/2020                 |                      |                         |   | 2020/21                   |                      |                         |
|---------------------------|----------------------|-------------------------|---|---------------------------|----------------------|-------------------------|
| Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |   | Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |
| 13,055                    | (6,366)              | 6,689                   | Chief Executive   | 6,750                     | (6,423)              | 327                     |
| 11,992                    | (3,846)              | 8,146                   | Governance and Partnership Services   | 7,320                     | (3,954)              | 3,366                   |
| 190                       | (2)                  | 188                     | Ward Budgets  | 454                       | -                    | 454                     |
| 30,924                    | (9,867)              | 21,057                  | Resources   | 24,482                    | (10,189)             | 14,293                  |
| 32,394                    | (9,840)              | 22,554                  | Communications & Regeneration   | 23,967                    | (11,732)             | 12,235                  |
| 10,157                    | (4,818)              | 5,339                   | Strategic Leisure Assets  | 10,689                    | (4,379)              | 6,310                   |
| 69,090                    | (21,323)             | 47,767                  | Community and Environmental Services  | 63,451                    | (18,548)             | 44,903                  |
| 83,339                    | (22,447)             | 60,892                  | Adult Services  | 88,729                    | (36,314)             | 52,415                  |
| 134,919                   | (75,311)             | 59,608                  | Children's Services   | 140,128                   | (80,745)             | 59,383                  |
| 13,182                    | (21,120)             | (7,938)                 | Public Health   | 15,467                    | (25,507)             | (10,040)                |
| 58,051                    | (69,619)             | (11,568)                | Budgets Outside the Cash Limit  | 58,108                    | (64,780)             | (6,672)                 |
| 3,385                     | (24,244)             | (20,859)                | Contingencies, Levies etc   | 12,593                    | (17,847)             | (5,254)                 |
| 15,745                    | (18,817)             | (3,072)                 | Housing Revenue Account   | 14,767                    | (19,515)             | (4,748)                 |
| <b>476,423</b>            | <b>(287,620)</b>     | <b>188,803</b>          | <b>Net Cost of Services</b>   | <b>466,905</b>            | <b>(299,933)</b>     | <b>166,972</b>          |
|                           |                      | 1,787                   | Other Operating Expenditure (Note 11)   | 464                       | -                    | 464                     |
|                           |                      | 6,230                   | Financing & Investment Income & Expenditure - Other (Note 12)                                       | 12,274                    | (3,584)              | 8,690                   |
|                           |                      | (7,478)                 | Income & Expenditure in relation to Investment Properties and changes in their fair value (Note 16) | 6,750                     | (4,062)              | 2,688                   |
|                           |                      | (163,519)               | Taxation and Non-Specific Grant Income - Other (Note 13)  | 17,260                    | (201,026)            | (183,766)               |
|                           |                      | <b>25,823</b>           | <b>(Surplus)/Deficit on Provision of Services</b>   |                           |                      | <b>(4,952)</b>          |
|                           |                      | (8,902)                 | (Surplus) or Deficit on revaluation of non-current assets (Note 28)                                 |                           |                      | (9,928)                 |
|                           |                      | 4,465                   | (Surplus) or deficit on revaluation of available for sale financial assets (Note 19 and Note 28)    |                           |                      | 4,224                   |
|                           |                      | (27,364)                | Remeasurement of the net defined benefit liability (Note 28 and Note 46)                            |                           |                      | 75,308                  |
|                           |                      | <b>(31,801)</b>         | <b>Other Comprehensive Income and Expenditure</b>   |                           |                      | <b>69,604</b>           |
|                           |                      | <b>(5,978)</b>          | <b>Total Comprehensive Income and Expenditure</b>   |                           |                      | <b>64,652</b>           |

## Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Authority, analysed into 'usable reserves' (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 | Earmarked General Fund Reserves | Housing Revenue Account | Capital Receipts Reserve | Capital Reserves | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|---|----------------------|---------------------------------|-------------------------|--------------------------|------------------|-----------------------|-------------------|--------------------------|
|   | £000                 | £000                            | £000                    | £000                     | £000             | £000                  | £000              | £000                     |
| <b>Balance as at 1st April 2020</b>   | (1,576)              | (49,818)                        | (4,830)                 | (11,411)                 | (3,112)          | (70,747)              | (174,126)         | (244,873)                |
| Reporting of Schools Budget Deficit to new Adjustment Account at 1st April 2020   | (3,098)              |                                 |                         |                          |                  | (3,098)               | 3,098             | -                        |
| <b>Restated Balance as at 1st April 2020</b>                                      | (4,674)              | (49,818)                        | (4,830)                 | (11,411)                 | (3,112)          | (73,845)              | (171,028)         | (244,873)                |
| <b>Movements in Reserves in 2020/21</b>   |                      |                                 |                         |                          |                  |                       |                   |                          |
| (Surplus) or Deficit on the provision of services                                 | (568)                |                                 | (4,384)                 | -                        | -                | (4,952)               | -                 | (4,952)                  |
| Other Comprehensive Income & Expenditure  | -                    | -                               | -                       | -                        | -                | -                     | 69,604            | 69,604                   |
| <b>Total Comprehensive Income and Expenditure</b>                                 | (568)                | -                               | (4,384)                 | -                        | -                | (4,952)               | 69,604            | 64,652                   |
| Adjustments between accounting basis and funding basis under regulations (Note 9) | (31,342)             | -                               | 6,182                   | 1,540                    | -                | (23,620)              | 23,620            | -                        |
| <b>Net (Increase) or Decrease before Transfer to Earmarked Reserves</b>           | (31,910)             | -                               | 1,798                   | 1,540                    | -                | (28,572)              | 93,224            | 64,652                   |
| Transfer (to)/from Earmarked Reserves (Note 10)                                   | 26,730               | (26,730)                        | -                       | (3,921)                  | -                | (3,921)               | 3,921             | -                        |
| <b>(Increase)/Decrease in 2020/21</b>   | (5,180)              | (26,730)                        | 1,798                   | (2,381)                  | -                | (32,493)              | 97,145            | 64,652                   |
| <b>Balance as at 31st March 2021</b>  | (9,854)              | (76,548)                        | (3,032)                 | (13,792)                 | (3,112)          | (106,338)             | (73,883)          | (180,221)                |

**2019/20**

|   | <b>General Fund Balance</b> | <b>Earmarked General Fund Reserves</b> | <b>Housing Revenue Account</b> | <b>Capital Receipts Reserve</b> | <b>Capital Reserves</b> | <b>Total Usable Reserves</b> | <b>Unusable Reserves</b> | <b>Total Authority Reserves</b> |
|---|-----------------------------|--|--------------------------------|---------------------------------|-------------------------|------------------------------|--------------------------|---------------------------------|
|   | <b>£000</b>                 | <b>£000</b>                            | <b>£000</b>                    | <b>£000</b>                     | <b>£000</b>             | <b>£000</b>                  | <b>£000</b>              | <b>£000</b>                     |
| <b>Balance as at 1st April 2019</b>   | <b>(8,988)</b>              | <b>(41,662)</b>                        | <b>(5,705)</b>                 | <b>(7,527)</b>                  | <b>(3,112)</b>          | <b>(66,994)</b>              | <b>(171,901)</b>         | <b>(238,895)</b>                |
| <b>Movements in Reserves in 2019/2020</b>   |                             |  |                                |                                 |                         |                              |                          |                                 |
| (Surplus) or Deficit on the provision of services                                 | 29,237                      | -                                      | (3,414)                        | -                               | -                       | <b>25,823</b>                | -                        | <b>25,823</b>                   |
| Other Comprehensive Income & Expenditure  | -                           | -                                      | -                              | -                               | -                       | -                            | (31,801)                 | <b>(31,801)</b>                 |
| <b>Total Comprehensive Income and Expenditure</b>                                 | <b>29,237</b>               | <b>-</b>                               | <b>(3,414)</b>                 | <b>-</b>                        | <b>-</b>                | <b>25,823</b>                | <b>(31,801)</b>          | <b>(5,978)</b>                  |
| Adjustments between accounting basis and funding basis under regulations (Note 9) | (29,981)                    | -                                      | 4,289                          | (576)                           | -                       | <b>(26,268)</b>              | 26,268                   | -                               |
| <b>Net (Increase) or Decrease before Transfer to Earmarked Reserves</b>           | <b>(744)</b>                | <b>-</b>                               | <b>875</b>                     | <b>(576)</b>                    | <b>-</b>                | <b>(445)</b>                 | <b>(5,533)</b>           | <b>(5,978)</b>                  |
| Transfer (to)/from Earmarked Reserves (Note 10)                                   | 8,156                       | (8,156)                                | -                              | (3,308)                         | -                       | <b>(3,308)</b>               | 3,308                    | -                               |
| <b>(Increase)/Decrease in 2019/2020</b>   | <b>7,412</b>                | <b>(8,156)</b>                         | <b>875</b>                     | <b>(3,884)</b>                  | <b>-</b>                | <b>(3,753)</b>               | <b>(2,225)</b>           | <b>(5,978)</b>                  |
| <b>Balance as at 31st March 2020</b>  | <b>(1,576)</b>              | <b>(49,818)</b>                        | <b>(4,830)</b>                 | <b>(11,411)</b>                 | <b>(3,112)</b>          | <b>(70,747)</b>              | <b>(174,126)</b>         | <b>(244,873)</b>                |



### Balance Sheet As At 31<sup>st</sup> 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'.

| 31st March 2020  |                               | Notes | 31st March 2021  |
|------------------|-------------------------------|-------|------------------|
| £000             |                               |       | £000             |
| 748,553          | Property, Plant and Equipment | 14    | 754,973          |
| 8,364            | Heritage Assets               | 15    | 8,345            |
| 58,529           | Investment Property           | 16    | 61,211           |
| 466              | Intangible Assets             | 18    | 737              |
| 753              | Surplus Assets                | 17    | 697              |
| 27,410           | Long Term Investments         | 20    | 25,436           |
| 78,273           | Long Term Debtors             | 21    | 86,586           |
| <b>922,348</b>   | <b>Long Term Assets</b>       |       | <b>937,985</b>   |
| 642              | Inventories                   | 22    | 774              |
| 57,055           | Short Term Debtors            | 23    | 63,921           |
| 774              | Short Term Loans              |       | 1,235            |
| 19,504           | Cash and Cash Equivalents     | 24    | 3,352            |
| <b>77,975</b>    | <b>Current Assets</b>         |       | <b>69,282</b>    |
| (245,184)        | Short Term Borrowing          | 19    | (259,607)        |
| (69,712)         | Short Term Creditors          | 25    | (93,538)         |
| (13,123)         | Short Term Provisions         | 26    | (9,363)          |
| <b>(328,019)</b> | <b>Current Liabilities</b>    |       | <b>(362,508)</b> |
| (96,511)         | Long Term Creditors           | 25    | (93,359)         |
| (87,460)         | Long Term Borrowing           | 19    | (79,487)         |
| (230,786)        | Pension Liability             | 46    | (275,906)        |
| (63)             | Other Long Term Liabilities   |       | (62)             |
| (12,611)         | Capital Grants in Advance     | 40    | (15,724)         |
| <b>(427,431)</b> | <b>Long Term Liabilities</b>  |       | <b>(464,538)</b> |
| <b>244,873</b>   | <b>Net Assets</b>             |       | <b>180,221</b>   |
| (70,747)         | Usable Reserves               | 27    | (106,338)        |
| (174,126)        | Unusable Reserves             | 28    | (73,883)         |
| <b>(244,873)</b> | <b>Total Reserves</b>         |       | <b>(180,221)</b> |

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

| 2019/2020<br>£000 |   | Notes | 2020/2021<br>£000 |
|-------------------|---|-------|-------------------|
| 25,823            | Net (surplus)/deficit on the provision of services  |       | (4,952)           |
| (47,026)          | Adjustments to net surplus or deficit on the provision of services for non-cash movements                                       | 32    | (17,813)          |
| 24,041            | Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities | 32    | 139               |
| <b>2,838</b>      | <b>Net cash flows from Operating Activities</b>   |       | <b>(22,626)</b>   |
| 111,692           | Investing Activities  | 33    | 9,870             |
| (102,644)         | Financing Activities  | 34    | (3,396)           |
| <b>11,886</b>     | <b>Net increase or (decrease) in cash and cash equivalents</b>  |       | <b>(16,152)</b>   |
| 7,618             | Cash and cash equivalents at the beginning of the reporting period  |       | 19,504            |
| <b>19,504</b>     | <b>Cash and cash equivalents at the end of the reporting period</b>   | 35    | <b>3,352</b>      |

# Section 5

## Notes to the Accounts

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## 1. Expenditure and Funding Analysis

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

| 2020/21  | Outturn as reported to Executive (including HRA) | Adjustments to arrive at the net amount chargeable to the General Fund and HRA balances | Net Expenditure Chargeable to the General Fund and HRA Balances | Adjustments between Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|--|--|---|---|--|---|
| Service Area   | £000   | £000  | £000  | £000   | £000  |
| Chief Executive                                      | 337  | 991   | 1,328   | (1,001)  | 327   |
| Governance and Partnership Services                  | 2,715  | 1,089   | 3,804   | (438)  | 3,366   |
| Ward Budgets   | 454  | -   | 454   | -  | 454   |
| Resources  | 3,240  | 6,746   | 9,986   | 4,307  | 14,293  |
| Communications & Regeneration                        | 3,452  | (5,489)   | (2,037)   | 14,272   | 12,235  |
| Strategic Leisure Assets                             | 6,310  | -   | 6,310   | -  | 6,310   |
| Community and Environmental Services                 | 48,123   | (17,053)  | 31,070  | 13,833   | 44,903  |
| Adult Services                                       | 58,299   | (3,768)   | 54,531  | (2,116)  | 52,415  |
| Children's Services                                  | 66,467   | (9,079)   | 57,388  | 1,995  | 59,383  |
| Public Health  | 26   | (10,006)  | (9,980)   | (60)   | (10,040)  |
| Budgets Outside the Cash Limit                       | 9,445  | (11,990)  | (2,545)   | (4,832)  | (7,377)   |
| Contingencies, Levies etc                            | (60,301)   | 54,866  | (5,435)   | 181  | (5,254)   |
| Housing Revenue Account                              | (4,710)  | 6,144   | 1,434   | (6,182)  | (4,748)   |
| <b>Net Cost of Services</b>                          | <b>133,857</b>                                   | <b>12,451</b>   | <b>146,308</b>  | <b>19,959</b>                                    | <b>166,267</b>  |
| Other Income and Expenditure                         | (137,239)  | (37,641)  | (174,880)   | 3,661  | (171,219)   |
| <b>(Surplus) or Deficit on Provision of Services</b> | <b>(3,382)</b>                                   | <b>(25,190)</b>   | <b>(28,572)</b>   | <b>23,620</b>                                    | <b>(4,952)</b>  |

### Reconciliation of Movement in Balances

|  | General Fund<br>£000 | HRA<br>£000    | Total<br>£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)         |
| <b>Closing General Fund and HRA Balances 31st March 2021</b> | <b>(9,854)</b>       | <b>(3,032)</b> | <b>(12,886)</b> |

| 2019/20  | Outturn as reported to Executive (including HRA) | Adjustments to arrive at the net amount chargeable to the General Fund and HRA balances | Net Expenditure Chargeable to the General Fund and HRA Balances | Adjustments between Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|--|--|---|---|--|---|
| Service Area   | £000   | £000  | £000  | £000   | £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  | 8,818   | 10,840  | 12,601   | 23,441  |
| 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  | 7,094  | 59,608  |
| 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)   |
| <b>Net Cost of Services</b>                          | <b>165,255</b>                                   | <b>4,915</b>  | <b>170,170</b>  | <b>19,520</b>                                    | <b>189,690</b>  |
| Other Income and Expenditure                         | (156,958)  | (13,657)  | (170,615)   | 6,748  | (163,867)   |
| <b>(Surplus) or Deficit on Provision of Services</b> | <b>8,297</b>                                     | <b>(8,742)</b>  | <b>(445)</b>  | <b>26,268</b>                                    | <b>25,823</b>   |

**Reconciliation of Movement in Balances**

|  | <b>General Fund</b> | <b>HRA</b>     | <b>Total</b>   |
|--|---------------------|----------------|----------------|
|  | <b>£000</b>         | <b>£000</b>    | <b>£000</b>    |
| 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          |
| <b>Closing General Fund and HRA Balances 31st March 2020</b> | <b>(1,576)</b>      | <b>(4,830)</b> | <b>(6,406)</b> |

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

| <b>Adjustments between Funding and Accounting Basis<br/>2020/2021</b>  |  |  |   |                          |
|--|--|--|---|--------------------------|
| <b>Adjustments from General Fund to arrive at<br/>the Comprehensive Income and Expenditure<br/>Statement amounts</b>   | <b>Adjustments for capital<br/>purposes (Note i)</b> | <b>Net change for the<br/>Pensions Adjustments<br/>(Note ii)</b> | <b>Other Differences<br/>(Note iii)</b> | <b>Total Adjustments</b> |
|  | <b>£000</b>  | <b>£000</b>  | <b>£000</b>                             | <b>£000</b>              |
| Chief Executive  | (195)  | (872)  | 66                                      | (1,001)                  |
| Governance and Partnership Services  | 73   | (550)  | 39                                      | (438)                    |
| Ward Budgets   | -  | -  | -                                       | -                        |
| Resources  | 5,988  | (1,805)  | 124                                     | 4,307                    |
| Communications and Regeneration  | 15,326   | (1,085)  | 31                                      | 14,272                   |
| Strategic Leisure Assets   | -  | -  | -                                       | -                        |
| Community and Environmental Services   | 15,706   | (1,898)  | 25                                      | 13,833                   |
| Adult Services   | 286  | (2,494)  | 92                                      | (2,116)                  |
| Children's Services  | 4,694  | (2,920)  | 221                                     | 1,995                    |
| Public Health  | -  | (66)   | 6                                       | (60)                     |
| Budgets Outside the Cash Limit   | (4,727)  | (38)   | (67)                                    | (4,832)                  |
| Contingencies  | -  | 181  | -                                       | 181                      |
| Housing Revenue Account  | (6,182)  | -  | -                                       | (6,182)                  |
| <b>Net Cost of Services</b>  | <b>30,969</b>  | <b>(11,547)</b>  | <b>537</b>                              | <b>19,959</b>            |
| Other income and expenditure from the<br>Expenditure and Funding Analysis  | (20,340)   | 4,723  | 19,278                                  | 3,661                    |
| <b>Difference between General Fund surplus or<br/>deficit and Comprehensive Income &amp;<br/>Expenditure Statement Surplus or Deficit on<br/>the Provision of Services</b> | <b>10,629</b>  | <b>(6,824)</b>   | <b>19,815</b>                           | <b>23,620</b>            |

| Adjustments between Funding and Accounting Basis<br>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  | 10,361                                    | 2,240   | -                                      | 12,601            |
| 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  | (185)                                     | 7,299   | (20)                                   | 7,094             |
| 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)           |
| <b>Net Cost of Services</b>  | <b>6,078</b>                              | <b>13,572</b>                                     | <b>(130)</b>                           | <b>19,520</b>     |
| Other income and expenditure from the Expenditure and Funding Analysis   | 10,488                                    | -   | (3,740)                                | 6,748             |
| <b>Difference between General Fund surplus or deficit and Comprehensive Income &amp; Expenditure Statement Surplus or Deficit on the Provision of Services</b> | <b>16,566</b>                             | <b>13,572</b>                                     | <b>(3,870)</b>                         | <b>26,268</b>     |

### i) Adjustments for Capital Purposes

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

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off against those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing 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.

### iv) Other Non-statutory Adjustments

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

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

## 2b. Expenditure and Income Analysed By Nature

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

| 2019/2020      |   | 2020/2021      |
|----------------|---|----------------|
| £000           |   | £000           |
|                | <b>Expenditure</b>                                    |                |
| 135,171        | Employee expenses                                     | 86,805         |
| 287,862        | Other Services expenses                               | 331,792        |
| 52,817         | Depreciation, amortisation, impairment                | 45,523         |
| 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                        | 137            |
| 5,449          | Pension Interest Cost and return on assets            | 4,723          |
| <b>490,672</b> | <b>Total Expenditure</b>                              | <b>476,858</b> |
|                | <b>Income</b>   |                |
| 149,136        | Fees, charges and other service income                | 135,879        |
| 6,805          | Interest and investment income                        | 3,584          |
| 89,042         | Income from council tax, non-domestic rates           | 62,382         |
| 219,866        | Government grants and contributions                   | 279,965        |
| <b>464,849</b> | <b>Total Income</b>                                   | <b>481,810</b> |
| <b>25,823</b>  | <b>(Surplus)/Deficit on the Provision of Services</b> | <b>(4,952)</b> |

### 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 31<sup>st</sup> 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 1<sup>st</sup> April 2018. Under IFRS 15 an entity recognises revenue when (or as) a performance obligation is satisfied i.e. when control of goods and services underlying a particular performance obligation is transferred to the customer. Many of the major sources of revenue for local authorities, including council tax, national non domestic business rates and grants fall outside the scope of IFRS 15. The Council has some rental contracts where the level of rent is affected by the customer's profit/turnover. The total rental received in 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 benefit 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 prepay three years employer's contributions and deficit contribution which results in a saving to the Council. The prepayment when the prepayment is made the contributions and deficit payment are included in the year to which they relate. The future years are held in the pensions 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 Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the 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 21. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate than the rate receivable from the organisation, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest



receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

### **Expected Credit Loss Model**

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

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

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

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

- Group 1 – these loans 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 1<sup>st</sup> April 2018. The asset is initially measured and carried at fair value.

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

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

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

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

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

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

Whether paid on account, by instalment or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments; and
- The grants and contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset 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 and Intangible Heritage Assets**

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However some of the measurement rules have been relaxed in relation to heritage assets as detailed below. The 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 insurance valuations that are based on market values. These insurance valuations are reviewed on a 4 yearly basis.

Due to the unique nature of the collection it is deemed to have an indeterminate life and a high residual value hence, the 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. However, the valuation is adequate for insurance purposes and has been reported in the Balance Sheet.

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

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

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

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

The collections are deemed to have indeterminate lives and a high residual value hence the 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. 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.

#### **xix. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

### **The 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.

Lease rentals receivable are apportioned between:

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

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

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

### **Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the

commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **xx. Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the 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.

## **xxi. Property, Plant and Equipment**

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

### **Recognition**

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

### **Measurement**

Assets are initially measured at cost, comprising:

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

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

- Infrastructure, 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.



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 2 to 40 years, as advised by a suitably qualified officer.
- Infrastructure – straight line allocation over 25 years

Where an item of Property, Plant and Equipment asset has major components whose cost is at least 20% of the total cost of the item, the components are depreciated separately. Only 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.

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

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

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

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

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

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

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

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

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party, this is only recognised as income in the relevant revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

**Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would

otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### **xxiv. 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.

### **xxv. 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.

### **xxvi. 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.

### **xxvii. 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.

#### **xxviii. 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.
- The following claims have potentially significant settlement values:
  - There are a number of claims against the Council regarding accidents and injuries sustained on Council land.
  - There are a number of claims against the Council regarding injuries sustained on roads and footpaths.
- Schools which have converted to Academies are not included in the Council's Balance Sheet. When a school which is held on the Council's Balance Sheet transfers to Academy status the Council accounts for this as a disposal for nil consideration, on the date the school converts to Academy status. All other schools except one voluntary aided school are included on the Council's balance sheet in line with accounting standards following an assessment of the ownership of these schools.
- The Council is liable to make contributions towards the cost of post-employment benefits. For the 3 year period 2020/21 to 2022/23 the Council has agreed with Lancashire Pension Fund that the employer contributions payable to the Local Government Pension Scheme (LGPS) can be paid as a single up-front payment. In 2020/21 the Council paid £33.579m to the Lancashire Pension Fund in order to make budget savings. The amounts relating to 2020/21 have been accounted for in the relevant year with the amounts for 2021/22 and 2022/23 being offset against the pension reserve in the balance sheet. The pension reserve will align with the pension liability in 2022/23 as the upfront payment arrangements are accounted for.
- The Council has shareholdings in Blackpool Transport Services, Blackpool Housing Company, Blackpool Airport and Blackpool Waste Services. The shareholdings are measured at fair value each year. Any change in fair value is included in Other Comprehensive Income and Expenditure and accumulated gains and losses are held in an Available for Sale Financial Instruments Reserve.

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

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

Comprehensive Income and Expenditure. This means any gains and losses on the revaluation of the shareholding are transferred to a Financial Instruments Revaluation Reserve.

## **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 31<sup>st</sup> 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   |
|------------------------------|---|--|
| Property Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.                      | <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £0.914m if there was a 10% reduction in the useful life of its' buildings.</p> |
| Pensions Liability           | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. | The effects on the net pension liability of changes in individual assumptions can be measured although the assumptions interact in complex ways. During 2020/2021 the Council's actuaries advised that the Council's net pension liability had increased by £91.378m.                    |
| Arrears                      | At 31/3/21 the Authority had a balance of sundry debtors of £59.897m. £56.8m of this balance was expected to be paid in full. A review of the remaining £3.1m suggested that an impairment of doubtful debts of approximately 50% was appropriate.  | If collection rates were to deteriorate additional amounts would need to be set aside as an allowance.   |

|                         |   |  |
|-------------------------|---|--|
| Business Rates          | <p>Since the introduction of the Business Rates Retention Scheme on 1<sup>st</sup> April 2013, local authorities are liable for a share of successful appeals against the business rates charged to businesses. Therefore a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31<sup>st</sup> March 2021. The estimate has been calculated using the Valuation Office (VO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of the total provision up to and including 31<sup>st</sup> March 2021.</p>  | <p>If the level of appeals were to increase by 1% it would require the Council to set aside an estimated additional £0.161m in the provision.</p>  |
| Fair Value Measurements | <p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (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).</p> <p>Where possible, the inputs to these valuation techniques are based on observable data but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine (for example investment properties, the authority's chief valuation officer and external valuer).</p> <p>Information regarding the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in Notes 16, 19 and 20.</p> | <p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets).</p> <p>Significant change in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.</p> |

## 7. Material Items of Income and Expense

On 7<sup>th</sup> 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.



## **8. Events After The Reporting Period**

The Statement of Accounts was authorised for issue by the Director of Resources on 21st July 2021. Events taking place after this date are not reflected in the financial statements and notes. Where events taking place before this date provide information about conditions existing at 31<sup>st</sup> March 2021 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## **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.

|  | Usable Reserves              |                                 |                                  |
|--|------------------------------|---------------------------------|----------------------------------|
| 2020/2021  | General Fund Balance<br>£000 | Housing Revenue Account<br>£000 | Capital Receipts Reserve<br>£000 |
| <b>Adjustments to the Revenue Resources</b>  |                              |                                 |                                  |
| Amounts by which the income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: |                              |                                 |                                  |
| Pensions costs (transferred to/(from) the Pensions Reserve   | 6,824                        |                                 |                                  |
| Financial Instruments (transferred to the Financial Instruments Adjustment Account   | 55                           |                                 |                                  |
| Council Tax and NDR (transfers to or from Collection Fund Adjustment Account)  | (19,278)                     |                                 |                                  |
| 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).                     | (43,099)                     | (2,674)                         | 1,283                            |
| Transfer of the deficit on the Dedicated Schools Grant to the Dedicated Schools Grant Adjustment Account   | (2,664)                      |                                 |                                  |
| <b>Total Adjustments to Revenue Resources</b>  | <b>(58,754)</b>              | <b>(2,674)</b>                  | <b>1,283</b>                     |
| Payments to the government housing receipts pool (funded by transfer from the Capital Receipts Reserve)  | (257)                        |                                 | 257                              |
| Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve   |                              |                                 |                                  |
| 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)  | 3,230                        | 8,727                           |                                  |
| <b>Total Adjustments between Revenue and Capital Resources</b>   | <b>8,261</b>                 | <b>8,727</b>                    | <b>257</b>                       |
| <b>Adjustments to Capital Resources</b>  |                              |                                 |                                  |
| Application of capital grants to finance capital expenditure   | 19,151                       | 129                             |                                  |
| Use of capital receipts reserve to finance capital expenditure   |                              |                                 |                                  |
| <b>Total Adjustments to Capital Resources</b>  | <b>19,151</b>                | <b>129</b>                      | <b>-</b>                         |
| <b>Total Adjustments</b>   | <b>(31,342)</b>              | <b>6,182</b>                    | <b>1,540</b>                     |

|  | Usable Reserves              |                                 |                                  |
|--|------------------------------|---------------------------------|----------------------------------|
|  | General Fund Balance<br>£000 | Housing Revenue Account<br>£000 | Capital Receipts Reserve<br>£000 |
| <b>2019/2020</b>   |                              |                                 |                                  |
| <b>Adjustments to the Revenue Resources</b>  |                              |                                 |                                  |
| Amounts by which the income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: |                              |                                 |                                  |
| Pensions costs (transferred to/(from) the Pensions Reserve)  | (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).                      | (49,534)                     | (3,283)                         | (1,063)                          |
| <b>Total Adjustments to Revenue Resources</b>  | <b>(59,236)</b>              | <b>(3,283)</b>                  | <b>(1,063)</b>                   |
| <b>Adjustments between Revenue and Capital Resources</b>   |                              |                                 |                                  |
| Payments to the government housing receipts pool (funded by transfer from the Capital Receipts Reserve)  | (487)                        | -                               | 487                              |
| Posting of HRA resources from revenue to the Major Repairs Reserve   | -                            | -                               | -                                |
| 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)  | 2,538                        | 6,144                           | -                                |
| <b>Total Adjustments between Revenue and Capital Resources</b>   | <b>11,584</b>                | <b>6,144</b>                    | <b>487</b>                       |
| <b>Adjustments to Capital Resources</b>  |                              |                                 |                                  |
| Application of capital grants to finance capital expenditure   | 17,671                       | 1,428                           | -                                |
|  |                              |                                 |                                  |
| <b>Total Adjustments to Capital Resources</b>  | <b>17,671</b>                | <b>1,428</b>                    | <b>-</b>                         |
| <b>Total Adjustments</b>   | <b>(29,981)</b>              | <b>4,289</b>                    | <b>(576)</b>                     |

## 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<br>1st April<br>2019<br>£000 | Transfers Out<br>2019/2020<br>£000 | Transfers In<br>2019/2020<br>£000 | Balance at<br>31st March<br>2020<br>£000 | Transfers Out<br>2020/2021<br>£000 | Transfers In<br>2020/2021<br>£000 | Balance at<br>31st March<br>2021<br>£000 |
|---|---|------------------------------------|-----------------------------------|--|------------------------------------|-----------------------------------|--|
| <b>General Fund:</b>                                |   |                                    |                                   |  |                                    |                                   |  |
| 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)                                  |
| <b>Total General Fund</b>                           | <b>(8,988)</b>                          | <b>8,212</b>                       | <b>(800)</b>                      | <b>(1,576)</b>                           | <b>(2,934)</b>                     | <b>(5,345)</b>                    | <b>(9,854)</b>                           |
| <b>Earmarked Reserves</b>                           |   |                                    |                                   |  |                                    |                                   |  |
| 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                             | (20,368)                          | (6,817)                                  |
| 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)                                 |
| Covid-19 75% Local Tax Income Guarantee             | -                                       | -                                  | -                                 | -  | -                                  | (395)                             | (395)                                    |
| Other   | (13,500)                                | 7,145                              | (10,721)                          | (17,076)                                 | 5,875                              | (18,790)                          | (29,991)                                 |
| <b>Total Earmarked Reserves</b>                     | <b>(41,662)</b>                         | <b>33,208</b>                      | <b>(41,364)</b>                   | <b>(49,818)</b>                          | <b>44,030</b>                      | <b>(70,760)</b>                   | <b>(76,548)</b>                          |
| <b>HRA</b>  |   |                                    |                                   |  |                                    |                                   |  |
| <b>Housing Revenue Account</b>                      | <b>(5,705)</b>                          | <b>875</b>                         | <b>-</b>                          | <b>(4,830)</b>                           | <b>1,798</b>                       | <b>-</b>                          | <b>(3,032)</b>                           |

## 11. Other Operating Expenditure

| 2019/2020<br>£000 |  | 2020/2021<br>£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             | 137               |
| <b>1,787</b>      | <b>Total</b>   | <b>464</b>        |

**12. Financing And Investments Income And Expenditure**

| <b>2019/2020<br/>£000</b> |   | <b>2020/2021<br/>£000</b> |
|---------------------------|---|---------------------------|
| 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                     | -                         |
| <b>6,230</b>              | <b>Total</b>  | <b>8,690</b>              |

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

| <b>2019/2020<br/>£000</b> |   | <b>2020/2021<br/>£000</b> |
|---------------------------|---|---------------------------|
| (56,837)                  | Council Tax Income                                  | (60,135)                  |
| (3,690)                   | Collection Fund (surplus)/deficit movement          | 17,260                    |
| (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)                  |
| -                         | - 75% Tax Income Guarantee Scheme                   | (1,100)                   |
| <b>(163,519)</b>          | <b>Total Taxation and Non-Specific Grant Income</b> | <b>(183,766)</b>          |

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

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

### 2020/2021

|  | Council<br>Dwellings &<br>Other HRA<br>£000 | Other Land<br>& Buildings<br>£000 | Vehicles, Plant<br>& Equipment<br>£000 | Infrastructure<br>Assets<br>£000 | Community<br>Assets<br>£000 | PP&E Under<br>Construction<br>£000 | Total PP&E<br>£000 | PFI Assets<br>Included in<br>PPE<br>£000 |
|--|---|-----------------------------------|--|----------------------------------|-----------------------------|------------------------------------|--------------------|--|
| <b>Cost or Valuation</b>   |   |                                   |  |                                  |                             |                                    |                    |  |
| Balance as at 1 April 2020   | 123,365                                     | 274,628                           | 50,199                                 | 526,632                          | 66                          | 24,212                             | 999,102            | 32,705                                   |
| Additions  | 8,856                                       | 4,277                             | 3,759                                  | 6,977                            | 1                           | 16,244                             | 40,114             | -  |
| Revaluation increases to<br>Revaluation Reserve  | 1,734                                       | 2,216                             | -                                      | -                                | -                           | -                                  | 3,950              | -  |
| Revaluation increases/decreases to<br>Surplus or Deficit on the Provision of<br>Services               | -   | (11,731)                          | -                                      | -                                | -                           | 218                                | (11,513)           | -  |
| Derecognition - Disposals  | (567)                                       | (90)                              | -                                      | -                                | -                           | -                                  | (657)              | -  |
| Derecognition - Other  | -   | -                                 | -                                      | -                                | -                           | -                                  | -                  | -  |
| Transfer   | 187   | (135)                             | -                                      | -                                | -                           | -                                  | 52                 | -  |
| Balance as at 31 March 2021  | 133,575                                     | 269,165                           | 53,958                                 | 533,609                          | 67                          | 40,674                             | 1,031,048          | 32,705                                   |
| <b>Depreciation and Impairment</b>   |   |                                   |  |                                  |                             |                                    |                    |  |
| Balance as at 1 April 2020   | (2,253)                                     | (10,028)                          | (41,101)                               | (197,167)                        | -                           | -                                  | (250,549)          | (9,419)                                  |
| Depreciation Charge  | (2,523)                                     | (8,204)                           | (3,225)                                | (17,645)                         | -                           | -                                  | (31,597)           | (1,198)                                  |
| Depreciation written out on<br>Revaluation Reserve   |   | 3,785                             | -                                      | -                                | -                           | -                                  | 3,785              | -  |
| Depreciation written out on<br>Revaluation taken to Surplus or<br>Deficit on the Provision of Services | 2,253                                       | 31                                | -                                      | -                                | -                           | -                                  | 2,284              | -  |
| Derecognition - Disposals  |   | 2                                 | -                                      | -                                | -                           | -                                  | 2                  | -  |
| Derecognition - Other  | (37)  | 37                                | -                                      | -                                | -                           | -                                  | -                  | -  |
| Balance as at 31 March 2021  | (2,560)                                     | (14,377)                          | (44,326)                               | (214,812)                        | -                           | -                                  | (276,075)          | (10,617)                                 |
| <b>Net Book Value</b>  |   |                                   |  |                                  |                             |                                    |                    |  |
| Balance as at 31 March 2021  | 131,015                                     | 254,788                           | 9,632                                  | 318,797                          | 67                          | 40,674                             | 754,973            | 22,088                                   |
| Balance as at 31 March 2020  | 121,112                                     | 264,600                           | 9,098                                  | 329,465                          | 66                          | 24,212                             | 748,553            | 23,286                                   |

## Comparative Movements 2019/2020

|  | Council<br>Dwellings &<br>Other HRA<br>£000 | Other Land<br>& Buildings<br>£000 | Vehicles, Plant<br>& Equipment<br>£000 | Infrastructure<br>Assets<br>£000 | Community<br>Assets<br>£000 | PP&E Under<br>Construction<br>£000 | Total PP&E<br>£000 | PFI Assets<br>Included in<br>PPE<br>£000 |
|--|---|-----------------------------------|--|----------------------------------|-----------------------------|------------------------------------|--------------------|--|
| <b>Cost or Valuation</b>   |   |                                   |  |                                  |                             |                                    |                    |  |
| <b>Restated Balance as at 1 April 2019</b>   | <b>117,887</b>                              | <b>245,301</b>                    | <b>46,313</b>                          | <b>515,506</b>                   | <b>66</b>                   | <b>22,199</b>                      | <b>947,272</b>     | <b>32,705</b>                            |
| Additions  | 7,571                                       | 55,564                            | 3,886                                  | 11,126                           | -                           | 8,591                              | <b>86,738</b>      | -  |
| Revaluation increases/decreases to<br>Revaluation Reserve  | -   | 7,663                             | -                                      | -                                | -                           | -                                  | <b>7,663</b>       | -  |
| Revaluation increases/decreases to<br>Surplus or Deficit on the Provision of<br>Services               | (258)                                       | (31,775)                          | -                                      | -                                | -                           | (6,354)                            | <b>(38,387)</b>    | -  |
| Derecognition - Disposals  | (1,835)                                     | (221)                             | -                                      | -                                | -                           | (224)                              | <b>(2,280)</b>     | -  |
| Transfer   |   | (1,904)                           | -                                      | -                                | -                           |                                    | <b>(1,904)</b>     | -  |
| <b>Balance as at 31 March 2020</b>   | <b>123,365</b>                              | <b>274,628</b>                    | <b>50,199</b>                          | <b>526,632</b>                   | <b>66</b>                   | <b>24,212</b>                      | <b>999,102</b>     | <b>32,705</b>                            |
| <b>Depreciation and Impairment</b>   |   |                                   |  |                                  |                             |                                    |                    |  |
| <b>Balance as at 1 April 2019</b>  | -   | <b>(14,558)</b>                   | <b>(38,651)</b>                        | <b>(179,885)</b>                 | -                           | -                                  | <b>(233,094)</b>   | <b>(8,220)</b>                           |
| Depreciation Charge  | (2,253)                                     | (8,417)                           | (2,450)                                | (17,282)                         | -                           | -                                  | <b>(30,402)</b>    | <b>(1,199)</b>                           |
| Depreciation written out on<br>Revaluation Reserve   | -   | 6,051                             | -                                      | -                                | -                           | -                                  | <b>6,051</b>       | -  |
| Depreciation written out on<br>Revaluation taken to Surplus or<br>Deficit on the Provision of Services | -   | 6,887                             | -                                      | -                                | -                           | -                                  | 6,887              | -  |
| Derecognition - Disposals  | -   | 9                                 | -                                      | -                                | -                           | -                                  | <b>9</b>           | -  |
| <b>Balance as at 31 March 2020</b>   | <b>(2,253)</b>                              | <b>(10,028)</b>                   | <b>(41,101)</b>                        | <b>(197,167)</b>                 | -                           | -                                  | <b>(250,549)</b>   | <b>(9,419)</b>                           |
| <b>Net Book Value</b>  |   |                                   |  |                                  |                             |                                    |                    |  |
| <b>Balance as at 31 March 2020</b>   | <b>121,112</b>                              | <b>264,600</b>                    | <b>9,098</b>                           | <b>329,465</b>                   | <b>66</b>                   | <b>24,212</b>                      | <b>748,553</b>     | <b>23,286</b>                            |
| <b>Balance as at 31 March 2019</b>   | <b>117,887</b>                              | <b>230,743</b>                    | <b>7,662</b>                           | <b>335,621</b>                   | <b>66</b>                   | <b>22,199</b>                      | <b>714,178</b>     | <b>22,088</b>                            |

## Depreciation

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

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

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

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

## Capital Commitments

At 31<sup>st</sup> March 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 £30.2m. Similar commitments at 31<sup>st</sup> March 2020 were £20.5m. The major commitments are in relation to Central Business District Phase 2 (£19.2m), the tramway extension (£0.5m), the Conference Centre (£3.6m), Enterprise Zone (£2m) and Troutbeck housing scheme (£4.9m).

## 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. As at the 31<sup>st</sup> March valuation date, the valuers consider that they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. The current response to COVID-19 means that they are faced with an unprecedented set of circumstances on which to base a judgement.

The valuation is therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case. The inclusion of this clause does not mean that the valuations cannot be relied upon, only that the declaration has been included to confirm the fact that in the current unprecedented circumstances less certainty can be attributed to the valuations than would ordinarily be the case.

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

The significant assumptions in estimating fair values are:-



|                                | <b>Council Dwellings<br/>£000</b> | <b>Other Land &amp; Buildings<br/>£000</b> | <b>Surplus Assets<br/>£000</b> | <b>Total<br/>£000</b> |
|--------------------------------|-----------------------------------|--|--------------------------------|-----------------------|
| Valued at fair value as at:    |                                   |  |                                |                       |
| 31/03/2021                     | 121,421                           | 83,912                                     | 697                            | 206,030               |
| 31/03/2020                     | -                                 | 88,976                                     | -                              | 88,976                |
| 31/03/2019                     | -                                 | 56,860                                     | -                              | 56,860                |
| 31/03/2018                     | -                                 | 25,040                                     | -                              | 25,040                |
| <b>Total Cost or Valuation</b> | <b>121,421</b>                    | <b>254,788</b>                             | <b>697</b>                     | <b>376,906</b>        |

### Component Accounting

#### Council Dwellings

Within the Net Book Value of Assets – Council Dwellings (Note 14) are the following assets which have been accounted for on a component basis. This means they are written off according to their own unique economic life.

| Asset Type         | Land<br>£000  | Kitchens and<br>Bathrooms<br>£000 | Structure<br>£000 | <b>Total<br/>£000</b> |
|--------------------|---------------|-----------------------------------|-------------------|-----------------------|
| Houses & Bungalows | 15,955        | 4,991                             | 40,651            | <b>61,597</b>         |
| Flats              | 14,400        | 8,079                             | 37,345            | <b>59,824</b>         |
| <b>Total</b>       | <b>30,355</b> | <b>13,070</b>                     | <b>77,996</b>     | <b>121,421</b>        |

## Other Land and Buildings

Items valued at £1m and above have been subject to component accounting. A component must be worth at least 20% of the value of the asset. The valuations are on a 4 year rolling programme.

| Asset                             | Land<br>£000 | Building<br>£000 | Machinery /<br>Equipment<br>£000 | Roofs /<br>Fenestration<br>£000 | Total<br>£000 |
|-----------------------------------|--------------|------------------|----------------------------------|---------------------------------|---------------|
| Boundary Primary School           | 400          | 2,970            | 1,620                            | 810                             | 5,800         |
| Layton Primary School             | 200          | 4,114            | 2,240                            | 1,126                           | 7,680         |
| Moor Park Primary School          | 620          | 1,392            | 630                              | 509                             | 3,151         |
| Oracle, Myplace Southpoint        | 90           | 1,455            | 1,020                            | 435                             | 3,000         |
| Palatine Leisure Centre           | 540          | 4,130            | 2,810                            | 1,320                           | 8,800         |
| Palatine Library                  | 80           | 880              | 620                              | 260                             | 1,840         |
| Woodlands School                  | 140          | 1,623            | 890                              | 438                             | 3,091         |
| Moor Park Health & Leisure Centre | 80           | 2,700            | 2,510                            | 1,060                           | 6,350         |
| Kincraig Primary School           | 230          | 1,529            | 830                              | 421                             | 3,010         |
| Highfurlong School                | 230          | 3,179            | 1,730                            | 871                             | 6,010         |
| Queen Street, Central Library     | 170          | 1,880            | 810                              | 550                             | 3,410         |
| Stanley Primary School            | 385          | 2,689            | 1,070                            | 1,619                           | 5,763         |
| Stanley Park, Sports Centre       | 328          | 2,451            | 1,472                            | 979                             | 5,230         |
| Pegasus Educational Diversity     | 284          | 668              | 405                              | 263                             | 1,620         |
| Starr Gate, Tram Depot            | 600          | 7,129            | 2,319                            | 5,411                           | 15,459        |
|                                   | <b>4,377</b> | <b>38,789</b>    | <b>20,976</b>                    | <b>16,072</b>                   | <b>80,213</b> |
| Depreciation rates                | Nil          | 2%               | 8%                               | 4%                              |               |

The total value of assets that have been valued on a component basis is £80.2m and represents 30% of the Other Land and Buildings.

## 15. Heritage Assets

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

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

|                                  | Art<br>Collection | Civic<br>Regalia | Other     | Tower &<br>Local History<br>Collection | Illuminations | Stanley Park<br>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          |
| <b>Balance 31st March 2020</b>   | <b>5,655</b>      | <b>689</b>       | <b>20</b> | <b>1,450</b>                           | <b>550</b>    | <b>-</b>                | <b>8,364</b> |

### Art Collection

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

### Civic Regalia

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

### Illuminations

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

### Statues

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

## 16. 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<br>£000 |  | 2020/2021<br>£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             |
| <b>(7,478)</b>    | <b>Net (gain)/loss</b>                                     | <b>2,688</b>      |

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

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

| <b>2019/2020<br/>£000</b> |                                     | <b>2020/2021<br/>£000</b> |
|---------------------------|-------------------------------------|---------------------------|
| <b>50,565</b>             | <b>Balance at start of the year</b> | <b>58,529</b>             |
|                           | 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)                   |
| <b>58,529</b>             | <b>Balance at end of the year</b>   | <b>61,211</b>             |

### Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Note 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.

## 17. Surplus Assets

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

## 18. 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<br>£000 |  | 2020/2021<br>£000 |
|-------------------|--|-------------------|
|                   | - <b>Net Carrying Amount at 1st April 2020</b> | <b>466</b>        |
|                   | Additions:                                     |                   |
| 466               | Purchases                                      | 364               |
|                   | - Amortisation for the period                  | (93)              |
| <b>466</b>        | <b>Net Carrying Amount at 31st March 2021</b>  | <b>737</b>        |
|                   | Comprising:                                    |                   |
| 466               | Gross Carrying Amount                          | 830               |
| -                 | - Accumulated Amortisation                     | (93)              |
| <b>466</b>        |  | <b>737</b>        |

## 19. 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<br>£000 | 31/03/2021<br>£000 | 31/03/2020<br>£000 | 31/03/2021<br>£000 | 31/03/2020<br>£000 | 31/03/2021<br>£000 | 31/03/2020<br>£000 | 31/03/2021<br>£000 |
| <b>Amortised Cost</b>   |                    |                    |                    |                    |                    |                    |                    |                    |
| Principal   | -                  | -                  | 78,273             | 86,586             | 21,350             | 4,350              | -                  | -                  |
| Cash & Cash Equivalents   | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  |
| <b>Total Amortised Cost</b>   | -                  | -                  | <b>78,273</b>      | <b>86,586</b>      | <b>21,350</b>      | <b>4,350</b>       | -                  | -                  |
| Fair Value through Other<br>Comprehensive Income - Equity Instruments | 27,410             | 25,436             | -                  | -                  | -                  | -                  | -                  | -                  |
| Trade Debtors   | -                  | -                  | -                  | -                  | -                  | -                  | 46,670             | 63,921             |
| <b>Total Financial Assets</b>   | <b>27,410</b>      | <b>25,436</b>      | <b>78,273</b>      | <b>86,586</b>      | <b>21,350</b>      | <b>4,350</b>       | <b>46,670</b>      | <b>63,921</b>      |

## Fair Value of Financial Assets

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

| Recurring Fair Value Measurement                      | Input Level in Fair Value Hierarchy | Valuation Technique used to Measure Fair Value | As at 31st March 2021<br>£000 | As at 31st March 2020<br>£000 |
|---|-------------------------------------|--|-------------------------------|-------------------------------|
| Share Valuations-<br>Blackpool Transport Services Ltd | Level 3                             | Earnings based                                 | 5,168                         | 9,800                         |
| Share Valuations-<br>Blackpool Housing Company        | Level 3                             | Earnings based                                 | 15,143                        | 13,150                        |
| Share Valuations-<br>Blackpool Airport Ltd            | Level 3                             | Earnings based                                 | 1,915                         | 3,650                         |
| Share Valuations-<br>Blackpool Waste Services Ltd     | Level 3                             | Earnings based                                 | 3,200                         | 800                           |
|   |                                     |  | <b>25,426</b>                 | <b>27,400</b>                 |

### Equity Shareholding in Blackpool Transport Services Ltd

The Council's shareholding in Blackpool Transport Services Ltd – the shares in this company are not traded in an active market and fair value of £5.168m has been based on valuation techniques that are not based on observable current market data or available market data.

The valuation method used is the revenue method, which uses multiples of turnover and the Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA). The Multiples of Turnover method of valuation has been selected, on the basis that that if the business were to be offered for sale in the future, a purchaser would more than likely to be another bus operator, with knowledge and experience in the sector who would be able to enhance the economies of scale within the organisation.

At the time of the valuation the country still finds itself in unprecedented times: at the centre of a global pandemic and in a period of 'lockdown'. Blackpool Transport Services Ltd have followed Government guidelines and, as such, are running a significantly reduced service which will impact turnover for 2020/2021 and 2021/2022 heavily. There is an indication through a timeframe of lockdown easing that measures will be lifted (although this is subject to the ongoing review by the Government and is therefore not certain). How heavily the current situation will impact the organisation over the longer term remains to be seen.

Based on the company's existing structure, its' branding, reputation and longevity, a multiple of 0.4 times the average turnover has been used. This is the same as the multiplier applied in 2019/20.

### Equity Shareholding in Blackpool Housing Company Ltd

The Council's shareholding in Blackpool Housing Company Ltd – the shares in this company are not traded in an active market and fair value of £15.143m has been based on valuation techniques that are not based on observable current market data or available market data.

The valuation method used is the return on properties owned by the Company. In 2020 the Board outlined the targets for the yield on the different types of investment as follows:

- 5% “Good to Go” – (target 4.5% net return)
- 30% “Turnkey and Rolling Investment” – (target 4% net return)
- 30% “Rolling Investment” – (target 4% net return)
- 35% “Major Investment” – (target 3.5% net return)

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

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

The Council’s shareholding in Regional and City Airports (Blackpool) Holdings Limited – the shares in this company are not traded in an active market and fair value of £1.915m has been based on valuation techniques that are not based on observable current market data or available market data.

In arriving at the valuation, a method has been used which uses multiples of profit or turnover and an EBITDA comparison between this and share-holder funds. During the Covid-19 pandemic the only flights being made are cargo/freight and essential travel with a good reason. This is impacting Blackpool Airport Ltd with its main business serving an off-shore servicing contract and pleasure flights.

Whilst the Covid-19 pandemic has had major implications for the aviation industry, the Council’s valuers believe it won’t materially affect Blackpool Airport Limited as the site from which it operates is of significant value. Should the worse-case scenario occur and the Airport ceases trading, the sale of the land alone would generate a significant amount of revenue.

#### **Equity Shareholding in Blackpool Waste Services Limited**

The Council’s shareholding in Blackpool Waste Services Limited – the shares in this company are not traded in an active market and fair value of £3.2m has been based on a revenue method which uses multiples of turnover, multiples of profit and share-holders funds. As the company is still in its infancy, this method has been selected because if the business were to be offered for sale at any time now or in the near future a purchaser would more than likely be another waste company with knowledge and experience in the sector, who would manage any inefficiencies in current operations.

#### **Transfers between Levels of Fair Value Hierarchy**

There are no transfers between input levels during the year.

#### **Changes in Valuation Technique**

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



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

| <b>2019/2020<br/>Unquoted Shares<br/>£000</b> |  | <b>2020/2021<br/>Unquoted Shares<br/>£000</b> |
|---|--|---|
| <b>28,750</b>                                 | <b>Opening Balance</b>                                   | <b>27,400</b>                                 |
|   | Total Gains and (Losses) of the Period:                  |   |
| (4,465)                                       | - Included in Other Comprehensive Income and Expenditure | (4,224)                                       |
| 3,115   | Additions  | 2,250   |
| <b>27,400</b>                                 | <b>Closing Balance</b>                                   | <b>25,426</b>                                 |

Gains and losses included in the Other Comprehensive Income and Expenditure relate to unquoted shares in Blackpool Transport Services Ltd, Blackpool Airport Limited, Blackpool Housing Company Limited and Blackpool Waste Services Ltd and are taken to the Financial Instruments Revaluation Reserve. Additions relate to the purchase of further shares in Blackpool Housing Company Limited.

**Financial Liabilities**

|                                    | Non Current        |                    |                    |                    | Current            |                    |                    |                    |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                                    | Borrowings         |                    | Creditors          |                    | Borrowings         |                    | Creditors          |                    |
|                                    | 31/03/2020<br>£000 | 31/03/2021<br>£000 | 31/03/2020<br>£000 | 31/03/2021<br>£000 | 31/03/2020<br>£000 | 31/03/2021<br>£000 | 31/03/2020<br>£000 | 31/03/2021<br>£000 |
| <b>Amortised Cost</b>              |                    |                    |                    |                    |                    |                    |                    |                    |
| 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              |
| <b>Total Financial Liabilities</b> | <b>87,460</b>      | <b>79,487</b>      | <b>96,408</b>      | <b>93,355</b>      | <b>245,184</b>     | <b>259,607</b>     | <b>5,036</b>       | <b>4,978</b>       |
| Non Financial Liabilities          | -                  | -                  | 103                | 4                  | -                  | -                  | 46,664             | 88,560             |
| <b>Total</b>                       | <b>87,460</b>      | <b>79,487</b>      | <b>96,511</b>      | <b>93,359</b>      | <b>245,184</b>     | <b>259,607</b>     | <b>51,700</b>      | <b>93,538</b>      |

**Income, Expense, Gains and Losses**

|  | 2020/2021  |  |                                     |                | 2019/2020  |  |                                     |                |
|--|--|--|-------------------------------------|----------------|--|--|-------------------------------------|----------------|
|  | Financial Liabilities measured at amortised cost | Financial Assets - loans & receivables | Financial Assets - Share Valuations | Total          | Financial Liabilities measured at amortised cost | Financial Assets - loans & receivables | Financial Assets - Share Valuations | Total          |
|  | £000   | £000                                   | £000                                | £000           | £000   | £000                                   | £000                                | £000           |
| Interest expense   | 7,551  | -                                      | -                                   | 7,551          | 7,586  | -                                      | -                                   | 7,586          |
| <b>Total expense in Surplus or Deficit on the Provision of Services</b>                                  | <b>7,551</b>                                     | <b>-</b>                               | <b>-</b>                            | <b>7,551</b>   | <b>7,586</b>                                     | <b>-</b>                               | <b>-</b>                            | <b>7,586</b>   |
| Interest income  | -  | (3,584)                                | -                                   | (3,584)        | -  | (3,092)                                | -                                   | (3,092)        |
| <b>Total income in Surplus or Deficit on the Provision of Services</b>                                   | <b>-</b>   | <b>(3,584)</b>                         | <b>-</b>                            | <b>(3,584)</b> | <b>-</b>   | <b>(3,092)</b>                         | <b>-</b>                            | <b>(3,092)</b> |
| Gains/(Losses) on revaluation  | -  | -                                      | (4,224)                             | (4,224)        | -  | -                                      | (4,465)                             | (4,465)        |
| Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure | -  | -                                      | (4,224)                             | (4,224)        | -  | -                                      | (4,465)                             | (4,465)        |
| <b>Net gain/(loss) for the year</b>  | <b>7,551</b>                                     | <b>(3,584)</b>                         | <b>(4,224)</b>                      | <b>(257)</b>   | <b>7,586</b>                                     | <b>(3,092)</b>                         | <b>(4,465)</b>                      | <b>29</b>      |

**Fair Values of Assets and Liabilities**

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

- The ranges of interest rates at 31<sup>st</sup> March 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 | Fair Value | Carrying Amount | Fair Value |
|                       | £000            | £000       | £000            | £000       |
| Financial Liabilities | 339,094         | 361,030    | 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 31<sup>st</sup> 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<br>£000 | Fair Value<br>£000 | Carrying Amount<br>£000 | Fair Value<br>£000 |
| Loans and receivables | 8,376                   | 8,376              | 20,920                  | 20,920             |
| Long term debtors     | 86,586                  | 86,839             | 78,547                  | 76,135             |
| Short term debtors    | 63,921                  | 63,921             | 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.

## 20. Long Term Investments

| 31st March 2020<br>£000 |  | 31st March 2021<br>£000 |
|-------------------------|--|-------------------------|
|                         | <b>Ordinary Shares (£1 per share) in:-</b> |                         |
| 9,800                   | Blackpool Transport Services Ltd           | 5,168                   |
| 13,150                  | Blackpool Housing Company                  | 15,143                  |
| 3,650                   | Blackpool Airport                          | 1,915                   |
| 800                     | Blackpool Waste Services                   | 3,200                   |
| 10                      | Municipal Bonds Agency                     | 10                      |
| <b>27,410</b>           | <b>Total</b>                               | <b>25,436</b>           |

### Blackpool Transport Services Ltd

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

Note 19 describes the basis used to arrive at a formal valuation for the Council's shareholding of the company. In 2020/2021 there was a decrease in value of £4,632,000. The loss on revaluation was debited to the Financial Instruments Revaluation Reserve via the Movement in Reserves Statement.

### **Blackpool Housing Company**

Blackpool Housing Company Limited was set up on 26<sup>th</sup> January 2015. The company is a housing regeneration company and is wholly owned by the Council. The shares have been purchased at a cost of £15,850,000.

Note 19 describes the basis used to arrive at a formal valuation for the Council's shareholding of the company. The investment value included within the Council's Balance Sheet represents the value of Total Equity Shareholder Funds. In 2020/2021 there was a decrease in value of £257,000. This loss on revaluation was debited to the Financial Instruments Revaluation Reserve via the Movement in Reserves Statement.

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

|                                     | £000          |
|-------------------------------------|---------------|
| Shares as at 31st March 2021        | 13,150        |
| Purchase of shares in 2020/21       | 2,250         |
| Decrease in valuation in 2020/21    | (257)         |
| <b>Shares as at 31st March 2021</b> | <b>15,143</b> |

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

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

Note 19 describes the basis used to arrive at a formal valuation for the Council's shareholding of the company. The investment value included within the Council's Balance Sheet represents the value of Total Equity Shareholder Funds. In 2020/2021 there was a decrease in value of £1,735,000. This loss on revaluation was debited to the Financial Instruments Revaluation Reserve via the Movement in Reserves Statement.

### **Blackpool Waste Services Limited**

Blackpool Waste Services Limited was set up on 1<sup>st</sup> 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.

Note 19 describes the basis used to arrive at a formal valuation for the Council's shareholding of the company. The investment value included within the Council's Balance Sheet represents the value of Total Equity Shareholder Funds. In 2020/2021 there was an increase in value of £2,400,000. This gain on revaluation was credited to the Financial Instruments Revaluation Reserve via the Movement in Reserves Statement.

### **Municipal Bonds Agency**

A Local Government Association backed firm called Local Capital Finance Company (Municipal Bonds Agency) has been formed to issue bonds. The money raised from investors will then be lent onwards to Councils to either invest in capital projects or to refinance existing loans. At 31<sup>st</sup> March 2021 the Council had purchased £10,000 worth of shares in the Company which equates to 0.13%.

**Lancashire Management Operations Limited**

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

In 2020/2021 the value of the company was nil.

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

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

**Blackpool Entertainment Company Ltd**

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

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

**21. Long Term Debtors**

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

| 31st March 2020<br>£000 |                                     | 31st March 2021<br>£000 |
|-------------------------|-------------------------------------|-------------------------|
| 17,742                  | Blackpool Transport Services        | 15,520                  |
| 6,461                   | Blackpool Teaching Hospital (NHS)   | 5,538                   |
| 2,812                   | Blackpool Pleasure Beach            | 2,702                   |
| 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                 | 11,822                  |
| 912                     | Laila's Fine Foods                  | 866                     |
| 814                     | Blackpool Airport Operations Ltd    | 1,052                   |
| 1,215                   | Small Business Loans                | 1,247                   |
| 552                     | Waste Disposal Site (prev PFI)      | 552                     |
| 652                     | Adult Social Care Deferred Payments | 737                     |
| 447                     | Lancashire County Developments      | 468                     |
| 2,138                   | Envoco Refuse Vehicles              | 1,731                   |
| 7                       | Council Mortgages - (Right to Buy)  | 7                       |
| -                       | Red Rocket Group                    | 113                     |
|                         | Covid Recovery Fund:                |                         |
| -                       | Blackpool Operating Company         | 1,101                   |
| -                       | Blackpool Transport Services        | 3,716                   |
| -                       | Blackpool Entertainment Company     | 2,500                   |
| <b>78,273</b>           | <b>Total</b>                        | <b>86,586</b>           |

### Blackpool Transport Services Limited

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

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

### Blackpool Teaching Hospitals NHS Foundation Trust

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

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

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

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

**Coolsilk**

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

**Ocean Boulevard III Ltd**

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

**Laila's Fine Foods**

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

**Blackpool Airport Operations Limited**

At its meeting on 23<sup>rd</sup> 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.

**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.

### **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 16<sup>th</sup> July 2018 the Executive agreed to 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 2<sup>nd</sup> 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.

## 22. Inventories

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

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

## 23. Debtors

| 31st March 2020<br>£000 |                                | 31st March 2021<br>£000 |
|-------------------------|--------------------------------|-------------------------|
| 3,256                   | Central government bodies      | 13,220                  |
| 1,701                   | Other local authorities        | 3,638                   |
| 1,861                   | NHS bodies                     | 403                     |
| 59,724                  | Other entities and individuals | 64,016                  |
| (19,872)                | Total impairment               | (19,761)                |
| 10,385                  | Payments in Advance            | 2,405                   |
| <b>57,055</b>           | <b>Net Value of Debtors</b>    | <b>63,921</b>           |

## 24. Cash and Cash Equivalents

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

| 31st March 2020<br>£000 |  | 31st March 2021<br>£000 |
|-------------------------|--|-------------------------|
| 26                      | Cash held by the Authority             | 27                      |
| 21,350                  | Short term deposits with institutions  | 4,350                   |
| (1,872)                 | Bank current accounts                  | (1,025)                 |
| <b>19,504</b>           | <b>Total Cash and Cash Equivalents</b> | <b>3,352</b>            |

## 25. Creditors

### Short Term Creditors

| 31st March 2020<br>£000 |                                   | 31st March 2021<br>£000 |
|-------------------------|-----------------------------------|-------------------------|
| (9,750)                 | Central Government Bodies         | (28,876)                |
| (5,872)                 | Other Local Authorities           | (6,059)                 |
| (1,184)                 | NHS Bodies                        | (1,061)                 |
| (33,703)                | Other Entities and Individuals    | (34,315)                |
| (1,191)                 | Accumulated Absence Provision     | (1,783)                 |
| (18,012)                | Receipts in Advance               | (21,444)                |
| <b>(69,712)</b>         | <b>Total Short Term Creditors</b> | <b>(93,538)</b>         |

### Long Term Creditors

| 31st March 2020<br>£000 |                                  | 31st March 2021<br>£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)                     |
| <b>(96,511)</b>         | <b>Total Long Term Creditors</b> | <b>(93,359)</b>         |

## 26. Provisions

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

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

### Outstanding legal cases

#### Injury Compensation Claims

Most of the injury compensation claims are individually insignificant. Significant claims are detailed in Note 5. 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.

## 27. Usable Reserves

| 31st March 2020<br>£000 |                                   | 31st March 2021<br>£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        | (76,548)                |
| (11,411)                | Capital Receipts Reserve          | (13,792)                |
| (3,112)                 | Capital Reserves                  | (3,112)                 |
| <b>(70,747)</b>         | <b>Total Usable Reserves</b>      | <b>(106,338)</b>        |

## 28. Unusable Reserves

| 31st March 2020<br>£000 |  | 31st March 2021<br>£000 |
|-------------------------|--|-------------------------|
| (106,540)               | Revaluation Reserve                        | (115,101)               |
| (6,761)                 | Financial Instruments Revaluation Reserve  | (2,537)                 |
| (290,236)               | Capital Adjustment Account                 | (279,717)               |
| 1,633                   | Financial Instruments Adjustment Account   | 1,578                   |
| 230,786                 | Pensions Reserve                           | 299,271                 |
| (4,199)                 | Collection Fund Adjustment Account         | 15,078                  |
| 1,191                   | Accumulated Absences Account               | 1,783                   |
| -                       | Dedicated Schools Grant Adjustment Account | 5,762                   |
| <b>(174,126)</b>        | <b>Total Unusable Reserves</b>             | <b>(73,883)</b>         |

## Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. 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<br>£000 |  | 2020/2021<br>£000 |
|-------------------|--|-------------------|
| <b>(93,912)</b>   | <b>Balance at 1st April</b>  | <b>(106,540)</b>  |
| (7,989)           | Upward revaluation of assets and<br>impairment losses not charged to the<br>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                |
| 1,338             | Amount written off to the Capital Adjustment<br>Account  | 1,268             |
| <b>(106,540)</b>  | <b>Balance at 31st March</b>   | <b>(115,101)</b>  |

#### Financial Instruments Revaluation Reserve

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

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

| 2019/2020<br>£000 |                                     | 2020/2021<br>£000 |
|-------------------|-------------------------------------|-------------------|
| <b>(11,226)</b>   | <b>Balance at 1st April</b>         | <b>(6,761)</b>    |
| (800)             | Upward revaluation of investments   | (2,400)           |
| 5,265             | Downward revaluation of investments | 6,624             |
| <b>(6,761)</b>    | <b>Balance at 31st March</b>        | <b>(2,537)</b>    |

**Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

| 2019/2020        |  | 2020/2021      |                  |
|------------------|--|----------------|------------------|
| £000             |  | £000           | £000             |
| <b>(313,836)</b> | <b>Balance at 1st April</b>  |                | <b>(290,236)</b> |
|                  | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:                               |                |                  |
| 56,808           | - Charges for depreciation and impairment of non-current assets  | 45,521         |                  |
| (91)             | - Revenue expenditure funded from capital under statute  | 112            |                  |
|                  | - 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 | 510            |                  |
| 2,226            |  |                |                  |
| 58,943           |  |                | 46,143           |
| <b>(1,338)</b>   | <b>Adjusting amounts written out of the Revaluation Reserve</b>  | <b>(1,268)</b> |                  |
| 57,605           | Net written out amount of the cost of non-current assets consumed in year  |                | 44,875           |
|                  | Capital financing applied in year:   |                |                  |
|                  | - Use of the Capital Receipts Reserve to finance new capital expenditure   | (1,754)        |                  |
| (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)        |                  |
| (8,681)          | - Capital expenditure charged against the general fund and HRA balances  | (11,957)       |                  |
| 3,306            | - Business loans repayment of principal  | 3,923          |                  |
|                  |  |                | (34,356)         |
| <b>(290,236)</b> | <b>Balance at 31st March</b>   |                | <b>(279,717)</b> |



### Financial Instruments Adjustment Account

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

| 2019/2020<br>£000 |   | 2020/2021<br>£000 |
|-------------------|---|-------------------|
| <b>1,664</b>      | <b>Balance at 1st April</b>   | <b>1,633</b>      |
| (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)              |
| <b>1,633</b>      | <b>Balance at 31st March</b>  | <b>1,578</b>      |

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as 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<br>£000 |  | 2020/2021<br>£000 |
|-------------------|--|-------------------|
| <b>244,578</b>    | <b>Balance at 1st April</b>  | <b>230,786</b>    |
| (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 | (7,004)           |
| (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)          | Transfer of upfront employers pension and deficit payments to General Fund   | -                 |
| <b>230,786</b>    | <b>Balance at 31st March</b>   | <b>299,271</b>    |

### 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<br>£000 |   | 2020/2021<br>£000 |
|-------------------|---|-------------------|
| <b>(489)</b>      | <b>Balance at 1st April</b>   | <b>(4,199)</b>    |
| 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               | 2,614             |
| (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 accordance with statutory requirements | 16,663            |
| <b>(4,199)</b>    | <b>Balance at 31st March</b>  | <b>15,078</b>     |

#### Accumulated Absences Account

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

| 2019/2020<br>£000 |   | 2020/2021<br>£000 |
|-------------------|---|-------------------|
| <b>1,320</b>      | <b>Balance at 1st April</b>   | <b>1,191</b>      |
| (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             |
| <b>1,191</b>      | <b>Balance at 31st March</b>  | <b>1,783</b>      |

#### 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 1<sup>st</sup> April 2020, 1<sup>st</sup> April 2021 and 1<sup>st</sup> 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.

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

## 29. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

| <b>2019/2020<br/>£000</b> |                   | <b>2020/2021<br/>£000</b> |
|---------------------------|-------------------|---------------------------|
| (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:

| 2019/2020<br>£000 |   | 2020/2021<br>£000 |
|-------------------|---|-------------------|
| (53,880)          | Depreciation/Impairment charges to CIES   | (45,523)          |
| (13,572)          | Movement in Pension Liability   | 6,824             |
| -                 | Increase in Short Term Loans  | 461               |
| 3,920             | (Increase)/decrease in Payments in Advance  | (7,980)           |
| 3,636             | (Increase)/decrease in Debtors  | 14,846            |
| 197               | Increase/(decrease) in Inventories  | 132               |
| 1,428             | (Increase)/decrease in Provisions   | 3,760             |
| 3,109             | (Increase)/decrease in Creditors  | (20,394)          |
| 2,650             | (Increase)/decrease in Creditors over 1 year  | 3,152             |
| (884)             | (Increase)/decrease in Receipts in Advance  | (6,545)           |
| 6,370             | Other non-cash items charged to the net surplus or deficit on the provision of services | 33,454            |
| <b>(47,026)</b>   | <b>Total</b>  | <b>(17,813)</b>   |

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

| 2019/2020<br>£000 |   | 2020/2021<br>£000 |
|-------------------|---|-------------------|
| 19,099            | Capital grants credited to the surplus or deficit on the provision of services              | 19,280            |
| 1,232             | Loss on disposal of property, plant and equipment investment property and intangible assets | 137               |
| 3,710             | Billing Authorities - Collection Fund adjustments   | (19,278)          |
| <b>24,041</b>     | <b>Total</b>  | <b>139</b>        |

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

| <b>31st March 2020</b><br><b>£000</b> |  | <b>31st March 2021</b><br><b>£000</b> |
|---------------------------------------|--|---------------------------------------|
| 101,939                               | Purchase of property, plant & equipment, investment property and intangible assets             | 45,495                                |
| 33,596                                | Other payments for investing activities  | (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)                              |
| <b>111,692</b>                        | <b>Net cash flows from investing activities</b>  | <b>9,870</b>                          |

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

| <b>31st March 2020</b><br><b>£000</b> |   | <b>31st March 2021</b><br><b>£000</b> |
|---------------------------------------|---|---------------------------------------|
| (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                                 |
| <b>(102,644)</b>                      | <b>Net cash flows from financing activities</b> | <b>(3,396)</b>                        |

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

|  | <b>1st April<br/>2020<br/>£000</b> | <b>Financing<br/>Cash Flows<br/>£000</b> | <b>31st March<br/>2021<br/>£000</b> |
|--|------------------------------------|--|-------------------------------------|
| Long term borrowings                                   | 87,460                             | (7,973)                                  | 79,487                              |
| Short term borrowings                                  | 245,184                            | 14,423                                   | 259,607                             |
| Lease liabilities                                      | 57,280                             | (1,289)                                  | 55,991                              |
| PFI Liabilities  | 39,231                             | (1,868)                                  | 37,363                              |
| <b>Total Liabilities from<br/>Financing Activities</b> | <b>429,155</b>                     | <b>3,293</b>                             | <b>432,448</b>                      |

|  | <b>1st April<br/>2019<br/>£000</b> | <b>Financing<br/>Cash Flows<br/>£000</b> | <b>31st March<br/>2020<br/>£000</b> |
|--|------------------------------------|--|-------------------------------------|
| Long term borrowings                                   | 89,895                             | (2,435)                                  | 87,460                              |
| Short term borrowings                                  | 159,452                            | 85,732                                   | 245,184                             |
| Lease liabilities                                      | 59,226                             | (1,946)                                  | 57,280                              |
| PFI Liabilities  | 39,935                             | (704)                                    | 39,231                              |
| <b>Total Liabilities from<br/>Financing Activities</b> | <b>348,508</b>                     | <b>80,647</b>                            | <b>429,155</b>                      |

**33. Road Charging Schemes under the Transport Act 2000**

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

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

### 34. 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 £106.868m 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.

### 35. Pooled Budgets

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

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

| 2019/2020<br>£000 |        |  | 2020/2021<br>£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 |                   | 579    |
|                   |        | during the year                          |                   |        |



### 36. Members' Allowances

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

| <b>2019/2020<br/>£000</b> |              | <b>2020/2021<br/>£000</b> |
|---------------------------|--------------|---------------------------|
| 835                       | Allowances   | 825                       |
| 72                        | Expenses     | 79                        |
| <b>907</b>                | <b>Total</b> | <b>904</b>                |

### 37. 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           | -                   | -           |
| <b>TOTAL</b>        | <b>36</b>           | <b>101</b>  | <b>35</b>           | <b>93</b>   |

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

| <b>Employees in Post 2020/2021</b>                 |                |                          |                                 |                                       |                                 |
|--|----------------|--------------------------|---------------------------------|---------------------------------------|---------------------------------|
| <b>Post Holder Information</b>                     | <b>Salary</b>  | <b>Expense Allowance</b> | <b>Total Excluding Pensions</b> | <b>Employer Pension Contributions</b> | <b>Total Including Pensions</b> |
| <b>£</b>   | <b>£</b>       | <b>£</b>                 | <b>£</b>                        | <b>£</b>                              | <b>£</b>                        |
| 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                         |
| <b>TOTAL</b>                                       | <b>974,562</b> | <b>1,146</b>             | <b>975,708</b>                  | <b>134,273</b>                        | <b>1,109,981</b>                |

| <b>Employees in Post 2019/2020</b>             |                |                          |                                 |                                       |                                 |
|--|----------------|--------------------------|---------------------------------|---------------------------------------|---------------------------------|
| <b>Post Holder Information</b>                 | <b>Salary</b>  | <b>Expense Allowance</b> | <b>Total Excluding Pensions</b> | <b>Employer Pension Contributions</b> | <b>Total Including Pensions</b> |
|  | <b>£</b>       | <b>£</b>                 | <b>£</b>                        | <b>£</b>                              | <b>£</b>                        |
| 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                         |
| <b>TOTAL</b>                                   | <b>962,750</b> | <b>3,583</b>             | <b>966,333</b>                  | <b>106,807</b>                        | <b>1,073,140</b>                |

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:

| <b>Exit Package Cost by Band (incl Special Payments)</b> | <b>Number of Compulsory Redundancies</b> |                  | <b>Number of Other Agreed Departures</b> |                  | <b>Number of Exit Packages by Cost Band</b> |                  | <b>Total Cost of Exit Packages in each Band</b> |                       |
|--|--|------------------|--|------------------|---|------------------|---|-----------------------|
|  | <b>2020/2021</b>                         | <b>2019/2020</b> | <b>2020/2021</b>                         | <b>2019/2020</b> | <b>2020/2021</b>                            | <b>2019/2020</b> | <b>2020/2021 £000</b>                           | <b>2019/2020 £000</b> |
| £0 - £20,000   | 1  | 10               | 31                                       | 25               | 32  | 35               | 298   | 188                   |
| £20,001 - £40,000  | -  | 1                | 2  | 5                | 2   | 6                | 61  | 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  | -                     |
| <b>Total</b>   | <b>2</b>                                 | <b>11</b>        | <b>36</b>                                | <b>31</b>        | <b>38</b>                                   | <b>42</b>        | <b>620</b>                                      | <b>406</b>            |

### 38. 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<br>£000 | 2019/2020<br>£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                           | 8                 | 18                |
| <b>Total</b>   | <b>93</b>         | <b>121</b>        |

### 39. 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:

|  | <b>Central<br/>Expenditure<br/>£000</b> | <b>Individual Schools<br/>Budget (ISB)<br/>£000</b> | <b>Total<br/>£000</b> |
|--|---|---|-----------------------|
| 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)               |

#### 40. Grant Income

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

|  | 2020/2021<br>£000 | 2019/2020<br>£000 |
|--|-------------------|-------------------|
| <b>Credited to Taxation and Non Specific Grant Income</b>      |                   |                   |
| 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               | -                 |
| - 75% Local Tax Income Guarantees Scheme                       | 1,100             | -                 |
| - Additional S31 Business Rate Reliefs                         | 14,767            | -                 |
| Other Contributions  | 324               | 427               |
| Capital Grants - Other   | 19,280            | 19,099            |
| <b>Total</b>   | <b>140,890</b>    | <b>103,440</b>    |
| <b>Credited to Services</b>                                    |                   |                   |
| 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               | -                 |
| - Compliance and Enforcement                                   | 114               | -                 |
| - Rough Sleeping/Accommodation 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                        | 6,442             | -                 |
| - Other Covid grants including New Burdens                     | 206               | -                 |
| Other Grants and Contributions                                 | 6,849             | 3,305             |
| <b>Total</b>   | <b>158,582</b>    | <b>144,750</b>    |

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:

|   | <b>2020/2021</b><br><b>£000</b> | <b>2019/2020</b><br><b>£000</b> |
|---|---------------------------------|---------------------------------|
| <b>Current Liabilities</b>                |                                 |                                 |
| <b>Revenue Grants Received in Advance</b> |                                 |                                 |
| S31 Business Rate Retention 2020/21       | -                               | 6,017                           |
| Department for Transport - Project Amber  | 4,392                           | 4,400                           |
| Rogue Landlord                            | 0                               | 63                              |
| Sport England                             | 22                              | 46                              |
| Green Homes                               | 2,000                           | -                               |
| Active Travel                             | 308                             | -                               |
| Covid-19 - Contain Outbreak/Test & Trace  | 4,767                           | -                               |
| Other                                     | 908                             | 247                             |
| <b>Total</b>                              | <b>12,397</b>                   | <b>10,773</b>                   |
| <b>Long Term Liabilities</b>              |                                 |                                 |
| <b>Capital Grants Received in Advance</b> |                                 |                                 |
| Department of Health                      | 360                             | 360                             |
| Environment Agency grants                 | 2,807                           | 2,183                           |
| Local Transport Plan                      | 7,422                           | 4,612                           |
| Empty Homes                               | 2,013                           | 2,142                           |
| Education & Skills Funding Agency         | 3,122                           | 2,788                           |
| Other Grants & Contributions              | -                               | 526                             |
| <b>Total</b>                              | <b>15,724</b>                   | <b>12,611</b>                   |

## 41. 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 31<sup>st</sup> March 2021 are shown on Note 40.

### 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 36.

During the year 5 Members of the Council had a private interest in Blackpool Teaching Hospital. The Council made payments to this organisation amounting to £5,367,961 in 2020/2021 (£1,559,715 in 2019/2020) to meet the Council's social care and public health responsibilities.

During the year a Member of the Council had a private interest in Calico Enterprise Limited who provide support to residents in times of need. The Council made payments to this organisation totalling £223,317 in 2020/2021 (2019/2020 - £266,704). These payments were to meet the Council's social responsibilities.

During the year a 2 Members of the Council had a private interest in Little George's Nursery School, a local nursery. The Council made payments to this organisation totalling £209,426 in 2020/21 (2019/2020 - £214,527). These payments were to meet the Council's early years' 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.

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 35.



The Council received £18.512m Public Health grant in 2020/21 (£17.9m in 2019/20) for the delivery of Public Health services which aim to improve health outcomes for all ages and removing health inequalities across the borough. The Public Health grant is allocated to the Council as a ring-fenced grant.

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

| Precepting & Levying Bodies                | Precepts/Levies<br>2020/21 | Other Expenditure<br>2020/21 | Precepts/Levies<br>2019/20 | Other Expenditure<br>2019/20 |
|--|----------------------------|------------------------------|----------------------------|------------------------------|
|  | £000                       | £000                         | £000                       | £000                         |
| Police & Crime Commissioner for Lancashire | 7,857                      | 228                          | 7,357                      | 174                          |
| Lancashire Fire Authority                  | 3,031                      | -                            | 3,119                      | 4                            |
| Environment Agency                         | 69                         | 7                            | 68                         | 7                            |

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

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

#### Entities Controlled or Significantly Influenced by the 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 31<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> March 2021 was £2,500,000.

Full details on these loans are within Note 21.

The authority also controls Blackpool Coastal Housing Limited, 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.

## 42. 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<br>£000 | 2019/2020<br>£000 |
|--|-------------------|-------------------|
| <b><u>Capital Financing Requirement</u></b>  |                   |                   |
| <b>Opening Capital Financing Requirement</b>   | <b>409,940</b>    | <b>338,851</b>    |
| <b>Capital Investment</b>  |                   |                   |
| Property, Plant & Equipment  | 23,239            | 78,492            |
| Investment Properties  | 5,024             | 984               |
| Assets under Construction  | 16,244            | 8,323             |
| Revenue Expenditure funded from Capital under Statute                                  | 4,438             | 5,289             |
| Long Term Debtor - Loan to Blackpool Transport Services                                | 3,716             | 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               | 5,389             |
| Long Term Debtor - Loan to Coolsilk  | 344               | 3,661             |
| Long Term Debtor - Loan to Blackpool Airport   | 246               | 813               |
| Long Term Debtor - Enveco Leased Vehicles  | -                 | 2,851             |
| Long Term Debtor - Blackpool Entertainment Company                                     | 2,500             | -                 |
| Long Term Debtor - Blackpool Operating Company   | 1,101             | -                 |
| Long Term Debtor - Red Rocket Group  | 113               | -                 |
| Blackpool Housing Company Shares   | 17,100            |                   |
| <b>Sources of Finance</b>  |                   |                   |
| Capital Receipts   | (1,858)           | -                 |
| Government Grants & Other Contributions  | (23,106)          | (22,780)          |
| Sums set aside from Revenue  | (23,981)          | (20,277)          |
| 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)              | (94)              |
| Long Term Debtor - Enveco Leased Vehicles  | (407)             | -                 |
| Long Term Debtor - Loan to Ocean Boulevard III   | (305)             | (500)             |
| Lease/PFI Repayments   | 4,240             |                   |
| <b>Closing Capital Financing Requirement</b>   | <b>439,573</b>    | <b>409,940</b>    |
| <b>Explanations of Movements in Year</b>   |                   |                   |
| Increase in underlying need to borrow (unsupported by Government Financial Assistance) | 29,633            | 71,089            |
| <b>Increase in Capital Financing Requirement</b>                                       | <b>29,633</b>     | <b>71,089</b>     |

## 43. Leases

### Authority as Lessee

#### Finance Leases

##### Waste Services

The Council has recognised a finance lease creditor in respect of the borrowing raised by Lancashire County Council to settle the PFI liability in respect of the 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 31<sup>st</sup> March 2021 were as follows:

|  | 31st March 2021<br>£000 | 31st March 2020<br>£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                  |
| <b>Total</b>   | <b>29,203</b>           | <b>30,274</b>           |

##### Ribble House

At its meeting on 19<sup>th</sup> February 2018 the Executive agreed to enter into a 30 year lease for Ribble House with an option to acquire the office premises at the end of the lease term. The lease payments escalate on an annual basis at the lower of 5% per annum and the all items retail price index. The escalation is applied to the preceding annual lease payments. The net book value of the property at 31<sup>st</sup> March 2021 was £19.3m which is included within Investment Properties on the balance sheet.

The total future repayments payable at 31<sup>st</sup> March 2021 were as follows:

|   | Minimum Lease Payments |                 |
|---|------------------------|-----------------|
|   | 31st March 2021        | 31st March 2020 |
|   | £000                   | £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          |
| <b>Total</b>                                      | <b>18,644</b>          | <b>19,334</b>   |

### 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 is included within Investment Properties on the balance sheet.

The future repayments payable at 31<sup>st</sup> March 2021 were as follows:

|   | Minimum Lease Payments |                 |
|---|------------------------|-----------------|
|   | 31st March 2021        | 31st March 2020 |
|   | £000                   | £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          |
| <b>Total</b>                                      | <b>19,675</b>          | <b>20,382</b>   |

### 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<br>£000 | 31st March 2020<br>£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                   |
| <b>Total</b>                                      | <b>14,657</b>           | <b>18,013</b>           |

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

#### 44. Private Finance Initiative (PFI)

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

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

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

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

The Authority makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31<sup>st</sup> March 2021 (excluding any estimation of inflation and availability/performance deductions) are as follows:

|                                    | <b>Payment for<br/>Service<br/>£000</b> | <b>Repayment<br/>Liability<br/>£000</b> | <b>Interest<br/>£000</b> | <b>Total<br/>Payment Due<br/>£000</b> |
|------------------------------------|---|---|--------------------------|---------------------------------------|
| Payable 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                                 |
| <b>Total</b>                       | <b>29,953</b>                           | <b>17,955</b>                           | <b>19,254</b>            | <b>67,162</b>                         |

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

| <b>2019/2020<br/>£000</b> |                                      | <b>2020/2021<br/>£000</b> |
|---------------------------|--------------------------------------|---------------------------|
| (19,244)                  | Balance outstanding at start of year | (18,643)                  |
| 601                       | Payments during the year             | 688                       |
| <b>(18,643)</b>           | <b>Total</b>                         | <b>(17,955)</b>           |

### Street Lighting and Signals PFI

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

The Authority makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31<sup>st</sup> March 2021 (excluding any estimation of inflation and availability/performance deductions) are as follows:

|                                    | <b>Payment for<br/>Service<br/>£000</b> | <b>Repayment<br/>Liability<br/>£000</b> | <b>Interest<br/>£000</b> | <b>Total<br/>Payment Due<br/>£000</b> |
|------------------------------------|---|---|--------------------------|---------------------------------------|
| Payable 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                                |
| <b>Total</b>                       | <b>31,021</b>                           | <b>35,964</b>                           | <b>12,258</b>            | <b>79,243</b>                         |

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

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

## 45. 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 49.

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

### **NHS Staff Pension Scheme**

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

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

In 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.

## **46. 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.

### **Blackpool Transport Services Pooling Arrangement**

As mentioned in the Narrative Report, Blackpool Transport Services' part of the Lancashire County Pension Fund has been in surplus since it was incorporated and Blackpool Transport Services Limited has never made an employer's contribution.

At the 31 March 2016, the date of the last actuarial valuation, Blackpool Transport Services Limited had a surplus of around £5.4m in the Local Government Pension Scheme. As a result of this surplus, Blackpool Transport Limited did not make any contributions to the pension fund during the period 1 April 2017 and 31 March 2020.

Actuarial advice estimated it could take up to 50 years for Blackpool Transport Limited to utilise this surplus based on current actuarial valuations (since a surplus cannot be paid to an employer unless it has no active members).

On 15<sup>th</sup> July 2019 the Executive agreed to enter into a pooling arrangement with Blackpool Transport Services (BTS) to use BTS's pension fund surplus to partly offset the Council's pension fund deficit. As part of the arrangement the Council made a payment of £2m to Blackpool Transport Services Limited, funded from its reserves and repayable via pension contribution savings over an estimated 10 years, in respect of pooling this surplus. Blackpool Transport Services Limited proposed to invest this £2m into the business and thereby guarantee future dividend payments to the Council.

It is estimated that the pooling arrangement will reduce the Council's contributions to the Pension Fund by up to £200,000 per year, net of any liabilities relating to active members. In 2019/20 the pooling of the pension fund reduced the Council's pension deficit by £4,872,000 and is shown under business combinations.

### **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<br>£000                 | 2019/20<br>£000 | 2020/21<br>£000                     | 2019/20<br>£000 |
| <b>Comprehensive Income and Expenditure Statement</b>   |                                 |                 |                                     |                 |
| <i>Cost of Services:</i>  |                                 |                 |                                     |                 |
| <i>Service Cost comprising</i>  |                                 |                 |                                     |                 |
| - current service cost  | 22,623                          | 23,174          | -                                   | -               |
| - past service costs  | -                               | 2,947           | -                                   | -               |
| - curtailments  | 337                             | -               | -                                   | -               |
| <i>Financing &amp; Investment Income and Expenditure</i>  |                                 |                 |                                     |                 |
| Net interest expense  | 4,649                           | 5,369           | 74                                  | 80              |
| <b>Total Post-employment Benefits charged to the Surplus/Deficit on the Provision of Services</b>   | <b>27,609</b>                   | <b>31,490</b>   | <b>74</b>                           | <b>80</b>       |
| <i>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>   |                                 |                 |                                     |                 |
| Remeasurement of the net defined benefit liability comprising:  |                                 |                 |                                     |                 |
| - Actuarial gains and losses arising on changes in financial assumptions  | 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)                                | -               |
| <b>Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>   | <b>75,021</b>                   | <b>(27,153)</b> | <b>287</b>                          | <b>(211)</b>    |
| <b>Movement in Reserves Statement</b>   |                                 |                 |                                     |                 |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code | (27,609)                        | (31,490)        | (74)                                | (80)            |
| <b>Actual amount charged against the general fund balance for pensions in the year:</b>   |                                 |                 |                                     |                 |
| 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<br>£000                 | 2019/20<br>£000 | 2020/21<br>£000                     | 2019/20<br>£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)       | -                                   | -               |
| <b>Net liability arising from defined benefit obligation</b> | <b>295,922</b>                  | <b>227,643</b>  | <b>3,348</b>                        | <b>3,143</b>    |

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

|   | Local Government Pension Scheme |                 | Discretionary Benefits Arrangements |                 |
|---|---------------------------------|-----------------|-------------------------------------|-----------------|
|   | 2020/21<br>£000                 | 2019/20<br>£000 | 2020/21<br>£000                     | 2019/20<br>£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          | -                                   | -               |
| <b>Closing fair value of scheme assets</b>  | <b>743,132</b>                  | <b>655,141</b>  | <b>-</b>                            | <b>-</b>        |

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

|  | Funded Liabilities: Local Government Pension Scheme |                 | Unfunded Liabilities: Discretionary Benefits Arrangements |                 |
|--|---|-----------------|---|-----------------|
|  | 2020/21<br>£000                                     | 2019/20<br>£000 | 2020/21<br>£000   | 2019/20<br>£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          | -   | -               |
| <b>Closing balance at 31 March</b>   | <b>1,039,054</b>                                    | <b>882,784</b>  | <b>3,348</b>  | <b>3,143</b>    |

|                                  | Fair Value of Scheme Assets |                 |
|----------------------------------|-----------------------------|-----------------|
|                                  | 2020/21<br>£000             | 2019/20<br>£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         |
| <b>Total assets</b>              | <b>743,132</b>              | <b>655,141</b>  |
|                                  |                             |                 |

### 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<br>£000                 | 2019/20<br>£000 | 2020/21<br>£000        | 2019/20<br>£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.

|   | <b>Impact on the Defined Benefit Obligation<br/>in the Scheme</b> |  |
|---|---|--|
|   | <b>Approximate %<br/>change in employee<br/>liability</b>         | <b>Approximate<br/>monetary value<br/>£000</b> |
|   |   |  |
| 1 year increase in member life expectancy       | 3.03%   | 3,144  |
| 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.

## 47. 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 31<sup>st</sup> 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<br>March 2021<br>£000 | Historical<br>experience of<br>default<br>% | Historical experience<br>adjusted for market<br>conditions at 31st<br>March 2021<br>% | Estimated maximum<br>exposure to default<br>and uncollectability<br>At 31st March 2021<br>£000 | Estimated<br>maximum<br>exposure at<br>31st March<br>2020<br>£000 |
|--|--------------------------------------|---|---|--|---|
| Deposits with banks<br>and financial<br>institutions | 4,350                                | 0   | 0   | 0  | 21,350  |
| Customers  | 61,516                               | 35%   | 0   | 21,531   | 46,461  |



Of the £61.5m 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:

|                        | <b>31st March 2021</b><br><b>£000</b> | <b>31st March 2020</b><br><b>£000</b> |
|------------------------|---------------------------------------|---------------------------------------|
| 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                                   |
| <b>Total</b>           | <b>5,283</b>                          | <b>4,477</b>                          |

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.

The past due but not impaired amount for invoices raised for customer accounts is £6.997m at 31<sup>st</sup> March 2021 (£2.56m at 31<sup>st</sup> March 2020).

### Liquidity risk

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

|                                  | <b>31st March 2021</b><br><b>£000</b> | <b>31st March 2020</b><br><b>£000</b> |
|----------------------------------|---------------------------------------|---------------------------------------|
| Less than one year               | 259,607                               | 245,184                               |
| Between one and two years        | 3,024                                 | 6,184                                 |
| Between two and five years       | 10,500                                | 9,833                                 |
| Between five and ten years       | 16,619                                | 22,157                                |
| Between ten and fifteen years    | 11,736                                | 11,814                                |
| Between fifteen and twenty years | -                                     | -                                     |
| More than twenty years           | 37,353                                | 38,472                                |
| <b>Total</b>                     | <b>338,839</b>                        | <b>333,644</b>                        |

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

### **Market risk**

#### **Interest rate risk**

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

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

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

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

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

If interest rates had been 1% higher with all other variables held constant, the financial effect would have a £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.

### **48. 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 31<sup>st</sup> March 2021 the Council had no material contingent assets to disclose.

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

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

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

|                                     | 2016/2017<br>£000 | 2017/2018<br>£000 | 2018/2019<br>£000 | 2019/2020<br>£000 | 2020/2021<br>£000 |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Balance B/fwd</b>                |                   |                   |                   |                   |                   |
| 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               | -                 | -                 | -                 |
| <b>Total Balance B/fwd</b>          | <b>7,764</b>      | <b>7,764</b>      | <b>8,185</b>      | <b>8,185</b>      | <b>8,364</b>      |
| <b>Additions</b>                    |                   |                   |                   |                   |                   |
| Art Collection                      | -                 | 55                | -                 | -                 | -                 |
| <b>Total Additions</b>              | <b>-</b>          | <b>55</b>         | <b>-</b>          | <b>-</b>          | <b>-</b>          |
| <b>Impairment/Revaluation</b>       |                   |                   |                   |                   |                   |
| Cenotaph                            | -                 | (100)             | -                 | -                 | -                 |
| Civic Regalia                       | -                 | (81)              | -                 | 179               | (19)              |
| Illuminations                       | -                 | 50                | -                 | -                 | -                 |
| Tower Collection & Local Family     |                   |                   |                   |                   |                   |
| History Collection                  | -                 | 550               | -                 | -                 | -                 |
| Art Collection                      | -                 | 600               | -                 | -                 | -                 |
| Stanley Park Statues                | -                 | (653)             | -                 | -                 | -                 |
| <b>Total Impairment/Revaluation</b> | <b>-</b>          | <b>366</b>        | <b>-</b>          | <b>179</b>        | <b>(19)</b>       |
| <b>Balance C/fwd</b>                |                   |                   |                   |                   |                   |
| 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               | -                 | -                 | -                 | -                 |
| <b>Total Balance C/fwd</b>          | <b>7,764</b>      | <b>8,185</b>      | <b>8,185</b>      | <b>8,364</b>      | <b>8,345</b>      |

## **Section 6**

# **Supplementary Single Entity Financial Statements**

## 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            |
|   | <b>Expenditure</b>  |           |                 |
| 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       |                 |
| <b>15,745</b>   | <b>Total Expenditure</b>  |           | <b>14,805</b>   |
|   | <b>Income</b>   |           |                 |
| (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)     |                 |
| <b>(18,817)</b>   | <b>Total Income</b>   |           | <b>(19,515)</b> |
| <b>(3,072)</b>  | <b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>                       |           | <b>(4,710)</b>  |
|   | <b>HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b> |           |                 |
| 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             |
| <b>(3,414)</b>  | <b>Surplus for the year on HRA services</b>   |           | <b>(4,384)</b>  |

## Movement on the Housing Revenue Account Statement for the Year Ending 31<sup>st</sup> March 2021

|  | 2020/2021<br>£000 | 2019/2020<br>£000 |
|--|-------------------|-------------------|
| <b>Balance on HRA Reserve at 1st April</b>                           | <b>(4,830)</b>    | <b>(5,705)</b>    |
| 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               |
| <b>Balance on HRA Reserve at 31st March</b>                          | <b>(3,032)</b>    | <b>(4,830)</b>    |

## Notes to the HRA Statement

### 1. Housing Revenue Account Stock

The Council owned 4,741 dwellings at 31<sup>st</sup> 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           |
| <b>Total</b>             | <b>4,741</b> | <b>4,736</b> |

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

|                                  | 2020/2021    | 2019/2020    |
|----------------------------------|--------------|--------------|
| <b>Stock at 1st April</b>        | <b>4,736</b> | <b>4,801</b> |
| 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           |
| <b>Stock at 31st March</b>       | <b>4,741</b> | <b>4,736</b> |



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

|                            | <b>2020/2021<br/>£000</b> | <b>2019/2020<br/>£000</b> |
|----------------------------|---------------------------|---------------------------|
| Operational assets:        |                           |                           |
| Council dwellings          | 123,372                   | 118,763                   |
| Other HRA                  | 7,682                     | 2,350                     |
| <b>Stock at 31st March</b> | <b>131,054</b>            | <b>121,113</b>            |

## 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.

|                                       | <b>2020/2021<br/>£000</b> | <b>2019/2020<br/>£000</b> |
|---------------------------------------|---------------------------|---------------------------|
| Vacant possession value of properties | 293,881                   | 283,494                   |

The vacant possession value of dwellings held on 31<sup>st</sup> 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 £118,762,452 represents the economic cost to the Government of providing council housing at less than the open market rents.

## 3. Major Repairs Reserve

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

|  | 2020/2021<br>£000 | 2019/2020<br>£000 |
|--|-------------------|-------------------|
| <b>Balance at 1st April</b>  | -                 | -                 |
| 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)           |
| <b>Balance at 31st March</b>   | -                 | -                 |

#### 4. Housing Repairs Account

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

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

## 5. Capital Expenditure within Housing Revenue Account

|   | 2020/2021<br>£000 | 2019/2020<br>£000 |
|---|-------------------|-------------------|
| <b>Total capital expenditure within the Housing Revenue Account on land, housing &amp; other property</b> | <b>8,856</b>      | <b>7,571</b>      |
| Sources of funding for the above Capital Expenditure:   |                   |                   |
| - Revenue contributions (as defined in Local Government & Housing Act 1989)                               | 5,969             | 3,747             |
| - Major Repairs Reserve   | 2,523             | 2,253             |
| - Grants and other funding  | 364               | 1,571             |
| <b>Total capital expenditure within the HRA</b>   | <b>8,856</b>      | <b>7,571</b>      |

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

## 7. Impairment

|   | 2020/2021<br>£000 | 2019/2020<br>£000 |
|---|-------------------|-------------------|
| Impairment charges in respect of land, houses and other property within the HRA | -                 | 451               |

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

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

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

### **b) Control**

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

### **c) Annual Report**

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

## **9. Rent Arrears**

Rent Arrears for 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 31<sup>st</sup> 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 2020/2021

## 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<br>£000<br>Council Tax | 2019/2020<br>£000<br>NNDR | 2019/2020<br>£000<br>Total |   | 2020/2021<br>£000<br>Council Tax | 2020/2021<br>£000<br>NNDR | 2020/2021<br>£000<br>Total |
|----------------------------------|---------------------------|----------------------------|---|----------------------------------|---------------------------|----------------------------|
|                                  |                           |                            | <b>Income</b>   |                                  |                           |                            |
| 68,180                           |                           | 68,180                     | Council Tax Receivable                                    | 69,773                           |                           | 69,773                     |
|                                  | 45,603                    | 45,603                     | Business Rates Receivable                                 |                                  | 13,775                    | 13,775                     |
| <b>68,180</b>                    | <b>45,603</b>             | <b>113,783</b>             | <b>Total Income</b>                                       | <b>69,773</b>                    | <b>13,775</b>             | <b>83,548</b>              |
|                                  |                           |                            | <b>Expenditure</b>  |                                  |                           |                            |
|                                  |                           |                            | <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>                         |                                  |                           |                            |
| (3,213)                          | (607)                     | (3,820)                    | Write offs of uncollectable amounts                       | (3,752)                          | (407)                     | (4,159)                    |
| 3,881                            | 1,287                     | 5,168                      | Increase/Decrease in BDP                                  | 4,943                            | 1,752                     | 6,695                      |
|                                  | 2,550                     | 2,550                      | Increase/Decrease in Provision for Appeals                |                                  | 1,554                     | 1,554                      |
|                                  | 251                       | 251                        | Cost of Collection  |                                  | 248                       | 248                        |
|                                  | 655                       | 655                        | Transitional Protection Payments                          |                                  | 1,014                     | 1,014                      |
| <b>68,730</b>                    | <b>39,674</b>             | <b>108,404</b>             | <b>Total Expenditure</b>                                  | <b>72,376</b>                    | <b>45,972</b>             | <b>118,348</b>             |
| <b>550</b>                       | <b>(5,929)</b>            | <b>(5,379)</b>             | <b>(Surplus)/Deficit for the Year</b>                     | <b>2,603</b>                     | <b>32,197</b>             | <b>34,800</b>              |
|                                  |                           |                            | <b>Collection Fund Balance</b>                            |                                  |                           |                            |
| (1,890)                          | 2,310                     | 420                        | Fund balance at 1st April (Surplus)/Deficit               | (1,340)                          | (3,619)                   | (4,959)                    |
| <b>(1,340)</b>                   | <b>(3,619)</b>            | <b>(4,959)</b>             | <b>(Surplus)/Deficit as at 31st March</b>                 | <b>1,263</b>                     | <b>28,578</b>             | <b>29,841</b>              |
|                                  |                           |                            | <b>Allocated to:</b>                                      |                                  |                           |                            |
| (1,141)                          | (2,660)                   | (3,801)                    | - Blackpool Council                                       | 1,075                            | 14,003                    | 15,078                     |
| (50)                             | (54)                      | (104)                      | - Lancashire Fire Authority                               | 46                               | 286                       | 332                        |
| (149)                            |                           | (149)                      | - Police & Crime Commissioner for Lancashire              | 142                              |                           | 142                        |
|                                  | (905)                     | (905)                      | - Central Government                                      |                                  | 14,289                    | 14,289                     |
| <b>(1,340)</b>                   | <b>(3,619)</b>            | <b>(4,959)</b>             | <b>Total</b>  | <b>1,263</b>                     | <b>28,578</b>             | <b>29,841</b>              |

## Notes to the Collection Fund

### 1. General

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

From 1<sup>st</sup> April 2013 up to 31<sup>st</sup> 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 13<sup>th</sup> 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 1<sup>st</sup> April 2019 to 31<sup>st</sup> 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 1<sup>st</sup> 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 31<sup>st</sup> January of the previous year. The council tax base represents the number of chargeable dwellings in each valuation band (adjusted for discounts etc) multiplied by a set proportion to give the number of Band D equivalents.

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

The Council tax base for 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:

| <b>Band</b>  | <b>Chargeable Dwellings</b> | <b>Proportion of Band D Tax</b> | <b>Equivalent Band D Dwellings</b> |
|--|-----------------------------|---------------------------------|------------------------------------|
| 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                                |
| <b>Tax Base for the Calculation of Council Tax</b> |                             |                                 | <b>37,157</b>                      |

### 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 £16.147m (£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<br>£000 | Blackpool<br>Council<br>£000 | Lancashire Fire<br>Authority<br>£000 | Lancashire<br>Police and<br>Crime<br>Commissioner<br>£000 | Total<br>£000   |
|----------------------------|----------------------------|------------------------------|--------------------------------------|---|-----------------|
| <b>Council Tax</b>         |                            |                              |                                      |   |                 |
| Arrears at 31st March 2021 |                            | 18,421                       | 2,455                                | 783   | <b>21,659</b>   |
| Receipts in Advance        |                            | (955)                        | (127)                                | (41)  | <b>(1,123)</b>  |
| Bad Debt Provision         |                            | (7,688)                      | (1,025)                              | (327)   | <b>(9,040)</b>  |
| Surplus/Deficit            |                            | 1,075                        | 142                                  | 46  | <b>1,263</b>    |
| <b>Business Rates</b>      |                            |                              |                                      |   |                 |
| Arrears at 31st March 2021 | 4,901                      | 4,803                        | 98                                   |   | <b>9,802</b>    |
| Receipts in Advance        | (186)                      | (182)                        | (4)                                  |   | <b>(372)</b>    |
| Bad Debt Provision         | (2,318)                    | (2,272)                      | (46)                                 |   | <b>(4,636)</b>  |
| Appeals                    | (7,951)                    | (7,792)                      | (159)                                |   | <b>(15,902)</b> |
| Surplus/Deficit            | 14,289                     | 14,003                       | 286                                  |   | <b>28,578</b>   |

# Section 7

## Group Accounts 2020/2021

## 7.0 Introduction

The Group Accounts show the combined overall financial position of the Council, its subsidiary companies and its associates.

**Subsidiaries** are where the Council exercises control. Blackpool Transport Services, Blackpool Operating Company, Blackpool Coastal Housing, Blackpool Housing Company, Blackpool Entertainment Company, 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.

**Associates** are where the Council exercises significant influence. Marketing Lancashire is classified as such and is incorporated into the accounts on an equity basis.

### Subsidiaries

#### *Blackpool Transport Services*

Registered Address: Rigby Road, Blackpool FY1 5DD  
Company Number: 02003020

Blackpool Transport Services Limited was set up in accordance with the provisions of the Transport Act 1985 to operate the Council's municipal bus operation. The company provides a comprehensive passenger transport service in the Fylde coast area through its bus and tram operations.

#### *Blackpool Operating Company*

Registered Address: Number One Bickerstaffe Square, Talbot Road, Blackpool FY1 3AH  
Company Number: 09405354

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

#### *Blackpool Coastal Housing*

Registered Address: Coastal House, 17-19 Abingdon Street, Blackpool FY1 1DG  
Company Number: 05868852

Blackpool Coastal Housing is an ALMO (arms-length management organisation) of the Council and was formed on 15<sup>th</sup> January 2007. The company's principal activities are to manage and maintain the housing stock of the Council.

#### *Blackpool Entertainment Company*

Registered Address: Number One Bickerstaffe Square, Talbot Road, Blackpool FY1 3AH  
Company Number: 09044792

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

*Blackpool Housing Company*

Registered Address: Number One Bickerstaffe Square, Talbot Road, Blackpool FY1 3AH  
Company Number: 09405354

Blackpool Housing Company Limited was set up on 26<sup>th</sup> January 2015. The company is a housing regeneration company and is wholly owned by the Council.

*Blackpool Airport Ltd*

Registered Address: Number One Bickerstaffe Square, Talbot Road, Blackpool FY1 3AH  
Company Number: 6581425

In September 2017 the Council completed the purchase of Blackpool Airport. The Council, which was previously a 5% shareholder in the Airport, signed a £4.25m deal with previous owners Balfour Beatty to fully take over the holding company Regional & City Airports (Blackpool) Holdings Ltd. The Council has acquired all shares in Regional & City Airports (Blackpool) Holdings Ltd and has 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 1<sup>st</sup> 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 Trashed student accommodation in Preston. The company is wholly owned by the Council.

**Associates***Marketing Lancashire*

Registered Address: Christ Church Precinct, County Hall, Fishergate Hill, Preston, PR1 8XJ  
Company Number: 05039554

Marketing Lancashire (previously known as Lancashire and Blackpool Tourist Board) is limited by guarantee and therefore has no share capital. The Council has 43% of the voting rights. It supports businesses in the Lancashire and Blackpool area by representing their interests regionally and nationally, by co-ordinating marketing activity, managing and developing the tourism product and working in partnership with industry. Activities in commercial membership, business support, "Welcome to Excellence" training, visitors services and marketing activity are all designed to improve quality and achieve common goals.

# Core Financial Statements - Group

## Group Movement in Reserves Statement

2020/21

|  | General Fund Balance | Earmarked General Fund Reserves | HRA     | Capital Receipts Reserve | Major Repairs Reserve | Capital Reserves | Total Usable Reserves | Unusable Reserves | Total Authority Reserves | Group Reserves | Total Reserves |
|--|----------------------|---------------------------------|---------|--------------------------|-----------------------|------------------|-----------------------|-------------------|--------------------------|----------------|----------------|
|  | £000                 | £000                            | £000    | £000                     | £000                  | £000             | £000                  | £000              | £000                     | £000           | £000           |
| <b>Balance as at 1st April 2020</b>  | (1,576)              | (49,818)                        | (4,830) | (11,411)                 | -                     | (3,112)          | (70,747)              | (174,126)         | (244,873)                | 7,892          | (236,981)      |
| Reporting of Schools Budget Deficit to new Adjustment Account at 1st April 2020    | (3,098)              |                                 |         |                          |                       |                  | (3,098)               | 3,098             | -                        |                | -              |
| <b>Restated Balance as at 1st April 2020</b>                                       | (4,674)              | (49,818)                        | (4,830) | (11,411)                 | -                     | (3,112)          | (73,845)              | (171,028)         | (244,873)                | 7,892          | (236,981)      |
| <b>Movements in Reserves in 2020/21</b>  |                      |                                 |         |                          |                       |                  |                       |                   |                          |                |                |
| (Surplus) or Deficit on the provision of services                                  | (568)                |                                 | (4,384) | -                        | -                     | -                | (4,952)               | -                 | (4,952)                  | 2,689          | (2,263)        |
| Other Comprehensive Income & Expenditure   | -                    | -                               | -       | -                        | -                     | -                | -                     | 69,604            | 69,604                   | 4,898          | 74,502         |
| <b>Total Comprehensive Income and Expenditure</b>                                  | (568)                | -                               | (4,384) | -                        | -                     | -                | (4,952)               | 69,604            | 64,652                   | 7,587          | 72,239         |
| Adjustments between accounting basis and funding basis under regulations (Note 10) | (31,342)             | -                               | 6,182   | 1,540                    | -                     | -                | (23,620)              | 23,620            | -                        |                | -              |
| <b>Net (Increase) or Decrease before Transfer to Earmarked Reserves</b>            | (31,910)             | -                               | 1,798   | 1,540                    | -                     | -                | (28,572)              | 93,224            | 64,652                   | 7,587          | 72,239         |
| Transfer (to)/from Earmarked Reserves (Note 11)                                    | 26,730               | (26,730)                        | -       | (3,921)                  | -                     | -                | (3,921)               | 3,921             | -                        | -              | -              |
| <b>(Increase)/Decrease in 2020/21</b>  | (5,180)              | (26,730)                        | 1,798   | (2,381)                  | -                     | -                | (32,493)              | 97,145            | 64,652                   | 7,587          | 72,239         |
| <b>Balance as at 31st March 2021</b>   | (9,854)              | (76,548)                        | (3,032) | (13,792)                 | -                     | (3,112)          | (106,338)             | (73,883)          | (180,221)                | 15,479         | (164,742)      |

## 2019/20

|  | General Fund Balance | Earmarked General Fund Reserves | HRA            | Capital Receipts Reserve | Major Repairs Reserve | Capital Reserves | Total Usable Reserves | Unusable Reserves | Total Authority Reserves | Group Reserves | Total Reserves |
|--|----------------------|---------------------------------|----------------|--------------------------|-----------------------|------------------|-----------------------|-------------------|--------------------------|----------------|----------------|
|  | £000                 | £000                            | £000           | £000                     | £000                  | £000             | £000                  | £000              | £000                     | £000           | £000           |
| Balance as at 1st April 2019   | (8,988)              | (41,662)                        | (5,705)        | (7,527)                  | -                     | (3,112)          | (66,994)              | (171,901)         | (238,895)                | 803            | (238,092)      |
| <b>Movements in Reserves in 2019/2020</b>                                |                      |                                 |                |                          |                       |                  |                       |                   |                          |                |                |
| Surplus or Deficit on the provision of services                          | 29,237               |                                 | (3,414)        |                          |                       |                  | 25,823                | -                 | 25,823                   | 6,276          | 32,099         |
| Other Comprehensive Income & Expenditure                                 |                      |                                 |                |                          |                       |                  | -                     | (31,801)          | (31,801)                 | 813            | (30,988)       |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>29,237</b>        | <b>-</b>                        | <b>(3,414)</b> | <b>-</b>                 | <b>-</b>              | <b>-</b>         | <b>25,823</b>         | <b>(31,801)</b>   | <b>(5,978)</b>           | <b>7,089</b>   | <b>1,111</b>   |
| Adjustments between accounting basis and funding basis under regulations | (29,981)             | -                               | 4,289          | (576)                    | -                     | -                | (26,268)              | 26,268            | -                        | -              | -              |
| <b>Net increase or Decrease before Transfer to Earmarked Reserves</b>    | <b>(744)</b>         | <b>-</b>                        | <b>875</b>     | <b>(576)</b>             | <b>-</b>              | <b>-</b>         | <b>(445)</b>          | <b>(5,533)</b>    | <b>(5,978)</b>           | <b>7,089</b>   | <b>1,111</b>   |
| Transfer to/from Earmarked Reserves                                      | 8,156                | (8,156)                         | -              | (3,308)                  | -                     | -                | (3,308)               | 3,308             | -                        | -              | -              |
| <b>Increase/Decrease in 2019/2020</b>                                    | <b>7,412</b>         | <b>(8,156)</b>                  | <b>875</b>     | <b>(3,884)</b>           | <b>-</b>              | <b>-</b>         | <b>(3,753)</b>        | <b>(2,225)</b>    | <b>(5,978)</b>           | <b>7,089</b>   | <b>1,111</b>   |
| Balance as at 31st March 2020  | (1,576)              | (49,818)                        | (4,830)        | (11,411)                 | -                     | (3,112)          | (70,747)              | (174,126)         | (244,873)                | 7,892          | (236,981)      |

## Group Comprehensive Income and Expenditure Statement

| 2019/2020                 |                      |                         |  | 2020/2021                 |                      |                         |
|---------------------------|----------------------|-------------------------|--|---------------------------|----------------------|-------------------------|
| Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |  | Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |
| 13,055                    | (6,366)              | 6,689                   | Chief Executive  | 6,750                     | (6,423)              | 327                     |
| 11,992                    | (3,846)              | 8,146                   | Governance and Partnership Services  | 7,320                     | (3,954)              | 3,366                   |
| 190                       | (2)                  | 188                     | Ward Budgets   | 454                       | -                    | 454                     |
| 30,924                    | (9,867)              | 21,057                  | Resources  | 24,482                    | (10,189)             | 14,293                  |
| 32,394                    | (9,840)              | 22,554                  | Communication and Regeneration   | 23,967                    | (11,732)             | 12,235                  |
| 10,157                    | (4,818)              | 5,339                   | Strategic Leisure Assets   | 10,689                    | (4,379)              | 6,310                   |
| 69,090                    | (21,323)             | 47,767                  | Community and Environmental Services   | 63,451                    | (18,548)             | 44,903                  |
| 83,339                    | (22,447)             | 60,892                  | Adult Services   | 88,729                    | (36,314)             | 52,415                  |
| 134,919                   | (75,311)             | 59,608                  | Children's Services  | 140,128                   | (80,745)             | 59,383                  |
| 13,182                    | (21,120)             | (7,938)                 | Public Health  | 15,467                    | (25,507)             | (10,040)                |
| 103,085                   | (114,652)            | (11,567)                | Budgets Outside the Cash Limit   | 85,698                    | (91,203)             | (5,505)                 |
| 3,385                     | (24,244)             | (20,859)                | Contingencies  | 12,593                    | (17,847)             | (5,254)                 |
| 15,745                    | (18,817)             | (3,072)                 | Housing Revenue Account  | 14,767                    | (19,515)             | (4,748)                 |
| <b>521,457</b>            | <b>(332,653)</b>     | <b>188,804</b>          | <b>Cost of Services</b>  | <b>494,495</b>            | <b>(326,356)</b>     | <b>168,139</b>          |
|                           |                      | 1,867                   | Other Operating Expenditure  |                           |                      | (209)                   |
|                           |                      | 12,771                  | Financing & Investment Income & Expenditure - Other  |                           |                      | 10,937                  |
|                           |                      | (7,478)                 | Income & Expenditure in relation to Investment Properties and changes in their fair value                  |                           |                      | 2,688                   |
|                           |                      | (163,518)               | Taxation and Non-Specific Grant Income - Other   |                           |                      | (183,766)               |
|                           |                      | <b>32,446</b>           | <b>Deficit on Provision of Services</b>  |                           |                      | <b>(2,211)</b>          |
|                           |                      | (28)                    | Share of (Surplus)/Deficit on the Provision of Services by Associates                                      |                           |                      | -                       |
|                           |                      | (319)                   | Tax of Subsidiaries  |                           |                      | (52)                    |
|                           |                      | <b>32,099</b>           | <b>Group Deficit</b>   |                           |                      | <b>(2,263)</b>          |
|                           |                      | (8,456)                 | Surplus or Deficit on revaluation of non-current assets  |                           |                      | (9,928)                 |
|                           |                      | 1,340                   | Surplus or deficit on revaluation of available for sale financial assets                                   |                           |                      | 4,224                   |
|                           |                      | (32,545)                | Movement on financial instruments adjustment account<br>Remeasurement of the net defined pension liability |                           |                      | 80,160                  |
|                           |                      | 8,673                   | Other Movements  |                           |                      | 46                      |
|                           |                      | <b>(30,988)</b>         | <b>Other Comprehensive Income and Expenditure</b>  |                           |                      | <b>74,502</b>           |
|                           |                      | <b>1,111</b>            | <b>Total Comprehensive Income and Expenditure</b>  |                           |                      | <b>72,239</b>           |

## Group Balance Sheet

| 31st March 2020  |                               | Notes | 31st March 2021  |
|------------------|-------------------------------|-------|------------------|
| <b>£000</b>      |                               |       | <b>£000</b>      |
| 779,731          | Property, Plant and Equipment | G3    | 784,574          |
| 8,364            | Heritage Assets               |       | 8,345            |
| 92,289           | Investment Property           | G4    | 101,382          |
| 466              | Intangible Assets             |       | 737              |
| 144              | Net share of Associates       |       | 132              |
| 753              | Surplus Assets                |       | 697              |
| 7,057            | Long Term Investments         |       | 2,547            |
| 38,379           | Long Term Debtors             |       | 38,179           |
| <b>927,183</b>   | <b>Long Term Assets</b>       |       | <b>936,593</b>   |
| 1,475            | Inventories                   |       | 1,545            |
| 47,975           | Short Term Debtors            | G5    | 65,814           |
| 10,385           | Payments in Advance           |       | 2,829            |
| 26,957           | Cash and Cash Equivalents     | G6    | 9,667            |
| <b>86,792</b>    | <b>Current Assets</b>         |       | <b>79,855</b>    |
| (245,184)        | Short Term Borrowing          |       | (259,607)        |
| (63,756)         | Short Term Creditors          | G7    | (79,901)         |
| (18,012)         | Receipts in Advance           |       | (21,827)         |
| (15,037)         | Provisions                    |       | (9,619)          |
| <b>(341,989)</b> | <b>Current Liabilities</b>    |       | <b>(370,954)</b> |
| (94,795)         | Long Term Creditors           |       | (93,563)         |
| (87,460)         | Long term Borrowing           |       | (79,487)         |
| (240,139)        | Other Long Term Liabilities   |       | (291,978)        |
| (12,611)         | Capital Grants in Advance     |       | (15,724)         |
| <b>(435,005)</b> | <b>Long Term Liabilities</b>  |       | <b>(480,752)</b> |
| <b>236,981</b>   | <b>Net Assets</b>             |       | <b>164,742</b>   |
| (70,333)         | Usable Reserves               |       | (98,464)         |
| (166,648)        | Unusable Reserves             |       | (66,278)         |
| <b>(236,981)</b> | <b>Total Reserves</b>         |       | <b>(164,742)</b> |



### Group Cash Flow Statement

| 2019/2020<br>£000 |   | 2020/2021<br>£000 |
|-------------------|---|-------------------|
| 32,099            | <b>Net (surplus)/deficit on the provision of services</b>   | (2,263)           |
| (46,238)          | Adjustments to net surplus or deficit on the provision of services for non-cash movements                                       | (75,220)          |
| 21,714            | Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities | 53,719            |
| 7,575             | <b>Net cash flows from Operating Activities</b>   | (23,764)          |
| 108,522           | Investing Activities  | 9,870             |
| (102,644)         | Financing Activities  | (3,396)           |
| 13,453            | <b>Net (increase) or decrease in cash and cash equivalents</b>  | (17,290)          |
| 13,504            | Cash and cash equivalents at the beginning of the reporting period  | 26,957            |
| 26,957            | <b>Cash and cash equivalents at the end of the reporting period</b>   | 9,667             |

# 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<br>Dwellings &<br>Other HRA<br>£000 | Other Land<br>& Buildings<br>£000 | Vehicles, Plant<br>& Equipment<br>£000 | Infrastructure<br>Assets<br>£000 | Community<br>Assets<br>£000 | PP&E Under<br>Construction<br>£000 | Total PP&E<br>£000 |
|--|---|-----------------------------------|--|----------------------------------|-----------------------------|------------------------------------|--------------------|
| <b>Cost or Valuation</b>   |   |                                   |  |                                  |                             |                                    |                    |
| <b>Balance as at 1 April 2020</b>  | <b>123,365</b>                              | <b>287,434</b>                    | <b>96,481</b>                          | <b>526,632</b>                   | <b>66</b>                   | <b>24,212</b>                      | <b>1,058,190</b>   |
| Additions  | 8,856                                       | 4,277                             | 5,807                                  | 6,977                            | 1                           | 16,244                             | 42,162             |
| Revaluation increases/decreases to<br>Revaluation Reserve  | 1,734                                       | 2,216                             | -                                      | -                                | -                           | -                                  | 3,950              |
| Revaluation increases/decreases to<br>Surplus or Deficit on the Provision of<br>Services               | -   | (11,731)                          | -                                      | -                                | -                           | 218                                | (11,513)           |
| Derecognition - Disposals  | (567)                                       | (90)                              | (2,690)                                | -                                | -                           | -                                  | (3,347)            |
| Derecognition - Other  | -   | -                                 | -                                      | -                                | -                           | -                                  | -                  |
| Transfer   | 187   | (135)                             | -                                      | -                                | -                           | -                                  | 52                 |
| <b>Balance as at 31 March 2021</b>   | <b>133,575</b>                              | <b>281,971</b>                    | <b>99,598</b>                          | <b>533,609</b>                   | <b>67</b>                   | <b>40,674</b>                      | <b>1,089,494</b>   |
| <b>Depreciation and Impairment</b>   |   |                                   |  |                                  |                             |                                    |                    |
| <b>Balance as at 1 April 2020</b>  | <b>(2,253)</b>                              | <b>(17,346)</b>                   | <b>(61,407)</b>                        | <b>(197,167)</b>                 | <b>-</b>                    | <b>-</b>                           | <b>(278,173)</b>   |
| Depreciation Charge  | (2,523)                                     | (8,256)                           | (7,020)                                | (17,645)                         | -                           | -                                  | (35,444)           |
| Depreciation written out on<br>Revaluation Reserve   |   | 3,785                             | -                                      | -                                | -                           | -                                  | 3,785              |
| Depreciation written out on<br>Revaluation taken to Surplus or<br>Deficit on the Provision of Services | 2,253                                       | 31                                | -                                      | -                                | -                           | -                                  | 2,284              |
| Derecognition - Disposals  |   | 2                                 | 2,626                                  | -                                | -                           | -                                  | 2,628              |
| Derecognition - Other  | (37)  | 37                                | -                                      | -                                | -                           | -                                  | -                  |
| <b>Balance as at 31 March 2021</b>   | <b>(2,560)</b>                              | <b>(21,747)</b>                   | <b>(65,801)</b>                        | <b>(214,812)</b>                 | <b>-</b>                    | <b>-</b>                           | <b>(304,920)</b>   |
| <b>Net Book Value</b>  |   |                                   |  |                                  |                             |                                    |                    |
| <b>Balance as at 31 March 2021</b>   | <b>131,015</b>                              | <b>260,224</b>                    | <b>33,797</b>                          | <b>318,797</b>                   | <b>67</b>                   | <b>40,674</b>                      | <b>784,574</b>     |
| <b>Balance as at 31 March 2020</b>   | <b>121,112</b>                              | <b>269,475</b>                    | <b>35,401</b>                          | <b>329,465</b>                   | <b>66</b>                   | <b>24,212</b>                      | <b>779,731</b>     |

## Comparatives 2019/2020

|  | Council<br>Dwellings &<br>Other HRA<br>£000 | Other Land<br>& Buildings<br>£000 | Vehicles, Plant<br>& Equipment<br>£000 | Infrastructure<br>Assets<br>£000 | Community<br>Assets<br>£000 | PP&E Under<br>Construction<br>£000 | Total PP&E<br>£000 |
|--|---|-----------------------------------|--|----------------------------------|-----------------------------|------------------------------------|--------------------|
| <b>Cost or Valuation</b>   |   |                                   |  |                                  |                             |                                    |                    |
| <b>Restated Balance as at 1 April 2019</b>   | <b>117,887</b>                              | <b>257,380</b>                    | <b>85,880</b>                          | <b>515,506</b>                   | <b>66</b>                   | <b>22,199</b>                      | <b>998,918</b>     |
| Additions  | 7,571                                       | 55,678                            | 14,650                                 | 11,126                           | -                           | 8,591                              | 97,616             |
| Revaluation increases/decreases to<br>Revaluation Reserve  | -   | 7,663                             | -                                      | -                                | -                           | -                                  | 7,663              |
| Revaluation increases/decreases to<br>Surplus or Deficit on the Provision of<br>Services               | (258)                                       | (31,775)                          | -                                      | -                                | -                           | (6,354)                            | (38,387)           |
| Derecognition - Disposals  | (1,835)                                     | (221)                             | (3,722)                                | -                                | -                           | (224)                              | (6,002)            |
| Transfer   |   | (1,904)                           | -                                      | -                                | -                           |                                    | (1,904)            |
| <b>Balance as at 31 March 2020</b>   | <b>123,365</b>                              | <b>286,821</b>                    | <b>96,808</b>                          | <b>526,632</b>                   | <b>66</b>                   | <b>24,212</b>                      | <b>1,057,904</b>   |
| <b>Depreciation and Impairment</b>   |   |                                   |  |                                  |                             |                                    |                    |
| <b>Balance as at 1 April 2019</b>  | <b>-</b>                                    | <b>(21,639)</b>                   | <b>(58,879)</b>                        | <b>(179,885)</b>                 | <b>-</b>                    | <b>-</b>                           | <b>(260,403)</b>   |
| Depreciation Charge  | (2,253)                                     | (8,654)                           | (5,868)                                | (17,282)                         | -                           | -                                  | (34,057)           |
| Depreciation written out on<br>Revaluation Reserve   | -   | 6,051                             | -                                      | -                                | -                           | -                                  | 6,051              |
| Depreciation written out on<br>Revaluation taken to Surplus or<br>Deficit on the Provision of Services | -   | 6,887                             | -                                      | -                                | -                           | -                                  | 6,887              |
| Derecognition - Disposals  | -   | 9                                 | 3,340                                  | -                                | -                           | -                                  | 3,349              |
| <b>Balance as at 31 March 2020</b>   | <b>(2,253)</b>                              | <b>(17,346)</b>                   | <b>(61,407)</b>                        | <b>(197,167)</b>                 | <b>-</b>                    | <b>-</b>                           | <b>(278,173)</b>   |
| <b>Net Book Value</b>  |   |                                   |  |                                  |                             |                                    |                    |
| <b>Balance as at 31 March 2020</b>   | <b>121,112</b>                              | <b>269,475</b>                    | <b>35,401</b>                          | <b>329,465</b>                   | <b>66</b>                   | <b>24,212</b>                      | <b>779,731</b>     |
| <b>Balance as at 31 March 2019</b>   | <b>117,887</b>                              | <b>235,741</b>                    | <b>27,001</b>                          | <b>335,621</b>                   | <b>66</b>                   | <b>22,199</b>                      | <b>738,515</b>     |

**G4. Investment Properties**

| <b>2019/2020<br/>£000</b> |                                     | <b>2020/2021<br/>£000</b> |
|---------------------------|-------------------------------------|---------------------------|
| <b>75,757</b>             | <b>Balance at start of the year</b> | <b>92,289</b>             |
|                           | 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)                   |
| <b>92,289</b>             | <b>Balance at end of the year</b>   | <b>101,382</b>            |

**G5. Short Term Debtors**

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

| <b>31st March 2020<br/>£000</b> |                                | <b>31st March 2021<br/>£000</b> |
|---------------------------------|--------------------------------|---------------------------------|
| 3,871                           | Central government bodies      | 13,227                          |
| 1,701                           | Other local authorities        | 3,638                           |
| 1,861                           | NHS bodies                     | 403                             |
| 60,414                          | Other entities and individuals | 68,307                          |
| (19,872)                        | Total impairment               | (19,761)                        |
| <b>47,975</b>                   | <b>Net Value of Debtors</b>    | <b>65,814</b>                   |

## G6. Cash and Cash Equivalents

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

| <b>31st March 2020</b><br><b>£000</b> |  | <b>31st March 2021</b><br><b>£000</b> |
|---------------------------------------|--|---------------------------------------|
| 26                                    | Cash held by the Authority             | 112                                   |
| 21,350                                | Short term deposits with institutions  | 4,350                                 |
| -                                     | Bank current accounts                  | 5,205                                 |
| <b>21,376</b>                         | <b>Total Cash and Cash Equivalents</b> | <b>9,667</b>                          |

## G7. Short Term Creditors

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

| <b>31st March 2020</b><br><b>£000</b> |                                   | <b>31st March 2021</b><br><b>£000</b> |
|---------------------------------------|-----------------------------------|---------------------------------------|
| (10,420)                              | Central Government Bodies         | (35,279)                              |
| (5,868)                               | Other Local Authorities           | (6,059)                               |
| (1,184)                               | NHS Bodies                        | (1,061)                               |
| (45,093)                              | Other Entities and Individuals    | (35,719)                              |
| (1,191)                               | Accumulated Absence Provision     | (1,783)                               |
| <b>(63,756)</b>                       | <b>Total Short Term Creditors</b> | <b>(79,901)</b>                       |

# 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.

**Curtailement**

For a defined benefit scheme, an event that reduces the expected years of future services of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and
- termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

**Debtors**

Amounts due to the Council which relate to the accounting period and have not been received by the balance sheet date.

**Defined Benefit Scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

**Defined Contribution Scheme**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

**Depreciation**

The measure of the cost or revalued amount of the benefits of the non-current asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset, whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

**Discontinued Operations**

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all the following conditions are met:

- the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved.
- the activities relating to the operations have ceased permanently.
- the termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations.
- the assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Operations not satisfying all these conditions are classified as continuing.

### **Discretionary Benefits**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers, such as the Local Government (Discretionary Payments) Regulations 1996.

### **Earmarked Reserves**

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

### **Emoluments**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

### **Estimation Techniques**

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique.

Estimation techniques include, for example:

- Methods of depreciation, such as straight line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a non-current asset consumed in period.
- Different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

### **Exceptional Items**

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

**Expected Rate of Return on Pension Assets**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**Extraordinary Items**

Material items possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur.

**Fair Value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

**Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

**Financial Year**

The Council's financial year runs from the 1st April through to the following 31st March.

**Formula Grant**

Grant distributed by formula through the local government finance settlement. It comprises Revenue Support Grant and redistributed business rates (NNDR). It is a general subsidy towards council spending and is not ring-fenced for specific services.

**General Fund**

The main revenue account of the Council which brings together all income and expenditure other than that recorded in the Housing Revenue Account and the Collection Fund.

**Heritage Asset**

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

**Housing Revenue Account**

A statutory account which local authorities have to maintain if they provide public housing and which includes all income and expenditure relating to the administration and maintenance of council dwellings and related properties.

**Impairment**

A reduction in the value of a fixed asset below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

**Infrastructure Assets**

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.

**Interest Cost (Pensions)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

**International Accounting Standards (IAS)**

Accounting standards developed by the International Accounting Standards Board that are primarily applicable to general purpose company accounts. These standards are adopted by the CIPFA Code of Practice except where the standards conflict with specific statutory requirements.

**International Financial Reporting Standards (IFRS)**

Financial reporting standards developed by the International Accounting Standards Board.

**Inventories**

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories: goods or other assets purchased for resale, consumable stores, raw materials and components purchased for incorporation into products for sale, products and services in intermediate stages of completion, long-term contract balances and finished goods.

**Investments (Non Pensions Fund)**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pension fund, that do not meet the above criteria should be classified as current assets.

**Investment Properties**

Property, which can be land or buildings or both, that is held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

**Liabilities**

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

**Minimum Revenue Provision (MRP)**

Minimum revenue provision is the minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

**National Non-Domestic Rates (NNDR)**

A tax levied on business properties and sometimes known as Business Rates. An NNDR poundage is set annually by the Government. Sums based on rateable values are collected by billing authorities and paid

into a national pool. The proceeds are then redistributed by central government as a grant to local authorities in proportion to adult population.

**Net Book Value (NBV)**

The amount at which non-current assets are included in the balance sheet, i.e. historic cost or current value less the cumulative amounts provided for depreciation.

**Net Current Replacement Cost**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

**Net Realisable Value**

The open market value of an asset in its existing use less the expenses to be incurred in realising the asset.

**Non-current Assets**

Assets that yield benefits to the local authority and the services it provides for a period of more than one year.

**Operating Leases**

Leases which do not meet the definition of a finance lease, 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.