



Agenda

Audit and Standards Committee

Date:	Thursday, 26 November 2020 at 6:30 pm
Venue:	Remote meeting Via Zoom
Committee members:	<p>Councillor John Singleton JP (Chairman) Councillor Ellie Gaunt (Vice-Chairman)</p> <p>Councillors Paula Brearley, Delma Collins, Peter Collins, Brian Gill, Kiran Mulholland, Ed Nash and Sally Nash-Walker.</p>

Please Note: This meeting is being held remotely via Zoom. To access the meeting please click on the link below.
Join Zoom Meeting <https://us02web.zoom.us/j/82379511423?pwd=Y2FaZVdyOXNKR29XOXAxZnJqRlFLQT09>
Meeting ID: 823 7951 1423
Passcode: 641786

	PROCEDURAL ITEMS:	PAGE
1	Declarations of Interest: Declarations of interest, and the responsibility for declaring the same, are matters for elected members. Members are able to obtain advice, in writing, in advance of meetings. This should only be sought via the Council's Monitoring Officer. However, it should be noted that no advice on interests sought less than one working day prior to any meeting will be provided.	1
2	Confirmation of Minutes: To confirm the minutes, as previously circulated, of the meeting held on 24 September 2020 as a correct record.	1
3	Substitute Members: Details of any substitute members notified in accordance with council procedure rule 23(c).	1
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Contact: Democracy – Email: democracy@fylde.gov.uk

The code of conduct for members can be found in the council's constitution at

<http://fylde.cmis.uk.com/fylde/DocumentsandInformation/PublicDocumentsandInformation.aspx>

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DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
MONITORING OFFICER	AUDIT AND STANDARDS COMMITTEE	26 NOVEMBER 2020	4
STANDARDS COMPLAINTS HANDLING PROCEDURE			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

Members have previously considered the report of the Committee on Standards in Public Life on the review of ethical standards in local government. As a result, it has previously been agreed to adopt a number of the best practice recommendations within the report (those which do not require a change in primary legislation). One of these was that a local authority should have a straightforward and accessible guidance available on its website on how to make a complaint under the Code of Conduct and the process for complaints handling.

RECOMMENDATION

1. The Committee is requested to consider the draft Standards Complaints Handling Procedure for adoption.

SUMMARY OF PREVIOUS DECISIONS

Audit & Standards 19 September 2019 – Information Item on progress to date

Audit & Standards 25 April 2019 -

Following a full discussion, the committee RESOLVED to a recommended that the Monitoring Officer, in consultation with the Chairman and Vice-Chairman of the Audit and Standards Committee, reviews the best practice recommendations with a view to a report being brought back before the Audit and Standards Committee for its consideration in September 2019.

CORPORATE PRIORITIES	
Economy – To create a vibrant and healthy economy	
Environment – To deliver services customers expect	✓
Efficiency – By spending money in the most efficient way	✓
Tourism – To create a great place to live and visit	

REPORT

1. Members have previously considered the report of the Committee on Standards in Public Life on the review of ethical standards in local government. As a result, it has previously been agreed to adopt a number of the best practice recommendations within the report (those which do not require a change in primary legislation). One of these was that a local authority should have straightforward and accessible guidance available on its website on how to make a complaint under the Code of Conduct and explain the process for complaints handling.
2. The Monitoring Officer was requested to prepare a draft procedure, in consultation with the Chairman and Vice-Chairman of the Committee, and this is presented to members for consideration and adoption.
3. The draft has been prepared in consultation with the Independent Persons, the Head of Governance and with colleagues from Blackpool Council. The intention is to have a common procedure across both council's which will assist in the reciprocal investigation work.

IMPLICATIONS	
Finance	No direct implications
Legal	No direct implications
Community Safety	No direct implications
Human Rights and Equalities	No direct implications
Sustainability and Environmental Impact	No direct implications
Health & Safety and Risk Management	No direct implications

LEAD AUTHOR	CONTACT DETAILS	DATE
Tracy Manning	Tracy.manning@fylde.gov.uk Tel 01253 658521	13/11/20

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Draft procedure		Attached

Attached documents

Appendix 1 – Draft Standards Complaints Handling Procedure

LOCALISM ACT 2011

ARRANGEMENTS FOR DEALING WITH COMPLAINTS ABOUT THE CONDUCT OF MEMBERS

1. Introduction

- 1.1. Section 28(6) of the Act requires Fylde to put in place arrangements by which allegations of failure to comply with the code can be investigated and under which decisions on allegations can be made. This protocol sets out Fylde's arrangements. It was adopted at the council meeting held on XXXXX.
- 1.2. Words used in this protocol have the same meanings as in chapter 7 of part 1 of the Act. In addition, the following words have the meanings given below:

Act	The Localism Act 2011
Chairman	The chairman of the committee
Code	The code dealing with the conduct of Members adopted by Fylde or (as applicable) a relevant parish council under section 27(2) of the Act
Committee	Fylde's Audit & Standards Committee, or any other committee of Fylde to which the powers under chapter 7 of part 1 of the Act have been delegated
Complainant	The person making an allegation
Fylde	Fylde Borough Council
Independent Person	A person appointed for the purposes of section 27(6) of the Act
Investigating Officer	A person to whom the monitoring officer has referred an investigation under paragraph 7.1 of these arrangements, or the monitoring officer undertaking an investigation herself
Member	A member or co-opted member
Monitoring officer	Includes a deputy or any other officer carrying out the functions of the monitoring officer in her place if he monitoring officer has recused herself under paragraph 3.4 below
Parish council	A parish council for which Fylde is the principal authority
Qualifying criteria	The criteria set out in paragraph 4.2 of these arrangements
Relevant parish council	Where an allegation concerns the conduct of the subject member as a parish councillor, the parish council concerned
Subject member	The member whom the allegation is against

2. Independent Person

- 2.1. Fylde will normally appoint three Independent Persons. They will, where possible, be the same persons that Blackpool Borough Council has appointed as Independent Persons.

3. Receipt and consideration of allegations by the monitoring officer

- 3.1. The Monitoring Officer is the Proper Officer to receive allegations. They will normally acknowledge receipt of an allegation within 5 working days of receiving it. They will consider all allegations sent to them by post or by email. They may also, in their discretion, consider allegations received through another route, such as social media.
- 3.2. The monitoring officer will consider allegations in two stages. First, they will decide if the allegation meets the qualifying criteria. Second, if it does, they will decide whether to refer it for investigation. These arrangements set out how the monitoring officer will make those decisions and other procedures for investigating and making decisions on allegations.

- 3.3. No member or officer will participate in any stage of the arrangements if they have, or may have, any personal conflict of interest in the matter.
- 3.4. The monitoring officer will recuse themselves and ask their deputy or another senior Fylde officer or other appropriate person to carry out their functions in their place if it appears to them appropriate to do so.
- 3.5. If, exceptionally, the Monitoring Officer considers that a particular decision which would otherwise fall to be made by them ought to be made by the Committee instead, they may refer it to the Committee.

4. Qualifying criteria

- 4.1. The first decision that the monitoring officer will make will be whether the allegation meets the qualifying criteria. The monitoring officer will consult an independent person about this decision.
- 4.2. An allegation will meet the qualifying criteria only if:
- It is against one or more named members;
 - The subject member was in office at the time of the alleged conduct;
 - It does not concern conduct which has previously been the subject of another allegation which has already been disposed of; and
 - The complainant has supplied their name and contact details, except where the monitoring officer considers (after consulting an independent person) that the conduct complained of is of such gravity that it ought to be considered for investigation notwithstanding that the complainant has not supplied their name or contact details.
- 4.3. If the monitoring officer decides that the allegation does not meet the qualifying criteria, they will inform the complainant in writing (if possible) and close the matter.
- 4.4. If the monitoring officer decides that the allegation meets the qualifying criteria they will inform the subject member and any relevant parish council about the allegation and consider whether to refer it for investigation.

5. Decision whether to refer for investigation

- 5.1. The monitoring officer will confer with an independent person before making the decision whether to refer an allegation for investigation. The monitoring officer may obtain additional factual information to come to a decision and may request information from the subject member. The monitoring officer may also seek the views of any relevant parish council.
- 5.2. The monitoring officer will only refer a matter for investigation if it appears to them that:
- The alleged conduct would be likely to be a breach of the Code ;
 - The subject member was acting in their official capacity at the time of the alleged misconduct;
 - The allegation does not concern something that happened so long ago that those involved are unlikely to remember it clearly enough to provide credible evidence, or where the lapse of time means there would be little benefit or point in taking action now;
 - An investigation would be a proportionate use of public resources and in the public interest;
 - The allegation is not motivated principally by personal animosity, political considerations or as a response to a previous complaint;

- The alleged misconduct would not be more appropriately addressed by the subject member receiving training or mentoring; and
- The subject member is not an inexperienced member who has failed to comply with the code of conduct because of inexperience.

5.3. In appropriate cases, the monitoring officer may defer the decision whether to refer an allegation for investigation in order to seek to resolve the complaint informally, without the need for an investigation. Such informal resolution may involve the subject member accepting that their conduct was unacceptable and agreeing to a course of action put forward by the monitoring officer. Where the subject member or the authority (in appropriate cases) make a reasonable offer of local resolution, but it is rejected by the Complainant, the monitoring officer will take account of this in deciding whether to refer the allegation for investigation.

5.4. If the monitoring officer decides to refer an allegation for investigation, they will give notice of the referral to the complainant, the subject member and any relevant parish council. The notice will contain a brief outline of the allegation and of the reasons for the decision to refer it for investigation. It will outline that the subject member should keep the matter confidential but may confer with an independent person (other than the one the monitoring officer conferred with). The notice will be copied to the independent persons.

5.5. The monitoring officer will make any reasonable and appropriate pastoral support available on request to the subject member during the investigation and hearing process.

6. Confidentiality

6.1. If a complainant has asked for their identity to be withheld, this request will be considered by the monitoring officer when deciding whether the allegation meets the qualifying criteria.

6.2. The monitoring officer will only agree to withhold the identity of the complainant where they consider that there are exceptional circumstances which outweigh the considerations of fairness and natural justice which would normally support the subject member being told who has complained about them. Such circumstances may include the complainant's belief, on reasonable grounds, that they or any witness may be at risk of physical emotional or psychological harm, or that their employment may be jeopardised.

6.3. If the monitoring officer decides to refuse a request by a complainant for confidentiality, they will offer the complainant the option to withdraw the complaint, rather than proceed with their identity being disclosed.

7. Investigation

7.1. If the monitoring officer decides to refer an allegation for investigation, they may investigate the allegation themselves, or refer it to another Fylde officer, an officer of another council, or an external investigator. They will also be supplied with a copy of the referral notice.

7.2. The investigating officer will investigate the allegation independently and objectively, but will follow any instructions issued by the Monitoring Officer directed to ensuring proportionality and the cost-effective use of Council resources

7.3. The investigating officer will interview those individuals they feel could assist in the investigation including the subject member. Any person interviewed should be given the opportunity to be accompanied by an advisor or acquaintance. After the investigating officer has completed the investigation, they will prepare a report and submit it, together with any supporting papers, to the monitoring officer. The report should set out the investigating officer's findings of fact, conclusions on the allegation and the reasons for them, but should not itself include or annex statements or interview records.

- 7.4. The monitoring officer will give a copy of the investigator's report to an independent person (other than an independent person who has been consulted by the subject member) as soon as practicable after receiving it.

8. Investigating Officer finding of insufficient evidence of failure to comply with the Code of Conduct

- 8.1. If the investigating officer's report finds no breach of the code of conduct, the monitoring officer will (unless they consider that the investigation has not been conducted satisfactorily), make a confirmation decision to confirm the finding of no failure to comply with the code.
- 8.2. The monitoring officer will write to the complainant, the subject member and any relevant parish council, with a copy of the confirmation decision and the monitoring officer may, at their discretion, provide to any or all of them a copy of the investigating officer's report.
- 8.3. If the monitoring officer is not satisfied that the investigation has been conducted satisfactorily, they may ask the investigating officer to reconsider their report and conclusion.
- 8.4. The committee will also be notified of the matter, and its closure, for information.

9. Investigating officer finding of sufficient evidence of failure to comply with the code of conduct

- 9.1. If the investigating officer's report finds that there has been a breach of the code, the monitoring officer will write to the complainant, the subject member and any relevant parish council, with as full a summary of the investigating officer's report as they consider appropriate to assist in seeking to bring about a local resolution.
- 9.2. The monitoring officer will review the investigating officer's report and, in consultation with the independent person, will seek to close the matter through local resolution. If this is not possible, the investigation findings will be reported to the committee for a local hearing.

10. Local Resolution following investigation

- 10.1. If the monitoring officer considers that the matter can reasonably be resolved without the need for a hearing, they will consult with the independent person and the complainant and seek to agree an acceptable resolution. Such resolution may include the subject member accepting that their conduct was unacceptable, offering an apology, committing to undertake specified training and/or other remedial action. If the subject member accepts the suggested resolution, the monitoring officer will report the outcome to the committee and any relevant parish council for information, but will take no further action.
- 10.2. If the monitoring officer considers that the allegation cannot reasonably be resolved without a committee determination, or an acceptable resolution cannot be achieved, the monitoring officer will refer the matter to the committee for determination without further reference to the complainant or the subject member.

11. Determination by the Audit & Standards Committee

- 11.1. Unless the committee decides otherwise, the committee will follow the procedure in the appendix when determining a complaint.
- 11.2. The Committee has delegated authority to determine whether the subject member has failed to comply with the code and, if so, whether to apply a sanction. Where it finds a failure to comply with the code, the committee will:
- 11.2.1 Determine what action, if any, to take in order to promote and maintain high standards of conduct; and

- 11.2.2 Publish a decision notice online, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the committee, and any sanction applied
- 11.3. Sanctions which may be considered include reporting its findings to full council or to the relevant parish council for information. Other sanctions that may be imposed include:
- 11.3.1 Publishing its findings and the investigator's report;
- 11.3.2 Recommending to the subject member's group leader (or in the case of un-grouped members, recommend to council or to committees) that he/she be removed from any or all committees or sub-committees;
- 11.3.3 Recommending to the relevant group leader that the subject member be removed from a position of special responsibility if relevant;
- 11.3.4 Instructing the monitoring officer to arrange training for the subject member;
- 11.3.5 Removing the subject member from outside body appointments;
- 11.3.6 Withdrawing facilities provided to the member by the council, such as a computer, website and/or email and Internet access; or
- 11.3.7 Excluding the member from the council's offices or other premises, with the exception of meeting rooms as necessary for attending council, committee and sub-committee meetings.

Where the breach of the code of conduct took place in the member's capacity as a parish councillor, the committee may recommend any of the sanctions to the relevant parish council.

APPENDIX

DETERMINATION BY THE COMMITTEE

BEFORE THE MEETING

- A1 The monitoring officer will ensure that:
- the investigating officer and one independent person (other than an independent person who has been consulted by the subject member) will be at the meeting;
 - the subject member ~~has been told about, and appears to understand,~~ has been informed of their right to make written or oral representations to the meeting, and has had adequate time to **seek clarification on their understanding on matters and** prepare any representations; and
 - the investigating officer's report, the observations of the monitoring officer and any written representations made by the subject member are included in the agenda for the meeting, and that the agenda has been sent to committee members in accordance with the relevant statutory provisions;
- A2 Committee members will read the investigating officer's report and any written representations made by or on behalf of the subject member.
- A3 The chairman will (after consulting committee members if he feels it appropriate to do so) inform the monitoring officer of any matters arising out of the investigating officer's report on which they feel that the committee might welcome explanation, clarification or more information, and the monitoring officer will inform the investigating officer so they can be prepared to address those matters.

DURING THE MEETING

- B1 The meeting will take place in public unless the necessary resolution is agreed by the committee to exclude the public.
- B2 The committee may take legal or procedural advice (from both the monitoring officer and the head of governance or other legal advisor) at any time. The committee may adjourn while the advice is being prepared.
- B3 While they are present, the subject member may be accompanied or represented by any person.
- B4 Except as mentioned in paragraph B5, no person should participate in the meeting if they have been interviewed as part of the investigation, or if they are, or have a close association with, the complainant, the subject member, the investigating officer, or any person representing or accompanying the subject member.
- B5 The subject member (and anyone representing them) and the investigating officer may be present at the meeting until the subject member has made their representations, and may return to the meeting when invited to do so to hear the committee's decision. They may only participate in the meeting when invited to do so in accordance with this procedure.

HEARING PROCEDURE

- C1 The chairman opens the meeting, introduces the persons who will participate and briefly explains the procedure.
- C2 The investigating officer presents any points of explanation or clarification, or any additional information, that they have been asked by the chairman to address.
- C3 The independent person is invited to make observations to the committee (or, if the independent person has submitted written observations, those observations are brought to the attention of the committee).
- C4 Committee members have the opportunity to ask the investigating officer questions about their report.
- C5 The chairman will draw the attention of the committee to any written representations made by or on behalf of the subject member. The subject member (or any person acting on their behalf) may address the committee up to a time limit of fifteen minutes to amplify any written submissions.
- C6 The committee will retire and deliberate in private in order to reach its decisions on (i) whether it finds that the subject member has been in breach of the code and (ii) if so, what, if any, sanction to apply to the subject member. During its deliberations, the committee may ask additional questions for clarification of the independent person, monitoring officer or legal advisor.
- C7 The investigating officer and the subject member will be given the opportunity to return whilst the chairman informs all parties of the committee's decision. The committee's decision will be final.
- C8 If committee finds that the subject member has been in breach of the code and imposes a sanction, it will include a summary of its reasons for imposing that sanction in the record of its decision. If the committee finds the subject member has been in breach of the code and imposes no sanction, it will include a summary of its reasons for not imposing a sanction in the record of its decision.

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
CHIEF FINANCIAL OFFICER	AUDIT AND STANDARDS COMMITTEE	26 NOVEMBER 2020	5
REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) 2019/20			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

The attached report, which has been prepared by the Council's external auditors Deloitte LLP, summarises the key issues identified during the audit of the Council's financial statements for the year ended 31st March 2020, and Deloitte's assessment of the Council's arrangements to secure value for money in its use of resources.

RECOMMENDATIONS

1. The Committee is recommended to note the External Auditor's Report to those charged with Governance for 2019/20, referred to as the ISA 260, and to thank Deloitte for their work; and
2. The Committee is recommended to also note the work undertaken by the Council over the course of the last year resulting in a positive report from Deloitte.

SUMMARY OF PREVIOUS DECISIONS

There are no previous decisions relating to the Report to those charged with Governance 2019/20.

CORPORATE PRIORITIES

Economy – To create a vibrant and healthy economy	✓
Environment – To deliver services customers expect	✓
Efficiency – By spending money in the most efficient way	✓
Tourism – To create a great place to live and visit	✓

REPORT

To receive the External Auditor's Report to those charged with Governance for 2019/20, referred to as the ISA 260, which will be presented by the Council's external auditors, Deloitte. The report is shown at Appendix A to this report.

IMPLICATIONS	
Finance	There are no direct financial implications arising from the recommendations in this report.
Legal	The legal implications are contained within the body of this report and the report of the Council's external auditors, Deloitte.
Community Safety	None arising from this report
Human Rights and Equalities	None arising from this report
Sustainability and Environmental Impact	None arising from this report
Health & Safety and Risk Management	None arising from this report

LEAD AUTHOR	CONTACT DETAILS	DATE
Paul O'Donoghue Chief Financial Officer	01253 658566	November 2020

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
None		

Attached documents

Appendix 1 – Deloitte Report to those charged with Governance (ISA 260) 2019/20



Report to the Audit and Standards Committee for the year
ending 31 March 2020

November 2020

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01 Our report

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Introduction

The key messages in this report

I have pleasure in presenting our update report to the Audit and Standards Committee (the Committee) of Fylde Borough Council (the Council) for the 2019/20 audit. The scope of our audit was set out within our planning report presented to the committee in July 2020.

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

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

Status of the audit

Our audit is at an advanced stage at the date of issue of this report with the following key matters still outstanding:

- receipt of audit letter from the auditor of Lancashire County Pension Fund;
- Receipt of clearances from pension specialists;
- Pension asset testing;
- Review of events since 31 March 2020 up to signing of accounts;
- Finalisation of the Statement of Accounts;
- Financial statement notes and cash flow testing;
- Completion of internal quality assurance procedures; and
- Receipt of signed management representation letter.

We have included a section in this report providing observations arising from the work we have so far carried out on the areas of significant risk as reported to you in our audit planning report.

We will provide an oral update on these matters including an update regarding the status of the audit at the meeting.

Conclusions from our testing

- Other than the points noted above, our audit is largely complete. Our testing of the significant audit risks and value for money is substantially complete subject to internal quality assurance procedures.
- We have summarised the uncorrected audit adjustments on page 25.
- Based on the current status of our audit work, we envisage issuing an unmodified audit opinion, with no reference to any matters in respect of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources, or the Annual Governance Statement.
- Our audit report will include an "Emphasis of Matter" paragraph regarding the material uncertainty over property valuations, discussed further on page 13.
- We have considered the impact of the Covid-19 pandemic on our work – we include details on pages 9 to 11. Further details are included in our work on the property valuations, where management's external valuer identified a material valuation uncertainty. This is common to all valuations completed as at 31 March 2020 across the sector. This wording is reflected in our draft auditor's report. We did not identify any new financial statement or value for money significant risks as a result of the impact of the pandemic.
- We have reviewed the internal audit reports relating to the financial year, and have not placed any reliance on their work.
- We have raised some control recommendations on pages 18 and 19.

Introduction

The key messages in this report (continued)

Financial Sustainability and Value for Money	<ul style="list-style-type: none">• In the CIES, the Council reported an accounting surplus of £16.0m for the year (2018/19: £10.8m) which is due in part to an actuarial gain on the pension liability of £3.9m (2018/19: £1.1m) and gains on revaluation of fixed assets of £2.1m (2018/19: loss of £0.3m). At the provision of service line the Council showed a net surplus of £10.0m (2018/19: £10.0m). At year end the Council had usable reserves of £16.4m (31 March 2019: £17.0m) and unusable reserves of £24.6m (31 March 2019: £7.9m).• We did not identify any significant risks related to Value for Money and we do not anticipate reporting any matters within our audit report in respect of the Council's arrangements for securing the economy, efficiency and effectiveness of the use of resources.
Narrative Report & Annual Governance Statement	<ul style="list-style-type: none">• We have reviewed the Council's Narrative Report & Annual Governance Statement to consider whether it is misleading or inconsistent with other information known to us from our audit work.• At the date of this report, we have no significant matters to raise with you in respect of the Narrative Report, and understand our proposed changes will be made by management.
Duties as public auditor	<ul style="list-style-type: none">• We did not receive any formal queries or objections from local electors this year.• We have not identified any matters that would require us to issue a public interest report. We have not had to exercise any other audit powers under the Local Audit and Accountability Act 2014.
Whole of Government Accounts	<ul style="list-style-type: none">• The Council is below the threshold for WGA reporting.

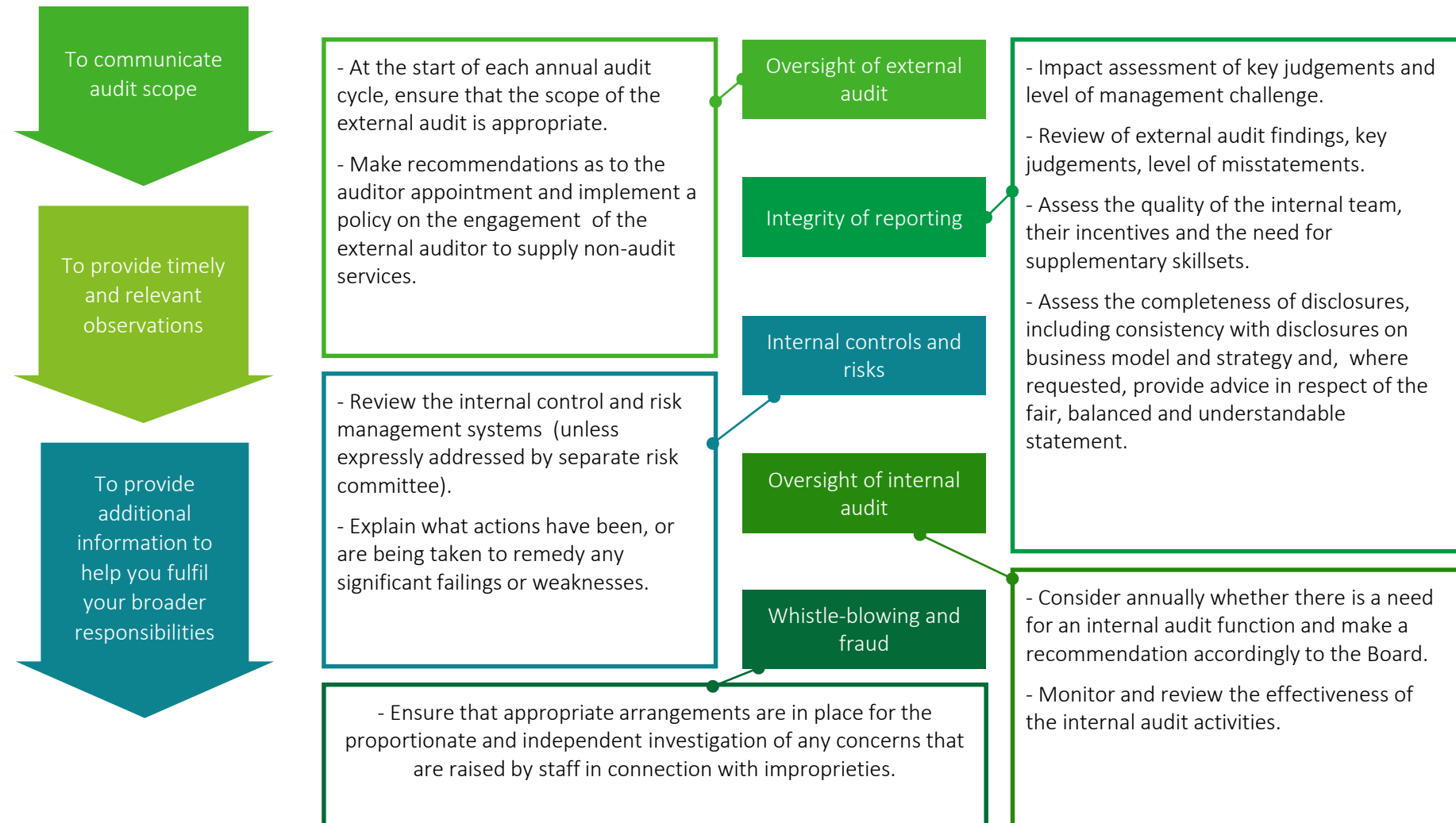
Paul Hewitson
Audit Director

Responsibilities of the Audit and Standards Committee

Helping you fulfil your responsibilities

Why do we interact with the Audit and Standards Committee?

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



Your control environment

What we consider when we plan the audit

We expect management and those charged with governance to recognise the importance of a strong control environment and take proactive steps to deal with deficiencies identified on a timely basis.

Responsibilities of management

Auditing standards require us to only accept or continue with an audit engagement when the preconditions for an audit are present. These preconditions include obtaining the agreement of management and those charged with governance that they acknowledge and understand their responsibilities for, amongst other things, internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Committee

As explained further in the Responsibilities of the Audit and Standards Committee slide, on page 5, the Committee is responsible for:

- Reviewing the internal control and risk management systems (unless expressly addressed by separate risk committee).
- Explaining what actions have been, or are being taken to remedy any significant failings or weaknesses.

As stakeholders tell us that they wish to understand how external audit challenges and responds to the quality of an entity's control environment, we are seeking to enhance how we plan and report on the results of the audit in response. It is intended that going forward we will look to place an increased focus on how the control environment impacts the audit, from our initial risk assessment, to our testing approach and how we report on misstatements and control deficiencies.

Reliance on controls



In future, we will seek to explore the potential to rely on the most important controls, particularly IT controls, that are relevant to critical business processes. In accordance with forthcoming revisions to ISAs, we will assess inherent risk and control risk associated with accounting estimates, and seek to test controls relevant to key estimates.

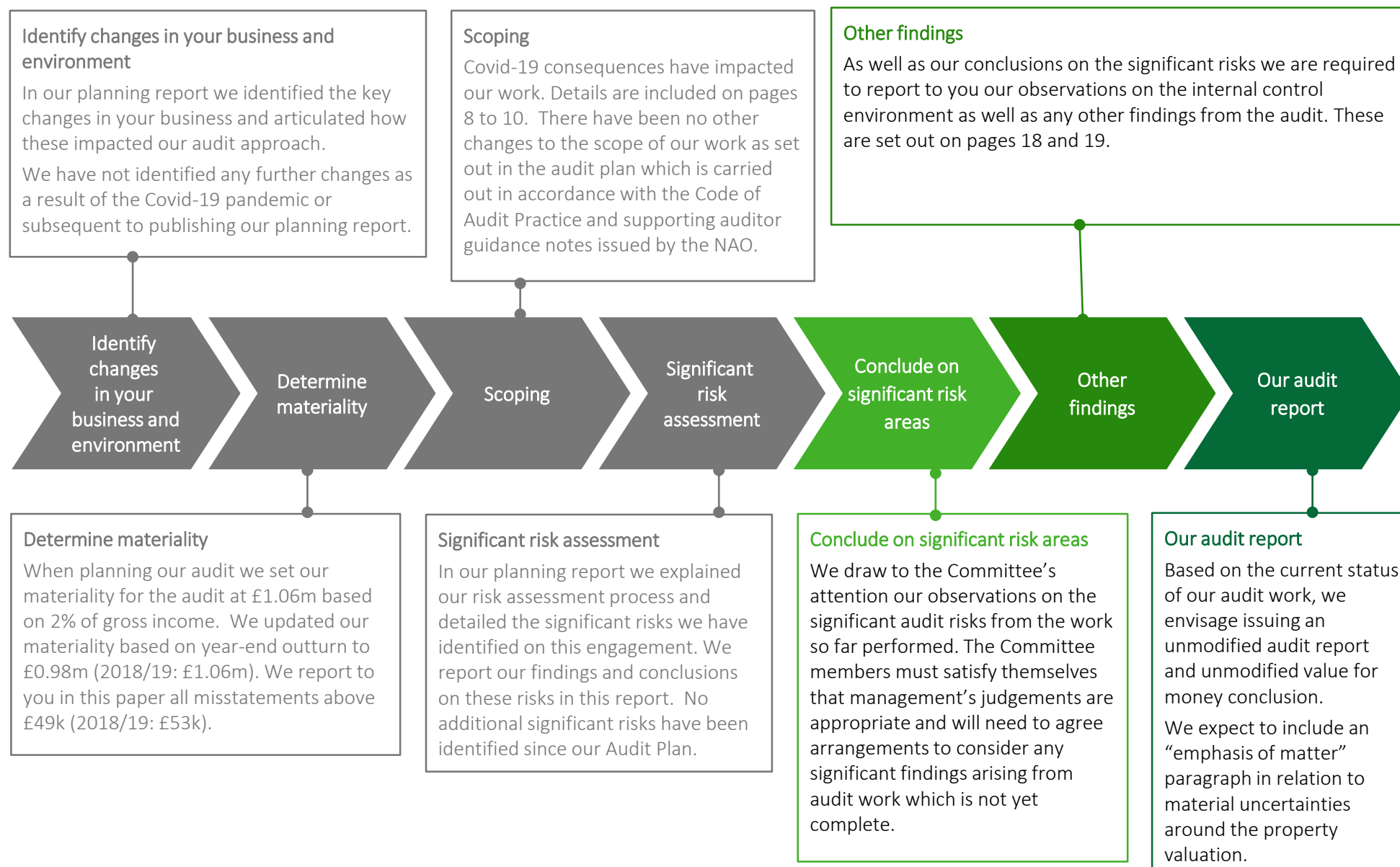
Performance materiality



We set performance materiality as a percentage of materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed materiality. We determine performance materiality, with reference to factors such as the quality of the control environment and the historical error rate.

Our audit explained

We tailor our audit to your organisation



Our audit explained (continued)

Covid-19 pandemic and its impact on our audit.

Requirements

CIPFA has issued guidance highlighting the importance of considering the impact of Covid-19 in preparation of the 2019/20 financial statements, including communicating risks and governance impacts in narrative reporting. This is consistent with the Financial Reporting Council's guidance to organisations on the importance of communicating the impact of Covid-19 and related uncertainties, including their impact on resilience and going concern assessments.

Entity-specific explanations of the current and expected effects of Covid-19 and the Council's plans to mitigate those effects should be included in the narrative reporting (including where relevant the Annual Governance Statement), including in the discussion on Principal Risks and Uncertainties impacting an organisation.

As well as the effects upon reserves, financial performance and financial position, examples of areas highlighted by CIPFA include the impact on service provision, changes to the workforce and how they are deployed, impacts upon the supply chain, cash flow management, and plans for recovery. Risks highlighted include those relating to subsidiaries and investments, capital programmes, and resilience of the community including partner organisations and charities.

Actions

A thorough assessment of the current and potential future effects of the Covid-19 pandemic is required including:

- A detailed analysis across the Council's operations, including on its income streams, supply chains and cost base, and the consequent impacts on financial position and reserves;
- The economic scenario or scenarios assumed in making forecasts and on the sensitivities arising should other potential scenarios materialise (including different funding scenarios);
- Any material uncertainties relating to the Council's financial position, the financial sustainability of the Council, and the potential requirement for a section 114 notice; and
- The effect of events after the reporting date, including the nature of non-adjusting events and an estimate of their financial effect, where possible.

Impact on the Council	Impact on annual report and financial statements	Impact on our audit
<p>We have considered the key impacts on the business such as:</p> <ul style="list-style-type: none"> • Interruptions to service provision • Supply chain disruptions • Unavailability of personnel • Reductions in income • The closure of facilities and premises 	<p>We have considered the impact of the outbreak on the annual report and financial statements, discussed further on the next pages including:</p> <ul style="list-style-type: none"> • Impact on property, plant and equipment • Valuation of commercial or investment properties • Impact on pension fund investment measurement and impairment • Financial sustainability assessment (page 16) • Narrative reporting • Allowance for expected credit losses 	<p>We have considered the impact on the audit including:</p> <ul style="list-style-type: none"> • Resource planning • Timetable of the audit • Impact on our risk assessment • Logistics including meetings with entity personnel

Our audit explained (continued)










Covid-19 pandemic and its impact on our audit (continued)		
	Potential Impact on annual report and financial statements	Audit response
Impact on property, plant and equipment	The Royal Institute of Chartered Surveyors has issued a practice alert, as a result of which valuers have identified a material valuation uncertainty at 31 March 2020 for most types of property valuation. This has impacted the Council and requires specific disclosure in the financial statements.	<p>The Council has considered its approach to the measurement of property, plant and equipment (PPE). Where property held at current value is based on market valuations the Council considered with their valuers the impact that Covid-19 has had on current value. The Council also considered whether there are any indications of impairment of assets requiring adjustment at 31 March 2020.</p> <p>We understand that the Council is disclosing the material uncertainty in the updated accounts and this leads to an Emphasis of Matter in our audit opinion.</p>
Impact on pension fund investment measurement	As a result of the Covid-19 pandemic pension fund investments have been subject to volatility.	<p>We have engaged with the Lancashire County Pension Fund auditor to not only gather information for year-end measurements but to also understand any estimation techniques and any changes to those techniques that may be needed to measure the financial instruments. Where such volatility exists it may mean that the inputs used in the fair value measurement may change and may require a change of measurement technique, and consideration of the level of uncertainty in valuations where there is significantly more estimation.</p> <p>At the date of this report, we have not concluded this matter with the Pension Fund auditor.</p>
Expected credit losses	The Council has considered the provision for credit losses for receivables, including for expected credit losses for assets accounted for under IFRS 9.	No issues in relation to this have arisen from our audit work.

Our audit explained (continued)

Covid-19 pandemic and its impact on our audit (continued)		
	Potential Impact on annual report and financial statements	Audit response
Covid-19 related income received pre year end	<ul style="list-style-type: none"> There was one main receipt of income related to Covid-19 that was received pre 31 March 2020: <ul style="list-style-type: none"> Covid-19 LA Support grant. This was the first tranche of £1.6bn passed out to Local Authorities by MCHLG on March 27 2020. Fylde Borough Council received £34k. This grant was not ring-fenced and was without conditions and therefore should be recognised in income with any unspent amounts carried in reserves. 	<ul style="list-style-type: none"> We note that after discussion and reference to guidance these have been treated correctly in the statement of accounts. The remaining Covid related income receipts received after the year end will be considered as part of the 2020/21 audit.
Narrative and other reporting issues	<p>The following areas need to be considered by local authorities as having being impacted on by the Covid-19 pandemic.</p> <ul style="list-style-type: none"> Narrative reporting as well as the usual reporting requirements will need to cover the effects of the pandemic on services, operations, performance, strategic direction, resources and financial sustainability. Reporting judgements and estimation uncertainty, the Council will need to report the impact on material transactions including decisions made on the measurements of assets and liabilities 	<p>We note that the narrative report adequately discloses matters related to Covid-19, including risks, potential impacts and other issues. The report is compliant with the guidance in this area.</p>

Significant risks

Dashboard

Risk	Fraud risk	Planned approach to controls	Controls conclusion	Consistency of judgements with Deloitte's expectations	Page no.
Completeness and cut-off of service line expenditure			In progress		12
Property Valuations			In progress		13
Management override of controls			In progress		15

Overly prudent, likely to lead to future credit



Overly optimistic, likely to lead to future debit.



Controls approach adopted

Assess design & implementation

Significant risks (continued)

Completeness and cut-off of service line expenditure

Risk identified

Under UK auditing standards, there is a presumed risk of revenue recognition due to fraud. We have rebutted this risk, and instead believe that the fraud risk lies with the completeness and cut-off of service line expenditure. We identify this as expenditure excluding payroll costs, depreciation and amortisation and expenditure which is grant backed (such as Housing Benefit expenditure).

There is an inherent fraud risk associated with the recording of expenditure in order for the Council to report a more favourable year-end position.

There is a risk that the Council may materially misstate expenditure through manipulating the year end position in order to report a more favourable outturn.

Deloitte response

- We obtained an understanding of the design and implementation of the key controls in place in relation to recording completeness and cut-off of service line expenditure (excluding payroll, depreciation and amortisation, and expenditure which is grant backed);
- We performed focused testing in relation to the completeness and cut-off of service line expenditure (excluding the areas set out above); and
- We reviewed and challenged the assumptions made in relation to year-end estimates and judgements to assess completeness and accuracy of recorded service line expenditure.

Deloitte view

Based on the work completed to date, we have no concerns that the accounts are materially misstated in respect of expenditure cut-off.

Significant risks (continued)

Valuation of property assets

Risk identified

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years.

There is therefore a risk that the value of property assets materially differ from the year end fair value.

The Council held £44m of Property, Plant and Equipment (PPE) at 31 March 2020. The figures involved are therefore material. Revaluation adjustments in 2020 totalled an upward revaluation of £2.1m. In the prior year there were material adjustments posted during the which reduced the 2019 PPE balance by £2.4m.

Deloitte response

- We obtained an understanding of the design and implementation of key controls in place around the property valuation, and how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation;
- We assessed the Council's response to the findings raised in the 2019 audit;
- We reviewed a sample of revaluations performed in the year, assessed whether they have been performed in a reasonable manner, on a timely basis and by suitably qualified individuals;
- We reviewed the approach used by the Council to assess the risk that assets not subject to revaluation are materially misstated;
- We used our valuation specialists, Deloitte Real Estate, to support our review and challenge the appropriateness of the Council's assumptions on its assets values between April 2019 and Year end; and
- We tested a sample of revalued assets and re-perform the calculation assessing whether the movement has been recorded through the correct line of the accounts.

Deloitte view

Based on the work completed to date we are satisfied the valuations prepared by the valuer are appropriate and not materially misstated, however we draw your attention to the next page where we discuss the material uncertainty identified by the valuer. We noted one immaterial error in the accounting entries made to reflect the property valuations (see page 25), and have made a recommendation (page 18) to reduce the risk of this reoccurring. Based on the work completed to date, the Council's valuation assumptions are generally reasonable.

Significant risks (continued)

Valuation of property assets – Material Uncertainty due to Covid-19

Material Uncertainty due to Covid-19

The Council's valuer has included disclosures in relation to Covid-19 in their report including the extracts below:

"The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020. This has impacted global financial markets and led to severe travel restrictions being implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to Covid-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuations than would normally be the case.

Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that you keep this valuation under frequent review."

This is a common feature of valuation reports prepared to 31 March 2020.

Impact on Statement of Accounts

The Council is required to disclose the existence of this material uncertainty in the Statement of Accounts. We have discussed with management regarding the need to include a detailed disclosure within the accounts, and appropriate disclosure has now been included.

Impact on Audit Opinion

An "emphasis of matter" is required to be included in our audit opinion to draw attention to management's disclosure:

"We draw attention to Note 4 Assumptions made about the future and other major sources of estimation uncertainty, Note 13 Property, Plant and Equipment, and Note 15 Investment Property, which describe the effects of the uncertainties created by the coronavirus (Covid-19) pandemic on the valuation of the Authority's property portfolio.

As noted by the Authority's external valuer, the pandemic has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the valuation of the property portfolio at the balance sheet date.

Our opinion is not modified in respect of these matters."

Deloitte view

We have made a recommendation to management as part of our comments on the financial statements regarding their disclosure on Covid-19. We are satisfied that appropriate disclosure of the material uncertainty is now included within notes 4, 13 and 15.

Significant risks (continued)

Management override of controls

Risk identified

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

The key judgements in the financial statements include those which we have selected to be the significant audit risks, (completeness and cut-off of service line expenditure and the Council's property valuations) and any one off and unusual transactions where management could show bias. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.

Deloitte Response

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Journals

We obtained an understanding of the design and implementation testing of the controls in place for journal entries.

We have used Spotlight data analytics to risk assess journals and select items for detailed follow up testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest.

We tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting. No issues were noted.

Accounting estimates

We are in the process of reviewing accounting estimates for biases that could result in material misstatements due to fraud. We note from our testing to date that overall the areas requiring a higher degree of estimation in the period were balanced and did not indicate a bias to achieve a particular result.

We are testing accounting estimates and judgements, focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources.

Deloitte view

We have not identified any significant bias in the key judgements made by management.

Based on the work performed to date we have not identified any instances of management override of controls in relation to the specific transactions tested based on work performed.

Conclusion on arrangements to secure economy, efficiency and effectiveness from the Council's use of resources

Background

Under the National Audit Office's Code of Audit Practice, we are required to report whether, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Code and supporting Auditor Guidance Notes require us to perform a risk assessment to identify any risks that have the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. We are required to carry out further work where we identify a significant risk - if we do not identify any significant risks, there is no requirement to carry out further work. We note that the NAO guidance indicates a low likelihood that Covid-19 forms a risk area impacting the assessment of arrangements for 2019/20. Rather this will form part of the risk assessment and evaluation for 2020/21. The response to Covid-19 is described as an "emerging risk" in this guidance (rather than a significant risk) unless clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the 2019/20 financial year.

Our risk assessment

As part of our planning procedures we did not identify any significant risks or areas of focus in respect of the Council's use of resources. Following comments raised with us by members we conducted enquiries into the Council's policies and procedures around business case preparation and investment decision making. Whilst our enquires identified that there was scope for improvement to the documentation and arrangements we were satisfied that the arrangements currently in place were sufficient to address the risks inherent in the decisions being based upon them. We have however made a recommendation that these arrangements are kept under review.

As part of our year-end audit procedures we did not identify anything of significance and we did not identify any areas of risk from our review of post year-end events.

Deloitte view

Based on the current status of our audit work, we envisage issuing an unqualified "value for money conclusion".

The expected form of our conclusion is as follows:

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in April 2020 we are satisfied that, in all significant respects, Fylde Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

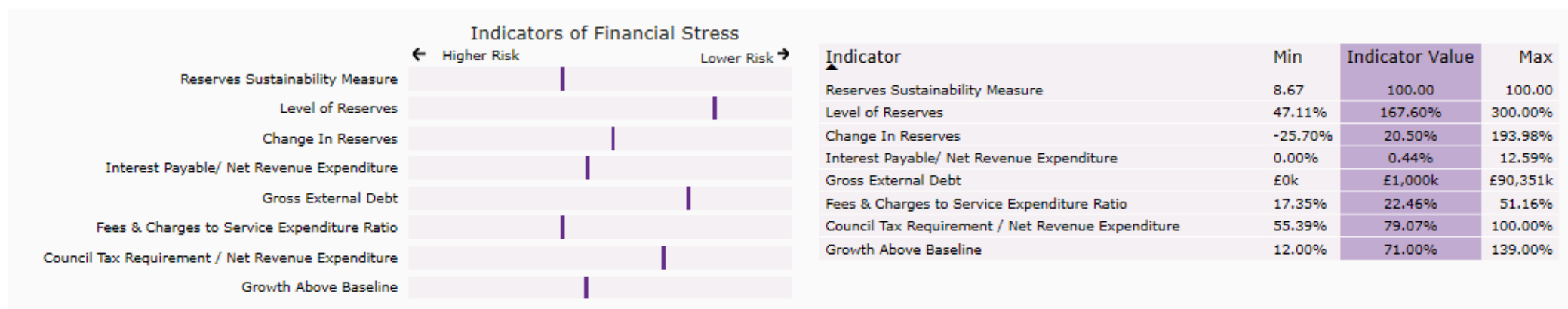
Financial sustainability

Covid impact on 2020/21

Due to the timing of the Covid 19 pandemic there was limited impact on the Council's income and expenditure for the financial year currently under audit. However, as the committee will be well aware it is having a significant impact on the Council's operations and performance in 2020/21. Based on the Ministry of Housing, Communities & Local Government ("MHCLG") Local authority Covid-19 financial management information reporting data, during August Local Authorities were forecasting to incur additional Covid-19 related expenditure of £5.24bn in 2020/21 and to suffer a loss in income of £5.99bn over the same period. In relation to the cost increases, the largest expected pressure was in Adult Social Care which comprised £2.30bn to the total. For lost income the three main components were Business rates (£1.61bn), Council Tax (£1.56bn) and Sales, fees and charges (£2.01bn). To date the government has allocated £3.7bn of emergency funding to local authorities but this still leaves a significant gap which will present a challenge for the Council and will likely be an area which we need to focus upon in our value for money work in 2020/21.

Fylde Borough Council's position

At the start of the 2019/20 year, when compared to its nearest neighbour in the CIPFA Financial Resilience Index it was considered to be relatively low risk in relation to reserve levels and external debt.



During the year to 31 March 2020 the Council's useable reserves fell from £17.0m to £16.4m, while unusable reserves increased from £7.9m to £24.6m.

The external debts have been repaid in the year and as at 31 March 2020 Fylde has no outstanding loans. The Fees & Charges to Service Expenditure Ratio is reflecting the housing benefit expenditure which is funded by government grants but is nonetheless high compared to fees and charges income.

The Reserves Sustainability Measure is showing toward the higher end of the stress scale. This is a flaw in the presentation of the data by CIPFA – Fylde is at 100% which is joint lowest risk in its cohort of authorities.

Your control environment and findings

Control insights and areas for management focus

Area of observation	Deloitte recommendation	Management response and remediation plan
Property Valuation	<p>Regarding the process of accounting for fixed assets, we noted that when inputting the results of the external valuer's work into the fixed asset register, one asset was double counted causing the value in the accounts to be overstated. The impact of this is not material however we recommend that thorough reviews are performed and documented going forward to check the accounts back to valuation reports.</p> <p>This will be simpler if a summary of all assets revalued and their revised valuations is included in the valuation reports received from valuers in future years and Fylde should procure that this is provided by the external valuers in future years.</p>	We will ensure that the Council's external valuation specialists provide a summary of all assets revalued in order to simplify the revaluation process. Head of Technical Services – June 2021
Property Valuation	<p>In the previous audit we made various recommendations around the property valuation process. In the current year, the Council has engaged an external valuation firm to perform their valuations.</p> <p>We are generally happy with the improvement in the property valuations process this year, and have raised several minor recommendations with management regarding the new process of engaging and working with external valuers which, other than the point raised above, we do not consider to be of sufficient significance to report individually to the Committee.</p> <p>These cover areas such as clarifications to the engagement terms, minor technical valuation points, and processes for communication between the Council and an external valuer.</p>	We will review the new process and engagement terms with the external valuation specialists in light of the best practice recommendations made in order to improve the arrangements. Head of Technical Services – June 2021
Investment property valuations	<p>The CIPFA code requires investment properties to be valued annually. The Council performs revaluation of investment properties on a three year rolling cycle.</p> <p>The investment property balance at the balance sheet date is £3.5m, of which £1.9m was revalued in the year. The balance not revalued of £1.6m has no reasonable risk of being materially misstated as a result of not being revalued. The Council should bear in mind the requirement for annual revaluation should their investment property balance grow in future years.</p>	We will keep the approach to the revaluation of investment properties under continuous review in light of any growth in the investment property base. Chief Financial Officer – ongoing.

Your control environment and findings (continued)

Control insights and areas for management focus

Area of observation	Deloitte recommendation	Management response and remediation plan
Value for Money	<p>We have made specific enquiries around the business case preparation and investment decision making process. We consider that the processes in place at the Council are generally commensurate with the level of commercial risk being entered into however there is scope for improvement in both the approach and the documentation. Should the Council engage in more commercially orientated investment decision making then these arrangement may not prove to be sufficient.</p> <p>We recommend that the Council keeps these arrangements under review to ensure that they robustly address the level of risk inherent in any investment decisions supported by them.</p>	<p>We will keep these arrangements under continuous review to ensure that they robustly address the level of risk inherent in any investment decisions should the Council engage in more commercially orientated investment decision making.</p> <p>Chief Financial Officer – ongoing.</p>

Our audit report

Matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.



Our opinion on the financial statements

Based on our work completed to date it is expected that our opinion on the financial statements will be unmodified.



Material uncertainty related to going concern

We have not identified a material uncertainty related to going concern and will report by exception regarding the appropriateness of the use of the going concern basis of accounting.



Emphasis of matter and other matter paragraphs

We include details on the emphasis of matter paragraph in relation to property valuations on page 13 of this report.

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

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



Our value for money conclusion

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money).

Based on our work to date, our conclusion on the Council's arrangements is unmodified.



Other reporting responsibilities

The Narrative Report is reviewed in its entirety for material consistency with the financial statements and the audit work performed and to ensure that they are fair, balanced and reasonable.

We are awaiting an updated set of accounts to review, however, based on our work to date, our conclusion in this area is satisfactory.

Other matters

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

Requirement		Deloitte response
Narrative Report	<p>The Narrative Report is expected to address (as relevant to the Council):</p> <ul style="list-style-type: none">- Organisational overview and external environment;- Governance;- Operational Model;- Risks and opportunities;- Strategy and resource allocation;- Performance;- Outlook; and- Basis of preparation- Future sustainability and risks to this posed by Covid-19.	<p>We have assessed whether the information given in the Narrative Report meets the disclosure requirements set out in guidance, is misleading, or is inconsistent with other information from our audit.</p> <p>We have considered the sustainability narrative including the requirement to discuss and evaluate the impact of Covid-19 within this assessment. We have concluded satisfactorily on this matter.</p> <p>Our assessment of the impact of Covid-19 can be seen from pages 8 to 10.</p>
Annual Governance Statement	<p>The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.</p>	<p>We have assessed whether the information given in the Annual Governance Statement meets the disclosure requirements set out in guidance, is misleading, or is inconsistent with other information from our audit.</p>

Maintaining audit quality

Responding to challenges in the current audit market

This is a time of intense scrutiny for our profession with questions over the role of auditors, market choice and the provision of non-audit services by an audit firm. We welcome the debate and are engaging fully with all parties who have an interest in the current audit market reform initiatives, so that our profession, our people, our clients and most importantly, the public interest, are served to the highest standards of audit quality and independence.

The role of audit	<ul style="list-style-type: none">Public confidence in audit has weakened over recent years and the expectation gap has widened with differences between what an audit does and what people think it should do (largely in areas of internal controls, fraud, front half assurance and long term viability)Deloitte fully supports an independent review into the role of auditorsThe Government's Brydon Review will consider UK audit standards and how audits should evolve
Would it be better to have audit only firms?	<ul style="list-style-type: none">Deloitte believes that multidisciplinary firms have more knowledge, greater access to technology and a deeper talent pool. The specialist input from industry, valuation, controls, pensions, cyber, solvency, IT and tax services are critical to an effective audit.Our investment in audit innovation, training and technology is greater because of the multidisciplinary model
Is the current audit market uncompetitive?	<ul style="list-style-type: none">We recognise that the competition for large, complex clients is fierce, but we wholeheartedly support greater choice being available to stakeholdersThere are barriers to entry in the listed market that are significant including the required global reach, unlimited liability, and the high cost of tenderingThe audit profession has engaged with the Competition and Markets Council with ideas on how to provide greater choice in the market, and responded to the CMA's suggested market remedies
Independence and conflicts from other services	<ul style="list-style-type: none">Legislation and the FRC's Ethical Standard restrict the services we may provide to audit clientsDeloitte invests heavily in systems, processes and people to check for potential conflictsWe have governance in place to assess any areas of potential conflict, including where required to protect the public interestFees for non-audit services to audit clients have fallen since 2008 (17% to 7.3% of firm revenue)
Deloitte	<ul style="list-style-type: none">Deloitte and Audit Service Line leadership are happy to meet the Board and management of our clients with respect to this important debate. We reaffirm our commitment to quality, independence and upholding the public interestOur Impact Report and Transparency Report are available on our website https://www2.deloitte.com/uk/en/pages/about-deloitte-uk/articles/annual-reports.htmlOur response to the latest AQR report is on page 28.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

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

- Results of our work on key audit judgements and our observations on the Narrative Report.

What we don't report

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

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

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

The scope of our work

Our observations are developed in the context of our audit of the financial statements. We described the scope of our work in our audit plan and again in this report.

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

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

for and on behalf of Deloitte LLP
November 2020

Appendices



Audit adjustments

Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK). Uncorrected misstatements decrease net assets by £0.3 million.

		Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) reserves £m
Misstatements identified in current year				
"Goodwin" impact on the pension liability	[1]	0.2	(0.2)	
Double-counting of property revaluations	[2]	0.1	(0.1)	
Total				

[1] The pension scheme actuary has made no allowance for the impact of a legal case "Goodwin" on the pension liability, on the basis that it is not material. We estimate the impact of the Goodwin judgement to be to increase the liabilities by 0.2%, or £0.2m.

[2] For one revalued asset, Fylde double-counted a component of the asset when inputting the valuations into the accounts, causing the value to be overstated by £0.07m. As we do not sample 100% of transactions, the extrapolated impact of this has been calculated as £0.11m.

Fraud responsibilities and representations

Responsibilities explained



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



Required representations:

We have asked the Council to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the Council.

We have also asked the Council to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



Audit work performed:

In our planning we identified property valuations, completeness of expenditure and management override of controls as key audit risks for your organisation.

During course of our audit, we have had discussions with management and those charged with governance including the Head of Internal Audit.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We have reviewed the paper prepared by management for the on the process for identifying, evaluating and managing the system of internal financial control.

Concerns:

No significant concerns have been identified from our work.

Independence and fees

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

Independence confirmation	We confirm that we comply with FRC Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.
Fees	<p>The audit fee for 2019/20, in line with the scale fee provided PSAA, is £36,729 (2018/19: £41,729).</p> <p>The only non-audit fee is the Housing Benefit Assurance Process, with a fee of £10,500 (2018/19: £10,500).</p>
Non-audit services	In our opinion there are no inconsistencies between FRC's Ethical Standards for Auditors and the Council's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	<p>We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.</p> <p>We are not aware of any relationships which are required to be disclosed.</p>

Our approach to quality

AQR team report and findings

Audit quality remains our number one priority and we have a relentless commitment to it. We continue to invest in and enhance our Audit Quality Monitoring and Measuring programme.

In July 2020 the Financial Reporting Council (“FRC”) issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review (“AQR”) team for the 2019/20 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

We are pleased with our results for the inspections of FTSE 350 entities achieving 90% assessed as good or needing limited improvement, which included some of our highest risk audits. Our objective is for 100% of our audits to be assessed as good or needing limited improvement and we know we still have work to do in order to meet this standard. We are however, extremely disappointed one engagement received a rating of significant improvements required during the period. This is viewed very seriously within Deloitte and we have worked with the AQR to agree a comprehensive set of swift and significant firm wide actions.

We are also pleased to see the impact of our previous actions on prior year adjustments is reflected in the results of current year inspections with no findings in this areas. In addition the FRC identified good practice examples including in: risk assessment, group oversight, our comprehensive IFRS9 expected credit loss audit programme and our audit committee reporting.

Embedding a culture of challenge in our audit practice underpins the key pillars of our audit strategy. We invest continually in our firm wide processes and controls, which we seek to develop globally, to underpin consistency in delivering high quality audits whilst ensuring engagement teams exercise professional scepticism through robust challenge.

All the AQR public reports are available on its website.

<https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports>



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DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
CHIEF FINANCIAL OFFICER	AUDIT AND STANDARDS COMMITTEE	26 NOVEMBER 2020	6
ANNUAL STATEMENT OF ACCOUNTS 2019/20			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

1. The Section 151 Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA (Chartered Institute of Public Finance & Accountancy) / LASAAC (Local Authority (Scotland) Accounts Advisory Committee) Code of Practice on Local Authority Accounting in United Kingdom (the Code), is required to present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2020.
2. The statutory Annual Accounts and supporting financial statements are prepared in accordance with applicable laws and regulations and in line with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (The Code).
3. The Audit and Standards Committee has the authority to approve the Council's after-audit Annual Statement of Accounts and is recommended to do so.

RECOMMENDATION

The Audit and Standards Committee is recommended to approve the Statement of Accounts for 2019/20.

SUMMARY OF PREVIOUS DECISIONS

There are no previous decisions relating to the Statement of Accounts for 2019/20.

CORPORATE PRIORITIES

Economy – To create a vibrant and healthy economy	✓
Environment – To deliver services customers expect	✓
Efficiency – By spending money in the most efficient way	✓
Tourism – To create a great place to live and visit	✓

REPORT

1. The Accounts and Audit Regulations 2015 (as amended by The Accounts and Audit (Coronavirus)(Amendment) Regulations 2020) require the Council's responsible financial officer (Section 151 Officer) prepare and to certify that the Statement of Accounts 'present a true and fair view of the financial position of the authority', for 2019/20 by 31st August 2020. The Council is then formally required to approve and publish the Statement of Accounts, in respect of 2019/20 by no later than 30th November. For 2019/20 the publication date has been amended from the previous deadline of 31st July due to the additional workload that Councils have experienced due to the Covid-19 measures, including the processing of grants to local businesses under the government funded Small Business and Retail Hospitality and Leisure Grant Support schemes.
2. The Council has delegated to the Audit and Standards Committee the function of reviewing and approving the Annual Statement of Accounts.
3. The Council prepares its statutory Annual Accounts and supporting financial statements in accordance with applicable laws and regulations and in line with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ('The Code').
4. The Council's external auditors (Deloitte LLP) audit the draft accounts prepared by the Council and give an opinion on them. Deloitte base their opinion on the Annual Accounts as to whether they "present a true and fair view of the financial position" of the Council in accordance with the requirements set out above.
5. For the 2019/20 the Code introduced a number of accounting changes, however these have had minimal impact on the preparation of the Accounts.
6. Once the Audit Opinion has been given and the accounts have been approved, they must be signed and dated by the Member presiding the meeting (the Chair or Vice-Chair) at which approval is given and re-certified by the Section 151 Officer. The Statement of Accounts can then be published as a public document.

EXTERNAL AUDIT

7. One of the duties of External Audit is to examine the form and regularity of the accounts, the main purpose being to ensure they are not materially mis-stated.
8. If the Auditors identify any material changes to the Accounts, these will be reported to Members in their independent audit findings report.

CONCLUSION

9. The production and external audit of the Statement of Accounts for 2019/20 has been achieved in line with the statutory requirements, as amended.

IMPLICATIONS	
Finance	The financial implications are contained within the body of this report.
Legal	The Council (delegated to Audit and Standards Committee) is required to approve the Statement of Accounts for 2019/20 by 30 th November 2020 in line with the Accounts and Audit Regulations 2015 (as amended).

Community Safety	None arising from this report
Human Rights and Equalities	None arising from this report
Sustainability and Environmental Impact	None arising from this report
Health & Safety and Risk Management	None arising from this report

LEAD AUTHOR	CONTACT DETAILS	DATE
Paul O'Donoghue Chief Financial Officer	01253 658566	November 2020

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
None		

Attached documents

Appendix 1 – Annual Statement of Accounts 2019/20

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED

31ST MARCH 2020



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INDEPENDENT AUDITORS REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FYLDE BOROUGH COUNCIL REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of Fylde Borough Council ('the Authority'):

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We have audited the financial statements which comprise:

- the Expenditure and Funding Analysis;
- the Comprehensive Income and Expenditure Statement;
- the Movement in Reserves Statement;
- the Balance Sheet;
- the Cash Flow Statement;
- the related notes 1 to 44;
- the Collection Fund; and
- the related notes to the collection fund 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2019/20).

Basis for opinion

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

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

Emphasis of matter - material uncertainty related to the valuation of the property portfolio

We draw attention to Note 4 Assumptions made about the future and other major sources of estimation uncertainty, Note 13 Property, Plant and Equipment, and Note 15 Investment Property, which describe the effects of the uncertainties created by the coronavirus (Covid-19) pandemic on the valuation of the Authority's property portfolio.

As noted by the Authority's external valuer, the pandemic has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the valuation of the property portfolio at the balance sheet date.

Our opinion is not modified in respect of these matters.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

INDEPENDENT AUDITORS REPORT

Other information

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

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

We have nothing to report in respect of these matters.

Chief Financial Officer's responsibilities

As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for: the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Fylde Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

INDEPENDENT AUDITORS REPORT

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether Fylde Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Fylde Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the accounts of Fylde Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

USE OF OUR REPORT

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

Paul Hewitson (Appointed auditor)

For and on behalf of Deloitte LLP

Newcastle, UK

30 November 2020

NARRATIVE REPORT BY CHIEF FINANCIAL OFFICER

1. INTRODUCTION

The Council is statutorily required to produce annual accounts, and this document sets out the Council's Statement of Accounts for the financial year ending 31st March 2020. The Accounts and Audit Regulations 2015 (as amended by The Accounts and Audit (Coronavirus)(Amendment) Regulations 2020) require me, as the Council's responsible financial officer, to certify that they 'present a true and fair view of the financial position of the authority'. The Council is then formally required to approve and publish the Statement of Accounts, in respect of 2019/20 by no later than 30th November. This function is delegated at Fylde Council to the Audit and Standards Committee. Following approval, the Statement of Accounts must be signed and dated by the member presiding at the meeting at which approval is given. For 2019/20 the publication date has been amended from the previous deadline of 1st July due to the additional workload that Councils have experienced due to the Covid-19 measures, including the processing of grants to local businesses under the government funded Small Business and Retail Hospitality and Leisure Grant Support schemes.

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

In my role as Chief Financial Officer and the Council's statutory Section 151 Officer, I am required to prepare a narrative report to accompany the Statement of Accounts. This narrative report is prepared in a style that aims to enable readers to understand and interpret the accounting statements. By producing this report, I aim to give electors, local residents, Council Members, partners, stakeholders and other interested parties confidence that public money which has been received and spent, has been properly accounted for and that the financial standing of the Council is secure.

The format of the Statement of Accounts is heavily prescribed and follows the requirements as set out by the Chartered Institute of Public Finance and Accountancy (CIPFA), Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), and the Service Reporting Code of Practice for Local Authorities 2019/20 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

Prior to the period for the exercise of public rights, which for the 2019/20 Statement of Accounts must commence on or before the first working day of September 2020, a local authority in England is required to publish the unaudited Statement of Accounts. This means that the unaudited Statement of Accounts must be published on or before 31st August 2020. Following completion of the audit process the Regulations require that for 2019/20 local authorities in England publish their audited Statement of Accounts by 30th November 2020.

The purpose of this report is to assist the readers' interpretation of the accounts and to provide an overall summary of the Council's financial performance for 2019/20, to explain the Council's financial position as at 31st March 2020, and to give a summary insight into what the financial future holds for the Council.

2. PROFILE OF THE BOROUGH

Fylde Borough consists of the seaside towns of Lytham and St Anne's-on-Sea, the market town of Kirkham and a rural hinterland with numerous small picturesque villages. St Anne's-on-Sea is a traditional seaside resort with a Victorian pier, quality accommodation and fine floral displays, a gentler and more peaceful tourism destination than Blackpool. 'Leafy' Lytham is a desirable location for residents and visitors with a number of high value properties, an attractive Victorian shopping centre, a grade one listed hall in pleasant surroundings and an expansive seafront Green with the iconic white Windmill facing out to the sea. Kirkham is a traditional market town surrounded by beautiful countryside with strong links to neighbouring Wesham, Treales, Roseacre, Wrea Green and Freckleton.

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

Fylde's population of around 79,000 live in approximately 35,000 households over a geographical area of 166 square kilometres. The population is forecast to rise to 84,000 by 2035.

Fylde is one of the safest areas of the country when compared with its 'family' group of local authorities based on population and demographics. The borough has been a popular retirement destination for many years, resulting in a higher than average percentage of the population being over 60 years of age.

Economic Profile

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

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

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

Political and Organisational Structure

The Borough is divided into 21 wards each represented by one or more elected councillors. The Council holds 'all out' elections every four years with the last election being held in May 2019 at which a Conservative majority was returned for the fifth consecutive election. Fylde is a two-tier district council with Lancashire County Council being responsible for delivering the upper tier authority functions.

The Council has operated a committee system of governance since May 2015 after a change of governance from a Cabinet system was mandated through a referendum triggered by a petition. The Council Leader belongs to the Conservative majority group. Further details of the political and organisational structure of the Council are set out in the Annual Governance Statement which can be found towards the end of this document.

3. MEDIUM TERM FINANCIAL STRATEGY

The Council has established and embedded sound financial management practices, the cornerstone of which is a Medium Term Financial Strategy (MTFS). The strategy is updated and reported to Members on a regular basis, with the latest update being approved at the Council meeting of 4th March 2020. In that report I concluded, having taken account of the major items of expenditure and income and their sensitivity to change, together with the risks detailed in the report, that the finances of the Council are robust.

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

4. CHANGES INTRODUCED BY THE CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING 2019/20 (THE CODE)

For 2019/20 'The Code' has introduced a number of accounting changes:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property.
- Annual Improvements to IFRS Standards 2014-2016 Cycle.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.
- IFRIC 23 Uncertainty over Income Tax Treatments.
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

Not all of the above are relevant to Fylde Council and the changes have not had a material impact on the information provided in the financial statements.

5. THE FINANCIAL STATEMENTS

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year-end of 31st March 2020. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 (as amended by The Accounts and Audit (Coronavirus)(Amendment) Regulations 2020), those Regulations requiring the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and the Service Reporting Code of Practice 2019/20 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. Full details of the accounting policies that have been adopted in the preparation of the Statements of Accounts are set out in Note 1 to the accounts on page 36.

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

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

- Expenditure and Funding Analysis – this shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's Programme Committees.
- Comprehensive Income and Expenditure Statement – this consists of two sections: the first section showing entries for income and expenditure arising from day to day operational services and the second section showing the increase or decrease to net worth as a movement in fair value of assets.
- Movement in Reserves Statement – this is a summary of the movement in year on the different reserves held by the Authority analysed into 'usable reserves' (those which can be applied to fund expenditure) and un-usable reserves (those which cannot be used to fund expenditure).
- Balance Sheet – this sets out the Council's assets and liabilities as at 31st March 2020 and how these are funded (by reserves, borrowing, provisions and other balances).
- Cash Flow Statement – this summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- Notes to the Core Financial Statements – these assist in the interpretation of the accounts by comprising a summary of significant accounting policies and other explanatory information.

Additional statements accompanying the accounts:

- Statement of Responsibilities for the Statement of Accounts – this identifies the officer who is responsible for the proper administration of the Council's financial affairs.

- *Risk Management Policy Statement* - this outlines the Council's approach to the management of risk.
- *Collection Fund* - this was established to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates, as a requirement for all billing authorities under the Local Government Finance Act 1988.
- *Glossary* – an explanation of some of the key technical terms used in these accounts.

In line with the Code of Practice on Local Authority Accounting 2019/20 the Annual Governance Statement is included within the Statement of Accounts.

6. THE COUNCIL'S SPENDING

The Council effectively has two types of expenditure:

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

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

6.1 REVENUE EXPENDITURE

This part of the report deals with the revenue outturn position for the Council for the financial year ended 31st March 2020.

Net Budget Requirement

On the 4th March 2020, the Council approved a Revised Revenue Budget net requirement of £10.472m for 2019/20.

Subsequent to the revised Revenue Budget for 2019/20 being approved, the Council meeting of 18th March 2020 approved the transfer into the M55 Link Road Reserve of current and future Business Rate growth receipts arising from the Blackpool Airport Enterprise Zone to a maximum sum of £1m. To date the Business Rate growth receipts relating to the Enterprise Zone total £0.308m. In accordance with the Council decision this sum has been transferred into the M55 Link Road Reserve.

Throughout 2019/20, in response to the uncertainty surrounding the nature and level of current and future income streams as a consequence of changes in national funding arrangements, there has been close control of expenditure. Officers with budget holder responsibility were instructed to remain prudent and minimise expenditure commitments and maximise efficiencies and savings wherever possible. That instruction remains in place and has resulted in the generation of in-year savings throughout the majority of 2019/20.

Additionally, in the weeks following the setting of the budget for 2020/21, and the revised budget for 2019/20, the impact of the Covid-19 outbreak became increasingly apparent. The national 'lock-down' that was implemented in late March has had and on-going a major impact on the Council's financial position for 2020/21, although a range of national funding measures have also been introduced that will assist in off-setting some of those negative financial effects. Due to the timing of the commencement of the lock-down (24th March 2020) the effects of that situation for the 2019/20 financial year have been limited.

The financial impact of the lockdown measures, in terms of reduced levels of income and the cost of providing financial assistance to specific local businesses, is being carefully monitored and will be reported within the updated Financial Forecast during 2020/21 as appropriate.

The outturn position for 2019/20 is a net requirement of £9.748m resulting in a favourable variance (before financing and slippage) of £0.724m.

Financing

In relation to financing, the outturn position for 2019/20 was net financing received during the year of £12.212m compared to a budget of £11.612m, resulting in a favourable variance of £0.600m.

Together with the favourable variance on the net budget requirement of £0.724m therefore the additional surplus of resources for the year is a total sum of £1.324m compared to the latest estimate before taking account of slippage and further transfers to reserves.

The underlying favourable outturn position after accounting for slippage of £0.345m into 2020/21 is therefore reduced from £1.324m to £0.979m.

During the year the Government announced further funding intended to meet any local financial consequences arising from the UK departure from the European Union, the allocation for Fylde Council being in the sum of £0.035m. The Finance and Democracy Committee of July 2020 approved the transfer of this funding into the EU Exit Funding Reserve to provide funding for any such financial impacts of 'Brexit' as and when they arise.

In September 2019 the Finance and Democracy Committee approved a contribution from Fylde Council to the funding for the Greater Lancashire Plan in the sum of £0.020m, to be met initially from the Funding Volatility Reserve, and ultimately from increased Business Rates income. The Finance and Democracy Committee of July 2020 approved the transfer of £0.020m of the favourable revenue outturn variance into the Funding Volatility Reserve to meet the contribution from Fylde Council in respect of the Greater Lancashire Plan.

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

For Council Tax only, there was a surplus on the fund as at 31st March 2020 of £861k. This will be shared between Fylde Council, the County Council, the Police Authority and the Fire & Rescue Authority in 2020/21 & 2021/22. Fylde Council's share of the surplus is £111k.

For Non-Domestic Rates only, there was a surplus on the fund as at 31st March 2020 of £3.869m. The surplus will be shared between Central Government, Fylde Council, the County Council and the Fire & Rescue Authority in 2020/21 & 2021/22. Fylde Council's share of the surplus is £2.120m.

A proportion of the Collection Fund surplus arises as a result of the reduction in the provision for outstanding Business Rate appeals against the Valuation Office assessment of the Rateable Value of business properties. The total value of the Provision for Appeals has reduced from £4.865m in 2018/19 to £2.599m for 2019/20 with Fylde Council's share of this being £1.455m (2018/19 £1.946m). It is anticipated that this revised level of provision is sufficient to meet the full cost of the outstanding appeals currently lodged and any future appeals under the new 'Check, Challenge and Appeal' system.

The Council joined the Lancashire Business Rate Pool with effect from 1st April 2017 in order to benefit from a reduced government levy on business rate growth which resulted in a higher level of retained Business Rates. Full details of the pool and its benefits to the council for 2019/20 are set out within a note to the Collection Fund.

Further to this the bid by Lancashire councils to be selected as one of the '75% Business Rate Retention Pilot' schemes for 2019/20 was successful.

Under the previous pooling arrangements business rate income raised in Fylde was first split with 50% going to the government and the rest being shared between Fylde Council (40%), LCC (9%) and Lancashire Fire and Rescue Service (1%). For 2019/20 under the new pilot scheme this initial split changed to 25% government and 75% local preceptors, with Fylde's initial share increasing from 40% to 56%, prior to the application of a tariff. This has increased the reward possible from growth of business rate income but has also meant that there is a greater risk of adverse consequences if income declines.

The government had previously announced a reform to the Business Rates system due to be implemented for all authorities in 2020/21 as part of a Fair Funding Review into overall funding arrangements for Local Government. This was delayed from 2019/20 as a consequence of uncertainties surrounding the departure of the United Kingdom from the European Union, and again in 2020/21 due to the Covid-19 situation. This Review and the reform to the Business Rates system is now expected to take place during 2021/22 with implementation anticipated from 2022/23. The financial forecast approved by Budget Council in March 2020 assumes a reduced level of business rate income from 2021/22 onwards at a level that is closer to the existing baseline level. This will be reviewed as part of the next Financial Forecast update and future estimates of business rate income will be updated as necessary.

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

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

Table 1 – General Fund Revenue Outturn Position and Transfers to Reserves 2019/20

	Budget	Actual	Variance	
	£m	£m	£m	
Net expenditure for the year	10.472	9.748	(0.724)	(Fav)
Financing for the year	(11.612)	(12.212)	(0.600)	(Fav)
Surplus of resources for the year	(1.140)	(2.464)	(1.324)	(Fav)
Less :				
Budgeted transfer to Capital Investment Reserve	0.832	0.832	-	
Budgeted transfer to M55 Link Road Reserve	0.308	0.308	-	
Balance - further transfers to reserves	-	(1.324)	(1.324)	(Fav)
<u>Analysis of further transfers to reserves:</u>				
Required transfer to GF revenue balances re slippage	-	(0.345)	(0.345)	(Fav)
Further transfer to Capital Investment Reserve	-	(0.924)	(0.924)	(Fav)
Transfer to Funding Volatility Reserve	-	(0.020)	(0.020)	(Fav)
Transfer of Government Grant to EU Exit Reserve	-	(0.035)	(0.035)	(Fav)
Total further transfers to reserves	-	(1.324)	(1.324)	(Fav)

Full details and further analysis of expenditure, income and budget variances is set out in the Medium Term Financial Strategy (MTFS) Outturn Report reported to the Finance and Democracy Committee on 28th July 2020. A copy of the report can be found on the Council's website at www.fylde.gov.uk.

Cost of Services 2019/20

The 2019/20 Gross Cost of General Fund Services, excluding internal support service recharges, is analysed by service area in Table 2 below:

Table 2 – Gross Cost of General Fund Services 2019/20

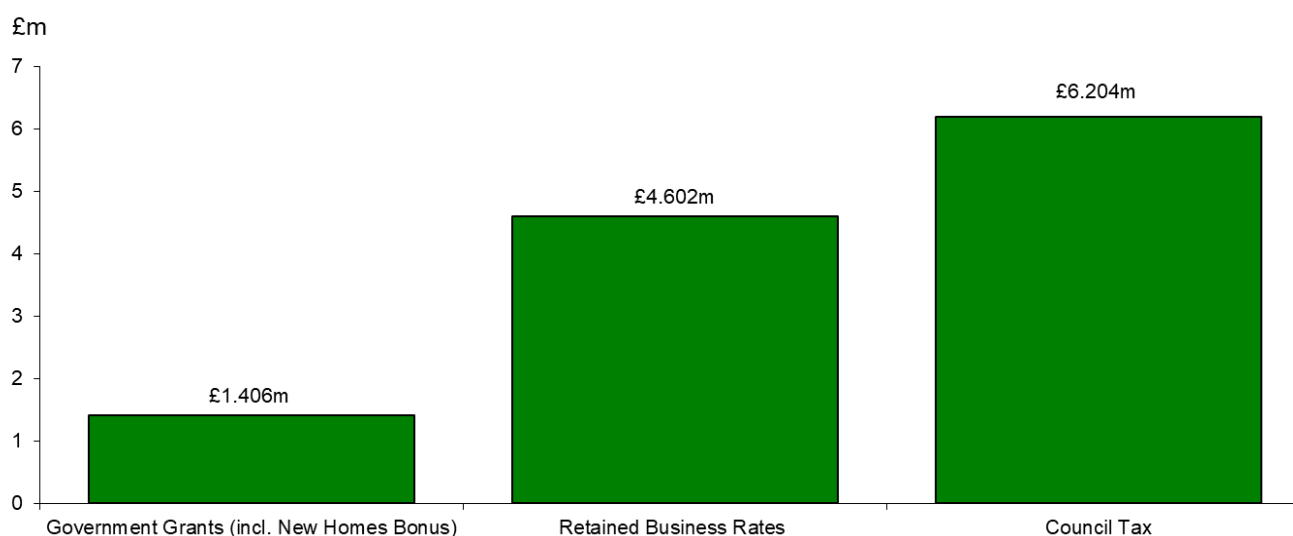
	Outturn
	£'m
Service:	
Refuse Collection	2.825
Street Cleaning	0.998
Other Environmental Health	1.096
Development Control, Building Control and Local Plans	1.713
Tourism and Leisure	2.907
Housing	0.773
Housing Benefits	17.362
Local Tax Collection	0.843
Economic Development and Regeneration	0.255
Other	6.939
Gross Expenditure Totals	35.711
Income and Grants:	
Other Government Grants (incl Housing Benefit Subsidy Grant)	(16.283)
Other Grants and Contributions	(2.864)
Other Income, Fees and Charges etc.	(6.816)
Income and Grants Totals	(25.963)
Net Expenditure for the Year	9.748

(as per Table 1)

6.2 INCOME

The Council finances its net operating expenditure from Council Tax, General Government Grants and, under revised arrangements since 2013/14, the local share of Business Rates. The contribution made by each is shown in the following graph: –

Source of Funding 2019/20



Council Tax

Fylde Borough Council charged an average Band D Council Tax of £206.60 for 2019/20 (excluding Town and Parish precepts), which was a £4.99 increase from the 2018/19 average Band D charge for a Band D property. This represented an increase of 2.48% which was within the Central Government capping limit for 2019/20. Individual year-on-year changes within the Borough varied due to the impact of Town and Parish Council precepts and the liability for Special Expense charges in Lytham and St Annes. The actual in-year rate of collection in 2019/20 was 96.8%. The in-year collection rates for 2018/19 and 2017/18 were 97.1% and 96.8% respectively. Ultimately the Council collects in the region of 99% of Council Tax. In 2019/20 the Council retained £6.204m of Council Tax income.

Government Grants and Non-Domestic Rates

Income from government grants received in 2019/20, including New Homes Bonus, totalled £1.412m. The Council's share of local business rate income for 2019/20, including grant support for national discount schemes and the surplus/deficit from the previous year, totalled £4.602m.

6.3 CAPITAL

In 2019/20 total capital expenditure was £12.168m as compared to a revised total programme of £14.299m. After adjusting for slippage of £2.129m this leaves a net underspend for the year of £2k. An analysis of how the money was spent, and financed, is shown in Table 3 below.

Table 3 – Capital Expenditure and Sources of Financing 2019/20

Expenditure by Scheme:		£'000	£'000
Finance & Democracy Committee:			
Accommodation Project – Phase 8 – Car Park		30	
	sub-total		30
Tourism & Leisure Committee:			
Fairhaven Lake and Gardens		252	
Fairhaven Adventure Golf		14	
Staining Playing Fields Development Scheme		186	
Ashton Gardens Play Area		18	
Ashton Gardens Nursery Improvements		30	
Weeton Village Hall		7	
Fylde Sand Dunes Improvement Scheme		6	
	sub-total		513
Operational Management Committee:			
Replacement Vehicles		368	
Public Transport Improvements		31	
Fairhaven & Church Scar Coast Protection Scheme		9,112	
Fairhaven & Church Scar Public Realm Works		195	
	sub-total		9,706
Environment, Health & Housing Committee:			
Disabled Facilities Grants Programme		1,207	
Housing Needs Grants		2	
Church Road Methodist Church, St Annes		275	
Affordable Warmth Scheme		8	
Cemetery and Crematorium – Infrastructure Works		192	
	sub-total		1,684
Planning Committee:			
St Annes Regeneration Scheme		118	
M55 Link Road – Design Fees		20	
St Annes Pier - Coastal Revival Fund		19	
Tree Planting		27	
Future High Street Fund: Kirkham		51	
	sub-total		235
Total Expenditure			12,168
Financing:		£'000	£'000
Grants & Contributions		10,895	
Internal Borrowing (use of internal cashflow resource)		54	
Capital Receipts		163	
Revenue Contribution		82	
Capital Investment Reserve		974	
Total Financing			12,168

7. TREASURY MANAGEMENT

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

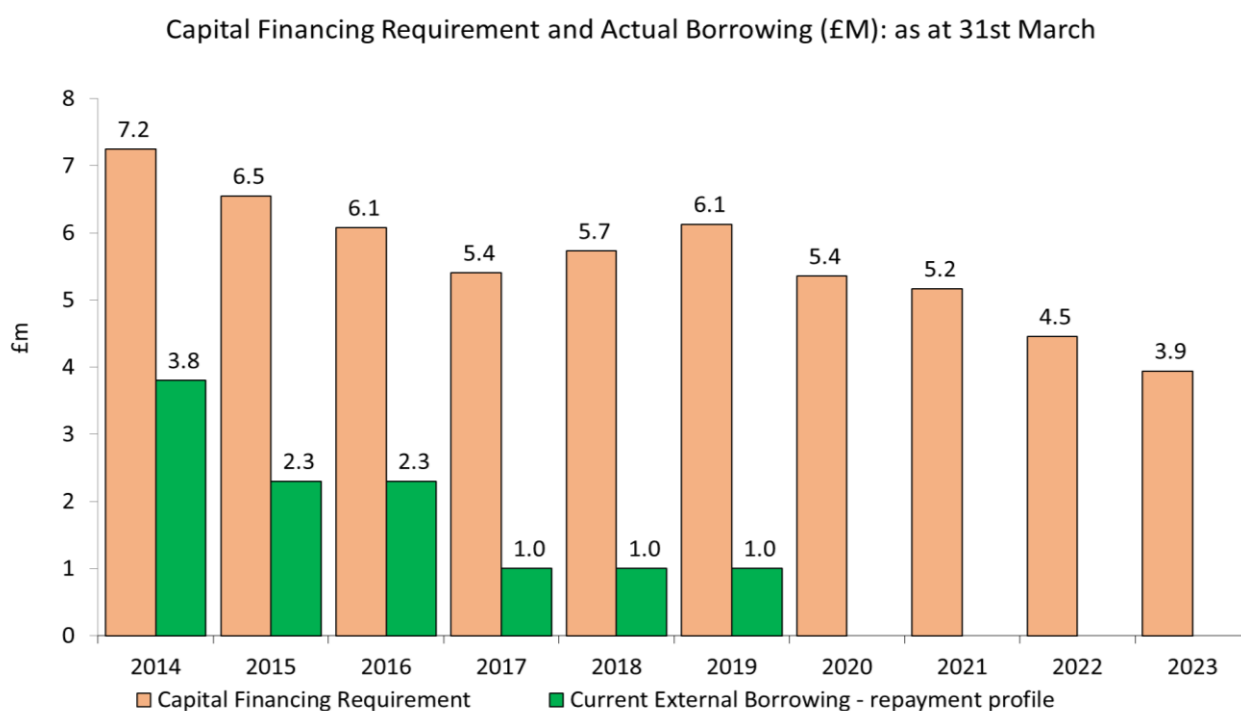
The Prudential Indicators and Treasury Management Strategy for 2019/20 to 2021/22 have been agreed by the Council. Performance is monitored and reported during the year. For 2019/20 the Council has complied with all agreed internal procedures and the Prudential Indicators set for borrowing have been managed within the limits set.

The security of investments is the Council's main investment objective. This is achieved by adhering to the Treasury Management Strategy, as approved by Council on 5th March 2019. The investment activity during the year conformed to the approved strategy and the Council had no liquidity difficulties.

A key Prudential Indicator for every Council is the Capital Financing Requirement (CFR). The CFR is the amount that the Council needs to borrow in order to fund its capital expenditure requirements: it is in effect the Council's underlying need to borrow. The CFR for Fylde Borough Council for the year ended 31st March 2020 was £5.4m. The Council can borrow money from either the Public Works Loans Board (PWLb) (an agency of HM Treasury), from banks, building societies, or from other public bodies. During 2019/20 the Council repaid its only external borrowing of £1m to the PWLB. As at 31st March 2020 the Council has no external borrowing. The interest paid in respect of the Council's external debt in 2019/20 was £28k (£39k in 2018/19).

The Authorised Limit for External Debt is a further key Prudential Indicator that controls the overall level of borrowing and is a statutory limit set by the Council that must not be breached. The Council's authorised limit for external debt for 2019/20 was £6.0m. The Council's actual total debt at 31st March 2020 was nil as a result of the use of internal borrowing (cash balances used to meet the CFR in place of external borrowing). This has the effect of also lowering the overall treasury risk by reducing both external debt and temporary investments.

The chart below shows forecast external borrowing and the Capital Financing Requirement (CFR) from 2014 to 2023.



During the year, cash sums managed internally by the Council have been invested for periods of up to twelve months with approved banks, money market funds, and other Local Authorities. The Council held an average cash balance of £26.8m of internally managed funds during 2019/20. The overall performance was a gross return of 0.78%, compared with a benchmark return of 0.53%. Interest earned was £207k compared to a revised budget of £182k. The level of interest from investments was in excess of the revised budget as the actual level of external investments was higher than was anticipated due to the Council benefitting from a more favourable cash-flow position than was forecast.

Economic Background

The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, dominated much of the economic stage during 2019/20 and is expected to continue to be a major influence on the economy in the near future.

Towards the end of 2019/20 the Covid-19 crisis has caused a major downturn in both the domestic and global economy, the long-term effects of which are yet to be fully understood. For the UK this is exacerbated by the consequences of Brexit and internationally by the pre-existing downturn in global activity.

Inflation was running below target at 1.5% in March 2020 but fell to 0.8% in April due to reduced retail and economic activity as a consequence of the Covid-19 'lock-down' situation. Slower global growth should reduce the prospect of externally driven inflation pressures.

Interest rate forecast: During a special meeting of the Bank's Monetary Policy Committee on 10th March 2020, the Bank of England decided to cut the interest from 0.75% to 0.25% to counter the "economic shock" resulting from the coronavirus outbreak.

The subsequent global outbreak of coronavirus led the UK government to take further steps to ameliorate the economic impact by reducing the base rate for the second time in a single month from 0.25% to 0.1%, warning that the pandemic will result in a "sharp and large" economic shock.

Investment yields remain low due to the UK and global economic outlooks.

Pension Fund

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

During 2017/18 the Council made a lump sum £2.547m pre-payment of employer pension contributions in respect of 2018/19 and 2019/20. The Council did this to secure a discount from the pension fund which outweighed the equivalent investment income that could be generated from investing the money elsewhere. The prepayment for this final year has been charged directly against the net Pension Liability in 2019/20. The net liability on the pension fund as shown on the balance sheet was therefore reduced by £1.274m to £24.277m as at 31st March 2020. As a result of these transactions it is recognised that there was an imbalance between the net pension liability and the pension reserve totals in the first two years. This imbalance has been removed in 2019/20.

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

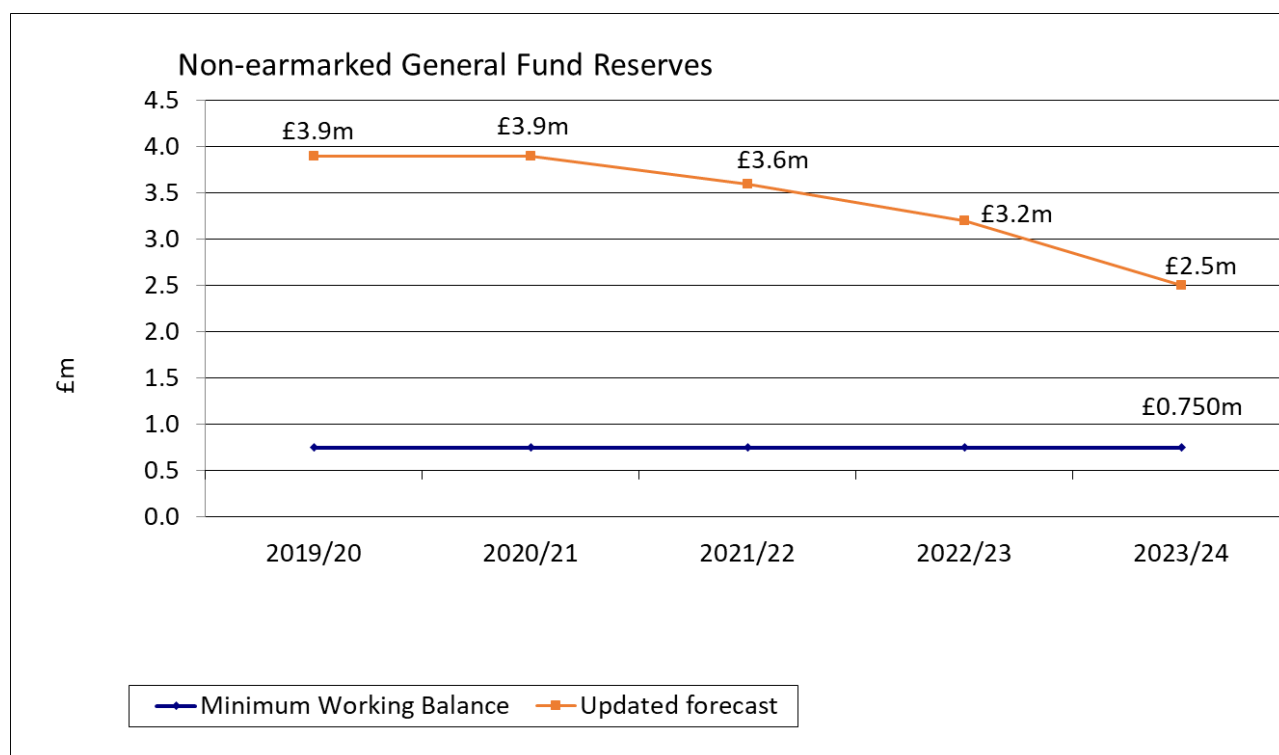
8. REVIEW OF THE COUNCIL'S FINANCIAL POSITION

The favourable revenue outturn represents a further improvement to the overall financial position of the Council which will be reflected in future updates to the Financial Forecast during 2020/21. It allows for an additional contribution to be made to the Capital Investment Reserve in the sum of £0.924m over and above that earmarked for the M55 link road as set out on page 10. This will provide additional financing resources for future capital projects – which in turn reduces the need for the Council to borrow.

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

The following graph sets out the estimated general fund balances of the Council as reported to Budget Council in March 2020. The balance at 31st March 2020 will increase temporarily by £0.345m in order to fund items of revenue slipped from 2019/20 into 2020/21. The forecast reduction in reserves from 2021/22 onwards reflects the uncertainty of central government funding allocations to Local Authorities pending the delayed Fair Funding Review into Local Government financing arrangements. Despite the potential reductions shown below, the forecast level of General Fund Reserves remains significantly above the minimum working balance £0.75m throughout the forecast period.

Reserves & Balances



In addition to the non-earmarked General Fund Reserve shown in the graph above the Council also has a number of ear-marked revenue reserves, set-aside for specific purposes. The total of these ear-marked reserves at 31st March 2020 is £11.961m. Full details of these reserves are shown at Note 8 to these accounts.

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

have provided funding for numerous capital schemes. The consequence of Member decisions to limit capital scheme growth in recent years is a reduced overall requirement to borrow which in turn results in a reduction in borrowing costs.

The national 'lock-down' that was implemented in late March 2020 in response to the Covid-19 pandemic is expected to have a major impact on the Councils financial position for 2020/21, although a range of national funding measures have also been introduced that will assist in off-setting some of those negative financial effects.

The Medium Term Financial Strategy

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

- The continuing reduction in central government funding for local government;
- The consequent spending constraints resulting from reduced resources in the medium term;
- Ensuring a robust and sustainable budget through the prudent use of reserves and balances and ensuring externally funded projects are facilitated;
- Developing new ways of delivering services using modernisation techniques to achieve higher levels of customer satisfaction, efficiency, value for money, strategic partnerships, service commissioning, and enterprise
- The need to continuously review and maintain existing assets to a quality standard.

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

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

Links to other Enabling Strategies

The Medium Term Financial Strategy is one of the Council's enabling strategies aimed at improving transparency and accountability in the way the Council delivers services and functions. Each enabling strategy is reviewed annually as part of the planning cycle and taken together drive innovation and efficiency to achieve continuous improvement. The other enabling strategies are:

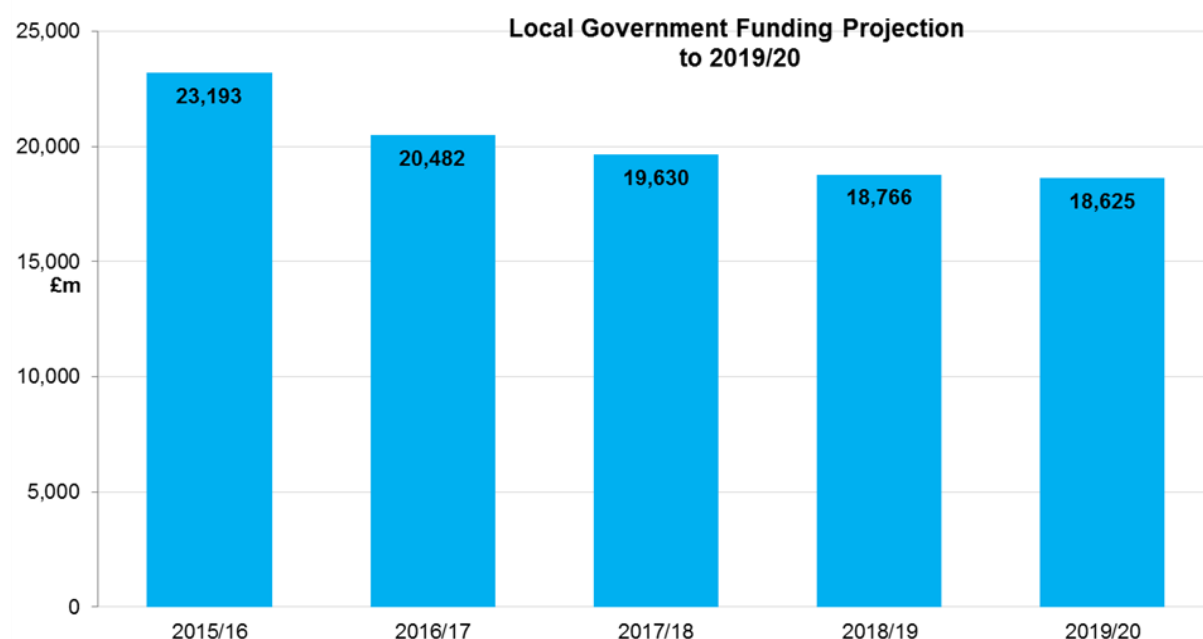
- ICT Strategy;
- Procurement Strategy;
- Communication Strategy;
- Asset Management Plan & Capital Strategy; and
- Transformation Strategy.

The MTFS takes account of the resources the Council requires to deliver the strategies. Where resources are limited the Council's overall objectives will be the same but the pace of achievement may be adjusted. This factor may become more significant as reductions in public sector funding are further revised and take greater effect.

The Longer-Term Outlook and the Vision for the Borough

To provide a general context of the financial position of the public sector in recent years, the scale of the overall reduction in central government funding to local authorities is set out in the following chart which shows funding allocations for the period 2015/16 to 2019/20:

Total local government funding levels over the period from 2015/16 to 2019/20



In July 2020 the government confirmed that the 2020 Spending Review will be finalised in the autumn and will cover the years 2021/22 to 2023/24 for revenue expenditure. Given the negative impact Covid-19 has had on the economy and the overall macroeconomic picture both nationally and internationally, in his announcement the Chancellor was clear there will need to be “tough choices” as part of the Spending Review. Any changes to future government funding arrangements and estimates will be reflected in later updates to the Council’s Financial Forecast as they become known.

Although it is clear that further challenges lie ahead in the later years of the current update to the forecast, the finances of the Council remain robust and the reserves and balances are at healthy levels as compared to earlier periods. Furthermore Fylde Council has a past record of taking actions in order to meet and overcome those challenges; the introduction of a chargeable green waste collection service from 2017/18 being a recent example of such action, as was the decision to join a Business Rates pool from 2017/18 and a ‘75% Business Rate Retention Pilot’ scheme for 2019/20, the latter of which further increased the total of retained business rates for the borough.

There are two Enterprise Zones located within the borough: the Lancashire Advanced Manufacturing and Engineering Enterprise Zone at Warton and the Blackpool Airport Corridor Enterprise Zone which straddles the boundary with Blackpool Council. The Warton Enterprise Zone has been in place since 2012. The Blackpool Airport Corridor Enterprise Zone, which is targeted at the energy, aviation, food and drink manufacturing sectors, has been in place since 2016. There is a further enterprise zone at Hillhouse which is entirely within Wyre Borough which was approved at the same time as the Blackpool Airport EZ. Fylde council is working in partnership with Blackpool and Wyre Councils through a joint Economic Prosperity Board to oversee the Enterprise Zones and to achieve the ambitions for the sites.

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

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

Managing Risks and Uncertainties

The Council recognises that effective risk management is integral to the Council’s corporate governance arrangements. The council’s Corporate Risk Management Group meets quarterly to review the Council’s

strategic risks as identified on the Council's Strategic Risk Register and identify any new risks that may prevent the Council from achieving its long-term corporate objectives.

The national 'lock-down' that was implemented in late March is expected to have an impact on the Council's financial position for 2020/21, although a range of national funding measures have also been introduced that will assist in off-setting some of those negative financial effects. The financial impact of the lockdown measures, in terms of reduced levels of income and the cost of providing financial assistance to specific local businesses, is being carefully monitored and will be reported within the updated Financial Forecast during 2020/21 as appropriate.

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

In January 2019, the Council adopted a new Risk Management system called GRACE. This system will give managers the platform to help identify, record, manage and ultimately reduce/remove risks from their areas of responsibility.

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

9. ORGANISATIONAL PERFORMANCE AND CULTURE

Fylde Council is currently performing well. The Council enjoys high levels of employee and resident satisfaction (see Residents Survey summary table below) which are measured every year, and a robust Medium Term Financial Strategy and budget that currently requires no service reductions or redundancies over the next four years. The Council has also embarked on a culture change programme aimed at delivering continuous improvement.

The culture change at Fylde has been driven by the need to transform the Council from a traditional bureaucratic local authority to a modern efficient organisation. The Council was in a poor financial position in 2007/08 with general reserves forecast to fall below the £0.5m recommended lowest limit with further pressure on reserves if the Council continued to operate in the way that it was doing. The Council has reduced the number of direct employees by almost 50% in the last 10 years, general fund reserves are in excess of £4.2m with a further £12.0 million currently held within earmarked reserves.

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

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

The Corporate Plan

The Council defines its key objectives through its Corporate Plan which outlines the key actions, targets and outcomes for the Authority and the wider community. The Plan is developed through consultation and feedback with stakeholders based on the key strategic responsibilities of the Council.

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

There are 4 key themes set out in the new Corporate Plan, these being:

Economy;
Environment;
Efficiency; and
Tourism

The 2020/24 Corporate Plan is scheduled to be presented to the October 2020 meeting of the Council, along with a review and closure of the 2016/20 plan.

The new Corporate Plan is accessible on the Council website at: [Corporate Plan 2020-24](#).

Key Activities and Achievements During 2019/20

The borough again hosted a wide variety of tourism and leisure events including the hugely successful Lytham Festival on Lytham Green. This week-long event attracted over 80,000 visitors to the town in July 2019 to enjoy music and entertainment, providing a huge economic boost to the area whilst cementing Fylde's place on the UK events map. Altogether there were around 250 events of all shapes and sizes in Fylde during 2019/20.

In August 2019 Fylde Council held the ninth annual Lytham Wartime Weekend on Lytham Green, attracting around 40,000 visitors in total over the weekend.

St Annes beach was awarded the 'Seaside Award' from Keep Britain Tidy for the 5th year in a row. The bathing waters were also classified as 'good', meaning residents and visitors can enjoy the beaches knowing they are clean and safe.

The Men's Senior Golf tournament took place at Royal Lytham & St Annes Golf Club during the year, the event being won by German golfer Bernhard Langer.

The reintroduction of Sand Yachting events continued with mini yachts using the wide-open sandy beach in St Annes. These are plans for a bigger and brighter future for this activity in the borough.

Following a hugely successful first season for the new Splash water attraction facility on the Promenade Gardens in 2019, further improvements are scheduled including ornamental perimeter fencing to aid site security and new toilet facilities.

The Parks & Coastal Services team successfully delivered a large-scale sand dune project to lower and stabilise the sand dunes along Clifton Drive North. Dune reprofiling and stabilisation works started in late February. The project was undertaken by staff from Fylde Council and the Lancashire Wildlife Trust.

During the year Ashton Gardens in St Annes saw the introduction of new play equipment and a refurbishment programme of the adjacent operational depot with new surfacing and buildings.

The exterior works and landscaping of the Town Hall and grounds were completed early in the year, those being the final phases of the renovation project for the site that has taken several years to complete.

Work progressed ahead of schedule and within budget throughout the financial year on the £22m Coast Defence project at Lytham and Fairhaven which has enhanced flood prevention and transformed the coastline in that area.

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

The Resident Survey Results 2012 to 2019

QUESTIONS (Percentages figures are the percentage satisfied, good and excellent)	2019	2018	2017	2016	2015	2014	2013	2012	Overall 2012-19 Average	2008/09 LGA Place Survey
Number of responses	467	431	610	136	461	608	829	1,583	641	1,224
How would you rate the refuse collection service at Fylde	97%	94%	90%	92%	97%	94%	95%	93%	94%	76%
How would you rate the household recycling service at Fylde	92%	89%	86%	87%	93%	92%	93%	91%	90%	78%
How would you rate the parks and open spaces in Fylde	95%	96%	93%	98%	95%	94%	94%	93%	95%	68%
How would you rate the cleanliness of the streets in Fylde	79%	78%	73%	83%	85%	83%	83%	81%	81%	65%
How would you rate the planning service at Fylde*	72%	68%	60%	79%	69%	63%	70%	71%	69%	52%
How would you rate the customer service at Fylde*	90%	87%	74%	89%	89%	89%	88%	90%	87%	n/a
Overall, I would rate the Fylde as a place to visit	98%	97%	95%	90%	97%	97%	97%	95%	96%	n/a
Overall, I would rate Fylde as a place to live	96%	95%	94%	99%	97%	97%	97%	95%	96%	87%
How would you rate the value for money I receive from Fylde Council	81%	78%	70%	82%	84%	85%	85%	81%	81%	63%
Overall and taking everything into account, how would you rate Fylde Council	90%	86%	76%	87%	92%	90%	90%	88%	87%	n/a

Only includes percentage of the respondents that **have used the service*

10. OUTLOOK FOR THE FUTURE

The favourable outturn position for revenue allows for a further contribution to be made to the Capital Investment Reserve in the sum of £0.924m for 2019/20 which will provide additional financing resources for future capital projects. This additional contribution is beneficial Council's overall financial position and thus is to be welcomed.

The Council's overall financial strength shows improvement from the position as presented to the Budget Council meeting in March 2020 as a result of the favourable outturn position. The Financial Forecast continues to show a budgeted surplus for 2020/21 and a relatively balanced budget position thereafter, based on current estimates of future financing.

A significant factor in the financial forecast is the estimated reduction in the level of retained business rates from 2021/22 onwards arising from the government's stated intention of further reform to the business rates retention mechanism from that year. The government had previously announced a "full reset" and reform to the Business Rates system due to be implemented for all authorities in 2020/21 as part of a general Fair Funding Review for Local Government. This review was delayed from 2019/20 as a consequence of uncertainties surrounding the departure of the United Kingdom from the European Union, and again in 2020/21 due to the Covid-19 situation. The review and the reform to the Business Rates system is now expected to take place during 2021/22 with implementation anticipated from 2022/23. It is widely anticipated that the review will look to re-balance public funding in such a way that may be detrimental to district councils, although details of the review and its outcome are yet to emerge. When details of the reforms and the impact on future retained business rate income become known the financial forecast will be updated accordingly.

The national 'lock-down' that was implemented in late March is expected to have a major impact on the Councils financial position for 2020/21, although a range of national funding measures have also been introduced that will assist in off-setting some of those negative financial effects. The financial impact of the lockdown measures, in terms of reduced levels of income and the cost of providing financial assistance to specific local businesses, is being carefully monitored and will be reported within the updated Financial Forecast during 2020/21 as appropriate.

Whilst challenges remain, and will no doubt continue to be present given the reduction in central government funding for future years, prudent financial management has provided a relatively stable financial environment which allows the necessary time to determine how this Council can best respond to the challenges it faces.

Section 8 of this narrative report provides information regarding the current and forecast level of revenue reserves. Although there will doubtless be further challenges to be addressed in the future the current financial position of the Council, and specifically the level of revenue reserves, is healthy. The future revenue position of the Council is relatively stable with a projected surplus in 2020/21 and a generally balanced budget position thereafter, based upon current estimates of future central government financing.

The creation of a Capital Investment Reserve, into which revenue surpluses have been transferred for a number of years, has meant that a significant number of capital schemes have been delivered without the requirement for external financing. The reduced requirement to borrow in turn results in a reduction in borrowing costs and thus contributes to an improved overall revenue position. During 2019/20 the Council repaid its only external debt of £1m to the PWLB and now has no external borrowing.

The Council has not required any temporary borrowing to support its cashflow during 2019/20. Nor does it anticipate any cashflow concerns in future years through careful management of cashflow and investment decision-making.

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

The key financial risks that the Council is currently facing can be summarised as:

- Reduced levels of amenity and other income for 2020/21 as a result of the national 'lock-down' that was implemented in late March 2020 in response to the Covid-19 pandemic;
- the risk of lower than projected income resulting from retained Business Rates in future years;
- reduced levels of future central government funding arising from the Fair Funding Review;
- reduced level of grant for Housing Benefit Administration with the expansion of Universal Credit to replace Housing Benefits; and
- the risk that borrowing cost assumptions may require amendment in the light of changes to the economic environment.

Full details of the above are set out within the MTFS reports presented to the Budget Council on 5th March 2019 and 4th March 2020.

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

Council and Committee reports are accessible on the Council website at:

<https://fylde.cmis.uk.com/fylde/Committees.aspx>

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

In June 2016 the United Kingdom voted to leave the European Union, commonly referred to as 'Brexit'. In March 2017 the government acted to confirm the effective date of the exit from the European Union to be March 2019. However, parliament was unable to determine an agreed form of departure and that deadline was not met. The political impasse led eventually to an early general election that was then held on 12th December 2019, in which the Conservative party won a large majority. Subsequently, the newly confirmed Prime Minister declared that the United Kingdom would leave the European Union in early 2020. The withdrawal agreement came into force on 31st January 2020 and the United Kingdom's 47-year long membership of the European Union came to an end. As part of the withdrawal agreement a transitional period was also negotiated up until 31st December 2020, during which the existing regulations continue to apply.

Both Brexit and the impact of Covid-19 are expected to exert a significant influence on the UK economy in the near future. These factors have the potential to affect the following areas of the Council's financial statements:

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

CONCLUSION

Prudent financial management has provided a level of reserves which allows the necessary time to determine how this Council can best respond to future financial challenges, including the outcome of the Fair Funding Review into the future of Local government funding arrangements. Officers and Members will be continuously monitoring all areas of concern through established budget forecasting and setting procedures and will work to ensure that the Council's Revenue Budget remains robust and sustainable.

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

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

Signed

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

Date: 30th November 2020

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

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

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority 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 misstatement, whether due to fraud or error.

The Chief Financial Officer's Certification

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31st March 2020 and of its income and expenditure for the year then ended.

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

Date: 30th November 2020

CORE FINANCIAL STATEMENTS

INTRODUCTION TO THE CORE FINANCIAL STATEMENTS

Introduction to the Core Financial Statements

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

- **The Expenditure and Funding Analysis (Page 29)**

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

- **The Comprehensive Income and Expenditure Statement (Page 30)**

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

- **The Movement in Reserves Statement (Page 31)**

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movement in the year following those adjustments.

- **The Balance Sheet (Page 32)**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses and reserves that hold timing differences shown in the Movement in Reserves Statement line '*Adjustments between accounting basis and funding basis under regulations*'.

- **The Cash Flow Statement (Page 33)**

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

- **The Collection Fund (Page 87)**

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

EXPENDITURE AND FUNDING ANALYSIS

2018/19		
Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
(Note 6)		
£'000	£'000	£'000

2019/20		
Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
(Note 6)		
£'000	£'000	£'000

Programme Committees

1,792	526	2,318	Tourism and Leisure
2,325	898	3,223	Operational Management
389	151	540	Environment, Health and Housing
917	44	961	Planning
2,998	1,081	4,079	Finance and Democracy
8,421	2,700	11,121	Net Cost of Services
(9,835)	(11,281)	(21,116)	Other Income and Expenditure
1,172	(1,172)	-	Transfer to Earmarked Reserves
(242)	(9,753)	(9,995)	(Surplus)/Deficit
(3,685)			Opening General Fund Balance
(242)			(Surplus)/Deficit on General Fund
(3,927)			Closing General Fund Balance as at 31st March

1,737	675	2,412
3,180	983	4,163
(12)	149	137
447	90	537
3,953	588	4,541
9,305	2,485	11,790
(10,794)	(10,996)	(21,790)
1,144	(1,144)	-
(345)	(9,655)	(10,000)
(3,927)		
(345)		
(4,272)		

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2018/19			Notes	2019/20		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
Programme Committees						
3,964	(1,646)	2,318		3,860	(1,448)	2,412
5,584	(2,361)	3,223		6,495	(2,332)	4,163
2,384	(1,844)	540		2,164	(2,027)	137
1,791	(830)	961		1,444	(907)	537
23,745	(19,666)	4,079		22,098	(17,557)	4,541
37,468	(26,347)	11,121	Cost of Services	36,061	(24,271)	11,790
1,135	-	1,135	Other Operating Expenditure	1,034	(162)	872
861	(586)	275	Financing and Investment Income and Expenditure	716	(885)	(169)
3,600	(26,126)	(22,526)	Taxation and Non-Specific Grant Income and Expenditure	1,747	(24,240)	(22,493)
43,064	(53,059)			39,558	(49,558)	
	(9,995)	(Surplus)/Deficit on Provision of Services				(10,000)
	278	(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets	13			(2,137)
	(1,149)	Re-measurement of the net defined benefit liability/(asset)	41			(3,889)
	(871)	Other Comprehensive Income and Expenditure				(6,026)
	(10,866)	Total Comprehensive Income and Expenditure				(16,026)

MOVEMENT IN RESERVES STATEMENT

Note	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves (Note 26)	Unusable Reserves (Note 27)	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current Year							
Balance at 31st March 2019	3,927	10,817	-	2,285	17,029	7,896	24,925
Movement in Reserves during 2019/20							
Total Comprehensive Income and Expenditure	10,000	-	-	-	10,000	6,026	16,026
Adjustments between accounting basis and Funding under Regulations	7 (8,511)	-	-	(2,117)	(10,628)	10,628	-
Net Increase/(Decrease) before transfers to Earmarked Reserves	1,489	-	-	(2,117)	(628)	16,654	16,026
Transfers to/from Earmarked Reserves	8 (1,144)	1,144	-	-	-	-	-
Increase/(Decrease) in 2019/20	345	1,144	-	(2,117)	(628)	16,654	16,026
Balance at 31st March 2020	4,272	11,961	-	168	16,401	24,550	40,951
Comparative Year							
Movement in Reserves during 2018/19							
Balance at 31st March 2018	3,685	9,645	63	791	14,184	(125)	14,059
Total Comprehensive Income and Expenditure	9,995	-	-	-	9,995	871	10,866
Adjustments between accounting basis and Funding under Regulations	7 (8,581)	-	(63)	1,494	(7,150)	7,150	-
Net Increase/(Decrease) before transfers to Earmarked Reserves	1,414	-	(63)	1,494	2,845	8,021	10,866
Transfers to/from Earmarked Reserves	8 (1,172)	1,172	-	-	-	-	-
Increase/(Decrease) in 2018/19	242	1,172	(63)	1,494	2,845	8,021	10,866
Balance at 31st March 2019	3,927	10,817	-	2,285	17,029	7,896	24,925

BALANCE SHEET

Balance As at 31 st March 2019			Notes	Balance As at 31 st March 2020
£'000				£'000
33,015	Property, Plant and Equipment		13	44,095
3,788	Heritage Assets		14	3,788
3,194	Investment Properties		15	3,501
-	Intangible assets		16	-
2	Long Term Debtors		18	-
39,999	Long Term Assets			51,384
12,025	Short Term Investments		17	12,047
550	Assets held for sale		19	550
84	Inventories		20	84
3,218	Short Term Debtors		21	3,891
7,787	Cash and Cash equivalents		22	11,406
23,664	Current Assets			27,978
(1,012)	Short Term Borrowing		17	(-)
(7,354)	Short Term Creditors		23	(8,087)
(1,946)	Provisions		24	(1,455)
(36)	Provision for Accumulated Absences		27	(42)
(10,348)	Current Liabilities			(9,584)
(3,141)	Long Term Creditors		25	(4,550)
(-)	Long Term Borrowing		17	(-)
(25,249)	Liability related to Defined Benefit Pension Scheme		41	(24,277)
(28,390)	Long Term Liabilities			(28,827)
24,925	NET ASSETS			40,951
17,029	Usable Reserves		26	16,401
7,896	Unusable Reserves		27	24,550
24,925	TOTAL RESERVES			40,951

CASH FLOW STATEMENT

2018/19 £'000		Notes	2019/20 £'000
9,995	Net Surplus / (Deficit) on the Provision of Services		10,000
6,939	Adjustments for non-cash movements	28	4,028
(14,540)	Adjust for movements relating to investing and financing activities	28	(8,941)
2,394	Net Cash Flows from Operating Activities		5,087
3,064	Investing Activities	29	(1,454)
(135)	Financing Activities	30	(14)
5,323	Net Increase or (Decrease) in Cash and Cash Equivalents		3,619
2,464	Cash and Cash Equivalents at the beginning of the reporting period		7,787
7,787	Cash and Cash Equivalents at the end of the reporting period	22	11,406

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

INTRODUCTION

The Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and the accounting policies set out at Note 1. The notes that follow set out supplementary information to assist readers of the accounts.

1 ACCOUNTING POLICIES

a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year-end of 31st March 2020. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and the Service Reporting Code of Practice 2019/20 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

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

b) Accruals of Income and Expenditure

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

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

c) Acquisitions and Discontinued Operations

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

d) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

e) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

f) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding Non-Current Assets during the year:

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

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

g) Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

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

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

h) Employee Benefits

(i) Benefits Payable During Employment

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

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

(ii) Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at year-end.

(iii) Post-employment Benefits

Employees of the Council are members of the Local Government Pension Scheme administered by Lancashire County Council. The scheme provides defined benefits to members, earned as employees worked for the Council.

The Local Government Pension Scheme

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

- The liabilities of the Lancashire County Council scheme attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a real discount rate of 2.4% (2018/19 2.4%), based on the indicative rate of return on an AA corporate bonds.
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value.
 - Quoted securities – current bid price;
 - Unquoted securities – professional estimate;
 - Unitised securities – current bid price; and
 - Property – market value.
- The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions made to the Lancashire County Council Pension Fund:

- Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

i) Events after the Reporting Period

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

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

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

j) Financial Instruments

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

(i) Financial Liabilities

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

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

- Long-term loan from the Public Works Loans Board; and
- Trade payables for goods and services received.

(ii) Financial Assets

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

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

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

k) Foreign Currency Translation

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

l) Government Grants and Contributions

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

m) Heritage Assets

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

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

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

Accounting for Heritage Assets in 2019/20

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets are presented below.

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

Where the Council has information on the cost or value of a heritage asset that value has been used in compilation of the 2019/20 balance sheet. Where this information is not available and the historical cost information cannot easily be obtained the asset can be excluded from the balance sheet.

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

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

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

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

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

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see accounting policy on page 45.

n) Intangible Assets

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

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

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised on a straight line basis over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

o) Interests in Companies and Other Entities

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

p) Inventories and Long Term Contracts

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

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

q) Investment Property

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

r) Joint Operations

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

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

s) Leases

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

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

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

The Authority as Lessee

Finance Leases

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

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

Operating Leases

Rentals paid under operating leases are treated as revenue transactions and are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

t) Overheads and Support Services

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

u) Property, Plant and Equipment

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

(i) Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority; that the cost of the item can be measured reliably; and that the cost exceeds the 'de minimis' threshold of £10,000. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

(ii) Measurement

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

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

Definitions of each of the valuation methodologies used are:

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

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

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

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

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

Heritage Assets

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

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

(iii) Impairment

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

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

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

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

(iv) Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

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

(v) Componentisation

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

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

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

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

Assets Held for Sale, are where the:

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

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment [or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement)]. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

v) Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

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

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

w) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

The Council operates a number of different reserves, the purpose of each is laid out in note 8 on pages 55 to 56.

x) Revenue Expenditure Funded by Capital Under Statute

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

y) Value Added Tax (VAT)

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

z) Fair Value Measurement

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

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

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

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

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

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

The Codes of Practice on Local Council Accounting in the United Kingdom for 2019/20 and 2020/21 have introduced several changes in accounting policies which will be required from 1st April 2020. If these had been adopted retrospectively for the financial year 2019/20 there would be no material changes within the financial statements.

The additional disclosures that require consideration for the 2019/20 financial statements in respect of accounting changes that are introduced in the 2020/21 Code relate to:

- a) Amendments to IAS 28 Investment in Associates and Joint Ventures.
- b) Annual Improvements to IFRS Standards 2015-2017 Cycle.
- c) Amendments to IFRS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

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

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1 (pages 36 to 48), the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future event. The critical judgements made in the Statement of Accounts are:

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

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

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

Property Valuations

Operational land and buildings are revalued at least every five years on a rolling programme, while investment properties are revalued on a three year rolling programme. A number of judgements are required to be made as part of the revaluation and impairment assessment process. This brings with it uncertainties, and assumptions have to be made and responded to accordingly. Where necessary, any resultant long-term implications would be incorporated into our financial strategy. The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, it is considered that less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to Covid-19 means that valuers are faced with an unprecedented set of circumstances on which to base a judgement. The valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 (Valuation Technical and Performance Standard) and VPGA 10 (Valuation Practical Guidance Application) 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. Given the unknown future impact that COVID-19 might have on the real estate market, it is recommended that the valuation of these properties are kept under frequent review. Information relating to operational land and buildings is contained in Note 13 and information on investment properties is contained in Note 15.

Liability relating to the defined benefit pension scheme

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

The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% per annum increase in the discount rate assumption would result in a decrease in the pension liability of £1.483m (2018/19 £1.517m). Also, a one year addition to the members' life expectancy would result in an increase in the pension liability of £2.556m (2018/19 £1.892m).

Future of the Lancashire Business Rates Pool

The Council joined the Lancashire Business Rate Pool with effect from 1st April 2017 in order to benefit from a higher level of retained Business Rates. As part of the December 2018 Local Government Settlement announcement the bid by Lancashire councils to be selected as one of the '75% Business Rate Retention Pilot' schemes for 2019/20 was confirmed as being successful. Under the previous pooling arrangements business rate income raised in Fylde was first split with 50% going to the government and the rest being shared between Fylde Council (40%), LCC (9%) and Lancashire Fire and Rescue Service (1%). From 2019/20 under the new pilot scheme this initial split will change to 25% government and 75% local preceptors. This increases the reward possible from growth of business rate income, but there is also a greater risk of adverse consequences if income declines.

The government had previously announced a reform to the Business Rates system due to be implemented for all authorities in 2020/21. This was first delayed until 2021/22, following the completion of the planned 'Fair Funding' review. However, the Covid-19 situation has led to a further delay to that proposed implementation date to 2022/23. Currently the forecast assumes a reduced level of business rate income

from 2021/22 onwards at a level that is closer to the current baseline level. This will be reviewed as part of the next Financial Forecast update and future estimates of business rate income may be amended.

Provision for NNDR Appeals

With regards NNDR Appeals, as a consequence of the revised arrangements in respect of business rates, which came into effect from 2013/14, local authorities became liable for a share of the cost of the settlement of appeals in respect of the valuation of properties by Valuation Office Agency (VOA), that being the body which determines business rates liability. For 2019/20 the total value of the Provision for Appeals has been decreased to £2.599m from £4.865m in 2018/19 with Fylde Council's share of this being £1.455m (2018/19 £1.946m). It is anticipated that this revised level of provision is sufficient to meet the full cost of the outstanding appeals currently lodged and any future appeals under the new check challenge and appeal system. If the cost of appeals from 2019/20 onwards is less than the amounts set-aside in the provision for this purpose it may be possible to release further sums from the Provision for Appeals and consequently the Council's business rates income in that year would increase accordingly. This judgement is based upon information held on outstanding appeals and after having taken specialist advice.

5 EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 31st July 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no post balance sheet events.

6 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis 2019/20:

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	(Note 6a)	(Note 6b)	(Note 6c)	
	£'000	£'000	£'000	£'000
<u>Programme Committees</u>				
Tourism and Leisure	582	93	-	675
Operational Management	755	226	2	983
Environment, Health and Housing	60	88	1	149
Planning	-	89	1	90
Finance and Democracy	79	507	2	588
Net Cost of Services	1,476	1,003	6	2,485
Other Income and Expenditure from the Expenditure and Funding Analysis	(9,385)	640	(2,251)	(10,996)
Difference between General Fund surplus/deficit and Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services (Note 7)	(7,909)	1,643	(2,245)	(8,511)

Comparatives for 2018/19:

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	(Note 6a) £'000	(Note 6b) £'000	(Note 6c) £'000	£'000
Programme Committees				
Tourism and Leisure	477	49	-	526
Operational Management	776	121	1	898
Environment, Health and Housing	102	48	1	151
Planning	-	43	1	44
Finance and Democracy	74	1,007	-	1,081
Net Cost of Services	1,429	1,268	3	2,700
Other Income and Expenditure from the Expenditure and Funding Analysis	(12,273)	630	362	(11,281)
Difference between General Fund surplus/deficit and Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services (Note 7)	(10,844)	1,898	365	(8,581)

6a) Adjustments for Capital Purposes

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

- *Other operating expenditure* – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- *Financing and investment income and expenditure* – the statutory charges for capital financing i.e. Minimum Revenue Provision (MRP) and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- *Taxation and non-specific grant income and expenditure* – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

6b) Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

- For *services* this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For *Financing and investment income and expenditure* – the net interest on the defined benefit liability is charged to the CIES.

6c) Other Differences

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

- For *Financing and investment income and expenditure* the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under *Taxation and non-specific grant income and expenditure* represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2019/20	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
1. Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
• Charges for depreciation and impairment of non-current assets.	1,476	-	-	(1,476)
• Movement in market value of Investment Properties.	(307)	-	-	307
• Amortisation of Intangible Assets.	-	-	-	-
• Capital grants and contributions applied.	(631)	-	-	631
• Movement in Donated Assets Account.	-	-	-	-
• Revenue expenditure funded from capital under statute.	1,747	-	-	(1,747)
• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	1	-	-	(1)
2. Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
• Statutory provision for the financing of capital investment.	(829)	-	-	829
• Capital expenditure charged against the General Fund (Direct Revenue Contributions)	(1,056)	-	-	1,056
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement.	(8,147)	-	8,147	-
Applications of grants and capital financing transferred to the Capital Adjustment Account.	-	-	(10,264)	10,264
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(163)	163	-	-
Use of Capital Receipts Reserve to finance capital expenditure.	-	(163)	-	163
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement.	3,022	-	-	(3,022)
Employer's pension's contributions and direct payments to the pensioner's payable in the year.	(1,379)	-	-	1,379
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amounts by which council tax income and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements.	(2,251)	-	-	2,251
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on a accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements.	6	-	-	(6)
Total Adjustments.	(8,511)	-	(2,117)	10,628

Comparatives for 2018/19	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
1. Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
• Charges for depreciation and impairment of non-current assets.	1,430	-	-	(1,430)
• Movement in market value of Investment Properties.	(39)	-	-	39
• Amortisation of Intangible Assets.	-	-	-	-
• Capital grants and contributions applied.	(1,918)	-	-	1,918
• Movement in Donated Assets Account.	-	-	-	-
• Revenue expenditure funded from capital under statute.	3,600	-	-	(3,600)
• 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.	283	-	-	(283)
2. Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
• Statutory provision for the financing of capital investment.	(666)	-	-	666
• Capital expenditure charged against the General Fund (Direct Revenue Contributions)	(910)	-	-	910
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement.	(12,491)	-	12,491	-
Applications of grants and capital financing transferred to the Capital Adjustment Account.	-	-	(10,997)	10,997
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(132)	132	-	-
Use of Capital Receipts Reserve to finance capital expenditure.	-	(195)	-	195
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement.	3,276	-	-	(3,276)
Employer's pension's contributions and direct payments to the pensioner's payable in the year.	(1,378)	-	-	1,378
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amounts by which council tax income and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements.	362	-	-	(362)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements.	2	-	-	(2)
Total Adjustments.	(8,581)	(63)	1,494	7,150

8 MOVEMENTS IN EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20.

	Balance at 1 st April 2018	Transfer In 2018/19	Transfer Out 2018/19	Balance at 31 st March 2019	Transfer In 2019/20	Transfer Out 2019/20	Balance at 31 st March 2020
Name of Reserve	£'000	£'000	£'000	£'000	£'000	£'000	£'000
IT Reserve	40	-	-	40	-	-	40
Performance Reward Grant Reserve	38	-	(11)	27	-	-	27
MMI Insurance Reserve	80	-	-	80	-	-	80
Capital Investment Reserve	3,220	1,928	(763)	4,385	1,755	(974)	5,166
Community Right to Bid/Challenge Reserve	46	-	-	46	-	-	46
Funding Volatility Reserve	5,221	-	-	5,221	20	-	5,241
M55 Link Road Reserve	1,000	-	-	1,000	308	-	1,308
EU Exit Funding Reserve	-	18	-	18	35	-	53
Total Earmarked Reserves	9,645	1,946	(774)	10,817	2,118	(974)	11,961

Purpose of Earmarked Reserves

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

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

- **IT Reserve (formerly Replacement Systems Reserve)** – This is a voluntary set-aside established for the funding of new IT initiatives and the development of IT systems.
- **Performance Reward Grant Reserve** – Created in 2009/10, this is a voluntary set-aside of performance reward grant (PRG). Although Fylde Council is the Accountable Body for the Fylde PRG, the Fylde Local Strategic Partnership are the appointed decision making body in relation to the allocation of the PRG.
- **MMI Insurance Reserve** – Created in 2011/12, this is a voluntary set-aside to cover the Council's maximum exposure in relation to the potential clawback of previously paid claims under the scheme of arrangement with the Council's previous Insurer, Municipal Mutual Insurance.
- **Capital Investment Reserve** – Created in 2012/13, this is a voluntary set-aside of funds to help finance future capital expenditure.
- **Community Right to Bid/Challenge Reserve** – Created in 2012/13, this is a voluntary set-aside of funds to finance expenditure linked to the award of Community Right to Bid and Community Right to Challenge grant received by the Council during 2012/13, 2013/14 and 2014/15.

- **Funding Volatility Reserve** – Created in 2013/14, this is a voluntary set-aside established to provide a degree of protection to the Council's finances against future volatility in central government funding allocations.
- **M55 Link Road Reserve** – Created in 2016/17, this is a voluntary set-aside of funds to finance a contribution towards the construction of a link road between the M55 and St Annes together with a number of public and private sector partners.
- **EU Exit Funding Reserve** – Created in 2018/19, this is a voluntary set-aside of government grant received to be used to enhance capacity and capability in making preparations for exiting the European Union.

9 OTHER OPERATING EXPENDITURE

	2018/19	2019/20
	£'000	£'000
Town and Parish Council Precepts	957	999
IAS19 Administration Expenses	27	35
Losses/(Gains) on the disposal of non-current assets	151	(162)
Total	1,135	872

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2018/19	2019/20
	£'000	£'000
Interest payable and similar charges	39	28
Net interest on the net defined benefit liability (asset)	603	605
Interest Receivable and similar Income	(140)	(207)
Income and expenditure in relation to investment properties and changes in their fair values (see note 15)	(227)	(595)
Total	275	(169)

11 TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

	2018/19	2019/20
	£'000	£'000
Council Tax Income	(6,973)	(7,284)
Non-Domestic Rates income and expenditure	(2,200)	(4,718)
Non-Ringfenced Government Grants (see Note 36)	(2,544)	(3,460)
Capital Grants and Contributions	(10,809)	(7,031)
Total	(22,526)	(22,493)

12 EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2018/19	2019/20
	£'000	£'000
<u>Expenditure/Income</u>		
Expenditure:		
Employee benefits expenses	10,747	10,895
Other services expenses	26,140	24,413
Support service recharges	8,617	9,102
Depreciation, amortisation, impairment	5,029	3,223
Interest payments	39	28
Precepts and levies	958	999
Loss/(Gain) on the disposal of assets	151	(162)
TOTAL EXPENDITURE	51,681	48,498
Income:		
Fees, charges and other service income	(8,291)	(8,725)
Support service recharges	(8,617)	(9,102)
Interest and investment income	(140)	(207)
Income from Council Tax, Non-Domestic Rates etc.	(10,317)	(14,056)
Grants and contributions	(34,311)	(26,408)
TOTAL INCOME	(61,676)	(58,498)
(SURPLUS)/DEFICIT ON THE PROVISION OF SERVICES	(9,995)	(10,000)

13 PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

2019/20	Other Land and Buildings	Vehicles, Plant & Equipment	Community	Infra- Structure	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
at 1 st April 2019	14,122	9,327	5,812	-	12,226	41,487
Additions	30	385	660	-	9,322	10,397
Revaluations to the Revaluation Reserve	1,732	-	-	-	-	1,732
Derecognition - disposals	-	(1,790)	-	-	-	(1,790)
Impairment (losses) / reversals	(12)	-	(248)	-	-	(260)
Other movements in cost or valuation	(1,977)	(88)	(456)	-	-	(2,521)
At 31st March 2020	13,895	7,834	5,768	-	21,548	49,045
Accumulated Depreciation						
at 1 st April 2019	(2,308)	(5,708)	(456)	-	-	(8,472)
Depreciation Charge	(242)	(951)	-	-	-	(1,193)
Derecognition - disposals	-	1,789	-	-	-	1,789
Revaluation Depreciation	405	-	-	-	-	405
Other movements in cost or valuation	1,977	88	456	-	-	2,521
At 31st March 2020	(168)	(4,782)	-	-	-	(4,950)
Net Book Value of Assets						
At 31 st March 2020	13,727	3,052	5,768	-	21,548	44,095
At 31 st March 2019	11,814	3,619	5,356	-	12,226	33,015

Comparatives for 2018/19	Other Land and Buildings	Vehicles, Plant & Equipment	Community	Infra-Structure	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
at 1 st April 2018	15,603	9,810	5,822	-	3,002	34,237
Additions	478	1,604	173	-	9,224	11,479
Revaluations to the Revaluation Reserve	(1,556)	-	(183)	-	-	(1,739)
Derecognition - disposals	(254)	(2,087)	-	-	-	(2,341)
Impairment (losses) / reversals	(149)	-	-	-	-	(149)
Other movements in cost or valuation	-	-	-	-	-	-
At 31st March 2019	14,122	9,327	5,812	-	12,226	41,487
Accumulated Depreciation						
at 1 st April 2018	(3,259)	(7,004)	(456)	-	-	(10,719)
Depreciation Charge	(510)	(762)	-	-	-	(1,272)
Depreciation written out to the Revaluation Reserve	1,461	-	-	-	-	1,461
Derecognition - disposals	-	2,058	-	-	-	2,058
At 31st March 2019	(2,308)	(5,708)	(456)	-	-	(8,472)
Net Book Value of Assets						
At 31 st March 2019	11,814	3,619	5,356	-	12,226	33,015
At 31 st March 2018	12,344	2,806	5,366	-	3,002	23,518

Depreciation Methodologies

Depreciation is charged on a straight line basis on all fixed and intangible assets with a finite useful life. Newly acquired assets are depreciated fully in the year of acquisition in line with the Code. Asset lives range between 15-50 years for operational buildings and 3-10 years for vehicles, plant and equipment.

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

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

Assets Under Construction

This relates to the Coast Protection Scheme at Fairhaven and Church Scar and Fairhaven Adventure Golf.

Capital Commitments

Capital projects often take several years to complete. This means that the Authority is often committed to capital expenditure in later years arising from programmed works at the balance sheet date whereby all or part of the capital work has yet to be undertaken. The estimated value of capital expenditure committed at 31st March 2020 to be paid from 2020/21 onwards is £17.685m and relates to numerous schemes within the approved Capital Programme.

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. The assets were valued by external valuation experts Jacobs Ltd and were subsequently reviewed by the Council's Estates and Asset Manager who is a registered valuer and has appropriate experience and expertise in this type of valuation work. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

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

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

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

	Other Land and Buildings	Vehicles, Plant & Equipment	Community	Infra-Structure	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Carried at Historical Cost	-	3,052	5,768	-	21,548	30,368
Valued at fair value as at:						
31 st March 2020	6,793	-	-	-	-	6,793
31 st March 2019	6,712	-	-	-	-	6,712
31 st March 2018	142	-	-	-	-	142
31 st March 2017	-	-	-	-	-	-
31 st March 2016	80	-	-	-	-	80
Total Cost or Valuation	13,727	3,052	5,768	-	21,548	44,095

14 HERITAGE ASSETS

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

	Art Collection	Memorials & Monuments	Sculptures / Ivories	Trophies & Other Items	Civic Regalia	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
at 1 st April 2018	3,072	80	188	73	375	3,788
Additions	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-
Net Book Value of Assets at 31st March 2019	3,072	80	188	73	375	3,788

Cost or Valuation						
at 1 st April 2019	3,072	80	188	73	375	3,788
Additions	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
Impairment losses / (reversals)	-	-	-	-	-	-
recognised in the Surplus/Deficit on the Provision of Services						
Net Book Value of Assets at 31st March 2020	3,072	80	188	73	375	3,788

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

15 INVESTMENT PROPERTIES

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

	2018/19	2019/20
	£'000	£'000
Rental Income from Investment Property	(407)	(371)
Direct operating expenses arising from investment	219	83
	(188)	(288)
Changes in Fair Value of Investment Properties	(39)	(307)
Net (Gain) / Loss	(227)	(595)

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

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

	2018/19	2019/20
	£'000	£'000
Balance at start of year	3,155	3,194
Net gains /(losses) from fair value adjustments	39	307
Reclassification of Assets	-	-
Balance at end of year	3,194	3,501

Fair Value Hierarchy

All the Council's investment property portfolio has been assessed as Level 3 for valuation purposes (see pages 47-48 for explanation of fair value levels).

Transfers between Levels of the Fair Value Hierarchy

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

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

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

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

Changes in the Valuation Technique

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

Highest and Best Use of Investment Properties

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

Valuer

The investment property portfolio has been valued at 31st March 2020 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by external valuation experts Jacobs Ltd and were subsequently reviewed by the Council's Estates and Asset Manager who is a registered valuer and has appropriate experience and expertise in this type of valuation work.

16 INTANGIBLE ASSETS

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

	2018/19	2019/20
	£'000	£'000
Balance at start of year		
• Gross carrying amounts	547	547
• Accumulated amortisation	(547)	(547)
Net carrying amount at 1st April	-	-
Disposals:		
• Gross carrying amount		(42)
• Accumulated Amortisation	-	42
Net carrying amount at 31st March	-	-
Comprising:		
• Gross carrying amounts	547	505
• Accumulated amortisation	(547)	(505)
	-	-

17 FINANCIAL INSTRUMENTS

(a) Financial Instrument - Balances

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

	Long Term		Current	
	31/03/19	31/03/20	31/03/19	31/03/20
	£'000	£'000	£'000	£'000
Financial Assets				
Investments				
At amortised cost				
Loans and Receivables - Principal	-	-	12,000	12,000
Loans and Receivables – Accrued Interest	-	-	25	47
Total Investments	-	-	12,025	12,047
Cash and Cash Equivalents				
At amortised cost				
Loans and Receivables – Cash (Including bank accounts)	-	-	7,782	11,403
Accrued Interest	-	-	5	3
Total Cash and Cash Equivalents	-	-	7,787	11,406

Debtors				
At amortised cost	2	-	349	352
Total included in Debtors	2	-	349	352
Debtors that are not financial instruments	-	-	2,869	3,539
Total included in Debtors	2	-	3,218	3,891

	Long Term		Current	
	31/03/19	31/03/20	31/03/19	31/03/20
	£'000	£'000		£'000
<u>Financial Liabilities</u>				
Borrowing				
Financial Liabilities at amortised cost - Loans (Principal sum borrowed)	-	-	(1,000)	-
Financial Liabilities at amortised cost - Loans (Accrued Interest)	-	-	(12)	-
Total Borrowing	-	-	(1,012)	-
Creditors				
Financial liabilities at amortised cost	(3,141)	(4,550)	(3,303)	(2,559)
Total included in Creditors	(3,141)	(4,550)	(3,303)	(2,559)
Creditors that are not financial instruments	-	-	(4,051)	(5,528)
Total Creditors	(3,141)	(4,550)	(7,354)	(8,087)

(b). Financial Instrument – Fair Values

Financial Instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated by calculating the present value of the remaining contractual cash flows at 31st March 2020.

Financial instruments classified at amortised cost are carried in the Balance Sheet at fair value. Their values have been estimated by calculating the net present value of the remaining contractual cash flows at the 31st March 2020 using the following methods and assumptions.

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair value of investments have been discounted at the market rate for the similar instruments with similar remaining terms to maturity on the 31 March 2020.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including creditors and debtors, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

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

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

Fair Value Level	31/03/19		31/03/20	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000

Financial Assets held at amortised cost:

Cash & Cash Equivalents	2	7,787	7,787	11,406	11,406
Short-Term Investments - Loans to Local Authorities	2	12,025	12,025	12,047	12,047
Long-Term Debtors		2	2	-	-
Short-Term Debtors		349	349	352	352
Total Financial Assets		20,163	20,163	23,805	23,805

Financial Liabilities held at amortised cost:

Long-term PWLB Loans	2	-	-	-	-
Short-term Creditors		3,303	3,303	2,559	2,559
Long-term Creditors		3,141	3,141	4,550	4,550
Borrowing repayable within 12 months		1,012	1,031	-	-
Total Financial Liabilities		7,456	7,475	7,109	7,109

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

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

(c). Income, Expense, Gains and Losses

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

	2019/20			
	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost	Amortised Cost	Fair Value through Profit & Loss	Total
	£'000	£'000	£'000	£'000
Income				
Interest income	-	177	-	177
Dividend income	-	-	30	30
Interest and Investment Income	-	177	30	207
Expense				
Interest expense	(28)	-	-	(28)
Interest payable and similar charges	(28)	-	-	(28)

	Comparatives for 2018/19			
	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost	Amortised Cost	Fair Value through Profit & Loss	Total
	£'000	£'000	£'000	£'000
Income				
Interest income	-	111	-	111
Dividend income	-	-	29	29
Interest and Investment Income	-	111	29	140
Expense				
Interest expense	(39)	-	-	(39)
Interest payable and similar charges	(39)	-	-	(39)

18 LONG TERM DEBTORS

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

	2018/19	2019/20
	£'000	£'000
Parish Council Interest Free Loan	2	-

19 ASSETS HELD FOR SALE

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

	2018/19	2019/20
	£'000	£'000
Balance outstanding at start of year	550	550
Revaluation losses	-	-
Impairment losses	-	-
Assets Sold	-	-
Balance outstanding at year end	550	550

20 INVENTORIES

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

	2018/19	2019/20
	£'000	£'000
Balance at start of the year	76	84
Purchases	262	251
Recognised as an expense in the year	(259)	(249)
Written (off)/on balances	5	(2)
Balance outstanding at year end	84	84

21 SHORT-TERM DEBTORS

	2018/19	2019/20
	£'000	£'000
Central Government Bodies	499	1,524
Other Local Authorities	1,095	464
NHS Bodies	-	-
Other entities and individuals	1,624	1,903
Total	3,218	3,891

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

- Within Central Government Bodies Housing Benefits Subsidy – In 2018/19 the amount owed to the Department of Work and Pensions was £0.106m, which is contained within the short-term creditors, whereas in 2019/20 the amount outstanding due to the Council is £0.778m.
- Within Other Local Authorities there has been a large reduction in the preceptors share of Council Tax net debtors £0.408m in 2019/20 and £1.037m in 2018/19.
- Within Other Entities In 2019/20 there are some Capital Grants due to the Council £0.326m compared to £0.027m in 2018/19.

22 CASH AND CASH EQUIVALENTS

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

	2018/19	2019/20
	£'000	£'000
Cash held by the Authority	1	1
Bank Current Accounts	7,786	11,405
Term Deposits	-	-
Total	7,787	11,406

23 SHORT-TERM CREDITORS

	2018/19	2019/20
	£'000	£'000
Central Government Bodies	2,499	3,655
Other Local Authorities	960	1,334
Public Corporations and Trading Funds	6	621
Other entities and individuals	3,889	2,477
Total	7,354	8,087

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

- Due to Covid-19, the Government made the decision to pay in advance the 2020/21 Section 31 Grant income for Business Rates of £1.600m.
- Affordable Housing Scheme – the completion creditor £0.460m had been accrued in 2018/19.
- S106 money repayable within one year has reduced to £0.678m in 2019/20 (£1.090m 2018/19).

24 PROVISIONS

NDR Appeals

Balance at 1st April

Additional/(Reduction) in provisions made in year

Balance at 31st March

2018/19	2019/20
£'000	£'000
1,463	1,946
483	(491)
1,946	1,455

NDR Appeals Provision

Due to the localisation of Business Rates, which became effective from the 1st April 2013, the Council has set aside a provision for any potential liabilities as a result of business rate payers' appeals against rateable valuations. The Council is responsible for a 56% share of this liability along with the Ministry of Housing, Communities & Local Government (25%), Lancashire County Council (17.5%) and the Lancashire Fire Authority (1.5%). As at 31st March 2020, the total value of the Provision for Appeals was reduced to £2.599m from £4.865m in 2019/20 with Fylde Council's share of this being £1.455m (2018/19 £1.946m).

25 LONG-TERM CREDITORS

Section 106 Agreements

Total

2018/19	2019/20
£'000	£'000
3,141	4,550
3,141	4,550

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

26 USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement on page 31.

General Fund Balance

Earmarked General Fund Reserves

Capital Receipts Reserve

Capital Grants Unapplied

Total Usable Reserves

2018/19	2019/20
£'000	£'000
3,927	4,272
10,817	11,961
-	-
2,285	168
17,029	16,401

27 UNUSABLE RESERVES

Revaluation Reserve

Capital Adjustment Account

Pensions Reserve

Collection Fund Adjustment Account

Accumulated Absences Account

Total Unusable Reserves

2018/19	2019/20
£'000	£'000
9,189	11,213
25,245	35,383
(26,523)	(24,277)
21	2,273
(36)	(42)
7,896	24,550

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

Revaluation Reserve

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

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

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

	2018/19	2019/20
	£'000	£'000
Balance at 1st April	11,468	9,189
Upward Revaluation of assets	383	2,156
Downward Revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services	(661)	(19)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/(Deficit) on the Provision of Services	(278)	2,137
Difference between fair value depreciation and historic cost depreciation	(445)	(113)
Revaluation adjustments transferred to the Capital Adjustment Account	(1,519)	-
Accumulated gains on assets sold or scrapped	(37)	-
Amounts written off to the Capital Adjustment Account	(2,001)	(113)
Balance as at 31st March	9,189	11,213

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve

	2018/19	2019/20
	£'000	£'000
Balance at 1st April	13,831	25,245
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
• Charges for depreciation and impairment of non-current assets	(1,420)	(1,453)
• Revaluation losses on Property, Plant and Equipment	-	-
• Amortisation of Intangible Assets	-	-
• Amounts of non-current assets written off on disposal or sale as part of the gain/loss in disposal to the Comprehensive Income and Expenditure Statement	(246)	(1)
• Revenue expenditure funded from capital under statute	(3,599)	(1,747)
• De-minimis Capital Expenditure	(9)	(24)
	(5,274)	(3,225)
Adjusting amounts written out of the Revaluation Reserve	1,964	113
Net written out amount of the cost of non-current assets consumed in the year	(3,310)	(3,112)
Capital Financing applied in the year		
• Use of the Capital Receipts Reserve to finance new capital expenditure	195	163
• De-minimis Capital Receipts	-	-
• Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	3,476	631
• Application of grants to capital financing from the Capital Grants Unapplied Account	9,438	10,264
• Statutory provision for the financing of capital investment charged against the General Fund	666	829
• Capital expenditure charged against the General Fund	910	1,056
	14,685	12,943
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	39	307
Balance as at 31st March	25,245	35,383

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2018/19	2019/20
	£'000	£'000
Balance at 1st April	(25,774)	(26,523)
Re-measurements of the net defined benefit liability/asset	1,149	3,889
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,898)	(1,643)
Balance as at 31st March	(26,523)	(24,277)

Collection Fund Adjustment Account

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

	2018/19	2019/20
	£'000	£'000
Balance at 1st April	383	21
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(362)	2,252
Balance as at 31st March	21	2,273

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 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2018/19	2019/20
	£'000	£'000
Balance at 1st April	(33)	(36)
Settlement or cancellation of accrual made at the end of the preceding year	33	36
Amounts accrued at the end of the current year	(36)	(42)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(3)	(6)
Balance as at 31st March	(36)	(42)

28 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items

	2018/19	2019/20
	£'000	£'000
Interest Received	(140)	(207)
Interest Paid	39	28
Total	(101)	(179)

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

	2018/19	2019/20
	£'000	£'000
Depreciation	1,271	1,193
Impairment	149	260
Increase/(Decrease) in Creditors	(883)	1,773
(Increase)/Decrease in Debtors	2,509	(1,324)
(Increase)/Decrease in Inventories	(8)	-
Increase/(Decrease) in Provision for Appeals and Accumulated Absences	486	(485)
Movement in Pension Liability	3,171	2,917
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised and Fair Value movements on investment properties	244	(306)
Total	6,939	4,028

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

	2018/19	2019/20
	£'000	£'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(132)	(163)
Capital Grants included in the net surplus/deficit on the provision of services	(14,408)	(8,778)
Total	(14,540)	(8,941)

29 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2018/19	2019/20
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	(11,479)	(10,397)
Purchase of Short Term Investments	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	132	163
Other receipts from investing activities	14,411	8,780
Net cash flows from investing activities	3,064	(1,454)

30 CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2018/19	2019/20
	£'000	£'000
Other receipts from financing activities	(135)	998
Repayments of short-term and long-term borrowing	-	(1,012)
Net cash flows from financing activities	(135)	(14)

31 TRADING OPERATIONS

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

	2018/19	2019/20
	£'000	£'000
Turnover	(754)	(736)
Expenditure	701	677
Net (Surplus) / Deficit on trading operations for the year	(53)	(59)

The Grounds Maintenance trading operations are incorporated into the Comprehensive Income and Expenditure Statement. In 2019/20, the Grounds Maintenance operations generated a surplus of £59,492 compared with a surplus of £52,683 in 2018/19. In addition to the surpluses shown above, these activities also benefit the Council by providing a positive contribution to corporate support service and service management costs.

32 AGENCY SERVICES

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

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

	2018/19	2019/20
	£'000	£'000
Income (Penalty Charge Notice only)	(49)	(42)
Expenditure	84	87
(Surplus) Deficit	35	45

33 MEMBERS ALLOWANCES

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

	2018/19	2019/20
	£'000	£'000
Allowances	247	247
Expenses	3	15
Total	250	262

34 OFFICERS REMUNERATION AND TERMINATION BENEFITS

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

Title of Post		Remuneration	Expense Allowances	Compensation for Loss of office (Redundancy Payment)	Total Remuneration excl. pension contributions	Pension contributions (Incl. strain/ Augmented costs)	Total Remuneration incl. pension contributions
		£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	2019/20	102	-	-	102	15	117
	2018/19	100	-	-	100	15	115
Director – Resources	2019/20	82	-	-	82	12	94
	2018/19	71	-	-	71	11	82
Director – Development Services	2019/20	71	-	-	71	11	82
	2018/19	70	-	-	70	11	81
Chief Financial Officer	2019/20	67	-	-	67	10	77
	2018/19	66	-	-	66	10	76

The remuneration shown in the table above includes payments for services performed in relation to local District Council by-elections held during 2019/20.

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

Remuneration Bands	2018/19	2019/20
	No.	No.
Main Bands:		
£50,000 - £54,999	1	-
£55,000 - £59,999	-	1
Total	1	1

Exit Packages

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

Exit Package Cost band (incl. special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages by each band	
	2018/19 No.	2019/20 No.	2018/19 No.	2019/20 No.	2018/19 No.	2019/20 No.	2018/19 £'000	2019/20 £'000
£0 – £20,000	-	1	1	-	1	1	20	19
£20,001 - £40,000	-	-	1	1	1	1	30	40
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
	-	1	2	1	2	2		
Total cost included in the Comprehensive Income and Expenditure Statement							50	59

In 2019/20 the authority terminated the contracts of 2 employees, incurring costs of £58,533 (£49,965 in 2018/19).

35 EXTERNAL AUDIT COSTS

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

	2018/19 £'000	2019/20 £'000
Fees payable to external auditor with regard to external audit services carried out by the appointed auditor for the year (2019/20 fees includes £5,000 Variation Fee for 2018/19)	37	42
Rebate received from Public Sector Audit Appointments (PSAA)	-	(4)
Fees payable to external auditor for the certification of grant claims and returns for the year	10	10
Fees payable to the Cabinet Office in respect of the National Fraud Initiative	2	-
Total	49	48

36 GRANT INCOME

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

	2018/19	2019/20
	£'000	£'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant (net of LCTS adjustment)	(47)	-
New Homes Bonus (net of payment to Town and Parish Council's)	(1,284)	(1,343)
Small Business Rate Relief Grant	(1,148)	(2,054)
Transition Grant	-	-
Other	(65)	(64)
Disabled Facility Grant, Town Centre Redevelopment and Economic Regeneration	(3,113)	(1,721)
Capital Grants and Contributions	(11,296)	(7,057)
Total	(16,953)	(12,239)
Credited to Services		
Housing & Council Tax Benefits	(18,310)	(16,102)
Ministry of Housing, Communities & Local Government	(113)	(111)
Other	(148)	(45)
	(18,571)	(16,258)
Total	(35,524)	(28,497)

37 RELATED PARTY TRANSACTIONS

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

(a) Central Government

The UK Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties.

(b) Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. Each Councillor has agreed to be bound by a code of conduct, requiring them to disclose certain personal interests on a register, which is available for public inspection at the Town Hall, Lytham St Annes. These declarations are also accessible on the Council website.

There is one transaction to disclose in relation to 2019/20 relating to a payment of £345 to Councillor Raymond Thomas for the provision of photographic services to the Council.

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

The Council makes a number of Member appointments to outside bodies each year. In relation to the 2019/20 financial year these are detailed in the Council report of 22nd May 2019 which is available on the Council's website.

The Council made a financial contribution to numerous partner organisations during 2019/20, most notably:

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

(c) Senior Council Officers

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

- Director of Resources: Peer officer for the Local Government Association (which involves either delivering training and/or corporate support to other councils) and Schools Advisor (as part of the INSPIRA Group).

(d) Partnership working

During 2019/20 the Council continued to work both formally and informally in partnership with neighbouring authorities. The main partnership operations were as follows:

Lancashire County Council	<ul style="list-style-type: none">• Flood Prevention• Fylde Coast Duty to Co-operate (Planning)
Blackpool Council	<ul style="list-style-type: none">• Payroll services• Human Resources• Health & Safety• Recruitment and Selection• Organisational Development• Occupational Health• Legal support for Blackpool Council Planning Committee• Revenues & Benefits Services• Deputy Monitoring Officer• Coastal Programme Board• Mayor's Attendants• Economic Prosperity Board• Grounds Maintenance - Blackpool Coastal Housing• CCTV System Maintenance• Bathing Water Quality management• Property surveying/maintenance• Fylde Coast Duty to Co-operate Forum (Planning)• Fylde Sand Dunes Project
Lancaster City Council	<ul style="list-style-type: none">• Rough Sleeper Initiative – Rapid Rehousing
Wyre Council	<ul style="list-style-type: none">• Coastal Programme Board• Economic Prosperity Board• CCTV Monitoring Service• Bathing Water Quality management• Health and Wellbeing Partnership• Rough Sleeper Initiative – Rapid Rehousing• Fylde Coast Duty to Co-operate Forum (Planning)
Preston City Council	<ul style="list-style-type: none">• Financial and Treasury Management Support• Corporate Fraud Service• Shared Head of Internal Audit• Parliamentary Elections - Electoral Registration Officer

(e) Other Public Bodies

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

(f) Associated Companies and Joint Venture Partners

Fylde Council has no associated companies or joint venture partners.

(g) Lowther Trust

A Trust board was formed in 2009/10 consisting of 7 Trustees, one being an elected member of Fylde Council. The remaining Trustees were appointed from interested members of the public following an

open application process. Prior to this the Council was the sole Trustee and provided all management and administration resources. From April 2012 a new arrangement between the Council and the Trust saw the transfer of responsibility for all day-to-day management to the Trust with the Council meeting an agreed level of deficit funding over the subsequent five-year period.

(h) Lytham Institute

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

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

(i) Other Partnerships

During most of 2019/20 the Council had an arrangement with the charity Refurb, working as a bulky waste collector, to deliver our chargeable bulky waste collection service. Unfortunately, this arrangement ceased in late March 2020 as the organisation was unable to continue trading due to the Covid-19 lockdown situation. The options for the future delivery of the service will be reviewed during 2020/21.

38 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

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

Capital Financing Requirement	2018/19	2019/20
	£'000	£'000
Opening Capital Financing Requirement	5,727	6,128
Capital Investment		
Property, Plant and Equipment	11,488	10,421
Investment Properties	-	-
Intangible Assets	-	-
Revenue Expenditure Funded from Capital Under Statute	3,599	1,747
Sources of Finance		
Capital Receipts	(195)	(163)
Government Grants and Other Contributions	(12,915)	(10,895)
Sums set aside from Revenue	-	-
Direct Revenue Contributions	(910)	(1,056)
MRP/Loans Fund Principal	(666)	(829)
Closing Capital Financing Requirement	6,128	5,353
Explanation of Movements in Year		
Increase/(Decrease) in underlying need to borrowing (unsupported by government financial assistance)	401	(775)
Increase/(Decrease) in Capital Financing Requirement	401	(775)

39 LEASES

Authority as Lessor

Operating Leases

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

	2018/19	2019/20
	£'000	£'000
Land and Property Leases	407	371

The capital value held within the balance sheet at 31st March 2020 in respect of land and property generating leasehold income is £3.501m (2018/19 £3.194m). The accumulated depreciation charge applicable to these assets reflected in the 2019/20 financial statements is nil.

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

	31 st March 2019	31 st March 2020
	£'000	£'000
Not Later than one year	294	340
Later than one year but not later than 5 years	777	910
Later than 5 years	6,282	6,196
	7,353	7,446

40 IMPAIRMENT LOSSES

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

	31 st March 2019	31 st March 2020
	£'000	£'000
Public Conveniences	-	12
Lytham Institute Building	-	248
Snowdon Road Depot	149	-
	149	260

41 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The authority participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Lancashire County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions relating to Post-employment Benefits

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

Local Government Pension Scheme	2018/19	2019/20
	£'000	£'000
<u>Comprehensive Income and Expenditure Statement</u>		
<i>Cost of Services:</i>		
<i>Service Cost, comprising:</i>		
- Current Service Cost	1,705	1,993
- Past Service Cost	941	389
<i>Other Operating Expenditure</i>		
- Administration expenses	27	35
<i>Financing and Investment Income and Expenditure</i>		
- Net interest expense	603	605
<i>Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	3,276	3,022
<i>Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
- Return on plan assets (excluding the amount included in the net interest expense)	(5,593)	(333)
- Actuarial (gains) and losses arising on changes in financial assumptions	4,444	(3,556)
<i>Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	(1,149)	(3,889)
<u>Movement in Reserves Statement</u>		
- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefit in accordance with the Code	(1,898)	(1,643)
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers' contributions payable to scheme	1,378	1,379

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	2018/19	2019/20
	£'000	£'000
Present Value of the defined benefit obligation	(94,850)	(93,598)
Fair Value of plan assets	69,601	69,321
Net liability arising from defined benefit obligation	(25,249)	(24,277)

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

	2018/19	2019/20
	£'000	£'000
Opening fair value of scheme assets	64,456	69,601
Interest income	1,649	1,644
Re-measurement gain/(loss):		
- The return on plan assets, excluding the amount included in the net interest expense	5,593	333
Administration expenses	(27)	(35)
Contribution from employer	1,378	1,379
Contributions from employees into the scheme	350	379
Benefits paid	(2,525)	(2,706)
Lump sum pre-payment	(1,273)	(1,274)
Closing fair value of scheme assets	69,601	69,321

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

	2018/19	2019/20
	£'000	£'000
Opening Balance at 1 st April	87,683	94,850
Current service cost	1,705	1,993
Past service cost	941	389
Interest cost	2,252	2,249
Contributions from scheme participants	350	379
Re-measurement gain/(loss):		
- Actuarial Experience (gains) and losses	-	1,120
- Actuarial (gains) and losses arising on changes in financial assumptions	4,444	(1,483)
- Actuarial (gains) and losses arising on changes in demographic assumptions	-	(3,193)
Benefits paid	(2,525)	(2,706)
Closing Balance at 31st March	94,850	93,598

Scheme History

	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000
Present Value of the defined benefit obligation	(76,219)	(89,266)	(87,683)	(94,850)	(93,598)
Fair Value of plan assets	52,914	60,654	64,456	69,601	69,321
Surplus/(Deficit) in the Scheme	(23,305)	(28,612)	(23,227)	(25,249)	(24,277)

During 2017/18 the Council made a £2.547m lump sum pre-payment of employer pension contributions in respect of 2018/19 and 2019/20, as detailed in the Narrative Report. The net liability on the pension fund as shown above has therefore been reduced by £1.274m to £24.277m to reflect that element of the pre-payment relating to 2019/20, and this is the figure shown on the balance sheet.

Local Government Pension Scheme assets comprised:

	2018/19	2019/20
	£'000	£'000
Fair value of scheme assets		
Cash:		
• Cash and Cash Equivalents	-	-
• Cash Accounts	355	1,941
• Net current assets	48	(1,178)
Sub-total cash	403	763
Equity instruments:		
By industry type		
• Consumer	-	-
• Manufacturing	-	-
• Energy and utilities	-	-
• Financial institutions	-	-
• Health and Care	-	-
• Information Technology	-	-
• Miscellaneous/Unclassified Total	-	-
Sub-total equity	-	-
Bonds:		
• Corporate	817	1,733
• Government	2,447	-
• Overseas	-	-
Sub-total bonds	3,264	1,733
Property:		
• Retail	1,676	69
• Commercial	4,812	901
• Residential	-	-
Sub-total property	6,488	970
Private Equity:		
• UK	-	-
• Overseas	5,349	5,546
Sub-total private equity	5,349	5,546
Other Investment Funds:		
• Infrastructure	9,839	9,566
• Credit Funds	4,941	10,953
• Pooled Fixed Income	7,571	3,674
• Emerging Markets ETF	-	-
• Indirect Property Funds	1,066	4,922
• UK Pooled Equity Funds	-	-
• Overseas Pooled Equity Funds	30,680	31,194
Sub-total other investment funds	54,097	60,309
Total Assets	69,601	69,321

Basis for Estimating Assets and 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. The Pension Fund liabilities has been assessed by Mercers Ltd, an independent firm of actuaries, estimates for the pension fund being based on the last valuation of the Scheme as at 31st March 2019. The significant assumptions used by the actuary have been:

	31 st March 2019	31 st March 2020
	£'000	£'000
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	22.8 years	22.3 years
- Women	25.5 years	25.0 years
Longevity at 65 for future pensioners (aged 65 in 20 years' time) :		
- Men	25.1 years	23.8 years
- Women	28.2 years	26.8 years
Rate of CPI inflation	2.2	2.1
Rate of increase in salaries	3.7**	3.6
Rate of increase in pensions	2.3	2.2
Rate for discounting scheme liabilities	2.4	2.4

** An adjustment has been made for short term pay restraint in line with the most recent actuarial valuation.

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

	Approximate increase (decrease) in Employee Liabilities
	£'000
Changes in assumptions at 31st March 2020	
0.1%p.a. increase in discount rate	(1,483)
0.1%p.a. increase in inflation	1,507
0.1%p.a. increase in pay growth	179
1 year increase in life expectancy	2,556

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100%. The maximum deficit recovery period for the Fund has been set at 13 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31st 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 31st March 2014 (or service after 31st March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Actuary anticipates that the Authority will pay £1.286m contributions to the scheme in 2020/21.

The weighted average duration of the defined benefit obligation for scheme members is 16 years, 2019/20 (16 years, 2018/19).

Contingent Liabilities:

- **Impact of Covid-19 'Lockdown' Measures** - The national 'lock-down' that was implemented in late March is expected to have a major impact on the Council's financial position for 2020/21, although a range of national funding measures have also been introduced that will assist in off-setting some of those negative financial effects. The financial impact of the lockdown measures, in terms of reduced levels of income and the cost of providing financial assistance to specific local businesses, is being carefully monitored and will be reported within the updated Financial Forecast during 2020/21 as appropriate.
- **Insurance Claims** – As at 31st March 2020, the Council has outstanding insurance claims against it with a reserve amount of £197,941 (18/19, £281,958). However, the Council's liability is limited to the excess on the insurance policy, with the maximum amount payable by the Council on these claims being £5,554 (18/19, £10,563) for revenue items. No adjustments have been made within the Accounts for these revenue items as, at the balance sheet date, it was not known if the claims were or will be successful.
- **Section 106 (s106) Agreements** - S106 of the Town and Country Planning Act 1990 allows a local planning authority to enter in to a legally binding agreement or planning obligation with a landowner in association with the granting of planning permission. The obligation is termed a S106 Agreement and S106 monies received by the Council are used to support the provision of services and infrastructure such as highways, recreational facilities, education, health and affordable housing, which is necessary as part of the development or to mitigate its impact. Such agreements or obligations may lay down conditions that monies must be spent by a specified date and on specified items. If these conditions are not met the monies may have to be returned to the developer and in some cases interest may also be payable. The Council has a number of S106 agreements. The balance of monies held as long-term creditors in respect of those agreements (i.e. those that have more than 12 months to run) is £4.550m, as detailed in Note 25 to this Statement of Accounts. These accounts have been prepared on the basis that no monies are returnable at the balance sheet date as it is the Council's intention to spend the money as required under the agreements rather than repaying it to developers.
- **Accountable Body Status** - The Authority has been appointed Accountable Body status for a number of schemes and projects that are either wholly or partly funded by central government and related agencies. Accountable Bodies have to operate within prescribed regulations giving potential rights for grant to be clawed back if specific output targets are not met by the partner organisations. The total value of the uncompleted projects for which the Council was acting as accountable body as at 31st March 2020 is below £100k. These accounts have been prepared on the basis that none of the grants involved will either be clawed back or withheld as it is the Council's intention to spend the money as required to deliver the projects.
- **Planning Appeals** – There continues to be scope for tension between the need to increase housing supply, as identified by central government, and the aspirations of some local communities. Planning applications for significant housing development which are refused by the Council can generate appeals. The number of potential appeals and the cost of defending them, which may also include the award of costs against the Council on occasion, cannot accurately be assessed in advance. Any costs incurred beyond the budgeted level will be dealt with via updates to the Council's Medium Term Financial Strategy. It is anticipated that any necessary additional financial resources in respect of planning appeals would be identified from within existing approved budgets and consequently there would be no impact on the Council's overall budget requirement.
- **Sand Yachting Club, St Annes** - The Council is in dispute with the tenant of the Sand Yachting Club in St Annes over an alleged breach of covenant. Currently the case is stayed under Practice Direction 55D. An agreement has been reached in principle with the sub-tenant and a without prejudice offer to settle has been made to tenant. Whilst efforts are continuing to seek a mutually acceptable solution it is likely that legal costs may be incurred during 2020/21.
- **Business Rates (National Non-Domestic Rates-NNDR) Appeals** - The Council has made a provision for NNDR Appeals based upon its best estimates of the actual liability as at the year-end in known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future

impact on the accounts. The total value of the Provision for Appeals has been decreased to £2.599m from £4.865m in 2019/20 with Fylde Council's share of this being £1.455m (2018/19 £1.946m). It is anticipated that this level of provision is sufficient to meet the full cost of outstanding appeals.

- **St Annes Neighbourhood Plan** - A statutory challenge was received against the making of the St Annes Neighbourhood Plan. The Council successfully resisted the challenge in the High Court and Court of Appeal on a preliminary point concerning the timing of the challenge. Permission has been granted to the maker of the challenge to appeal to the Supreme Court. The appeal is expected to be heard in the spring of 2021. If the appeal is successful the Council will incur further legal costs and may also have to meet the cost of holding a second local referendum on the St Annes Neighbourhood Plan.

Contingent Assets:

- **Housing Stock Transfer - Right to Buy (RTB) Sharing Arrangements** - Following the transfer of housing stock from the Council, New Fylde Housing (now Progress Housing Group) has agreed to share RTB receipts, calculated according to the formula as set out in the transfer agreement of 2nd October 2000. This arrangement will terminate at the end of the financial year 2029/30, on 31st March 2030. The amount the Council receives in any given year is dependent on prevailing market conditions. During 2019/20 the Council received capital receipts in respect of RTB sales in the sum of £36k (2018/19, £27k). Receipts of this nature in future years are expected to be at an average of £25k per annum but will vary from year-to-year.

43 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

(i) Key Risks

The Council complies with the CIPFA Code of Practice on the Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

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

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

The main risks covered are:

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

(ii) Credit Risk

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

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. The full investment strategy for 2019/20 was approved by Council on the 5 March 2019 and is available on the Council's website.

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

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

Amounts Arising from Expected Credit Losses

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

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

Credit Rating	Long Term 31/03/20	Short Term 31/03/20	Long Term 31/03/19	Short Term 31/03/19
	£'000	£'000	£'000	£'000
A+	-	-	-	2,004
Aa3 – Rated Local Authorities	-	2,008	-	-
Unrated Local Authorities	-	10,039	-	10,021
Total Investments	-	12,047	-	12,025

At 31 March 2020, there were no loss allowances related to treasury investments.

Credit Risk Debtors

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

	As at 31 st March 2020	Historical experience of default	Adjustment for market conditions at 31/03/20	Estimated maximum exposure to default	Estimated maximum exposure At 31/03/19
	£'000	%	%	£'000	£'000
	a	b	c	a * c	
Debtors	412	20.06%	20.06%	83	90

The Council does not generally allow credit for its trade debtors. Of the £0.412m (£0.453m 2018/19) outstanding for debtors, £0.269m (£0.317m 2018/19) is overdue. The overdue but not impaired amount (impaired amount £0.060m 2019/20) can be analysed by age as follows:

	2018/19	2019/20
	£'000	£'000
Less than three months	133	190
Three months to one year	51	10
More than one year	29	9
	213	209

(iii) Liquidity risk

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

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

The maturity analysis of financial liabilities is as follows:

	2018/19	2019/20
	£'000	£'000
Less than one year	4,315	2,559
Between one and two years	52	-
Between two and five years	1,115	1,009
Between five and ten years	427	739
More than ten years	1,547	2,802
	<u>7,456</u>	<u>7,109</u>

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

The maturity analysis of financial assets is as follows:

	2018/19	2019/20
	£'000	£'000
Less than one year	20,161	23,805
Between one and two years	2	-
Between two and three years	-	-
More than three years	-	-
	<u>20,163</u>	<u>23,805</u>

(iv) Market risk

(a) Interest rate risk – The Council has limited exposure to interest rate movements on its borrowings and investments. Borrowings are not carried at “Fair Value” on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income & Expenditure Statement. However, changes in interest receivable on investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance.

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

	2018/19	2019/20
	£'000	£'000
Increase in interest receivable on investments	227	266
Impact on Comprehensive Income and Expenditure Account	<u>227</u>	<u>266</u>
Decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive Income & Expenditure Statement)	(10)	-

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

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

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

(c) Foreign exchange risk – The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

44 LANCASHIRE BUSINESS RATES POOLING ARRANGEMENTS

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

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

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

A comparison of the business rates income allocations in 2018/19 and 2019/20 are shown in the table below:

	2018/19	2019/20
District Authorities	40%	56%
Lancashire County Council	9%	17.5%
Lancashire Combined Fire Authority	1%	1.5%
Local Share	50%	75%
Central Government	50%	25%
Total	100%	100%
Unitary Authorities	49%	73.5%

Lancashire Business Rates Pilot Pool Members 2019/20	Authority Type	Tariffs and Top-Ups in Respect of 2019/20 £	Total Growth above Baseline Under 75% Scheme £	Additional Retained Growth above that under the 50% Scheme £
Blackburn with Darwen Unitary Authority	Top-Up	-27,209,155	6,290,545	2,096,849
Blackpool Unitary Authority	Top-Up	-27,136,666	965,342	321,780
Burnley Borough Council	Tariff	8,389,841	3,894,421	1,112,691
Chorley Borough Council	Tariff	10,116,103	2,888,454	825,273
Fylde Borough Council	Tariff	11,921,669	3,971,482	1,134,710
Hyndburn Borough Council	Tariff	5,350,206	644,806	184,230
Pendle Borough Council	Tariff	5,125,168	2,363,324	675,236
Preston Borough Council	Tariff	27,181,715	1,627,197	464,913
Ribble Valley Borough Council	Tariff	6,364,376	2,331,874	666,250
Rossendale Borough Council	Tariff	4,595,868	1,820,769	520,220
South Ribble Borough Council	Tariff	15,149,823	4,667,725	1,333,636
West Lancashire Borough Council	Tariff	13,287,104	2,905,817	830,233
Wyre Borough Council	Tariff	10,760,888	2,011,984	574,853
Lancashire County Council	Top-Up	-164,645,542	9,362,315	4,448,284
Lancashire Combined Fire Authority	Top-Up	-17,656,850	957,163	311,393
Central Government	-	118,405,452	-	-
Total		0	46,703,218	15,500,551

In 2019/20 the governance arrangements for the pilot pool were approved such that any retained growth above that which would have been received under the previous 50% scheme was to be split on the following basis:

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

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

Lancashire Business Rates Pilot Pool Members 2019/20	Additional Retained Growth above that under the 50% Scheme £	5% Due to Risk Resilience Reserve £	25% Due to Strategic Economic Growth and Financial Sustainability Fund £
Blackburn with Darwen Unitary Authority	2,096,849	104,842	524,212
Blackpool Unitary Authority	321,780	16,089	80,445
Burnley Borough Council	1,112,691	55,635	278,173
Chorley Borough Council	825,273	41,264	206,318
Fylde Borough Council	1,134,710	56,736	283,678
Hyndburn Borough Council	184,230	9,212	46,058
Pendle Borough Council	675,236	33,762	168,809
Preston Borough Council	464,913	23,246	116,228
Ribble Valley Borough Council	666,250	33,313	166,563
Rossendale Borough Council	520,220	26,011	130,055
South Ribble Borough Council	1,333,636	66,682	333,409
West Lancashire Borough Council	830,233	41,512	207,558
Wyre Borough Council	574,853	28,743	143,713
Lancashire County Council	4,448,284	222,414	1,112,071
Lancashire Combined Fire Authority	311,393	15,570	77,848
Total	15,500,551	775,028	3,875,138

During the year an advance request for use of the Strategic Economic Growth and Financial Sustainability Fund was considered and agreed by the Governing Body in respect of expenditure to be incurred by Lancashire County Council in the creation of the Greater Lancashire Plan. This was to be capped at £400,000.

At a later point in the year, and in light of the Covid-19 pandemic financial pressures, it was decided by the Governing Body that the expenditure on the Great Lancashire Plan would instead only be funded up to the £50,000 that had been defrayed at that point. It was also agreed that all authorities would retain any remaining balance on the Strategic Economic Growth and Financial Sustainability Fund to help them meet their own financial resilience pressures under the pandemic.

In accordance with the Memorandum of Understanding for the Pilot Pool, the Risk Resilience Reserve would be retained by each Pool member, unless it was evidenced at the end of the financial year through the completion of the NNDR3 returns that such funds were needed.

The outturn position showed that the Risk Resilience Reserve was not needed and that the only payment due to the Strategic Economic Growth and Financial Sustainability Fund was the £50,000 in total towards the Greater Lancashire Plan. The overall position is shown in the table below:

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

As part of the pool arrangements, one authority must be designated as lead authority, which in the case of the Lancashire Business Rates Pilot Pool is Ribble Valley Borough Council. As part of this arrangement a fee of £30,000 is payable, charged equally to all members of the pool by Ribble Valley Borough Council in their role as lead.

COLLECTION FUND

2018/19			Notes	2019/20		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£'000	£'000	£'000		£'000	£'000	£'000
			INCOME:-			
(53,626)	-	(53,626)	Council Tax Receivable	(57,045)	-	(57,045)
-	(26,771)	(26,771)	Business Rates Receivable	-	(26,834)	(26,834)
-	-	-	Transitional Protection Payments receivable	-	-	-
(53,626)	(26,771)	(80,397)		(57,045)	(26,834)	(83,879)
			EXPENDITURE:-			
			Apportionment of Previous Years Surplus/(Deficit)			
-	400	400	Central Government	-	(361)	(361)
(186)	72	(114)	Lancashire County Council	(43)	(65)	(108)
(25)	-	(25)	Police and Crime Commissioner for Lancashire	(6)	-	(6)
(10)	8	(2)	Lancashire Combined Fire Authority	(2)	(7)	(9)
(35)	320	285	Fylde Council	(8)	(289)	(297)
			Precepts, Demands and Shares			
-	12,491	12,491	Central Government	-	6,239	6,239
6,956	9,993	16,949	Fylde Council	7,211	13,975	21,186
38,525	2,248	40,773	Lancashire County Council	40,489	4,367	44,856
5,279	-	5,279	Police and Crime Commissioner for Lancashire	6,057	-	6,057
2,007	250	2,257	Lancashire Combined Fire Authority	2,089	374	2,463
			Charges to Collection Fund			
577	258	835	Write offs of uncollectable amounts	297	117	414
155	(132)	23	Increase/(Decrease) in Bad Debt Provision	334	172	506
-	1,209	1,209	Increase/(Decrease) in Appeals Provision	-	(2,266)	(2,266)
-	113	113	Cost of Collection	-	111	111
-	419	419	Transitional Protection Payments payable	-	87	87
			Disregarded Amounts			
-	25	25	Shale Gas	-	26	26
-	57	57	Renewable Energy	-	56	56
53,243	27,731	80,974		56,418	22,536	78,954
(383)	960	577	(Surplus)/Deficit arising during the Year	(627)	(4,298)	(4,925)
149	(531)	(382)	(Surplus)/Deficit brought forward at 1st April	(234)	429	195
(234)	429	195	(Surplus)/Deficit carried forward at 31st March	(861)	(3,869)	(4,730)

NOTES TO THE COLLECTION FUND

1) ALLOCATION OF COLLECTION FUND BALANCES

2018/19		2019/20		
		Council Tax	Business Rates	Total
£'000		£'000	£'000	£'000
	Allocation of Collection Fund Balances			
142	Fylde Council	(111)	(2,120)	(2,231)
214	Central Government	-	(1,040)	(1,040)
(130)	Lancashire County Council	(624)	(652)	(1,276)
(26)	Police and Crime Commissioner for Lancashire	(94)	-	(94)
(5)	Lancashire Combined Fire Authority	(32)	(57)	(89)
195		(861)	(3,869)	(4,730)

2) COUNCIL TAX BASE

The Council Tax base for 2019/20 was calculated as follows:-

Property Band	Chargeable Dwellings	Band Multiplier	Relevant Amount
Additional Band (Disabled)	13	5/9	7
Band A	4,090	6/9	2,727
Band B	4,596	7/9	3,575
Band C	7,250	8/9	6,444
Band D	6,111	9/9	6,111
Band E	4,413	11/9	5,394
Band F	2,375	13/9	3,431
Band G	1,435	15/9	2,392
Band H	110	18/9	220
Other Adjustments	145	-	145
Total Relevant Amount			30,446
Multiplied by: Estimated Collection Rate			98.25%
			29,913
Add: Other Adjustments			155
Council Tax Base			30,068

A Band D Council Tax was set at £1,779.33, split £1,346.59 for Lancashire County Council, £161.81 for Fylde Council, £201.45 for the Police and Crime Commissioner for Lancashire and £69.48 for Lancashire Combined Fire Authority. Council Tax-payers in St Annes and Lytham also paid a Special Expenses charge at Band D of £75.92 whilst Parish and Town Councils agreed additional Council Tax charges of between £18.08 and £92.49 at Band D level.

3) TOWN AND PARISH PRECEPTS

	2018/19	2019/20
	£	£
Bryning-with-Warton	99,481	105,575
Elswick	31,170	29,382
Freckleton	103,590	103,749
Greenhalgh-with-Thistleton	5,185	5,700
Kirkham	207,273	214,299
Little Eccleston-with-Larbreck	10,794	11,514
Medlar-with-Wesham	61,865	64,000
Newton-with-Clifton	55,163	65,495
Ribby-with-Wrea	54,073	57,632
Singleton	19,443	19,462
Staining	61,373	62,366
St.Annes	207,965	217,537
Treales, Roseacre and Wharles	11,060	11,061
Weeton-with-Preese	16,504	18,000
Westby-with-Plumpton	12,800	13,271
	<u>957,739</u>	<u>999,043</u>

4) NON-DOMESTIC RATE (NDR)

	2018/19	2019/20
NDR Rateable Value as at 31 st March	£66,924,141	£66,982,217
NDR Multiplier	0.493	0.504
NDR Multiplier (Small Business)	0.480	0.491



Annual Governance Statement 2019/20

Executive Summary

Based on the work carried out, which has been reviewed by the Audit and Standards Committee, we are satisfied that the Governance Framework is generally effective. We propose over the coming year to address the matters contained in the statement below to further enhance our governance arrangements and to prepare for change. We are satisfied that these actions will address the need for improvements that were identified in our review and will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Fylde Borough Council

Councillor K Buckley
Leader of the Council 2020/21

Allan Oldfield
Chief Executive

Councillor S Fazackerley
Leader of the Council 2019/20

Governance Issues

As a result of the assessment of the effectiveness of governance within the Council, the Corporate Governance Group has identified that a sound system of governance exists within the Authority.

During 2020/21, the Corporate Governance Group recommends that governance work should focus on the following:

Area Requiring Action	Senior Responsible Officer	Completion Date
Implement actions contained within the Member/Officer Relations Action Plan: (following the LGA review undertaken in 2019/20) namely:		
Review the Member Induction Pack	Lyndsey Lacey-Simone (Member Services)	30 th April 2020 (Completed)
Deliver training and support for all Chairmen, including the Mayor, covering procedural best practice as well as managing behaviours	Tracy Manning (Director of Resources)	31 March 2021
Consider revised Code of Conduct drafted by the Local Government Association and bring forward a report for consideration by the Audit and Standards Committee/Council	Tracy Manning (Director of Resources)	31 March 2021
Sign-off of revised Risk Management Strategy	Dawn Highton (Shared Head of Internal Audit)	23 July 2020
Continue to embed Project, Partnership, Operational risks using GRACE	All managers	31 March 2021
Delivery of risk management training	Dawn Highton (Shared Head of Internal Audit)	31 st October 2020
Cyber security – education awareness for service users (employees and elected members)	Ross McKelvie (IT Manager) Lyndsey Lacey-Simone (Member Services)	30 th September 2020
Review Code of Corporate Governance (Local Code)	Tracy Manning	31 st October 2020
Procurement Strategy and associated policies review	Ben McCabe (Procurement Officer)	30 November 2020
Project Management Framework – Compliance Guidance for Managers	Alex Scrivens (Corporate Services)	31 st December 2020
GDPR – updating of key policies and procedures in relation to GDPR and the provision of support and awareness raising	Ian Curtis (DPO) and Ben McCabe (Deputy DPO)	31 December 2020

to assist managers in meeting their compliance obligations		
Actions recommended by Planning Advisory Service		
Provide briefings on the Complaints Procedure and provide conflict resolution and customer care training for officers involved in complaint handling	Alex Scrivens (Corporate Team)	28 th February 2021
Consider a Planning Peer Review to provide a targeted review of the Planning Service	Paul Walker (Director of Development Services)	31 st December 2020
Raise awareness of probity policies through team briefs (on-going throughout the year)	Tracy Manning in consultation with the Corporate Governance Group	31 st March 2021
Core Competencies Review 'Fylde 2024' initiative	Kirstine Riding (Housing Manager)	31 March 2021
Actions as a result of Covid-19:		
To consider the longer-term implications of agile working with a view to re-setting the culture and behaviours of the council	Alex Scrivens (Corporate Team)	31 st March 2021

Scope of responsibility

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

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

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

The seven core principles are:



Principle A: Integrity and values

- Staying true to our strong ethical values and standards of conduct
- Respecting the rule of law
- Creating a culture where statutory officers and other key post holders are able to fulfil their responsibilities
- Ensuring fraud, corruption and abuse of position are dealt with effectively
- Ensuring a safe environment to raise concerns and learning from our mistakes



Principle D: Making a difference

- Having a clear vision and strategy setting out our intended outcome for citizens and service users



Principle E: Capability

- Clear roles and responsibilities for council leadership
- Maintaining a development programme that allows councillors and officers to gain the skills and knowledge they need to perform well in their roles
- Evaluating councillor and officers' performance
- Regular oversight of performance, compliments and complaints to enable results (outcomes) to be measured and enable learning



Principle B: Openness and engagement

- Keeping relevant information open to the public and continuing their involvement
- Consultation feedback from the public is used to support service and budget decision
- Providing clear rationale for decision making - being explicit about risk, impact and benefits
- Constructively challenging what we do and the decisions made



Principle F: Managing risk and performance

- Ensuring that effective risk management and performance systems are in place, and that these are integrated in our business systems / service units
- Having well developed assurance arrangements in place - including any commercial activities
- Having an effective Audit & Standards Committee
- Effective counter fraud commitments in place



Principle C: Working together

- Having a clear vision and strategy to achieve intended outcomes - making the best use of resources and providing value for money
- Being clear about expectations - working effectively together within the resources available
- Developing constructive relationships with stakeholders
- Having strong priority planning and performance management processes in place
- Taking an active and planned approach to consult with the public
- Regularly consult with employees and their representatives



Principle G: Transparency & accountability

- Having rigorous and transparent decision making processes in place
- Maintaining an effective scrutiny process
- Publishing up to date and good quality information on our activities and decisions
- Maintaining an effective internal and external audit function

Each local authority is required to conduct a review at least once a year on the effectiveness of the system of internal control and include a statement on such a review within its published Statement of Accounts. This annual governance statement is the culmination of this work and provides commentary on the 2019/20 municipal year.

The purpose of the governance framework

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

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The governance framework has been in place at the Fylde Borough Council for the municipal year ended 31 March 2020 and up to the date of approval of the annual report and statement of accounts.

The governance environment

Principles

In 2017, the Council adopted a code of corporate governance ("the Code") and recognises that effective governance is achieved through the core principles enshrined in it as outlined above. This framework establishes that the authority should ensure to keep under review the effectiveness of their governance arrangements and whether standards are being attained.

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

Constitution

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

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

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

The Monitoring Officer has a standing obligation to keep the operation of the constitution under review and recommend any changes to help better achieve its objectives. More substantive changes are undertaken at three-yearly intervals and this review was completed in 2019/20 with changes being considered and approved by the Council.

Political structure

The Council operates a committee system, following a referendum held in May 2014, which resulted in a vote in favour of the Council moving from an executive form of governance to a committee system.

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

As a result of the change in governance system, the Council now operates a committee system with decision-making delegated to the Council's committees. There is a mechanism in place for decisions to be referred to the Council. The Council's committees comprise Finance and Democracy, Tourism and Leisure, Environment Health and Housing, Operational Management, Planning, Licensing, Public Protection and a combined Audit and Standards Committees. There is also a cross-party Member Development Steering Group which considers and recommends personal development and general training opportunities for elected members together with the well-being of elected members in the wider context. These various member groups have met several times each throughout the course of the year

to discharge the business of the Council. A joint committee is also established with Blackpool and Wyre Councils to discharge economic development functions, within the context of the Council's overall policy framework.

The Council is engaged in other partnerships and these arrangements are subject to review on an on-going basis, for example, the Council's partnership with the Fylde Citizens Advice Bureau.

Although no longer a constituent member of the Lancashire Combined Authority or the Shadow Combined Authority throughout the course of the year, the council remains committed to working with all the Lancashire authorities to establish alternative options for working together on strategic regional initiatives. At the latter end of the municipal year discussions began to take place on the prospect of the two-tier local government system in Lancashire being replaced by unitary governance and the council has kept a watching brief on these developments.

Meetings of the committees are open to the public, except where personal or confidential matters may be disclosed. Public platform allows members of the public to make a point or raise a question during Programme Committee meetings, Council together with the Planning Committee. Members of the Council who are not members of the respective committees can ask questions at committee meetings. This helps ensure robust accountability of decisions. Members of the public also have the facility to ask a question at Council meetings by pre-registering to do so. These arrangements have proved effective throughout the year with members of the public taking the opportunity to use these various means of communication.

The Council has no scrutiny committee/committees in place; however, the committee system provides opportunity for scrutiny of its processes and policies and there is the ability to refer items to the council for reconsideration.

All the Council's work is aligned to its corporate priorities through its committee system. All reports identify how they align to one of the five priorities: value for money; clean and green, vibrant economy, great place to live and great place to visit. Work began on reviewing the corporate priorities and plan during the year.

The Council's Audit and Standards Committee deals with conduct, ethics, propriety and declarations of interest. It also oversees and determines complaints made against members under the Code of Conduct. The Council has access to a number of 'independent persons' who assist in upholding high standards. These individuals have worked closely with the Monitoring Officer throughout the year to ensure that high standards of behaviour are maintained. The council agreed several good practice measures with respect to its standards framework during the year to strengthen arrangements.

The Audit and Standards Committee is a point of reference for the Monitoring Officer who investigates or arranges for the investigation of any allegations of misconduct in accordance with agreed procedures and statutory regulations. The Monitoring Officer has reported to the Audit and Standards Committee during the year.

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

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

All out local elections were held in May 2019, with no change in political leadership of the council as a result.

Officer structure

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

The Chief Executive

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

Monitoring Officer

The Council has designated its Director of Resources as Monitoring Officer. The Monitoring Officer must ensure compliance with established policies, procedures, laws and regulations. She must report to the full Council or one of the Council's Committees as appropriate if she considers that any proposal, decision or omission would give rise to

unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. No such reports have arisen during the 2019/20 financial year. Blackpool Council's Monitoring Officer acts as Deputy Monitoring Officer for the Council, supporting the Monitoring Officer in her role. There are reciprocal arrangements for investigating standards matters across both these Council's Monitoring Officers. The Head of Governance also supports ethical framework arrangements.

Chief Financial Officer

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

Both statutory officers referred to above have unfettered access to information, to the Chief Executive and to councillors so they can discharge their responsibilities effectively. The functions of these officers and their roles are clearly set out in the Council's Constitution. In particular, the role of the Chief Financial Officer accords with the principles set out in the CIPFA Statement on the Role of the Chief Financial Officer. A protocol establishes the nature and role of the Monitoring Officer.

Management Team

Two directors report to the Chief Executive and form the authority's management team together with six Heads of Service for the authority, one of whom is the Section 151 Officer. The Management Team assists the Chief Executive with the strategic and overall management of the organisation. The Constitution makes it responsible for overseeing and co-ordinating the management, performance and strategic priorities of the authority within the agreed policy framework and budget. Each member of the management team takes lead responsibility for major elements of the authority's business.

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

Head of Governance

Internal Audit

The Council maintains an independent Internal Audit Service, which operates within the principles set out within the Public Sector Internal Audit Standards (PSIAS). These standards were set by several internal audit standard setters who established a series of standards known as PSIAS and adopted with effect from 1 April 2013.

Corporate Governance Group

A Corporate Governance Group has been established to co-ordinate the receipt and actioning of reports from the various sources of audit and inspection. The group also is responsible to the Audit and Standards Committee and Management Team and to compile, maintain and monitor the Code.

Operational

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

The financial management of the Authority is conducted in accordance with the Financial Regulations set out in Appendix 4 of the Constitution. The Council has in place a Medium-Term Financial Strategy, updated annually, to support the aims of the Corporate Plan.

The Council ensures continuous improvement in the economy, efficiency and effectiveness of services through the annual service and financial planning process. All services are reviewed annually through the service planning process to ensure that they meet the needs of customers and that performance targets for quality improvements are set and monitored. The Medium-Term Financial Strategy includes targets for efficiency savings where appropriate, to be met across all service areas.

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

A robust process of financial monitoring is in place. Budgets are regularly reviewed; the regularity and depth of attention is linked to the risks associated with each budget area. The financial position of the Council is reported on a regular

basis to the Management Team, to the Council's Committees, and to full Council. Closer monitoring and appropriate action are taken where there is an indication of a likely variance against budget.

In 2016, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) updated its best practice guidance on delivering good governance. As a result, during the year, the council adopted of Code of Corporate Governance which outlined several behaviours and actions which underpinned the supporting principles. This document should be read in parallel with that evidential baseline.

The Council's has adopted a Corporate Risk Management Strategy, which incorporates the identification and management of existing risks to the achievement of corporate objectives in accordance with recognised standards of control assurance. A Corporate Risk Register is in place and is monitored and reviewed, combined with action planning for risks identified. Appropriate employees have been trained in the assessment, management and monitoring of risks. A corporate Risk Management Group (RMG) has been established to assist with the management of strategic risks.

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

Internal Audit has provided its annual report to provide an independent and objective opinion on the effectiveness and operation of the internal control framework noting control levels to be moderate. Whilst some reports have been issued during the year with limited assurance, steps are being taken to address the issues arising.

The Council has an objective and professional relationship with government agencies and statutory inspectors. During the year, an action plan was developed in response to the findings of the Local Government Association on its review of member-officer relations.

The Council was inspected by the Investigatory Powers Commissioners Office (an on-site inspection) in February of 2020, and as a result our systems were noted to be satisfactory and there were no adverse comments.

The Planning Advisory Service has also assisted the council with an investigation of a complaint during the year with respect to the Planning Service, and likewise reported on its findings.

During the autumn of 2019, the council was the subject of an investigation by the Marine Management Organisation into its sand winning operations with the outcome of this investigation due to be concluded in 20/21.

Council services are delivered by trained and experienced people. Posts have a detailed job description and person specification and training needs are identified through the Personal Development Appraisal Scheme. In addition, the Council has comprehensive policies and procedures in place, which provide the framework for the operation of its services and ensure that its actions and decisions are undertaken within the framework of effective internal control. The authority also has a set of core competencies which outline the expected behaviours of employees.

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

The Authority is committed to working in partnership with public private and voluntary sector organisations where this will enhance its ability to achieve its identified aims.

Covid-19

On 3 March 2020 the first meeting was held of the Lancashire Resilience Forum to agree a Lancashire-wide response to the emerging health crisis. This resulted in the Lancashire Resilience Forum establishing a command structure for Lancashire for the crisis which has several themes including intelligence and advice, warning and informing, test and trace, adult social care, logistics, death management, business continuity, human aspects, educations and early years and faith. The Council's senior managers played a lead role within each respective area ensuring that a local response was put in place.

This involved mobilising the council's workforce to begin to move from 'business as usual activity' to emerging new priorities such as the humanitarian response through the establishment of a Community Hub through to a system of administering grants to the business community. Whilst the financial year was nearing an end by the time this work was instigated, much was achieved by year-end including the establishment of a Community Hub, which was established to support those on the NHS shielding list and the vulnerable.

The council provided sound leadership during the crisis with the ability to move resources around to ensure that it had the capacity to respond. Teams whose usual work had ceased were moved into new areas of activity, with much achieved through agile working. For example, a dedicated call centre for the Community Hub was operated remotely by staff working from home with the necessary IT solutions put into place to enable this. This was operated not only in usual business hours, but also during the evenings and weekends.

The council was also particularly fleet of foot, by in mid-March, having agreed an approach to how decision-making would take place during the crisis. At the Special Council meeting delegated powers were given to the Chief Executive, Directors and Heads of Service to take decisions, in consultation with leading members, during the crisis. This meant that the council was able to respond to issues far in advance of the eventual enabling legislation introduced by Central Government with followed several weeks later.

Review of effectiveness

The Council supplements the mandatory external audit judgements by assessing itself against the good practice elsewhere. This, together with the Council's own performance management framework, provides the evidence needed to ensure a culture of continuous performance improvement. The Council also conducts satisfaction surveys of both residents and employees to use as a further gauge to measure success.

Inherent within the review of internal control arrangements is the need to assess the extent of compliance with statutory requirements and the Authority's rules and regulations, which includes not only its Financial and Contract Procedure Rules but also its Scheme of Delegation, and Codes of Conduct. In addition, the Head of Internal Audit is required to, in accordance with the Public Sector Internal Audit Standards, to produce an annual report to provide an overall opinion on the adequacy and effectiveness of the authority's framework of control, risk management and governance to evaluate the effectiveness. For the year 19/20, moderate assurance was provided based upon the work undertaken by the Internal Audit Service throughout the year and external assurance providers. Whilst some reports have been issued during the year with limited assurance, steps are being taken to address the issues arising.

Fylde Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The Corporate Governance Group, which comprises the Monitoring Officer and Director of Resources, Section 151 Officer, Head of Governance and the Head of Internal Audit, has been given the responsibility to annually review the corporate governance framework and to report to Audit and Standards Committee on the adequacy and effectiveness of the Code and the extent of compliance with it and its work is referenced above.

During 2019/20, the Audit and Standards Committee kept under review how issues identified in the previous annual governance statement had been resolved. Two actions remain outstanding due to the interruption caused to business due to the Covid-19 pandemic and as a result have been translated into this year's action plan.

The review of effectiveness is informed by the work of the Directors and the respective Heads of Service within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Group also receives assurance statements on an annual basis covering each of the Council's service heads which asks the managers to evaluate compliance with key corporate procedures. The Corporate Governance Group reviews these statements made by the respective Service Heads taken together with external assurance sources such as the external auditor's Annual Audit Letter and its ISA 260 report to those charged with governance.

Internal Audit has carried out an annual programme of reviews as approved by the Audit and Standards Committee. The managers of the services and functions reviewed have each agreed actions and priorities arising from the review and the achievement of those actions is monitored on an ongoing basis by the Authority's Internal Audit service.

The Strategic Risk Management Group meets regularly to review achievement of control measures in relation to strategic risks identified in the annual risk identification exercise. In addition, Internal Audit carries out an annual review of the risk management framework in accordance with the terms of the Risk Management Policy.

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

GLOSSARY OF ACCOUNTING TERMS

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

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

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

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

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

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

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

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

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

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	26 NOVEMBER 2020	7
MANAGEMENT REPRESENTATION LETTER 2019/20			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

- Following the conclusion of the audit of accounts the Council is required to provide the external auditor, in the case of Fylde Council for 2019/20 this is Deloitte LLP, with a statement confirming that the Council has acted properly and with due regard to appropriate regulations and guidance in the preparation of financial statements and that all material items have been disclosed to the auditors and all reasonable measures taken to minimise fraud and error. This statement is referred to as the 'Management Representation Letter'. The letter showing the full detail of the statement is attached at Appendix A to this report.
- Once agreed the Management Representation Letter must be signed on behalf of the Authority by the Chief Financial Officer and by the Member presiding at the meeting of the Audit and Standards Committee (the Chair or Vice-Chair), that being the body delegated by Council to consider and approve the Statement of Accounts in line with the Accounts and Audit Regulations 2015. The signed Management Representation Letter will then be provided to Deloitte.

RECOMMENDATION

- The Audit and Standards Committee is recommended to agree that the Management Representation Letter be signed by the Chief Financial Officer and by the Member presiding at the meeting of the Audit and Standards Committee (the Chair or Vice-Chair) and is then provided to Deloitte.

SUMMARY OF PREVIOUS DECISIONS

There are no previous decisions relating to the Management Representation Letter for 2019/20.

CORPORATE PRIORITIES

Economy – To create a vibrant and healthy economy	✓
Environment – To deliver services customers expect	✓
Efficiency – By spending money in the most efficient way	✓
Tourism – To create a great place to live and visit	✓

REPORT

To consider the Management Representation Letter for 2019/20 which is attached at Appendix A to this report.

IMPLICATIONS	
Finance	There are no financial implications arising from the recommendations contained in this report.
Legal	Completion of the Management Representation Letter for 2019/20 is required by the council's external auditors Deloitte as part of the audit of accounts process. This ultimately ensures that the Council is able to approve the Statement of Accounts in line with the Accounts and Audit Regulations 2015, as amended.
Community Safety	None arising from this report
Human Rights and Equalities	None arising from this report
Sustainability and Environmental Impact	None arising from this report
Health & Safety and Risk Management	None arising from this report

LEAD AUTHOR	CONTACT DETAILS	DATE
Paul O'Donoghue Chief Financial Officer	01253 658566	November 2020

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
None		

Attached documents

Appendix 1 – Management Representation Letter 2019/20



Deloitte LLP
2 Hardman Street
Manchester
M3 3HF

Our Ref:

Your Ref: PH/JS/2020

Please Ask For: Paul O'Donoghue

Telephone: 01253 658566

Email: paul.o'donoghue@fylde.gov.uk

Date: 30 November 2020

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Fylde Borough Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of Fylde Borough Council as of 31 March 2020 and of the results of its operations, other comprehensive income and expenditure, and its cash flows for the year then ended in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

We confirm, to the best of our knowledge and beliefs, the following representations:

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the UK (the Code) and which give a true and fair view.
2. We have provided you with all relevant information and access in line with the Code of Audit Practice. We acknowledge our responsibilities for the design, implementation and operation of internal control to prevent and detect fraud and error.
3. Significant assumptions used by us in making accounting estimates, including those measured at fair value and assessing the impact of Covid-19 on the Council, are reasonable.
4. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 "Related party disclosures".
5. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
6. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements and disclosure deficiencies is detailed in the appendix to this letter.
7. We confirm that the financial statements have been prepared on the going concern basis. We are not

aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Council's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.

8. We have considered the valuation of the Council's Property, Plant and Equipment, and are not aware of any circumstances indicating volatility in asset values requiring a revaluation of the entire estate in the current year.
9. With respect to the revaluation of properties in accordance with the Code:
 - a) the measurement processes used are appropriate and have been applied consistently, including related assumptions and models;
 - b) the assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity where relevant to the accounting estimates and disclosures;
 - c) the disclosures are complete and appropriate.
 - d) there have been no subsequent events that require adjustment to the valuations and disclosures included in the financial statements.
10. To the best of our knowledge and belief the Council holds title to all Property, Plant and Equipment included in its balance sheet at 31 March 2020.
11. We confirm that:
 - a) all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
 - b) all settlements and curtailments have been identified and properly accounted for;
 - c) all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
 - d) the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the Council's best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
 - e) the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
 - f) the amounts included in the financial statements derived from the work of the actuary are appropriate.

Information provided

12. We have provided you with all relevant information and access.
13. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
14. We acknowledge our responsibilities for the design, implementation and maintenance of internal control

to prevent and detect fraud and error.

15. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
16. We are not aware of any fraud or suspected fraud that affects the entity and involves:
 - (i) management;
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements.
17. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
18. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements.
19. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
20. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework. No other claims in connection with litigation have been or are expected to be received.
21. We acknowledge that the CIPFA code requires us to revalue all investment properties annually unless we are satisfied the carrying value is not materially different from the fair value at the reporting date. We have considered the carrying value of investment properties not revalued in the year and are satisfied this is the case.
22. We confirm that:
 - (i) we consider that the entity has appropriate processes to prevent and identify any cyber breaches other than those that are clearly inconsequential; and
 - (ii) we have disclosed to you all cyber breaches of which we are aware that have resulted in more than inconsequential unauthorised access of data, applications, services, networks and/or devices.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Cllr John Singleton JP

Chair of the Audit and Standards Committee

Date

Paul O'Donoghue

Chief Financial Officer

Date

Appendix 1

Schedule of Uncorrected Misstatements

Description	Surplus on provision	Assets	Liabilities	OCI/ Reserves
	of services	DR / (CR)	DR / (CR)	DR / (CR)
	DR / (CR) £k	£k	£k	£k
Asset double counted on revaluation (£73k factual error extrapolated to £115k)		(115)		115
“Goodwin” impact on pension liability			(249)	249

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
CHIEF FINANCIAL OFFICER	AUDIT AND STANDARDS COMMITTEE	26 NOVEMBER 2020	8
MID YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING REPORT 2020/21			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

This report is a mid-year Prudential Indicators and Treasury Management monitoring report which has been prepared in line with the recommendations of CIPFA's (Chartered Institute of Public Finance Accountants) Code of Practice on Treasury Management. The report will also be presented for consideration at the Council meeting of 7th December 2020.

RECOMMENDATIONS

The committee are recommended to:

1. Scrutinise the Mid-Year Prudential Indicators and Treasury Management monitoring report;
2. Recommend to Council that the Prudential Indicators and the Investment Limits as shown at Appendix B of this report be approved; and
3. Recommend to Council that the limit for investment funds placed in each Money Market Fund to be increased from £2m to £3m and that the overall limit in respect of Money Market Funds be removed.

SUMMARY OF PREVIOUS DECISIONS

Council approved the 2019/20 to 2023/24 Capital Strategy, which incorporated the Prudential Indicators, at its meeting on 4th March 2020.

CORPORATE PRIORITIES	
Economy – To create a vibrant and healthy economy	✓
Environment – To deliver services customers expect	✓
Efficiency – By spending money in the most efficient way	✓
Tourism – To create a great place to live and visit	✓

MID YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING REPORT 2020/21 – POSITION AS AT 30th SEPTEMBER 2020

Report

The Code of Practice on Treasury Management requires the Council to receive a Mid-Year Treasury Review report in addition to the forward-looking Annual Capital Strategy and the backward-looking Annual Treasury Report. The Code of Practice also requires Members to scrutinise the Treasury Management function.

Background

The Mid-Year Treasury Review report has been prepared in compliance with the Code of Practice. In order to assist with the terminology and explanations that are included within this report Appendix A sets out a Glossary of Treasury Terms and a number of Treasury Management and Prudential Indicators Frequently Asked Questions. Appendix B sets out the latest Treasury Management position compared to the forecast Prudential Indicators.

1. Economic Update

1.1 Economic Background

- 1.1.1 The spread of the coronavirus pandemic dominated the period as countries around the world tried to manage the delicate balancing act of containing transmission of the virus while easing lockdown measures and getting their populations and economies working again.
- 1.1.2 The Bank of England maintained the Bank Base Rate at 0.1%. The potential use of negative interest rates was not ruled in or out by the Bank of England policymakers.
- 1.1.3 GDP growth contracted by 19.8% in the quarter to June 2020 according to the Office for National Statistics. Construction fell by 35% over the quarter, services output by almost 20% and production by 16%. Recent monthly estimates of GDP have shown growth recovering.
- 1.1.4 The headline rate of UK Consumer Price Inflation (CPI) fell to 0.2% in August, below the Bank of England's 2% target. Labour market data showed the unemployment rate increased in July to 4.1% while wages fell by 1%. The unemployment rate is expected to increase in the coming months when the government furlough scheme ends. The Bank of England has forecast unemployment could hit a peak of between 8% and 9%.

1.2 Economic Outlook

- 1.2.1 The medium-term global economic outlook is weak. Coronavirus has not been suppressed and second waves have prompted more restrictive measures on a regional and national basis. The global central bank and government responses have been significant and in many cases are ongoing. Brexit is a further complication with a trade deal looking difficult as the government tried to pass the Internal Market Bill which could override the agreed Brexit deal, potentially breaking international law

1.3 Interest Rate Forecast

- 1.3.1 The latest forecast for interest rates from the Council's Treasury Advisors, Arlingclose, is shown in Table 1 below. Bank rate is expected to remain at a low level for a very long time with a possibility of being cut to zero. Longer term yields will also remain depressed with the potential for even lower rates.

Table 1: Interest Rate Forecast from Arlingclose

Quarter Ending	Bank Rate %	Investment Rates %		Borrowing Rates %		
		3 month	5 year	5 year	20 year	50 year
Dec 2020	0.10	0.10	0.00	1.80	2.40	2.30
Mar 2021	0.10	0.10	0.00	1.80	2.40	2.30
Jun 2021	0.10	0.15	0.05	1.85	2.40	2.30
Sep 2021	0.10	0.20	0.10	1.90	2.45	2.30
Dec 2021	0.10	0.20	0.15	1.95	2.45	2.35
Mar 2022	0.10	0.20	0.15	1.95	2.45	2.35
Jun 2022	0.10	0.20	0.20	2.00	2.50	2.40
Sep 2022	0.10	0.20	0.20	2.00	2.50	2.40
Dec 2022	0.10	0.20	0.25	2.05	2.55	2.45
Mar 2023	0.10	0.20	0.25	2.05	2.55	2.45
Jun 2023	0.10	0.20	0.25	2.05	2.55	2.45
Sep 2023	0.10	0.20	0.25	2.05	2.55	2.45
Dec 2023	0.10	0.20	0.25	2.05	2.55	2.45

2. Regulatory Updates

- 2.1 The 2017 Prudential Code includes a requirement for local authorities to produce a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Authority's Capital Strategy complying with the CIPFA's requirement, was approved by full Council on the 4th March 2020.

3. Debt Management

- 3.1 The Council currently holds no external debt.
- 3.2 The Council's underlying need to borrow is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts. For 2020/21 the Council has a £5.4m Capital Financing Requirement (CFR) based on prudential borrowing for past and current capital expenditure that has been approved as part of the Capital Programme (See Appendix B Table 2). Currently this is being funded by the Council's cash flow, i.e. internal borrowing, and it is expected that internal borrowing will continue to be used for the rest of the financial year in line with advice from the Council's Treasury Advisors.
- 3.3 The use of internal resources in lieu of borrowing, i.e. internal borrowing, has continued to be the most cost-effective means of funding capital expenditure. Using internal borrowing lowers the overall treasury risk by reducing both external debt and temporary investments. However, this position may not be sustainable over the longer term. Consequently, external borrowing options and the timing of such borrowing will continue to be assessed in consultation with the Council's Treasury Advisors.

4. Investments

4.1 Treasury Investment Activity

- 4.1.1 The Council holds significant invested funds, representing income received in advance of expenditure, monies held on behalf of the Council Tax and Business Rates Collection Fund (Lancashire County Council, the Police and Crime Commissioner for Lancashire and Lancashire Combined Fire Authority) plus balances and reserves held.
- 4.1.2 The Council held £26.6m of cash and investments as at 30th September 2020. The balance of cash is likely to reduce during the remainder of the financial year.

- 4.1.3 Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk or return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 4.1.4 Given the increasing risk and low returns from short-term unsecured bank investments, the Authority has continued to invest in Local Authority loans with a maximum duration of 365 days.
- 4.1.5 The security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in the Investment Strategy for 2020/21 approved by Council on 4th March 2020.
- 4.1.6 The Council defines "high credit quality" organisations as:
- those having a credit rating of A- or higher and that are domiciled in the UK for deposits of up to one year,
 - those domiciled in a foreign country those with a sovereign rating of AA+ or higher for deposits of up to one year.

These criteria are specified within table 3 (Approved Investment Counterparties and limits) of the Treasury Management Strategy as approved by the Council on 4th March 2020.

- 4.1.7 On the 1st April the Council received central government funding of £21.7m to support small and medium businesses during the coronavirus pandemic through grant schemes. This money was temporarily held in the Debt Management Office and Money Market Funds until it was disbursed to qualifying businesses under the scheme criteria.
- 4.1.8 There has been continued downward pressure on the returns of short duration investments. The returns on some Money Market Funds are zero and on the 25th September 2020 the returns on overnight investments with the Debt Management Office became negative.
- 4.1.9 Internally managed funds of £29.5m (average for the period to 30th September 2020) have been invested in deposit accounts, call accounts, Local Authorities, Money Market Funds and the Debt Management Office during the first half of the year. The council's cash flow has fluctuated significantly during the first half of the year, due largely to the timings of receipts and payments in respect of the Government Covid Business Support Scheme monies. To allow sufficient flexibility to manage temporarily high cash balances it is recommended that the individual limit for each Money Market Fund is increased from £2m to £3m, and that the overall limit for monies held in Money Market Funds (which currently stands at £12m) is removed. This is in line with the advice from Arlingclose. Money Market Funds are highly diversified and liquid investments and achieve a higher counterparty rating than individual banks.
- 4.1.10 Deposits have been made at an average rate of 0.35%, considerably above the benchmark return (based on the 7 day LIBID - The London Interbank Bid rate) of -0.50%. This has been achieved in the main by investments in other Local Authorities that were placed before the Pandemic began. The Council's original estimate for investment income for 2020/21 was £108.5k. Income from investments has been lower than the forecast amount due to downward returns on short duration investments. Consequently this income budget has been reviewed and will be reduced to £65.5k to reflect the current level of income, representing a decrease in forecast interest earnings for the current year of £43k.

4.2 Readiness for Brexit

- 4.2.1 The scheduled date for the UK to leave the European Union currently remains as 31st December 2020 and negotiations to secure a post-Brexit trade deal with the rest of the EU are continuing. As the scheduled Brexit date approaches the Council will ensure that it has sufficient accounts with UK-domiciled banks and Money Market Funds to hold sufficient liquidity and that its account with the Debt Management Account Deposit Facility (DMADF) also remains available for use.

5. Compliance

- 5.1 The Chief Financial Officer reports that all treasury management activities undertaken during the half year complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy.
- 5.2 Details of the Prudential Indicators can be found in Appendix B. As changes arise during the year some of the Prudential Indicators and Limits need to be revised.

6. Risk Assessment

- 6.1 Scrutiny of the revised Prudential Indicators and Limits and the subsequent recommendation of approval to the revisions by Audit and Standards Committee to Council helps to protect the Council from the risk of not having adequate liquidity or funding for the Council's capital plans.
- 6.2 Additionally, if this scrutiny process were absent the Council would not be compliant with the Council's approved Treasury Management Practices (as detailed in the Council Constitution) or CIPFA's Code of Practice on Treasury Management.

7. Conclusion

- 7.1 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during the first half of 2020/21. As indicated in this report, all of the Prudential Indicators have been complied with and a prudent approach has been taking in relation to investment activity with priority being given to security and liquidity over yield.

IMPLICATIONS	
Finance	Financial implications are contained within the body of the report.
Legal	This report secures the continued compliance with the Council's approved Treasury Management Practices (as detailed in the Council Constitution) and CIPFA's Code of Practice on Treasury Management.
Community Safety	None
Human Rights and Equalities	None
Sustainability and Environmental Impact	None
Health & Safety and Risk Management	None

LEAD AUTHOR	CONTACT DETAILS	DATE
Paul O'Donoghue Chief Financial Officer	01253 658586	November 2020

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Medium Term Financial Strategy Update Including General Fund, Capital Programme & Treasury 2019/20 – 2023/24	Council meeting 4th March 2020	www.fylde.gov.uk

Attached documents

1. Appendix A – Glossary of Treasury Terms and Treasury Management and Prudential Indicators Frequently Asked Questions
2. Appendix B – Prudential Indicators
3. Appendix C – Existing Investment and Debt Portfolio Summary

Glossary of Treasury Terms

Term	Description
Counterparty	Another party to an agreement.
Credit rating	A measure of the credit worthiness of an institution, corporation, or a country. Credit ratings are calculated from financial history and current assets and liabilities. Typically, a credit rating tells a lender or investor the probability of the counterparty being able to pay back a loan.
Liquidity	As assessment of how readily available an investment is. It is safer to invest in liquid assets because it is easier for an investor to get their money out of the investment.
Minimum Revenue Provision (MRP)	The minimum amount that the Council must charge to the revenue accounts each year in order to reflect the notional costs of financing capital expenditure.
Security	As assessment of the creditworthiness of a counterparty.
Treasury adviser	External consultancy firms that provide information to local authorities, including information regarding counterparty creditworthiness.
Prudential Borrowing	Borrowing that is not funded via the Revenue Support Grant or other grant aid system but rather from the Council's own resources, this is conditional that prudence is demonstrated.

Treasury Management and Prudential Indicators Frequently Asked Questions**1. What is the difference between capital expenditure and capital financing requirement?**

Capital Expenditure is defined as expenditure on the acquisition, creation or enhancement of tangible fixed assets, subject to a de minimis level of £10,000. It includes expenditure on land, buildings and vehicles.

The Capital Financing Requirement (CFR) is the level of total funding that is required to fund the capital programme. The actual level of external borrowing may be lower than the CFR as a consequence of the use of internal borrowing. Internal Borrowing occurs when the Council temporarily uses its own cash resources to finance capital expenditure rather than arranging new external borrowing. This is a prudent approach when investment returns are low and counterparty risk is high.

2. What does the term 'financing' mean?

The term 'financing' does not refer to the payment of cash but the resources that will be applied to ensure that the capital payment amount is dealt with over the longer term. A number of financing options are available to Councils:-

- capital receipts (e.g. sale of land or buildings)
- contribution from revenue expenditure
- capital grant
- contribution from a third party
- borrowing
- contribution from earmarked reserves

3. Does the Council link long term loans to particular capital assets/projects?

The Council does not directly associate loans with particular capital assets/projects, as this is not best practice. The Council will, at any point in time, have a number of cash flows both positive and negative and will be managing its position in terms of its borrowings and investments in accordance with its treasury management strategy and practices. This is best practice in line with the CIPFA Prudential Code.

4. What does the term 'net borrowing should not exceed the total of the CFR' mean?

Net borrowing will remain below the CFR to ensure that the Council is only borrowing for a capital purpose. The Council is permitted to borrow in advance for a capital purpose over the medium term. The term 'total of the CFR' is the CFR of the current year plus increases in the CFR of the previous financial year and next two financial years. In other words, the total of the Council's existing assets, plus additions to assets resulting from forecast Capital Programme expenditure, e.g. vehicles. This gives the Council some headroom to borrow early for a capital purpose in order to secure low interest rates.

5. Is the cash that is being managed in-house revenue or capital?

The short term surplus cash that is managed during the year in house may be revenue or capital, e.g. the Council may receive a capital receipt in April but capital expenditure is incurred throughout the year which gives rise to increased cash balances in the early part of the financial year which is invested short term by the in house treasury team. The Council receives Council Tax which is classed as revenue income. Council Tax income is typically received in the months of April to January as the majority of Council Tax payers make 10 instalments. Therefore, the Council has less cash in the months of February and March and may need to borrow cash short-term in line with the cash flow forecast.

6. What does the Council invest in?

The Council is restricted in where it can invest its surplus funds. The restrictions are prescribed by statute (Local Government Act 2003 section 12(1) (b)). Councils are also required to have regard to supplementary investment guidance provided by the Communities and Local Government.

The Council's investments are typically short term, i.e. less than a year, and are made in sterling with institutions with high credit ratings. This is in accordance with the Treasury Management Strategy approved on the 4th March 2020.

7. What is the role of internal and external auditors in respect of treasury management?

The focus of external auditors work is a Council's annual accounts and the financial management systems and processes that underpin them. The external audit will enquire as to whether the Treasury Management Code has been adopted and whether its principles and recommendations have been implemented and adhered to.

Through a process of review, the role of Internal Audit is to provide an opinion of the adequacy, application and reliability of the key internal controls put in place by management to ensure that the identified risks are sufficiently mitigated. This will assist Treasury Management in meeting its desired objectives and help to ensure that the risk of fraud and/or error is minimised. Internal Audit will also look to identify other areas of potential risk which could usefully be included as well as any inefficiencies in existing processes and procedures where improvements can be made. Treasury Management is one of the core financial systems and as such is audited on a cyclical basis.

8. What are the qualifications of Council staff involved in treasury management practices?

Staff are either working towards or have achieved professional accountancy qualifications from CIPFA (Chartered Institute of Public Finance Accountants), ACCA (Association of Chartered Certified Accountants) or CIMA (Chartered Institute of Management Accountants). Staff work closely with the Council's Treasury Management Advisors and attend regular treasury training and updates (provided by the Treasury Management Advisors).

Prudential Indicators

1.1 Capital Expenditure

Table 1 shows the revised forecast capital expenditure as reported in the latest Capital Programme Monitoring Report 2020/21 as compared to the capital expenditure originally approved by Council.

Table 1: Forecast Capital Expenditure

Forecast Capital Expenditure	2020/21 Original Indicator £M	2020/21 Latest Estimate £M
Total	8.1	10.7

The above table shows the forecast capital expenditure for 2020/21. The increase in the latest estimate is a consequence of slippage from 2019/20 into 2020/21, the re-phasing of a number of schemes and new schemes that have been approved since the Budget Council meeting of March 2020.

1.2 Capital Financing Requirement (CFR)

Table 2 shows the CFR which is the total of all of the Council's capital assets (existing and planned) less all of the Council's capital reserves. This is the amount of capital expenditure that the Council has still to finance. The CFR is normally funded by external borrowing but currently is being funded by the Council's cash flow, i.e. internal borrowing, and it is expected that internal borrowing will continue to be used for the rest of the financial year in line with advice from the Council's Treasury Advisors. The Council has no existing borrowing therefore there is a requirement to finance £5.4m from internal cash resources as described in section 3 of the report.

Table 2: Capital Financing Requirement (CFR)

	2020/21 Original Indicator £M	2020/21 Latest Estimate £M
Total CFR	5.5	5.4

The latest estimate of the CFR is in line with the original approved indicator.

1.3 Gross Debt and Capital Finance Requirement

The Council needs to ensure that its total capital borrowing does not, except in the short term, exceed the total of the CFR. Table 3 below shows that the Council will be able to comply with this requirement.

There are no difficulties anticipated in keeping the long term capital borrowing below the CFR.

Table 3: Gross Debt and Capital Finance Requirement

As at 31/03/2020	2020/21 Original Indicator £M	2020/21 Latest Estimate £M
Estimated Long Term Borrowing	0	0
Capital Financing Requirement	5.5	5.4

The Council is forecast to be able to fund the capital borrowing requirement with internal borrowing and does not expect to require new external borrowing during 2020/21, in line with advice from Treasury Advisors.

1.4 Authorised Limit and Operational Boundary for External Debt

Affordable Borrowing Limit: The Council is legally obliged to set an affordable borrowing limit (also termed 'Authorised Limit' for external debt) each year. In line with statutory guidance, a lower 'Operational Boundary' is also required to be set as a warning level should debt approach the limit. This is detailed in table 4.

The Operational Boundary is based on the maximum external debt during the course of the year. It is not a limit and therefore may be exceeded on occasion.

The Authorised Limit for external debt represents the limit beyond which borrowing is prohibited, and is set and revised by Council. It reflects the level of borrowing which, in extreme circumstances, could be afforded in the short term. This is a statutory limit which should not be breached.

There were no breaches to the Authorised Limit and the Operational Boundary to 30th September 2020.

Table 4: Authorised Limit and Operational Boundary for External Debt

	2020/21 Original Indicator £M	2020/21 Latest Estimate £M
Authorised Limit – total external debt	8.0	6.0
Operational boundary	2.0	0

Note

1. The Authorised Limit and Operational Boundary have reduced as a consequence of there being no requirement to borrow in the short-term for day to day cash flow. The Council is able to fund the capital borrowing requirement with internal borrowing and does not expect to require new external borrowing during 2020/21.

2. The Authorised Limit includes £6.0m for 'contingency' which is an amount that has been estimated to provide scope to undertake short-term borrowing in the event of a service delivery failure or emergency, e.g. a failure to collect council tax income.

1.5 Forecast Treasury Position

Table 5 shows the expected balances for investments and debt at 31st March 2020.

Table 5: Forecast Treasury Position

	2020/21 Estimate £M	2020/21 Revised £M
Debt (Long-Term External Borrowing)	0	0
Investments	12.1	18.1

The Council has not undertaken any new external long-term borrowing as it is funding capital expenditure with internal borrowing (see Section 3 of the report).

The forecast investments position has been updated to reflect the latest changes to the movements in reserves, provisions and capital expenditure. The increase in the level of investments at the 31st March from £12.1m to £18.1m is a consequence of the forecast timing of daily cash flows.

1.6 Proportion of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the financing costs (Minimum Revenue Provision (MRP) plus interest payable less interest receivable) as a percentage of the net revenue stream as shown in Table 6.

Table 6: Ratio of Financing Costs to Net Revenue Stream

	2020/21 Estimate £M	2020/21 Revised £M
Financing costs (£m)	0.705	0.678
Proportion of net revenue stream	6.0%	5.8%

The latest estimate is lower than the original estimate due to a reduction in the forecast Minimum Revenue Provision (MRP) for 2020/21 as a result of the re-phasing of fleet purchases, the full effect of which is partially offset by the reduction in interest receivable from investments.

1.7 Investments over 365 days

This limit is set to ensure adequate liquidity and is the maximum amount of funds the Council will invest longer term.

Table 7: Investments over 365 days

	2020/21 Estimate £M	2020/21 Revised £M
Limit for investments over 365 days	5.0	0

Existing Investment & Debt Portfolio Position at 30.09.20

	30.09.209 Actual Portfolio £m	30.09.20 Average Rate %
External Borrowing:		
Public Works Loan Board	0	-
Total External Borrowing	0	
Treasury investments:		
<u>Short Term</u>		
Banks - unsecured	(4.6)	0
Local Authorities	(14.0)	0.46
Money Market Funds	(8.0)	0.04
Total Treasury Investments	(26.6)	
Net Borrowing / (Lending)	(26.6)	

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
SHARED HEAD OF INTERNAL AUDIT	AUDIT AND STANDARDS COMMITTEE	26 NOVEMBER 2020	9
INTERNAL AUDIT PLAN 2020-21 – REVISED APPROACH			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

In July 2020, the Audit and Standards Committee approved the Revised Internal Audit Plan 2020. At that time the plan was based upon the audits it was anticipated would be achievable in order to be able to produce an audit opinion as required by the Public Sector Internal Audit Standards. However, since July it has become increasingly apparent that due to the continuing demands placed on the authority and its officers by the pandemic and by the Lancashire Resilience Forum, that it will not be possible to complete all of the audits in the plan.

There is, however a requirement placed upon Internal Audit to complete sufficient work to be able to provide an opinion as required by the Public Sector Internal Audit Standards on the adequacy and effectiveness of the Council's framework of governance, risk management and control.

This report contains details of the revised approach that Internal Audit are proposing to take to be able to provide this opinion without placing additional demands on officers. The suggested approach has been considered by both the Corporate Governance Group and Corporate Management Team which are both in support of the proposal given the unprecedented circumstances and challenges presented by the pandemic.

RECOMMENDATIONS

That the Committee approves the approach to be taken by the Internal Audit Service in order to be able to provide an opinion for the financial year 20/21.

SUMMARY OF PREVIOUS DECISIONS

<https://fylde.cmis.uk.com/fylde/MeetingsCalendar/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1149/Committee/23/Default.aspx>

CORPORATE PRIORITIES	
Economy – To create a vibrant and healthy economy	✓
Environment – To deliver services customers expect	✓
Efficiency – By spending money in the most efficient way	✓
Tourism – To create a great place to live and visit	✓

BACKGROUND

1. The terms of reference of the Audit & Standards Committee include the wording: “To approve the risk-based internal audit plan, including resource requirements and the approach to using other sources of assurances and any work required to place reliance upon those other sources”.
2. Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) (CIPFA 2013) Professional standards for Internal Audit in local government specify that “The Chief Audit Executive (the Head of Internal Audit) must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals.”
3. The standards also specify that “The risk-based plan must take into account the requirement to produce an annual internal audit opinion. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organizational objectives and priorities.
4. The Audit and Standards Committee approved a Revised Audit Plan 20/21 at the meeting in July 2020. At that time the plan was based upon the audits it was anticipated would be achievable in order to be able to produce an audit opinion as required by the Public Sector Internal Audit Standards. As members will recall, the Internal Audit Service was re-deployed during the first two quarters of 20/21 to assist with the administration of the Business Support Grants.

20 /21 AUDIT PLAN – REVISED APPROACH

5. The 2020/21 Internal Audit Plan contains a total of 10 routine reviews. It is however becoming increasingly apparent that officers in many parts of the council’s organisation are unable to devote sufficient time to the audit process due to the increased demands placed upon them by the COVID pandemic and the work required by the Lancashire Resilience Forum. Appendix A contains the 20/21 Audit Plan and at this stage, we are in the following position:
 - 2 reviews are in progress and will be completed:
 - 5 reviews have been delayed to quarter 4
 - 3 reviews have been deferred to 21/22.
6. Whilst reviews have been delayed to quarter 4, it remains uncertain at this time whether a further deferral request will be received.
7. As a result of the current situation and in order to be able to provide an audit opinion at the end of 20/21, we are proposing to take a revised approach to obtaining assurance without placing unsustainable additional demands on officers.
8. The Public Sector Internal Audit Standards contains the following requirement:

Does the risk-based plan include an adequately developed approach to using other sources of assurance and any work that may be required to place reliance upon those sources?

The CAE should generally share information and coordinate activities with other internal and external providers of assurance and consulting services. They may also carry out an assurance mapping exercise, or make use of assurance mapping carried out by other assurance providers

Whilst we meet this requirement by identifying sources of assurance during each individual audit review and forming a view on its effectiveness, we are now proposing to undertake a detailed assurance mapping exercise, identifying the sources of assurance for the Council’s key processes.

9. To do this we will be using the three lines model as shown at **Appendix B**.
10. It is the intention that over the coming months, we will complete the assurance mapping exercise, taking into account all sources of assurance by either management, external providers or by other assurance providers and towards the latter stages of quarter 4, agree our findings with the relevant managers in order to be able to provide a summary report to the Directors and the Audit and Standards Committee.
11. By adopting this flexible and agile approach, we will be in a position to provide an Audit opinion whilst at the same time, be able to support the Council if required with the administration of further business grants and /

or be able to revert back to routine audits if the situation stabilizes during quarter 4.

12. The Internal Audit opinion for 20/21 will therefore be based upon the following:

- Audit work completed during 20/21 including residual work from 19/20
- Consultancy reviews
- Business Support Grants post assurance work
- The assurance mapping exercise
- Progress made with the implementation of agreed actions.

The suggested approach has been considered by both the Corporate Governance Group and Corporate Management Team which are in support of the proposal given the unprecedented circumstances and challenges presented by the pandemic.

13. Any uncompleted reviews contained within the Audit Plan for 20/21 will be taken into consideration when we undertake the risk assessment for the compilation of the 21/22 Internal Audit Plan.

IMPLICATIONS	
Finance	None arising from this report
Legal	There are no legal implications arising from this report, however the provision of an Internal Audit Service is a requirement of the Accounts and Audit Regulations 2015.
Community Safety	None arising from this report
Human Rights and Equalities	None arising from this report
Sustainability and Environmental Impact	None arising from this report
Health & Safety and Risk Management	There are no Health and Safety implications arising from this report.

LEAD AUTHOR	CONTACT DETAILS	DATE
Dawn Highton	Dawn.highton@fylde.gov.uk Tel 01253 658413	21 st October 20

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Internal Audit Risk Assessment	11 th Feb 2020	Internal Audit Office, Town Hall

Attached documents

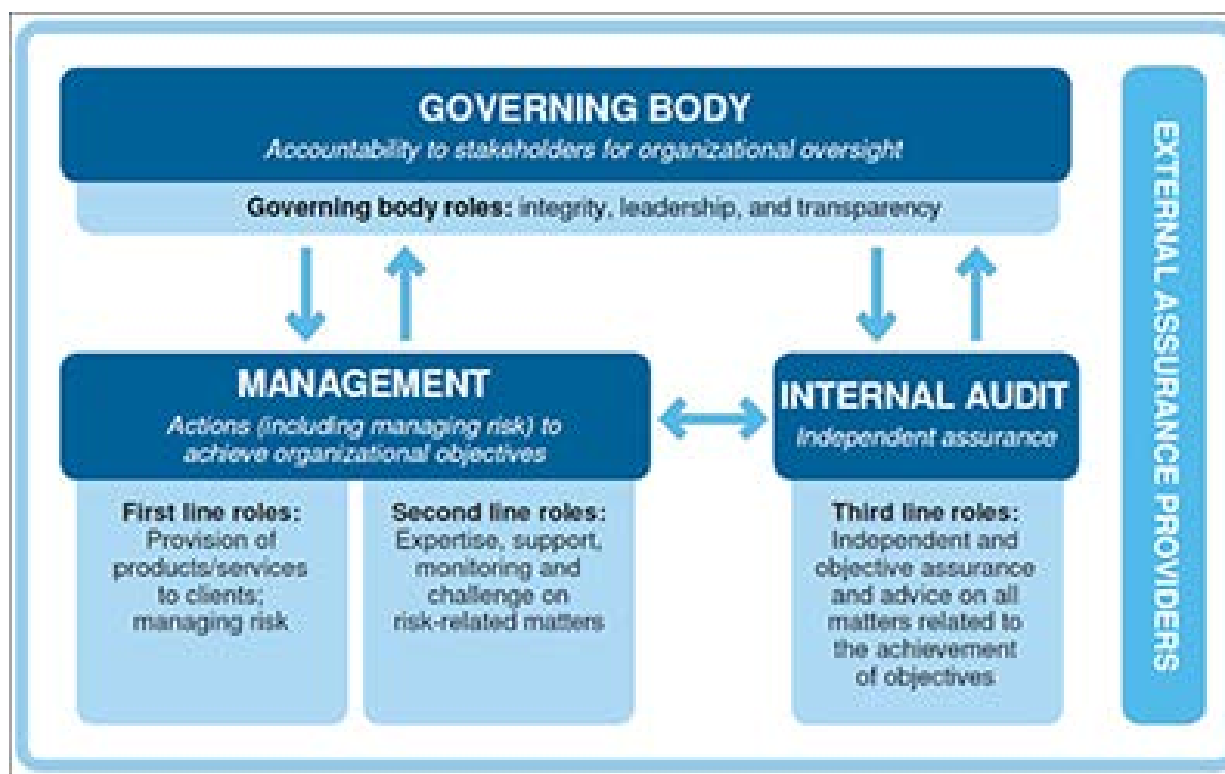
Appendix A – Internal Audit Plan

Appendix B – Three lines model

Internal Audit Plan 20/21

FYLDE COUNCIL	Comments	Assurance Rating
CORPORATE AREAS		
Annual Governance Statement	Complete	n/a
Anti-Fraud & Corruption	on-going	n/a
NFI	Data submitted	n/a
RESOURCES		
Governance		
Data Sharing Protocols	To commence Q4	
Finance and Service Support		
Housing Benefit	Defer to 21/22	n/a
Finance		
Treasury Management	To commence Q4	
Capital Programme	To commence Q4	
ICT		
Critical Application Review	To commence Q3	
Mobile Devices	To commence Q4	
DEVELOPMENT SERVICES		
Project support	on-going	n/a
Parks, Leisure and Cultural Services		
Plant & Equipment Inventory	In progress	
Fairhaven (HLF project)	on-going	n/a
Technical Services		
Property Repairs and Maintenance	Defer to 21/22	n/a
Car Parks	in progress	
Planning & Regeneration		
Section 106	Defer to 21/22	n/a
GENERAL AREAS		
COVID 19 response	on-going	n/a
Post Audit Reviews	on-going	n/a
Contingency / Irregularities		
Advice and Guidance	on-going	n/a
Lytham Hall Driveway	complete	Full
Residual work	complete	see body of report
Internal Audit Effectiveness review	complete	n/a
GRACE (Administrator role)	on-going	n/a
Committee Reporting / Effectiveness Review	on-going	n/a

Three Lines Model 2020



DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
SHARED HEAD OF INTERNAL AUDIT	AUDIT AND STANDARDS COMMITTEE	26 NOVEMBER 2020	10
INTERNAL AUDIT INTERIM REPORT AS AT 30TH SEPTEMBER 2020			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

The report summarises the work undertaken in respect of the Internal Audit Plan 2020/21 for the period April 2019 to September 2020 and includes any residual work carried forward from the 2019/20 Internal Audit Plan.

RECOMMENDATIONS

That the Committee note the report.

SUMMARY OF PREVIOUS DECISIONS

None

CORPORATE PRIORITIES

Economy – To create a vibrant and healthy economy	✓
Environment – To deliver services customers expect	✓
Efficiency – By spending money in the most efficient way	✓
Tourism – To create a great place to live and visit	✓

BACKGROUND

1. The Revised Internal Audit Plan for 2020/21 was approved by this Committee at its meeting in July 2020 and provided for 402 days of audit work including 175 COVID support work.
2. This is the first progress report for 2020/21 Internal Audit Plan and covers the period between 1st April 2019 and 30th September 2020. The report also contains details of the residual work completed from the 19/20 Internal Audit Plan.

INTERNAL AUDIT PLAN 2020/21

3. As agreed by members, Internal Audit were redeployed for the first two quarters of 2020. A total of 175 days was allocated to COVID 19 support work. This consisted of assisting with the administering the Business Support Grants and post assurance work which is required by central government. In addition, to the support work, we are also providing advice and guidance to any services who have had to implement new processes or service specific arrangements to ensure continued or new service delivery during this time.

4. **Appendix A** provides a “snapshot” of the overall progress made in relation to the 2020/21 Revised Internal Audit Plan, indicating which audits have been completed and their control rating, those that are in progress and those that have yet to start.
5. The report to members Internal Audit Plan 2020-21 – Revised Approach, on the agenda, explains how sufficient work will be undertaken until March 2021 to be able to provide an audit opinion for the Annual Governance Statement in 2021.
6. The table below highlights the work undertaken to the end of September 2020 together with any control issues identified, where applicable;

Audit Area	Assurance Rating	Key Control Issues / Comments
Annual Governance Statement	Not applicable	Pro- active support with the 2020 Annual Governance Statement
National Fraud Initiative	Not applicable	Internal Audit have co-ordinated the data submission for the 20/21 NFI exercise. The results of matches for further investigation are expected to be released in January 2021.
COVID 19 Support	Not applicable	For the first part of the 20/21, Internal Audit were re-deployed to administering the Business Support Grants. Whilst the scheme has now closed, work is continuing with the post assurance elements of the grants and the new Local Restrictions Support Grants.
Privileged User Access Management (19/20 Audit Plan)	Substantial	No key control issues
Payroll (19/20 Audit Plan)	Moderate	Our work found that there is regular contact with Blackpool Council who deliver a number of services including payroll on behalf of the Council as part of a service level agreement. The Council publishes its Pay Policy Statement each year in accordance with legislation, new employees had been set-up as authorised and no leavers or existing staff were overpaid during the period under review. We also found that voluntary deductions had been made as instructed, regular payments made to third parties and approved payroll budgets are monitored and reported to Committees regularly. However, not all key controls in place were operating effectively. The service level agreement has been extended to 31 March 2024, although this has not been formally approved by Committee following a review to ensure the Council is continuing to receive value for money from the current supplier. Improvement is required to the authorised signatory arrangements, there is a lack of policies and standard documentation in certain key payroll areas, changing bank accounts are not sufficiently secure and there are no independent checks on established posts to ensure only valid employees are paid.
Contract Procedure Rules (19/20 Audit Plan)	Moderate	When procuring good and services for the Council, dependent upon the size of the contract, there are various options to achieve compliance (as contained within the Contract Procedure Rules). 18 contracts were reviewed and of these we found the following:

		<ul style="list-style-type: none"> - 13 were fully compliant with the relevant procedures in relation to the size of the contract (either exempt, small, mid-range or large); and - 5 were non-compliant. <p>Good controls were found to be in place for large contracts with contracts being awarded to the lowest tenderer or based on the highest score from the evaluation process. Good governance was also found to be operating with monitoring reports on those contracts in the approved capital programme presented to the relevant Committee.</p> <p>It was however identified that the mid-range contacts are less compliant with CPRs due the fact that aggregating over 12 months is not taking place so therefore the incorrect procedure is being applied. It was also identified for one contract that a procurement exercise has not taken place since 2010. It would be beneficial for the Council to undertake a spend analysis exercise to if establish more contracts have been treated in a similar fashion.</p> <p>The Council has recently employed a dedicated Procurement and Surveillance Officer and this would be an opportune time to review the CPRs to ensure that they remain fit for purpose. Following this, training should be offered to officers so that the level of compliance can be improved in all instances.</p>
Lytham Hall Driveway Resurfacing	Full	<p>Our work has established that the procedures followed for the approval and payment of the grant to Lytham Hall for £51,000 were in accordance with the Council's objectives and procedures as outlined in the Corporate Plan; the Capital Strategy; the Capital Programme and Financial Procedure Rules. It could also be confirmed that assurance was sought by the Council to ensure that the terms and specifications outlined in the legal agreement were adhered to; and additional checks were undertaken by the Council to ensure that the requirements of the Finance & Democracy Committee outlined in the meeting of 22 June 2020 were also met.</p>

LIMITED ASSURANCE RATING REPORTS UPDATE

7. It was agreed with members that an update would be provided on any reports issued with a limited assurance. During 18/19 and 19/20, 6 reports were issued with a limited assurance rating. Progress made with the implementation of agreed actions is detailed below for each review.

Review	Comments
Maintenance and inspection regime – Trees (18/19)	<p>In total 12 actions were agreed for this review. There are 7 actions still outstanding and these relate to the procurement of bespoke tree management software / database and the compilation of a Tree Management Strategy.</p> <p>As a result of COVID, it has not been possible to undertake a procurement exercise for the tree management software as the organisations were closed due to the lockdown and furloughing of staff. These actions are now being addressed and a revised date of January 2021 has been agreed.</p> <p>The Tree Management Strategy is in progress and is due to be completed by January 2021.</p>

Environmental Permitting Regulations	<p>There were 7 agreed actions arising from this review. Two of these have been implemented in full. The remaining actions, which were due to be implemented by August 20 are in progress, but have been delayed due to the additional enforcement activity being undertaken by the Environmental Health team as a result of COVID.</p> <p>It is anticipated that the remaining actions will be implemented in full by March 21.</p>
Fuel consumption	<p>Whilst 11 actions were agreed for this review, the main risk related to the procurement of fuel. Work is currently on-going with the Procurement and Surveillance Officer to ensure that all future procurements are compliant with the Council's Contract Procedure Rules and Guide to Buying.</p> <p>The majority of the remaining actions are only due to be implemented by December 20.</p>
Event Management	<p>In total, 15 actions were agreed for this review. Many of these actions are reliant upon events being planned or taking place and so implementation dates have been deferred to 2021.</p>
Commercial Properties	<p>The majority of high-risk actions emanating from this review was as a result of the council being reliant upon paper based records and outlook calendars. Since the report was finalised, new asset management software called Concerto has been purchased and is currently being populated.</p> <p>The new software will provide a central, comprehensive record of all the Council's assets and will include the following features:</p> <ul style="list-style-type: none"> • Photographic records, plans and mapping; • Ability to upload supporting documentation for lease/legislation compliance; • Lease renewals reminders, highlighting specific lease conditions; • Rental income including prompts for rent reviews; • Property condition reports with planned maintenance and costings; • Insurance requirements and renewal dates; • Audit trail of activities undertaken for each property. <p>Once this software is operational, the high-level risks identified during the review will be fully mitigated.</p>
General Data Protection Regulations	<p>Since this report was issued earlier this year, the Head of Governance and the Procurement and Surveillance Officer have undertaken a significant amount of work and all the agreed actions are in progress and are due to be fully completed by March 2021.</p>

IMPLICATIONS	
Finance	None arising from this report
Legal	There are no legal implications arising from this report, however the provision of an Internal Audit Service is a requirement of the Accounts and Audit Regulations 2015.
Community Safety	None arising from this report
Human Rights and Equalities	None arising from this report
Sustainability and Environmental Impact	None arising from this report
Health & Safety and Risk Management	There are no Health and Safety implications arising from this report. The Audit Plan has been developed using a risk based approach.

LEAD AUTHOR	CONTACT DETAILS	DATE
Dawn Highton	Dawn.highton@fylde.gov.uk Tel 01253 658413	11 th November 2020

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Internal Audit Annual Plan	July 20	Internal Audit Office, Town Hall

Attached documents

Appendix 1 – Internal Audit Plan as at 30th September 2020

Internal Audit Plan 20/21

FYLDE COUNCIL	Comments	Assurance Rating
CORPORATE AREAS		
Annual Governance Statement	Complete	n/a
Anti-Fraud & Corruption	on-going	n/a
NFI	Data submitted	n/a
RESOURCES		
Governance		
Data Sharing Protocols	To commence Q4	
Finance and Service Support		
Housing Benefit	Defer to 21/22	n/a
Finance		
Treasury Management	To commence Q4	
Capital Programme	To commence Q4	
ICT		
Critical Application Review	To commence Q3	
Mobile Devices	To commence Q4	
DEVELOPMENT SERVICES		
Project support	on-going	n/a
Parks, Leisure and Cultural Services		
Plant & Equipment Inventory	In progress	
Fairhaven (HLF project)	on-going	n/a
Technical Services		
Property Repairs and Maintenance	Defer to 21/22	n/a
Car Parks	in progress	
Planning & Regeneration		
Section 106	Defer to 21/22	n/a
GENERAL AREAS		
COVID 19 response	on-going	n/a
Post Audit Reviews	on-going	n/a
Contingency / Irregularities		
Advice and Guidance	on-going	n/a
Lytham Hall Driveway	complete	Full
Residual work	complete	see body of report
Internal Audit Effectiveness review	complete	n/a
GRACE (Administrator role)	on-going	n/a
Committee Reporting / Effectiveness Review	on-going	n/a

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
SHARED HEAD OF INTERNAL AUDIT	AUDIT AND STANDARDS COMMITTEE	26 NOVEMBER 2020	11
REVISED ANTI-FRAUD, BRIBERY & CORRUPTION STATEMENT & STRATEGY AND FRAUD RESPONSE PLAN REVIEW			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

This report comes before Members for approval of the revised Anti-Fraud, Bribery and Corruption Statement & Strategy and the Fraud Response Plan.

RECOMMENDATIONS

Members are asked to approve the Anti-Fraud, Bribery and Corruption Statement & Strategy and the Fraud Response Plan as set out in Appendices A and B respectively.

SUMMARY OF PREVIOUS DECISIONS

The Anti-Fraud & Corruption Strategy/Policy, Anti-Bribery Policy & Forensic Readiness Policy were last reviewed and approved by the Audit & Standards Committee in September 2017.

CORPORATE PRIORITIES

Economy – To create a vibrant and healthy economy	✓
Environment – To deliver services customers expect	✓
Efficiency – By spending money in the most efficient way	✓
Tourism – To create a great place to live and visit	✓

BACKGROUND

1. In administering its responsibilities, Fylde Council has a duty to protect public funds and to raise awareness in relation to any potential threats that may affect the financial and/or reputational position of the organisation. The suite of counter fraud policies reinforces the Council's commitment to the prevention and detection of fraudulent activity. They also support the Local Code of Corporate Governance in promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

THE ANTI FRAUD, BRIBERY AND CORRUPTION STATEMENT & STRATEGY

2. The general aim of all the Council's counter fraud policies is to reduce the occurrence and impact of fraud, corruption and bribery on the organisation and provide an effective channel of communication for anyone who has concerns or suspicions of malpractice.
3. The Council had both an Anti-Fraud and Corruption Statement and Strategy and a separate Bribery Policy. These documents have now been combined and revised in the light of best practice, particularly the guidance from the CIPFA Code of Practice – Managing the Risk of Fraud and Corruption (2014) and the four key themes of the Local Government Fraud Strategy – Fighting Fraud & Corruption Locally.(2020).
4. The themes comprise the following:
 - Acknowledge the responsibility of the governing body for countering fraud and corruption;
 - Identify the fraud and corruption risks;
 - Develop an appropriate counter fraud and corruption strategy;
 - Provide resources to implement the strategy;
 - Take action in response to fraud and corruption.

FRAUD RESPONSE PLAN

5. This document has been revised to reflect the Council's current arrangements when a fraud is reported and sets out the responsibilities for those involved.

TRAINING AND AWARENESS

6. Once the documents have been approved by the Committee, it is the intention to raise awareness of the revised policies by the completion of e-learning by officers.

IMPLICATIONS	
Finance	This report and contents of the attached appendices contribute to the protection of Council assets and public funds. There are no financial implications arising directly from this report.
Legal	This report and contents of the attached appendices are in line with prevailing legislation and current practice.
Community Safety	None arising from this report.
Human Rights and Equalities	This report and contents of the attached appendices are in line with prevailing legislation and current practice.
Sustainability and Environmental Impact	None arising from this report.
Health & Safety and Risk Management	This report and the contents of the attached appendices contribute to management of the Councils fraud risks.

LEAD AUTHOR	CONTACT DETAILS	DATE
Dawn Highton	Dawn.highton@fylde.gov.uk Tel 01253 658413	November 2020

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Local Government Fraud Strategy – Fighting Fraud & Corruption Locally.	2020	Internal Audit
CIPFA Code of Practice – Managing the Risk of Fraud and Corruption	2014	Internal Audit

Attached documents

Appendix A – Anti-fraud, Bribery & Corruption Strategy 2020

Appendix B – Fraud Response Plan 2020



Anti-Fraud, Bribery & Corruption Policy Statement & Strategy 2020

ANTI FRAUD, BRIBERY AND CORRUPTION POLICY STATEMENT

The Council is committed to adopting a zero-tolerance approach to fraud bribery and corruption from both internal and external sources. It is committed to acting professionally, fairly and with integrity and to implementing and enforcing effective systems to counter fraud, bribery and corruption. The Council will promote an environment that actively encourages the highest principles of honesty and integrity.

The overall objective is to limit the Council's exposure to fraud and corruption, and to minimise financial loss and the potential adverse effects on its reputation in the event of this occurrence by:

- creating a counter fraud culture;
- understanding the fraud risks facing the Council;
- implementing measures to deter, prevent and detect fraud;
- promptly and professionally investigating alleged or detected fraud; and
- imposing appropriate sanctions and redress where fraud or corruption are proven.

All Members and employees of the Council should ensure the highest standards of stewardship of public funds. The detection, prevention and reporting of fraud, bribery and corruption is the responsibility of all Members, employees (including casuals, temporary and agency staff), partners, and contractors of the Council. The Council aims to fight fraud and corruption by encouraging prevention whilst also promoting detection.

It is important to note that fraud may be committed both from within the Council and externally. Fraud may be complex or simple; opportunistic, pre-planned or continuous. Unlike fraud, bribery and corruption usually require the involvement of a Council Member or employee.

Directorate	Resources	Section	Governance	Ref. Number	FP1
Authorised By	Tracy Morrison	Job title	Director of Resources	Issue Date	October 2020
Author	Dawn Highton	Job title	Head of Internal Audit	Revision No	1

ANTI FRAUD, BRIBERY AND CORRUPTION POLICY STRATEGY

1. Introduction

- 1.1 Fylde Council is committed to promoting a strong ethical and counter fraud culture. This anti-fraud, bribery and corruption strategy is the mechanism for achieving this commitment and in particular, aims to reduce losses to fraud and corruption in all areas of the Council to an absolute minimum.
- 1.2 The Council has a wide range of policies and procedures which aim to prevent fraud, bribery and corruption and these include:
- Contracts Procedure Rules,
 - Financial Regulations
 - Local Code of Corporate Governance;
 - Codes of Conduct for Employees
 - Codes of conduct for Elected Members;
 - Disciplinary Policy;
 - Whistleblowing Policy;
 - Anti-Money Laundering Policy;
 - Council Tax Reduction Scheme – Sanctions Policy;
 - Information Governance Policy;
- 1.3 This strategy adheres to the CIPFA Code of Practice – Managing the Risk of Fraud and Corruption (2014) and the four key themes of the Local Government Fraud Strategy – Fighting Fraud & Corruption Locally. (2020).

CIPFA – Managing the Risk of Fraud & Corruption	Fighting Fraud & Corruption Locally
Acknowledge the responsibility of the governing body for countering fraud and corruption	Govern Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having a holistic approach to tackling fraud is part of good governance
Identify the fraud and corruption risks	Acknowledge Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.

Directorate	Resources	Section	Governance	Ref. Number	FP1
Authorised By	Tracy Morrison	Job title	Director of Resources	Issue Date	October 2020
Author	Dawn Highton	Job title	Head of Internal Audit	Revision No	1

Develop an appropriate counter fraud and corruption strategy	Prevent Preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.
Provide resources to implement the strategy	
Take action in response to fraud and corruption.	Pursue Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive local enforcement response.

2. Definitions of Fraud, Bribery and Corruption

2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines fraud as

"the intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain."

Put simply, fraud is an act of deception intended for personal gain or to cause a loss to another party. The Fraud Act 2006 defines fraud in three classes:

- False representation
- Failure to disclose information where there is a legal duty to do so
- Abuse of position

2.2 CIPFA defines corruption as the:

"the offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person".

2.3 The Theft Act 1968 defines theft as:

"a person shall be guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it."

2.4 CIPFA defines bribery as

"an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage".

The Bribery Act 2010 contains the following four categories of offence and, whilst it was updated in May 2013, these categories of offence remained unchanged:

Directorate	Resources	Section	Governance	Ref. Number	FP1
Authorised By	Tracy Morrison	Job title	Director of Resources	Issue Date	October 2020
Author	Dawn Highton	Job title	Head of Internal Audit	Revision No	1

- offering, promising or giving a bribe to another person;
- requesting, agreeing to receive or accepting a bribe from another person;
- bribing a foreign public official; and
- a corporate offence of failing to prevent bribery.

3 Scope

- 3.1 The Council aims to foster honesty and integrity, and to uphold the Seven Principles of Public Life developed by the Nolan Committee on Standards in Public Life and set out at Appendix 1 below. High ethical standards are an integral part of good governance. In promoting good governance, the Council aims to create a counter fraud culture to help deter people from committing fraud and to encourage those who suspect fraudulent activity to report it.
- 3.2 This Statement / Strategy applies to all elected Members and all Officers (full time, part time, temporary, casual and volunteers) who work for the Council. The term “officer” includes all types of employees of the Council.
- 3.3 The Council also expects that individuals and organisations (e.g. partners, suppliers, contractors, service providers and voluntary organisations) that it deals with will act with integrity and without thought or actions involving fraud, bribery and corruption. Where relevant, the Council will include appropriate clauses in its contracts about the consequences of fraud, bribery and corruption and evidence of such acts are most likely to lead to a termination of the particular contract and may lead to prosecution.
- 3.4 The Anti-Fraud, Bribery and Corruption Policy Statement and Strategy are commended to the Council’s partner organisations with the expectation that they will be applied either wholly or as the basis for their own local version

4 Creating and maintaining a strong culture

- 4.1 Responsibility for an anti-fraud culture is the joint duty of all those involved in giving political direction, determining policy and management. The strategy should be directed against fraud and corruption whether it is attempted against the Council from outside or from within its own workforce.
- 4.2 The Council expects that Members and Officers at all levels will lead by example in ensuring adherence to legal requirements, contracts procedure rules, financial procedure rules, codes of conduct and best (professional) practice.
- 4.3 As part of this culture, the Council will provide clear routes by which concerns can be raised by both Members and Officers, and those outside who are providing, using or paying for public services.
- 4.4 Senior Management is expected to deal swiftly and firmly with those who defraud the Council or who are corrupt. The Council, including Members and senior management will be robust in dealing with financial malpractice.

Directorate	Resources	Section	Governance	Ref. Number	FP1
Authorised By	Tracy Morrison	Job title	Director of Resources	Issue Date	October 2020
Author	Dawn Highton	Job title	Head of Internal Audit	Revision No	1

4.5 The Council also has in place a Committee whose monitoring role is relevant and includes independent Members who are neither Councillors nor Officers:

- The Audit & Standards Committee, which ensures that adequate arrangements are established and operating to deal with situations of suspected or actual wrongdoing, fraud and corruption.

5 Deterrence

5.1 There are a number of ways to deter potential fraudsters from committing or attempting fraudulent or corrupt acts, whether they are inside and/or outside of the Council, and these include: -

- Publicising the fact that the Council is firmly set against fraud and corruption and states this at every appropriate opportunity – e.g., publicising the Whistleblowing arrangements, clause in contracts, statements on benefits claim forms, publications etc.;
- Acting robustly and decisively when fraud and corruption are suspected and proven – e.g., the termination of contracts, dismissal, prosecution etc.;
- Taking action to effect the maximum recoveries for the Council – e.g. through agreement, Court action, penalties, insurance etc.;
- The Council's Head of Policy & External Relations will optimise the publicity opportunities associated with anti-fraud and corruption activity within the authority. Where appropriate, the results of any action taken, including prosecutions, will be reported in the media.
- Having sound internal control systems that still allow for innovation, but at the same time do not provide the opportunity for fraud and corruption.
- A fraud reporting mechanism on the Council's website.

6 Prevention / Managing the Risk of Fraud and Corruption

6.1 The following internal control measures are in place to assist with the prevention of fraud:

- The Council's Monitoring Officer (Director of Resources) has a duty to report to the Council where it appears that any proposal, decision or omission by the Council, a committee or officer has given rise to, (or is likely to give rise to), a contravention of any enactment, rule of law or statutory code of practice.
- The Section 151 officer (Chief Financial Officer) has a statutory responsibility under the Local Government Act 1972 to ensure the proper administration of the Council's financial affairs. The Accounts and Audit Regulations 2015 require the Council to maintain a sound system of internal control and the Council has delegated this responsibility to the Section 151 Officer.
- Senior managers ensure that internal controls, including those in a computerised environment are adequately designed and effectively operated.

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- The Internal Audit Service reviews the adequacy of the Council's internal controls including those to prevent fraud. Internal Audit and the Council's Risk Management Strategy endeavour to provide appropriate advice to managers to ensure they are fully aware of the need to give sufficient emphasis to the preventative aspects of fraud and corruption work. The Internal Audit Plan includes a programme of work based on key risk areas. This programme of work is not restricted solely to the investigation of detected fraud but inherently includes anti-fraud assurance work intended to deter and prevent fraud.
- Managers across the Council have an important role to play in the prevention of fraud and corruption. Managers need to understand the importance of soundly designed systems which meet key control objectives and minimise the opportunities for fraud and corruption. They are responsible for assessing the potential for fraud and corruption within their own Service's activities and for implementing appropriate strategies to reduce this risk. Anti-fraud assurance work will represent an area of ongoing development and represents a key priority for the Anti-Fraud, Bribery & Corruption Strategy.

7 Combining with Others to Prevent and Fight Fraud

- 7.1 The Council is committed to exchanging information with other local and national agencies in order to identify and prevent fraud using data matching techniques. Such activity is carried out in full compliance with the General Data Protection Regulation and the Code of Practice for National Fraud Initiative Data Matching Exercises and includes providing information to other agencies for data matching purposes. Any employee found to be perpetrating fraud on another local or national agency is liable to face disciplinary action where this has implications for the Council's trust and confidence in the employee. In certain cases, disciplinary action could lead to dismissal.
- 7.2 With the increase in recent years of frauds perpetrated against a variety of public bodies, which usually involve fraudsters having multiple identities and addresses, the necessity for liaison with other organisations has become paramount. Some of these include:
- Police Forces and Fraud Squads
 - Other Local Authorities
 - External Auditor
 - Universities and Colleges
 - Department for Works and Pensions
 - National Anti-Fraud Network

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8 Detection and Reporting Concerns

- 8.1 It is the responsibility of directors and their managers to prevent and detect fraud and corruption.
- 8.2 However, despite the best efforts of managers and auditors, many frauds are discovered by chance or "tip-off". It is often the alertness of employees and the public that enables detection to occur.
- 8.3 Reporting suspected irregularities is essential to the Anti-Fraud, Bribery and Corruption Strategy and ensures:-
- consistent treatment of information regarding fraud and corruption;
 - proper investigation by an independent and experienced audit team;
 - the proper implementation of a fraud response investigation plan;
 - the optimum protection of the Council's interests.
- 8.4 The Fraud Response Plan provides a clear path for raising concerns and facilitating "tip-offs", and the fraud response arrangements to enable such information or allegations to be properly dealt with. The Council's Whistleblowing Policy also gives advice on how to raise a concern and the safeguards and support that are available to those who raise concerns.

9. Investigations

- 9.1 Senior management are responsible for following up any allegation of fraud or corruption that they receive and are required to inform the Internal Audit Section, of all suspected irregularities. The Head of Internal Audit will initiate the investigation and may seek the assistance of a HR Advisor or the Corporate Fraud Team. This is to ensure that the matter is dealt with promptly and confidentially and that:
- all evidence that has been received is recorded;
 - evidence is sound and adequately supported;
 - all the evidence that has been collected is secured, including electronic evidence;
 - where appropriate, other agencies are contacted e.g. Police;
 - when appropriate, to arrange for the notification of the Council's insurers;
 - a report to senior management is issued and where appropriate;
 - recommend that management take disciplinary action in accordance with the Council's Disciplinary Procedures and make any necessary revisions to systems and procedures to ensure that similar frauds do not recur.

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- 9.3 Depending on the nature and anticipated extent of the allegations, Internal Audit will normally work closely with management, HR, Legal, Corporate Fraud etc., and other agencies, such as the Police. This is to ensure that all allegations and evidence are properly investigated and reported upon, and where appropriate, maximum recoveries are made for the Council.
- 9.4 The Council's disciplinary procedures will be used where the outcome of the audit investigation indicates improper behaviour. "Reasonable belief" is sufficient ground for dismissal, rather than absolute proof as in a court of law.
- 9.5 Where a fraud has occurred, management will need to take action to ensure that any control weaknesses which provided the opportunity for this are addressed. Where appropriate, control weaknesses will be identified by the investigation. Any lessons learnt will be disseminated to all relevant sections.

10. Sanctions and Redress

- 10.1 Where financial impropriety is discovered, whether perpetrated by Officers, Members or organisations (e.g. suppliers, contractors, and service providers) the Council deal with, the presumption is that the Police will be called in. The Crown Prosecution Service determines whether a prosecution will be pursued. Referral to the Police is a matter for the Director of Resources, the Head of Governance and the Head of Internal Audit.
- 10.2 Referral to the Police will not inhibit action under the Council's Disciplinary Procedures. Serious cases of fraud or corruption would represent gross misconduct and consequently the officer may be liable to dismissal.
- 10.3 The Chief Executive, the Monitoring Officer and the Head of Governance will advise on the course of action to be taken in relation to Members.
- 10.4 Suspected financial impropriety by any organisation the Council deals with will be the subject of an investigation. If proven, this could result, for example, in the termination of an individual contract and may result in prosecution.
- 10.5 In proven cases of financial loss, the Council will seek to recover all such losses through whatever means it considers appropriate. If the fraudster is an employee, the loss may be recovered from any monies due to the individual on termination of employment. In the event of the fraudster being a member of the Lancashire County Pension Fund, the Council may be able to recover the loss from the employee's accrued benefits in the Scheme.
- 10.6 In the event of the Council receiving a request for a reference in respect of an employee who has been dismissed as a result of a fraud/irregularity investigation, Human Resources should be contacted for guidance regarding the wording of any reference provided.

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11. Responsibilities

FF&CL	CIPFA Managing the Risk of Fraud Principles	Responsibility
GOVERN	<i>Acknowledge the responsibility of the governing body for countering fraud and corruption</i>	
	The organisation's leaders acknowledge the threats of fraud and corruption, the harm they can cause and the potential for savings from managing the risk.	Management Team / Elected Members
	The organisation's leaders acknowledge the importance of a culture that is resilient to the threats of fraud and corruption and aligns to the standards of good governance.	Management Team / Elected Members
ACKNOWLEDGE	<i>Identify Risks</i>	
	Fraud risks are routinely considered as part of the organisation's strategic risk management arrangements	Management Team
	The organisation identifies the risks of corruption in its governance framework	Director of Resources
	The organisation uses estimates of fraud loss, and where appropriate measurement exercises, to quantify the harm that different fraud risks	Corporate Fraud Team
PREVENT	<i>Develop an appropriate counter fraud and corruption strategy</i>	
	The governing body formally adopts a counter fraud and corruption strategy to address the identified risks and align with the organisation's acknowledged responsibilities and goals	Management Team / Audit & Standards Committee
	The strategy includes consideration of all the pro-active and reactive components of a good practice response to fraud risk management	Director of Resources / Head of Internal Audit

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	The strategy includes clear identification of responsibility and accountability for delivery of the strategy and for providing oversight.	Director of Resources / Head of Internal Audit
	<i>Provide Resources</i>	
	An annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk;	Management Team / Corporate Fraud Team
	The organisation utilises counter fraud staff with appropriate skills and professional accreditation	Corporate Fraud Team
	The organisation grants counter fraud staff unhindered access to its employees, information and other resources as required	Corporate Fraud Team / Internal Audit
	The organisation has protocols in place to facilitate data and intelligence sharing to support counter fraud activity	Director of Resources / Corporate Fraud Team
PURSUE	<i>Take action in response to fraud and corruption</i>	
	The organisation has put in place a policy framework which supports the implementation of the counter fraud strategy	Director of Resources / Head of Internal Audit
	Plans and operations are aligned to the strategy and contribute to the achievement of the organisation's overall goal of improving resilience to fraud and corruption	Management Team / Corporate Fraud Team
	There is a report to the governing body at least annually on performance against the counter fraud strategy from the lead person(s) designated in the strategy. Conclusions are featured in the annual governance report	Corporate Fraud Team / Audit & Standards Committee / Director of Resources
	The governing body receives a report at least annually on the impact and cost effectiveness of its counter fraud activities	Audit & Standards Committee / Corporate Fraud Team

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The Seven Principles of Public Life - the Nolan Committee on Standards in Public Life

Selflessness

Members should serve only the public interest and should never improperly confer an advantage or disadvantage on any person.

Honesty and Integrity

Members should not place themselves in situations where their honesty and integrity may be questioned, should not behave improperly and should on all occasions avoid the appearance of such behaviour.

Objectivity

Members should make decisions on merit, including when making appointments, awarding contracts, or recommending individuals for rewards or benefits.

Accountability

Members should be accountable to the public for their actions and the manner in which they carry out their responsibilities and should co-operate fully and honestly with any scrutiny appropriate to their particular office.

Openness

Members should be as open as possible about their actions and those of their Authority and should be prepared to give reasons for those actions.

Personal Judgement

Members may take account of the views of others, including their political groups, but should reach their own conclusions on the issues before them and act in accordance with those conclusions.

Respect for others

Members should promote equality by not discriminating unlawfully against any person and by treating people with respect, regardless of their race, age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the Authority's statutory Officers and its other employees.

Duty to uphold the law

Members should uphold the law and on all occasions act in accordance with the trust that the public is entitled to place in them.

Stewardship

Members should do whatever they are able to do to ensure that their authorities use their resources prudently and in accordance with the law.

Leadership

Members should promote and support these principles by leadership and by example and should act in a way that secures or preserves public confidence.

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Date: July / 2020

Review Date: July / 2021

Our Ref: FCP1

Authorised by Tracy Morrison, Director of Resources

This document is also available on our website at www.fylde.gov.uk.

Author: Dawn Highton, Head of Internal Audit

Any enquiries regarding this document/publication should be sent to us at the



FRAUD RESPONSE PLAN 2020

1. Introduction

- 1.1. The Council's Anti-Fraud, Bribery and Corruption Policy and Strategy makes it clear that the Council is committed to adopting a zero-tolerance approach to fraud, bribery and corruption from both internal and external sources. Where fraud, bribery or corruption is suspected the Council will deal with the allegations seriously in accordance with Council procedures.
- 1.2 This Fraud Response Plan provides guidance to Councillors and staff on the procedures that should be followed where a fraud is suspected or discovered. It includes reporting requirements, responsibilities for actions and how allegations will be investigated. It should be read in conjunction with the Council's Anti -Fraud, Bribery and Corruption Policy and Strategy, the Anti Money Laundering Policy and the Whistleblowing Policy.
- 1.3 It is important to ensure that a structured and consistent approach is implemented by the Council for the investigation of any cases of fraud, bribery and corruption. This Fraud Response Plan sets out the Council's approach to ensure:
- Councillors and staff are aware of how to report any allegations of fraud, bribery or corruption;
 - there is a clear understanding of who will lead investigations and appropriate staff are informed and involved;
 - Information about the investigation is retained by officers involved in the case. in accordance with the Council's information management and retention policies;
 - further losses of funds or assets where fraud may have occurred are prevented and the recovery of losses is maximised;
 - evidence is gathered to support an allegation and inform further action;
 - evidence necessary for possible disciplinary and criminal action is established and secured;
 - any adverse effects or publicity on the business of the Council or any other partner organisations involved are minimised;
 - a review is undertaken of the reasons for the incident and action taken to improve control, strengthen procedures and prevent recurrence.
- 1.4 Under no circumstances should staff feel that they must tolerate the abuse of systems employed at the Council by other staff members or outside persons in ways that may be classed as potentially fraudulent behaviour. All staff should be assured that any information divulged in relation to such activity will remain strictly confidential, unless the Council is required, by law, to divulge it. However, all persons implicated by an allegation must be informed of the circumstances and relevant evidence and allowed to comment as part of the investigation.

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- 1.5 The Council seeks to establish a flexible Fraud Response Plan to enable the approach to be varied in individual cases. Generally, the approach taken shall depend on the perceived risk to the Council in a financial or reputational sense. This shall be judged individually for each case, based on the information available. The Financial Procedure Rules allocate responsibility for investigating allegations of fraud, bribery and corruption, to the Head of Internal Audit in conjunction with the Director of Resources. In practice investigations will usually be conducted in conjunction with the Human Resources and in more serious cases, they may agree the matter be referred directly to the Police.
- 1.6 A flowchart at Appendix A illustrates the fraud response process.

2. Reporting Suspicions

- 2.1 The procedures detailed below should be followed for all suspected cases of fraud, bribery and corruption involving Council staff, its partners and suppliers. You may also come across instances where third parties are attempting to defraud or scam the Council, for example submitting bogus invoices or changing bank details of suppliers. Any concerns such as these should be reported to the Head of Internal Auditor who will investigate further and arrange for alerts to be circulated to relevant areas of the Council.
- 2.2 Examples of fraud, bribery and corruption include, but are not limited to, theft, financial irregularities, and misuse of Council property, vehicles or equipment, misuse of Council systems, conflicts of interest and supplier kickbacks.

Action by employees

- 2.3 You should raise your concerns or suspicions with your line manager in the first instance. If you feel unable to approach your line manager, you should report any concerns or suspicions of financial irregularity to the Head of Internal Audit in accordance with the Council's Financial Procedure Rules. Alternatively, you may choose to report your concerns or suspicions anonymously via the Council's whistleblowing reporting procedures outlined in the whistleblowing policy. Whilst total anonymity cannot be guaranteed, every effort will be made not to reveal your name. However, if criminal activity is found and the case is forwarded to the police, then your identity may be needed at a later date.
- 2.4 If you suspect a colleague is committing fraud, **under no circumstances** confront him or her with accusations of wrongdoing. This may allow the destruction of evidence and in extreme cases may expose you to physical danger. If your suspicions are mistaken, then workplace relationships may be poisoned irretrievably. The official investigators are best placed to interview suspects.
- 2.5 Once you have reported the incident, you may be contacted further by Internal Audit as part of the ongoing investigation. You should provide them with as much information as possible to enable the investigation to be effectively progressed.

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Action by managers

- 2.6 If you have reason to suspect fraud, bribery or corruption in your work area, or a concern has been reported to you by a member of your staff, you should do the following:
- listen to the concerns of your staff and treat every report seriously and sensitively. Reassure staff that their concerns will be taken seriously and passed on to the appropriate officer;
 - obtain as much information as possible from the member of staff, including any notes or evidence to support the allegation. Do not interfere with this evidence and ensure it is kept securely;
 - do not attempt to investigate the matter yourself or attempt to obtain any further evidence as this may compromise any internal audit, disciplinary or police investigation;
 - report the matter immediately to the Head of Internal Audit.

Action by Councillors

- 2.7 If a Councillor has suspicions about fraud, bribery or corruption whether it be a fellow elected Councillor, officers of the Council or partner organisations of the Council they should report this to the Chief Executive or the Monitoring Officer at the earliest opportunity.

Action by the public

- 2.8 If a member of the public would like to raise a concern, they should follow the reporting procedure contained within the Whistleblowing Policy on the Council's website. Alternatively, fraud can also be reported using the link. <https://new.fylde.gov.uk/resident/fraud/>

3. Malicious allegations

- 3.1 All Councillors and staff should be aware that malicious or vexatious allegations will not be tolerated and may be dealt with as a disciplinary matter.

4. Investigating allegations of Fraud

Investigations

- 4.1 In the event of any serious weakness, such as a significant and immediate threat to the Council's financial position, significant fraud, bribery or major accounting breakdown, the Head of Internal Audit must be immediately informed, who will then notify the Section 151 Officer. If it is considered there are *prima facie* grounds for the concern or complaint, the Head of Internal Audit will inform the Human Resources and a joint investigation will be undertaken. If the allegation involves a member, the Monitoring Officer will be informed. If preliminary investigation shows the allegations to be groundless, the matter may then be dismissed and referred to the Directorate to resolve.

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- 4.2 The Head of Internal Audit will initiate the investigation and may seek assistance of a HR Advisor or the Corporate Fraud team. Once the investigation has been completed a report will be prepared for the relevant Director as well as the Section 151 Officer. In more serious cases it may be necessary to prepare an interim report if immediate control measures are required.
- 4.3 The Section 151 Officer will usually keep the Chief Executive informed. If it appears that a criminal offence has occurred, the Head of Internal Audit and the Section 151 Officer, in conjunction with the Human Resources or the Monitoring Officer, shall consider whether the matter should be referred to the Police.
- 4.4 Depending on the seriousness of the offence, the Section 151 Officer may inform the Chair of Audit and Standards Committee.
- 4.5 Also note that under the General Data Protection Regulation in cases where the fraud has included a personal data breach, then the Council has a duty to report the incident to the Information Commissioners Office. This shall be carried out without undue delay and, where feasible, not later than 72 hours after having become aware of the personal data breach. The investigation team should be aware of the need to ensure that other statutory requirements are adhered to in the process of obtaining evidence, particularly the need to obtain in advance a RIPA (Regulation of Investigatory Powers Act) authorisation, should it be necessary to obtain evidence through the process of surveillance.
- 4.6 Staff should note that failure to cooperate fully with an investigation may itself constitute grounds for disciplinary action.
- 4.7 In some instances, the investigations may require technical expertise that the investigation team does not possess. In these circumstances, the Head of Internal Audit will discuss with the Section 151 Officer whether external specialists should be involved.

Interviewing

- 4.8 During the course of the investigation, it may be necessary to interview employees. In these cases, the employee should be informed of the purpose of the meeting and he/she may not refuse the request to attend and answer questions without good reason. A refusal to answer questions about his /her actions as an employee will be considered gross misconduct.
- 4.9 All interviews of employees will be undertaken by two people from the investigation team. Normally, one person will ask the questions and the other will take contemporaneous notes. Once the notes have been typed up, a copy will be provided to the employee who will be invited to read them, make and initial any amendments and then sign the interview notes, accepting them as a correct record. It is good practice for the interviewer to counter-initial any amendments to confirm their acceptance. Should there be any disagreement, the interviewer will need to consider the materiality of the amendment and if significant, this should be brought out in the ensuing report,

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- 4.10 Where the purpose of the interview is merely to obtain information (fact-finding) and the employee is not the suspect in the offence, he /she is not entitled to be accompanied. However, should they wish to have someone present, this will be at the discretion of the Investigation Team.
- 4.11 Where the person being interviewed is suspected of the offence, it should be made clear at the outset that the meeting is not a disciplinary hearing. If it is agreed that the person may be accompanied at the meeting, the companion must be a work colleague or Trade Union representative. This person accompanying, however, must not be connected with the matter under investigation. In addition, it is not the practice of the authority to allow solicitors or other external legal representatives to be involved in internal disciplinary matters.
- 4.13 During the course of the interview, if the individual under suspicion admits to a criminal offence or the interviewer believes that an admission of a criminal offence is imminent, the recommended practice is that the interview be suspended and the matter referred directly to the Police.
- 4.14 Official guidance does permit the continuation of an interview following admission of a criminal offence but only after issuing a formal caution. Under PACE, the interviewee would be entitled to legal representation. In deciding whether to continue, the interviewer will need to consider the seriousness of the case and the likelihood of it being referred for prosecution, bearing in mind the requirements of the Council's Anti Fraud, Bribery and Corruption policy re prosecutions. If it is considered that seeking a prosecution would not be appropriate, the interview can continue without issuing a caution.

5 Disciplinary procedure

- 5.1 If following the investigation process there is evidence to indicate that fraud, bribery or corruption has been committed, the matter will be dealt with in accordance with the Council's disciplinary procedures. If the matter has been referred to the police and/ or Action Fraud the Head of Internal Audit / Corporate Fraud will consult with the police to determine whether the disciplinary process can proceed.

6 Reporting of the Investigation

- 6.1 Upon the completion of the investigation, a report will be produced and issued to the Section 151 Officer and the Director of the Service concerned.
- 6.2 The report shall contain:

- a description of the incident/issues alleged including an assessment of the value of any losses;
- the people involved and the means by which the fraud was allowed to occur (highlighting any control and/or operating weaknesses within the systems)
- all possible facts relating to the alleged fraud;

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- recommendations to improve/restore the controls and minimise the risk of a re-occurrence;
- a conclusion as to the way forward;
- any other relevant material.

6.3 A report on the fraud shall be presented to the Audit & Standards Committee, along with the findings of any investigations undertaken, at their next meeting following the completion of the investigation. An interim report may be presented if an Audit & Standards Committee meeting takes place during an ongoing investigation.

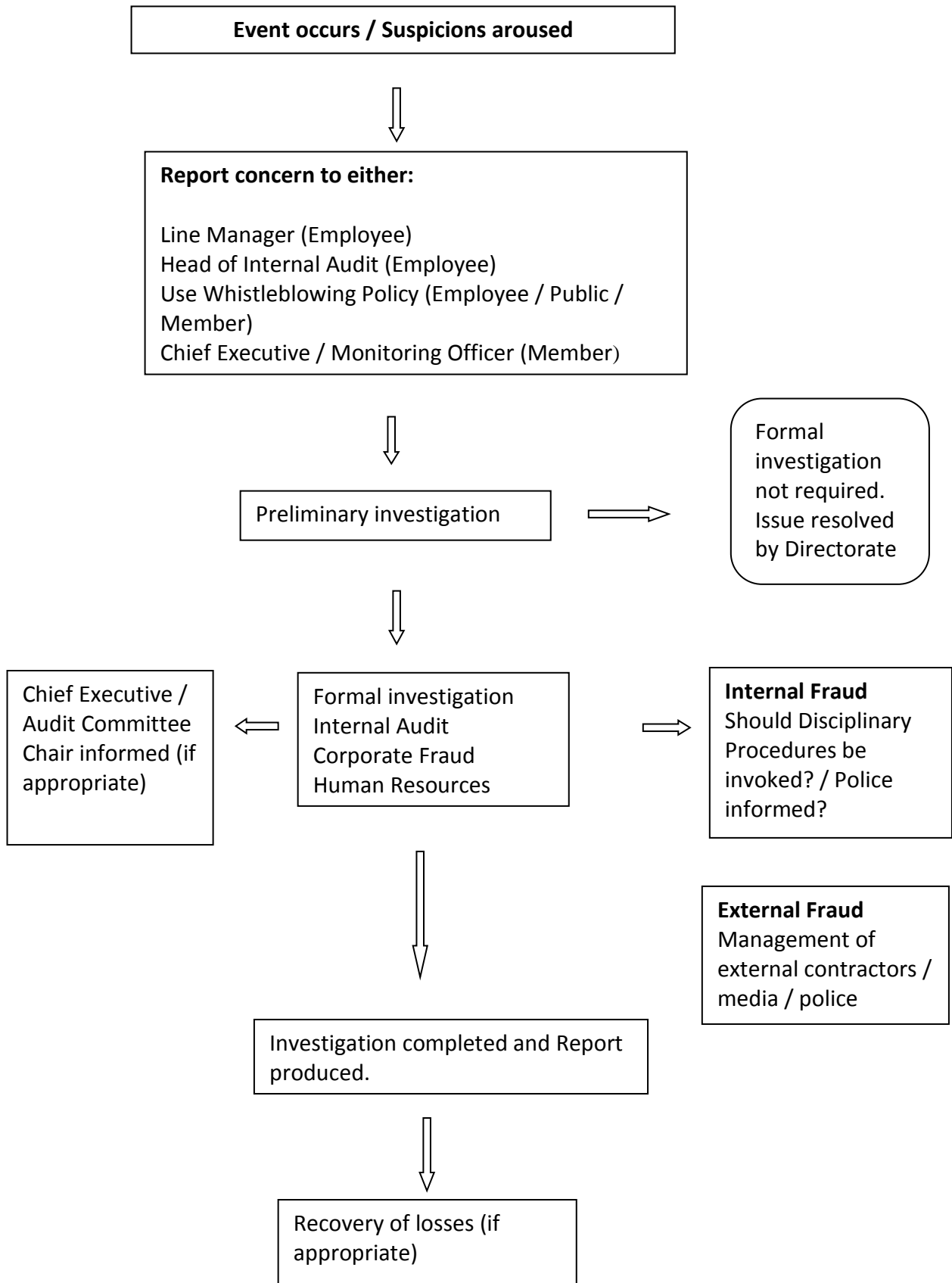
7. Recovery of Assets and / or Sanctions

- 7.1 If it is determined on the basis of evidence that a fraud has taken place, unless a referral has been made earlier, the Head of Internal Audit will discuss the matter with the Section 151 Officer and a decision taken as to whether to refer the matter to the Police.
- 7.2 In accordance with the Anti Fraud, Bribery and Corruption Statement and Strategy if it is confirmed the Council has suffered financial loss, attempts will be made to recover such losses from the perpetrator.

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Fraud Response Flow Chart

Appendix A



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DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	26 NOVEMBER 2020	12
CONSTITUTION AMENDMENT – TERMS OF REFERENCE - COMMITTEES			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

In line with its constitutional role to review and recommend amendments to Council, the Committee is asked to consider amendments to the terms of reference of several committees.

These amendments are the first substantial amendments since the committee system was put in place in May 2015.

RECOMMENDATIONS

1. To recommend the proposed amendments to the terms of reference of the committees (Part 2 and Part 3 of the Council's Constitution – Responsibility for Functions), as they appear at Appendix A, to Council.

SUMMARY OF PREVIOUS DECISIONS

19 January 2017 – “To add the following wording to the constitution under the remit of the Operational Management Committee; “Considering reports, reviewing and formulating where necessary policies relating to building control and land charges”

CORPORATE PRIORITIES	
Economy – To create a vibrant and healthy economy	
Environment – To deliver services customers expect	
Efficiency – By spending money in the most efficient way	√
Tourism – To create a great place to live and visit	

REPORT

1. At Council in July 2020, a number of changes were made to the membership of the Council's committees, including newly appointed Chairman.
2. Since July a number of senior councillors, including the newly appointed Chairmen, have had a stocktake of the programme committees' terms of reference.
3. A number of suggested amendments are put before Audit and Standards Committee for consideration.

4. These suggested amendments represent the first substantial changes to the terms of reference for the programme committees since their inception in 2015.

Finance and Democracy Committee

5. Finance and Democracy Committee currently has responsibility for the Revenues and Benefits Service. The service works extremely closely with the Customer Services team but the responsibility for the oversight of Customer Services currently sits with Operational Management together with ICT and the website. Similarly public communications and communications rest with Finance and Democracy but ICT and the website are inextricably linked to this.
6. It is therefore suggested that oversight of Customer Services, ICT and the website all sit within the terms of reference for the Finance and Democracy Committee.

Operational Management

7. The Operational Management Committee has responsibility for much of the Council's operational areas of activity such as car parking, footway lighting and bus shelters. Given that the cemetery and crematorium is one of the council's largest assets, it would appear that its overview would have more synergy in being under the remit of Operational Management rather than Environment, Health and Housing Committee.
8. It is therefore suggested that this area of activity sits within the terms of reference for Operational Management Committee.

Environment, Health and Housing Committee.

9. As a result of an internal audit, it has been identified that safeguarding should also sit within the remit of one of the programme committees and it is felt that the most appropriate place for this would be under the remit of the Environment, Health and Housing Committee.
10. A tracked changed version of the terms of reference is attached at Appendix A to assist members.

Planning Committee

11. The Environmental Health and Housing Committee has responsibility for all housing functions. However, the Planning Committee is responsible for the functions of the Council as the Local Planning Authority. It also formulates the relevant parts of the Development Plan (Local Plans). This work overlaps with the strategic planning required to forecast and plan for housing needs and growth within the context of the council as local planning authority.
12. As a result, it is proposed that strategic housing and the oversight of the provision of social housing (including s.106 agreements) should sit within the remit of the Planning Committee rather than Environment, Health and Housing Committee.

IMPLICATIONS	
Finance	No implications arising from this report
Legal	No implications arising from this report
Community Safety	No implications arising from this report
Human Rights and Equalities	No implications arising from this report
Sustainability and Environmental Impact	No implications arising from this report
Health & Safety and Risk Management	No implications arising from this report

LEAD AUTHOR	CONTACT DETAILS	DATE
Tracy Manning	Email tracy.manning@fylde.gov.uk & Tel 01253 658521	12 October 2020

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Constitution	2015	https://fylde.cmis.uk.com/fylde/ConstitutionGovernanceMatters.aspx

Attached documents

Appendix A – tracked changes of terms of reference (To follow)

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	26 NOVEMBER 2020	13
REVISED CODE OF CONDUCT			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

To provide an update on the work to date regarding the revised code of conduct.

As a part of the work undertaken by the Committee on Standards in Public Life on ethical standards in local government, it was recommended to the Local Government Association that it should create an updated model code of conduct, in consultation with representative bodies and councillors and officers of all tiers of local government.

Accordingly, it has produced a model code and consulted on this over the summer months. This work has not been finalised at this point, but it is felt important to draw members attention to this area of work.

RECOMMENDATION

To note the progress being made by the Local Government Association on developing a national model code of conduct and that members be kept informed of the development of this work and invited to consider the adoption of such a model code once available.

SUMMARY OF PREVIOUS DECISIONS

None

CORPORATE PRIORITIES

Economy – To create a vibrant and healthy economy	✓
Environment – To deliver services customers expect	✓
Efficiency – By spending money in the most efficient way	✓
Tourism – To create a great place to live and visit	✓

REPORT

1. In January 2019 the Committee on Standards in Public Life produced a report on local government ethical standards.
2. One of the recommendations to come from that report was a review of the current model member code of conduct.

3. This committee has previously considered the report from the Committee on Standards in Public Life and committed to work with recommended good practice and await further guidance with respect to other recommendations made.
4. One of the recommendations was that the Local Government Association (LGA) that it should create an updated model code of conduct, in consultation with representative bodies and councillors and officers of all tiers of local government.
5. The LGA has undertaken much consultative work on the current model code, holding workshops nationally and a range of other events.
6. The LGA has sought, through this work, to address issues of abuse and intimidation experienced by members, especially through social media. These issues being particularly heightened during this current period where most of the communication with residents and other members is taking place online and remotely.
7. As a result of the work of the LGA, a draft model code of conduct has been produced and the LGA ran a consultation of this new draft code from June – August 2020.
8. A workshop was held over the summer to consider the draft Code and give an indicative consultation response.
9. The workshop comprised of the Chairman, Councillor Singleton, of the Audit & Standards Committee, Tracy Manning – Monitoring Officer, Ian Curtis – Head of Governance together with colleagues from the Blackpool Standards Committee, Councillor Kath Benson – Vice Chair of Standards Committee, Councillor Ivan Taylor – Deputy Leader, Mark Towers – Monitoring Officer and Lorraine Hurst – Deputy Monitoring Officer at Blackpool Council. The Independent Person present was Helen Broughton. The Vice Chairman of the Audit & Standards committee, Councillor Gaunt, was unable to attend the workshop.
10. The response formulated is appended at the end of this report. The LGA's draft model code of conduct can be accessed via this link <https://www.local.gov.uk/local-government-association-model-member-code-conduct-consultation>

IMPLICATIONS	
Finance	No implications arising from this report
Legal	No implications arising from this report
Community Safety	No implications arising from this report
Human Rights and Equalities	No implications arising from this report
Sustainability and Environmental Impact	No implications arising from this report
Health & Safety and Risk Management	No implications arising from this report

LEAD AUTHOR	CONTACT DETAILS	DATE
Tracy Manning	Tracy.manning@fylde.gov.uk 01253 658521	13 November 2020

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
LGA Model Code	2020	https://www.local.gov.uk/local-government-association-model-member-code-conduct-consultation

Attached documents

Appendix 1 – LGA Draft Model Code of Conduct

Appendix 2 – Consultation Responses

Local Government Association Model Member Code of Conduct Consultation



Local
Government
Association
Model Member
Code of Conduct



The Local Government Association (LGA) is providing this Model Member Code of Conduct for consultation as part of its work on supporting the sector to continue to aspire to high standards of leadership and performance.

08 Jun 2020

LGA

11.197

Jump to section



Introduction

The Local Government Association (LGA) is providing this Model Member Code of Conduct as part of its work on supporting the sector to continue to aspire to high standards of leadership and performance.

The role of councillor in all tiers of local government is a vital part of our country's system of democracy. In voting for a local councillor, the public is imbuing that person and position with their trust. As such, it is important that as councillors we can be held accountable and all adopt the behaviours and responsibilities associated with the role. The conduct of an individual councillor affects the reputation of all councillors. We want the role of councillor to be one that people aspire to and want to participate with. We

want to continue to attract individuals from a range of backgrounds and circumstances who understand the responsibility they take on and are motivated to make a positive difference to their local communities.

All councils are required to have a local Member Code of Conduct. This Model Member Code of Conduct has been developed in consultation with the sector and is offered as a template for councils to adopt in whole and/or with local amendments. The LGA will undertake an annual review of the Code to ensure it continues to be fit-for-purpose, particularly with respect to advances in technology, social media and any relevant changes in legislation. The LGA can also offer support, training and mediation to councils and councillors on the application of the Code, whilst the National Association of Local Councils (NALC) and the county associations of local councils can offer advice and support to town and parish councils.

As a councillor we all represent local residents, work to develop better services and deliver local change. The public have high expectations of us and entrust us to represent everyone (in our ward/town/parish), taking decisions fairly, openly, transparently and with civility. Councillors should also be treated with civility by members of the public, other councillors and council employees. Members have both individual and collective responsibility to maintain these standards, support expected behaviour and challenge behaviour which falls below expectations. This Code, therefore, has been designed to protect our democratic role, encourage good conduct and safeguard the public's trust in local government.

Councillor Howard Sykes MBE Leader, LGA Liberal Democrats
Group Councillor Marianne Overton MBE Leader, LGA independent
Group
Councillor Izzi Seccombe OBE Leader, LGA Conservative Group
Councillor Nick Forbes CBE Leader, LGA Labour Group

Purpose

The purpose of this Code of Conduct is to assist councillors in modelling the behaviour that is expected of them, to provide a personal check and balance, and to set out the type of conduct against which appropriate action may be taken. It is also to protect yourself, the public, fellow councillors, council

officers and the reputation of local government. It sets out the conduct expected of all members and a minimum set of obligations relating to conduct. The overarching aim is to create and maintain public confidence in the role of member and local government.

Application of the Code

The Code of Conduct applies to you when you are acting [or claiming or giving the impression that you are acting]¹ in [public or in]² your capacity as a member or representative of your council, although you are expected to uphold high standards of conduct and show leadership at all times. The Code applies to all forms of member communication and interaction, including written, verbal, non-verbal, electronic and via social media, [including where you could be deemed to be representing your council or if there are potential implications for the council's reputation.] Model conduct and expectations is for guidance only, whereas the specific obligations set out instances where action will be taken.

The seven principles of public life

Everyone in public office at all levels – ministers, civil servants, members, council officers – all who serve the public or deliver public services should uphold the seven principles of public life. This Code has been developed in line with these seven principles of public life, which are set out in appendix A.

Model member conduct

In accordance with the public trust placed in me, on all occasions I will:

- act with integrity and honesty
- act lawfully
- treat all persons with civility; and
- lead by example and act in a way that secures public confidence in the office of councillor

In undertaking my role, I will:

- impartially exercise my responsibilities in the interests of the local community
- not improperly seek to confer an advantage, or disadvantage, on any person
- avoid conflicts of interest
- exercise reasonable care and diligence; and
- ensure that public resources are used prudently and in the public interest

Specific obligations of general conduct

This section sets out the minimum requirements of member conduct. Guidance is included to help explain the reasons for the obligations and how they should be followed. These obligations must be observed in all situations where you act [or claim or give the impression that you are acting] as a councillor [or in public], including representing your council on official business and when using social media.

As a councillor I commit to:

Civility

1. Treating other councillors and members of the public with civility.
2. Treating council employees, employees and representatives of partner organisations and those volunteering for the councils with civility and respecting the role that they play.

Civility means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a civil manner. You should not subject individuals, groups of people or organisations to unreasonable or excessive personal attack.

In your contact with the public you should treat them courteously. Rude and offensive behaviour lowers the public's expectations and confidence in its elected representatives.

In return you have a right to expect courtesy from the public. If members of the public are being abusive, threatening or intimidatory you are entitled to close down any conversation in person or online, refer them to the council, any social media provider or if necessary, the police. This also applies to members, where action could then be taken under the Member Code of Conduct.

Bullying and harassment

3. Not bullying or harassing any person. Bullying may be characterised as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. The bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and not always be obvious or noticed by others.

The Equality Act 2010 defines harassment as ‘unwanted conduct related to a relevant protected characteristic, which has the purpose or effect of violating an individual’s dignity or creating an intimidating, hostile, degrading, humiliating or offensive environment for that individual’. The relevant protected characteristics are age, disability, gender reassignment, race, religion or belief, sex, and sexual orientation.

Impartiality of officers of the council

4. Not compromising, or attempting to compromise, the impartiality of anyone who works for, or on behalf of, the council. Officers work for the council as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. Although you can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

Confidentiality and access to information

5. Not disclosing information given to me in confidence or disclosing information acquired by me which I believe is of a confidential nature, unless I have received the consent of a person authorised to give it or I am required by law to do so.

6. Not preventing anyone getting information that they are entitled to by law. Local authorities must work openly and transparently, and their proceedings and printed materials are open to the public except in certain circumstances. You should work on this basis but there will be times when it is required by law that discussions, documents and other information relating to or held by the council are treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

Disrepute

7. Not bringing my role or council into disrepute. Behaviour that is considered dishonest and/or deceitful can bring your council into disrepute. As a member you have been entrusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on other councillors and/or your council.

Your position

8. Not using, or attempting to use, my position improperly to the advantage or disadvantage of myself or anyone else. Your position as a member of the council provides you with certain opportunities, responsibilities and privileges. However, you should not take advantage of these opportunities to further private interests.

Use of council resources and facilities

9. Not misusing council resources. You may be provided with resources and facilities by the council to assist you in carrying out your duties as a councillor. Examples include office support, stationery and equipment such as phones, and computers and transport. These are given to you to help you carry out your role as a councillor more effectively and not to benefit you personally.

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2. Treating council employees, employees and representatives of partner organisations and those volunteering for the councils with civility and respecting the role that they play.

Civility means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a civil manner. You should not subject individuals, groups of people or organisations to unreasonable or excessive personal attack.

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Interests

10. Registering and declaring my interests. You need to register your interests so that the public, council employees and fellow members know which of your interests might give rise to a conflict of interest. The register is a document that can be consulted when (or before) an issue arises, and so allows others to know what interests you have, and whether they might give rise to a possible conflict of interest. The register also protects you. You are responsible for deciding whether or not you should declare an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise.

It is also important that the public know about any interest that might have to be declared by you or other members, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained. Discuss the registering and declaration of interests with your Monitoring Officer/Town or Parish Clerk and more detail is set out in appendix B.

Gifts and hospitality

11. Not accepting significant gifts or hospitality from persons seeking to acquire, develop or do business with the council or from persons who may apply to the council for any permission, licence or other significant advantage.
12. Registering with the monitoring officer any gift or hospitality with an estimated value of at least £25 within 28 days of its receipt. You should

exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a member. However, you do not need to register gifts and hospitality which are not related to your role as a member, such as Christmas gifts from your friends and family, or gifts which you do not accept. However, you may wish to notify your monitoring officer of any significant gifts you are offered but refuse which you think may have been offered to influence you.

Breaches of the Code of Conduct

Most councillors conduct themselves appropriately and in accordance with these standards. Members have both individual and collective responsibility to maintain these standards, support expected behaviour and challenge behaviour which falls below expectations.

Section 27 of the Localism Act 2011 requires relevant authorities to promote and maintain high standards of conduct by members and co-opted members of the authority. Each local authority must publish a code of conduct, and it must cover the registration of pecuniary interests, the role of an 'independent person', and sanctions to be imposed on any councillors who breach the Code.

The 2011 Act also requires local authorities to have mechanisms in place to investigate allegations that a member has not complied with the Code of Conduct, and arrangements under which decisions on allegation may be made.

Failure to comply with the requirements to register or declare disclosable pecuniary interests is a criminal offence.

Taking part in a meeting or voting, when prevented from doing so by a conflict caused by disclosable pecuniary interests, is also a criminal offence. Political parties may have its own internal standards and resolution procedures in addition to the Member Code of Conduct that members should be aware of.

Note – items in square brackets [x] refer to recommendations made by the Committee on Standards in Public Life and may be part of a future Government consultation. This includes possible future sanctions and appeals processes.

Example LGA guidance and recommendations

Internal resolution procedure

Councils must have in place an internal resolution procedure to address conduct that is in breach of the Member Code of Conduct.

The internal resolution process should make it clear how allegations of breaches of the Code of Conduct are to be handled, including the role of an Independent Person, the appeals process and can also include a local standards committee. The internal resolution procedure should be proportionate, allow for members to appeal allegations and decisions, and allow for an escalating scale of intervention. The procedure should be voted on by the council as a whole.

In the case of a non-criminal breach of the Code, the following escalating approach can be undertaken.

If the breach is confirmed and of a serious nature, action can be automatically escalated.

1. an informal discussion with the monitoring officer or appropriate senior officer
2. an informal opportunity to speak with the affected party/ies
3. a written apology
4. mediation
5. peer support
6. requirement to attend relevant training
7. where of a serious nature, a bar on chairing advisory or special committees

for up to two months

8. where of a serious nature, a bar on attending committees for up to two months. Where serious misconduct affects an employee, a member may be barred from contact with that individual; or if it relates to a specific responsibility of the council, barred from participating in decisions or information relating to that responsibility.

Endnotes

1. CSPL recommend that "Section 27(2) of the Localism Act 2011 should be amended to state that a local authority's code of conduct applies to a member when they claim to act, or give the impression they are acting, in their capacity as a member or as a representative of the local authority".
2. CSPL recommend that "councillors should be presumed to be acting in an official capacity in their public conduct, including statements on publicly accessible social media. Section 27(2) of the Localism Act 2011 should be amended to permit local authorities to presume so when deciding upon code of conduct breaches."
3. Subject to footnotes 1 and 2 above
4. See CSPL website for further details
www.gov.uk/government/news/theprinciples-of-public-life-25-years
5. ACAS's definition of bullying

Appendices

Code Appendix A

The principles are :

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Code Appendix B

Registering interests

1. Within 28 days of this Code of Conduct being adopted by the council or your election or appointment to office (where that is later) you must register with the Monitoring Officer the interests which fall within the categories set out in Table 1 (Disclosable Pecuniary Interests) and Table 2 (Other Registerable Interests).
2. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest in Table 1 or 2, or of any change to a registered interest, notify the Monitoring Officer.

Declaring interests

3. Where a matter arises at a meeting which directly relates to an interest in Table 1, you must declare the interest, not participate in any discussion or vote on the matter and must not remain in the room unless granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

4. Where a matter arises at a meeting which directly relates to an interest in Table 2, you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

5. Where a matter arises at a meeting which directly relates to your financial interest or well-being (and is not a Disclosable Pecuniary Interest) or a financial interest or well-being of a relative or close associate, you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

6. Where a matter arises at a meeting which affects –

- a. your own financial interest or well-being;
- b. a financial interest or well-being of a friend, relative, close associate; or
- c. a body covered by table 1 below you must disclose the interest.

7. Where the matter affects the financial interest or well-being to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

Table 1: Disclosable Pecuniary Interests

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain. [Any unpaid directorship.]
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992
Contracts	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council —
	(a) under which goods or services are to be provided or works are to be executed; and
	(b) which has not been fully discharged.
Land and Property	Any beneficial interest in land which is within the area of the council. 'Land' excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners (alone or jointly with another) a right to occupy or to receive income.
Licenses	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer
Corporate tenancies	Any tenancy where (to the councillor's knowledge)—
	(a) the landlord is the council; and

	(b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.
Securities	Any beneficial interest in securities* of a body where—
	(a) that body (to the councillor's knowledge) has a place of business or land in the area of the council; and
	(b) either—
	(i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or
	(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/ her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

*'director' includes a member of the committee of management of an industrial and provident society. *'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2: Other Registerable Interests:

Any Body of which you are a member or in a position of general control or management and to which you are appointed or nominated by the council;

- | | |
|--------------|--|
| Any
Body— | (a) exercising functions of a public nature; |
| | (b) directed to charitable purposes; or |

(c) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)

of which you are a member or in a position of general control or management.

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Improvement and Development Agency for Local Government company number 03675577

LGA Consultation on Draft Model Member Code of Conduct

Thank you for taking the time to complete this consultation. This Model Member Code of Conduct [[Model Member Code of Conduct.pdf](#)] aims to be concise, written in plain English and be understandable to members, officers and the public. The Model Member Code is designed to aid members in all tiers of local government model the behaviours and high standards that anyone would expect from a person holding public office. Equally, it articulates behaviour which falls below the standards that would be expected of council members. It is designed to help set a framework for public and councillor interaction, emphasising the importance of civility and that councillors should be protected from bullying, intimidation and abuse.

The LGA has reviewed the existing Model Member Code of Conduct and updated it here incorporating the recommendations from the Committee on Standard's in Public Life's recommendations on Local Government Ethical Standards and the representation from its membership. Part of the Committee's recommendations were the introduction of sanctions for breaches of the code, alongside an appeals process. This aspect is out of scope of this consultation, as it requires legislative changes by Government, but the LGA has sought to reflect some of the possible changes by using square brackets where legal changes would be necessary. The LGA is continuing to take soundings from the sector on the issue of sanctions in anticipation of a Government response to the Committee's recommendations.

This consultation addresses key areas that the LGA would like a view on to help finalise the Code. It is aimed at councillors and officers from all tiers of local government. If you would like a wider discussion about the code, please do sign up to one of the forthcoming Webinars the LGA are holding as part of this consultation. Details will be posted on our [LGA events website](#).

Instructions and privacy notice

You can navigate through the questions using the buttons at the bottom of each page. Use the 'previous' button at the bottom of the page if you wish to amend your response to an earlier question.

All responses will be treated confidentially. Information will be aggregated, and no individual or authority will be identified in any publications without your consent. Identifiable information may be used internally within the LGA but will only be held and processed in accordance with our [privacy policy](#). We are undertaking this consultation to aid the legitimate interests of the LGA in supporting and representing authorities.

Please complete your response in one go - if you exit before submitting your response your answers may be lost. If you would like to see an overview of the questions before completing the consultation online, you can access a PDF [here](#).

About you

Your name _____

Are you...

- ☐ A councillor
- ☐ An officer
- ☐ Answering on behalf of a whole council (Please provide council name below)

☒ Other (please specify below)

Answering on behalf of Blackpool Borough Council Standards Committee and Fylde Borough Council Audit and Standards Committee and the shared Panel of Independent Persons.

Please indicate your council type

- ☐ Community/Neighbourhood/Parish/Town
- ☒ District/Borough
- ☐ County
- ☒ Metropolitan/Unitary/London Borough
- ☐ Other (please specify below)

Application of the Code

Under the Localism Act 2012, the Code of Conduct applies to councillors only when they are acting in their capacity as a member. The LGA believes that because councillors are elected by the public and widely recognised by the public, it makes sense for them to continue to model these behaviours when they are making public comment, are identifying as a councillor and when it would be reasonable for the public to identify them as acting or speaking as a councillor. The Committee on Standards in Public Life supported this approach in their report into Local Government Ethical Standards. Whilst the LGA is waiting for Government's response to these recommendations the option has been added in square brackets as it would need changes in legislation.

Q1. To what extent do you support the proposal that councillors demonstrate the behaviours set out in the Code when they are publicly acting as, identifying as, and/or giving the impression that they are acting as a councillor, including when representing their council on official business and when using social media?

- ☐ To a great extent
- ☒ To a moderate extent
- ☐ To a small extent
- ☐ Not at all
- ☐ Don't know/prefer not to say

Q1a. If you would like to elaborate on your answer please do so here:

The behaviours set out seem fine, but the current situation regarding social media and the legislative position makes this an issue of concern.

Q2. Is it sufficiently clear which parts of the Model Code are legal requirements, which are obligations, and which are guidance?

- ☐ Yes
- ☒ No
- ☐ Don't know

Q3. Do you prefer the use of the personal tense, as used in the Code, or would you prefer the passive tense?

- ☒ Personal tense ("I will")
- ☐ Passive tense ("Councillors should")
- ☐ No preference

Specific obligations

The Code lists 12 specific obligations – these set out a minimum standard councillors are asked to adhere to.

Each obligation or group of obligations is put into a wider context to explain why that particular obligation is important.

Q4. To what extent to you support the 12 specific obligations?

	To a great extent	To a moderate extent	To a small extent	Not at all	Don't know / Prefer not to say
1. Treating other councillors and members of the public with civility.	X				
2. Treating council employees, employees and representatives of partner organisations and those volunteering for the councils with civility and respecting the role that they play.	X				
3. Not bullying or harassing any person.	X				
4. Not compromising, or attempting to compromise, the impartiality of anyone who works for, or on behalf of, the council.	X				
5. Not disclosing information given to me in confidence or disclosing information acquired by me which I believe is of a confidential nature, unless I have received the consent of a person authorised to give it or I am required by law to do so.	X				
6. Not preventing anyone getting information that they are entitled to by law.	X				
7. Not bringing my role or council into disrepute.	X				
8. Not using, or attempting to use, my position improperly to the advantage or disadvantage of myself or anyone else.	X				

9. Not misusing council resources.	X				
10. Registering and declaring my interests.	X				
11. Not accepting significant gifts or hospitality from persons seeking to acquire, develop or do business with the council or from persons who may apply to the council for any permission, licence or other significant advantage.	X				
12. Registering with the monitoring officer any gift or hospitality with an estimated value of at least £25 within 28 days of its receipt.	X				

Q5. If you would like to propose additional or alternative obligations, or would like to provide more comment on a specific obligation, please do so here:

Obligation 1 - Support the word 'civility' being introduced as describes what is expected from public office. However, we believe this is different to respect and we would prefer this to be "...with civility and respect".

Obligation 3 – we believe that some clarity could assist with the 2 definitions. They current way they are written could be interpreted as a joined up definition rather than 2 separate definitions. i.e currently implies that will only be a case of bullying in case of protected characteristics. Should be clear that no form of bullying is acceptable

Obligation 11 – we support this objective but believe that the term 'significant' could be open to interpretation and would like to see clear guidance around this. Also add in 'not knowingly accept gifts.....'.

Obligation 12 – being clear that this is in respect of role as a councillor.

For all obligations stressed as important that there is clarity about their interpretation as the test for these would be subject to any challenge through the courts.

Q6. Would you prefer to see the obligations as a long list followed by the guidance, or as it is set out in the current draft, with the guidance after each obligation?

☐ As a list

☒ Each specific obligation followed by its relevant guidance

☐ No preference

Q7. To what extent to you think the concept of ‘acting with civility’ is sufficiently clear?

- ☐ To a great extent
- ☐ To a moderate extent
- ☒ To a small extent
- ☐ Not at all
- ☐ Don't know/prefer not to say

Q7a. If you would like to suggest an alternative phrase that captures the same meaning, or would like to provide a comment on this concept, please do so here:

As per earlier comment, suggest that the phrase is “...acting with civility and respect”

Q8. To what extent do you think the concept of ‘bringing the council into disrepute’ is sufficiently clear?

- ☐ To a great extent
- ☒ To a moderate extent
- ☐ To a small extent
- ☐ Not at all
- ☐ Don't know/prefer not to say

Q8a. If you would like to suggest an alternative phrase that captures the same meaning, or would like to provide a comment on this concept, please do so here:

The definition has a narrow definition the way it is written. i.e. in particular it is not just limited to dishonest and deceitful. It should cover actions such as being abusive, swearing, bullying, intimidation etc. Suggest it is phrased more like “any behaviour that undermines the position/ role of councillors”.

Q9. To what extent do you support the definition of bullying and harassment used in the code in a local government context?

- ☐ To a great extent
- ☐ To a moderate extent
- ☒ To a small extent
- ☐ Not at all
- ☐ Don't know/prefer not to say

Q9a. If there are other definitions you would like to recommend, please provide them here.

As per earlier comment. i.e. agree in general with the phrase but want the description strengthening as currently seems narrow

Q10. Is there sufficient reference to the use of social media?

- ☐ Yes
- ☒ No
- ☐ Don't know/prefer not to say

Q10a. Should social media be covered in a separate code or integrated into the overall code of conduct?

- ☐ Separate code
- ☒ Integrated into the code
- ☐ Don't know/prefer not to say

Q10b. If you would like to make any comments or suggestions in relation to how the use of social media is covered in the code please do so here:

General area surrounding social media too wide an issue to be captured in one paragraph and would benefit from legislation. To aid councilors some best practice and guidance on the use of social media in a councillor and private role should be provided with examples until legislation changes are made.

Standards for England/ Standards Board used to publish cases as examples and suggested LGA could look at bringing examples from across councils together. Need for everyone to interpret the code in the same way for consistency. Agreement that social media should be integrated into the code. Idea of guidance policy being separate.

Registration and declarations of interests

The law at present requires, as a minimum, registration and declaration of 'Disclosable Pecuniary Interests' - that is matters which directly relate to the councillor and their partner if applicable.

The LGA is proposing that all councillors are required to declare interests where matters also relate to or affect other family members or associates. The LGA has broadened the requirement to declare interests beyond this current statutory minimum in line with a recommendation from the Committee on Standards in Public Life. These specific provisions are set out in **Appendix B** of the Code.

Q11. To what extent to you support the code going beyond the current requirement to declare interests of the councillor and their partner?

- ☒ To a great extent
- ☐ To a moderate extent
- ☐ To a small extent
- ☐ Not at all
- ☐ Don't know/prefer not to say

Q11a. If you would like to elaborate on your answer please do so here:

[Already the practice in Blackpool Borough Council and Fylde Borough Council](#)

Q12. Should the requirement to declare interests be in the main body of the code or in the appendix where the draft model code currently references it?

- ☒ In the main body of the code
- ☐ In the appendix
- ☐ Other (please specify below)
- ☐ Don't know/prefer not to say

Q12a. If you would like to make any comments or suggestions in relation to how the requirement to declare interests is covered in the code please do so here:

Suggestion that Paragraphs 3 and 4 on page 9 of the draft needs to be reworded to make clearer (more self contained) rather than having to refer to tables etc. i.e DPLs and personal and prejudicial interests.

It is also suggested that more outside interests should be registered than is the current statutory minimum. These are set out in **Table 2 of the Appendix** and are designed to demonstrate to the community transparency about other bodies with which the councillor is engaged.

Q13. To what extent do you support the inclusion of these additional categories for registration?

	To a great extent	To a moderate extent	To a small extent	Not at all	Don't know / Prefer not to say
Any organisation, association, society or party of which you are a member or in a position of general control or management and to which you are appointed or nominated by the council	X				
Any organisation, association, society or party that exercises functions of a public nature of which you are a member or in a position of general control or management	X				
Any organisation, association, society or party directed to charitable purposes	X				
Any organisation, association, society or party of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)	X				

Q13a. If you would like to propose additional or alternative **categories** for registration, please provide them here:

Both authorities already include the additional categories in their codes so happy for it to continue with the model code.

Q14. To what extent to you support the proposed requirement that councillors do not accept significant gifts as set out in Obligation 11?

- ☐ To a great extent
- ☒ To a moderate extent
- ☐ To a small extent
- ☐ Not at all
- ☐ Don't know/prefer not to say

Q14a. If you would like to elaborate on your answer please do so here:

Happy to include the additional obligation but would suggest that "significant" is replaced as mentioned earlier.

Q15. The draft code proposes £25 as the threshold for registering gifts and hospitality. Is this an appropriate threshold?

- ☒ Yes
- ☐ Yes, but the amount should be reviewed annually with the code's review
- ☐ No, it should be lower (please specify amount) _____
- ☐ No, it should be higher (please specify amount) _____
- ☐ Don't know/prefer not to say

Q16. The LGA will be producing accompanying guidance to the code. Which of the following types of guidance would you find most useful? Please rank 1-5, with 1 being the most useful.

- 3 Regularly updated examples of case law
- 5 Explanatory guidance on the code
- 1 Case studies and examples of good practice
- 2 Supplementary guidance that focuses on specific areas, e.g., social media
- 3 Improvement support materials, such as training and e-learning packages

Q16a. If you would like to suggest any other accompanying guidance please do so here:

Out of the above 5 areas, preference for 1 and 2.

Q17. If you would like to make any further comments about the code please so here:

Internal Resolution procedure – this looks to be contrary to the recommendation from the Committee on Standards in Public Life (CSPL) report, which stated “A formal appeal system would be disproportionate to the most commonly imposed sanctions, such as censure, training or apology.” It is believed this would be detrimental to the process and that this dispute process not best placed to be within the code at the current line until legislative changes are in place, in particular the recommended appeal process (as stated by the CSPL) to the Local Government Ombudsman.

A general view that training should be undertaken upon taking office and then every 2 years or halfway through term of office. In favor of some centralized online training module that would be compulsory and monitored. This would be used as additional evidence in cases of breaches of code. The relevant Standards committees could be responsible for reviewing and monitoring who has/has not completed training.

Would be beneficial if it was part of the code that councilors had to undertake training on taking office and then halfway through term of office. (Part of the “I will...” – signing of a contract approach).

It is also noted that the CSPL report recommended a number of legislative changes (e.g. capacity of a councillor and sanctions) to Central Government. As this was in 2019, it is asked that the LGA lobby government on behalf of the sector to seek feedback on these recommendations.

Once you press the 'Submit' button below, you will have completed your response.

INFORMATION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	26 NOVEMBER 2020	14
CORPORATE GOVERNANCE ACTION PLAN UPDATE			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY OF INFORMATION

An update of the Corporate Governance Action Plan is attached to this report.

SOURCE OF INFORMATION

Corporate Governance Group

WHY IS THIS INFORMATION BEING GIVEN TO THE COMMITTEE?

Updates to the action plan are brought to committee throughout the year.

FURTHER INFORMATION

Contact Tracy Manning, tracy.manning@fylde.gov.uk 01253 658521

INFORMATION NOTE

Corporate Governance Action Plan Update

Area Requiring Action	Senior Responsible Officer	Progress update	Status	Completion Date
Implement revised staff induction programme	Alex Scrivens	Using the intranet we have created a dedicated page to cover all areas of the induction process http://intra.fylde.gov.uk/induction . Feedback received has been extremely positive, having all details / links in the one place and readily available online.	Completed	30 th September 2019
Raise awareness of probity policies through team briefs (on-going throughout the year)	Tracy Manning in consultation with the Corporate Governance Group	A series of 7-minute briefings have been drafted, the first two of which are now available on the staff intranet. http://intra.fylde.gov.uk/resources/7-minute-briefings/ The status of the action is ongoing, as the intention is to add further briefings over the coming financial year and beyond.	Ongoing	31 st March 2020
Strengthen communication regarding core competencies through electronic message board, intranet and internet	Alex Scrivens	We have used TV screens in various staff break-out rooms promoting comms in general, including core competencies. More so on the intranet producing articles and blogs about culture and the core competencies. We have updated our Customer Care Policy to include competencies in relation to response times for external customers. Further to the above, managers across the organisation reviewed the core competences and recommended that a refresh should be carried out. A piece of work is therefore being prepared involving staff from all service areas to review what these should look like in the future in order to create a more modern and simplistic set of core competencies. This work has been paused due to the	Completed Further work involved in 2021	30 th June 2019

		pandemic but will commence again when able		
Area Requiring Action	Senior Responsible Officer	Progress update	Status	Completion Date
Re-launch the Project Management Framework and consider an appropriate framework for compliance monitoring	Alex Scrivens	The methodology has been reviewed again, more streamlined and adaptable to Fylde's needs.	Completed	30 th NOV 2020
Delivery of Project Management training		The methodology has been promoted via the intranet and advertised as a corporate recommendation and support offered. More formal training will be considered going forward if resources allow	Completed	28 th Feb 2020
Update Risk Management Strategy	Dawn Highton	The updated Risk Management Strategy will be reported to the July 2020 meeting of Audit & Standards Committee.	Completed	23 rd July 2020
Continue to embed Project, Partnership, Operational risks through the use of GRACE	Dawn Highton	Officers have been trained in operational risk management using the GRACE software, the training was well received and is embedded. Work still required in projects and partnerships.	Completed Ongoing	31 st March 2020
Delivery of risk management training	Dawn Highton	Delivery of risk management training is on-going throughout the year.	Ongoing	31 st December 2020
Review the Council's Ethical Standards Arrangements against best practice recommendations made by the Committee on Standards in Public Life	Tracy Manning	An initial report was considered by committee on 19 September 2019. A further report will be brought to committee either at the September or November 2020 cycle of meetings in regard to the complaint handling process, together with the outcome of consultation with Town and Parish Councils.	Completed	26th November 2020
FURTHER INFORMATION AVAILABLE FROM Contact: Director of Resources				