

**Meeting of:** Audit & Accounts Committee

**Date:** 3<sup>rd</sup> December 2024

**Time:** 6.30pm

**Venue:** Council Chamber, The Business Centre, Futures Park, Bacup, OL13 0BB

The meeting will also be live streamed at the following link:

<https://www.youtube.com/channel/UCrLsMDOP7AYxik5pNP0gTIA/streams>

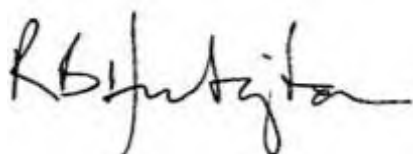
**Supported by:** Glenda Ashton, Committee and Member Services Officer Tel: 01706 252423

Email: [glendaashton@rossendalebc.gov.uk](mailto:glendaashton@rossendalebc.gov.uk)

ITEM		Lead Member/Contact Officer
<b>A.</b>	<b>BUSINESS MATTERS</b>	
<b>A1.</b>	<b>Apologies for Absence</b>	<p>Glenda Ashton, Committee and Member Services Officer Tel: 01706 252423 Email: <a href="mailto:glendaashton@rossendalebc.gov.uk">glendaashton@rossendalebc.gov.uk</a></p>
<b>A2.</b>	<b>Minutes of the last meeting</b> To approve and sign as a correct record the Minutes of the meeting held on 25 <sup>th</sup> September 2024	
<b>A3.</b>	<b>Urgent Items of Business</b> To note any items which the Chair has agreed to add to the Agenda on the grounds of urgency.	
<b>A4.</b>	<b>Declarations of Interest</b> <i>Members are advised to contact the Monitoring Officer in advance of the meeting to seek advice on interest issues if necessary.</i>  Members are requested to indicate at this stage, any items on the agenda in which they intend to declare an interest. Members are reminded that, in accordance with the Local Government Act 2000 and the Council's Code of Conduct, they must declare the nature of any personal interest and, if the interest is prejudicial, withdraw from the meeting during consideration of the item.	
<b>B.</b>	<b>COMMUNITY ENGAGEMENT</b>	
<b>B1.</b>	<b>Public Question Time</b> Members of the public can register their question by contacting the Committee Officer. Groups with similar questions are advised to appoint and register a spokesperson.  This is an opportunity to ask a question about	<p>Glenda Ashton, Committee and Member Services Officer 01706 252423 <a href="mailto:glendaashton@rossendalebc.gov.uk">glendaashton@rossendalebc.gov.uk</a></p>

The agenda and reports are also available for inspection on the Council's website <https://www.rossendale.gov.uk/>. Other formats are available on request. Tel 01706 217777 or contact Rosendale Borough Council, Futures Park, Bacup, OL13 0BB

ITEM		Lead Member/Contact Officer
	<p>a matter which the Council may be able to assist with. A time limit of 3 minutes applies for each question and you are only able to address the meeting once.</p> <p>To register for public question time your question must be received no later than 12noon on the day of the meeting by emailing <a href="mailto:democracy@rossendalebc.gov.uk">democracy@rossendalebc.gov.uk</a> Please give your full name, telephone number and include a copy of your question.</p> <p>Please begin by giving your name and state whether you are speaking as an individual member of the public or as a representative of a group. (Question time normally lasts up to 30 minutes).</p>	<p>Please register an agenda related public question by emailing <a href="mailto:democracy@rossendalebc.gov.uk">democracy@rossendalebc.gov.uk</a> no later than 12noon on Tuesday 3<sup>rd</sup> December 2024</p>
<b>C.</b>	<p><b>Chair's Update</b> To receive communications from the Chair</p>	Councillor M Smith
<b>D.</b>	<b>ORDINARY BUSINESS</b>	
<b>D1.</b>	Internal Audit Plan 2024/25 Progress Report September – November 2024	<p>Mark Baskerville Lancashire County Council Auditors <a href="mailto:mark.baskerville@lancashire.gov.uk">mark.baskerville@lancashire.gov.uk</a></p>
<b>D2.</b>	Audit Completion Reports	<p>Katie Kingston Forvis Mazars Auditors <a href="mailto:katie.kingston@mazars.co.uk">katie.kingston@mazars.co.uk</a></p>
<b>D3.</b>	Adoption of Statutory Accounts in line with back stop arrangements	<p>Chris Warren Director of Resources/s151 Officer <a href="mailto:chriswarren@rossendalebc.gov.uk">chriswarren@rossendalebc.gov.uk</a></p>
<b>D4.</b>	Corporate Risk Register Update Q2 2024/25	<p>Chris Warren Director of Resources/s151 Officer <a href="mailto:chriswarren@rossendalebc.gov.uk">chriswarren@rossendalebc.gov.uk</a></p>
<b>E.</b>	<p><b>EXCLUSION OF PUBLIC AND PRESS</b> To consider passing the appropriate resolution under Section 100 (A)(4) of the Local Government Act 1972 that the press and public be excluded from the meeting during consideration of the following item of business since it involves the likely disclosure of exempt information under Paragraphs 1 and 2 of Schedule 12A of the Act.</p>	
<b>E1.</b>	Standards Complaints update (verbal)	Councillor M Smith
<b>E2.</b>	Whistleblowing update (verbal)	Councillor M Smith



**Rob Huntington**  
Chief Executive

**Date Published:** 25<sup>th</sup> November 2024

**MINUTES OF: THE AUDIT AND ACCOUNTS COMMITTEE**

**DATE OF MEETING: 25<sup>th</sup> September 2024**

**PRESENT: Councillor Harris (Chair)**  
**Councillors Bleakley, Kenyon, Norton, Procter and Woods**

**IN ATTENDANCE: Rob Huntington, Chief Executive**  
**Chris Warren, Director of Resources (s151 Officer), RBC**  
**Kimberly Haworth, Head of Financial Services, RBC**  
**Andy Dalecki, LCC Internal Auditors**  
**Zaheer Abbas, LCC Internal Auditors**  
**Katie Kingston, Forvis Mazars External Auditors**  
**Karen Makusha, Forvis Mazars External Auditors**  
**Glenda Ashton, Committee Officer, RBC**  
**Hannah Cullen, Committee Officer, RBC**

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**1. APOLOGIES FOR ABSENCE**

1.1 Apologies were noted for Mr McManus, Co-opted member.

**2. MINUTES OF THE MEETING HELD ON 31<sup>ST</sup> JULY 2024**

**RESOLVED:**

The minutes of the meeting held on 31<sup>st</sup> July 2024 were agreed as a correct record.

**3. URGENT ITEMS OF BUSINESS**

3.1 There were no urgent items of business.

**4. DECLARATIONS OF INTEREST**

4.1 There were no declarations of interest.

**5. PUBLIC QUESTION TIME**

5.1 There were no public questions.

**6. CHAIR'S UPDATE**

6.1 The Finance Team were working with budget holders and managers to progress the Debt Management Policy. Once completed it would be relaunched and training rolled out. Committee to be updated on progress.

6.2 Arrangements for the Cross-Party Working Group had been put on hold pending clarity on the new legislation.

6.3 Whitworth Town Council did not receive a share of the collection fund surplus as the rules for Parish Councils were different. They do not have the same restrictions on increases as the other preceptors.

6.4 The contract management procedure audit had been deferred due to the General Election. It would now take place in 2024/25.

- 6.5 A copy of the Internal Audit Accounts Payable report was circulated to Committee members.
- 6.6 The Council's Business Adviser did not have an executive list of all the businesses in the Valley. He could only make assumptions on the reasons for the small reduction of businesses in the borough but would not be able to give a definitive answer. Work was underway to obtain accurate data for businesses in the area.
- 6.7 Officers were thanked for the prompt responses.

## **7. CORPORATE RISK REGISTER UPDATE Q1 2024/25**

- 7.1 The Director of Resources presented the report, which asked members to note the risk consequence, mitigation action and level of risk as detailed in Appendix 1. It was noted that there were two red risks, the Stability of the Medium-Term Financial Strategy and Financial Sustainability of Council Owned Leisure Assets.
- 7.2 The following comments were made and clarifications provided:
- Additional risk to be considered in relation to regeneration funds and project completion timescales as failure to comply would cause financial and reputational issues.
- Risk 2 – Major Disaster affecting the Delivery of Council Services
- The Council received details of flood risks via the Lancashire Resilience Forum. Meetings took place and arrangements were put in place when necessary.
- Risk 6 – Insufficient data and cyber security
- Training to be provided to all new and existing councillors.
- Risk 9 – Financial Sustainability of Council Owned Leisure Assets
- A number of recommendations were made at an Extraordinary Council meeting in May 2023. The Chief Executive agreed to provide an update on implementation of the recommendations.
  - The Leisure Trust Chief Executive would be invited to a future Council meeting to provide an update to all members.
  - A review of leisure facilities, requirements of the borough, and financial sustainability was needed.

### **RESOLVED:**

- The Audit and Accounts Committee noted the Council's Corporate Risk Register as detailed in the report.
- Members noted the risk consequence, mitigation action and level of risk as detailed in Appendix 1.

## **8. INTERNAL AUDIT PROGRESS REPORT 2024/25**

- 8.1 The Senior Auditor, Lancashire County Council, outlined the report which asked members to consider the Internal Audit Report in progress to deliver the 2024/25 audit plan.
- 8.2 The following clarification was provided:
- The reconciliation of accounts was 90% complete. Testing would then take place and an update provided at the next Committee meeting.

### **RESOLVED:**

- The Committee considered the Internal Audit Progress Report for 2024/25.

## **9. AUDIT STRATEGY MEMORANDUMS FOR 2019/20, 2020/21, 2021/22, 2022/23 and 2023/24**

9.1 The Audit Manager, Mazars, outlined the reasons for the delay in completing the audit of accounts which included the lapse in timescales, Council staffing issues and audit issues nationally. The Government had set a backstop date of 13<sup>th</sup> December 2024 for the publishing of audited accounts for financial years up to and including 2022/23. A further backstop date of 28<sup>th</sup> February 2025 had been set for publishing the 2023/24 audited accounts.

9.2 The following comments were made and clarifications provided:

- The PSAA had increased audit fees by 9.5% for 2024/25.
- Unaudited accounts were a national issue.
- New legislation had been announced with a series of backstop dates being implemented to address the local government audit backlog. Parliament are to sign a new Code, and from that the auditors would be able to issue modified audit opinions and understand the minimum amount of work required to do so.
- A minimum amount of work was required to catch up on the audit of accounts i.e. audits had to be planned and minimal testing undertaken. Full audits usually took place over a series of months with a number of transactions being tested.
- For 2024/25 and following years, the auditors would need to work on rebuilding assurance in order to issue unqualified audit opinions. Guidance from NAO was currently awaited. Discussions would then take place regarding the practicalities.
- The six years of outstanding accounts would have modified audit opinions issued against them by the end of the December deadline. However, some work would need to take place on these accounts over the following years to rebuild assurance for the auditors to issue unqualified opinions on subsequent years.

9.3 The internal and external auditors were thanked for their continued work.

### **RESOLVED:**

- The Committee considered the Audit Strategy Memorandums for 2019/20, 2020/21, 2021/22, 2022/23 and 2023/24.

## **10. EXCLUSION OF PUBLIC AND PRESS**

### **RESOLVED:**

- That the public and press be excluded from the following items of business under Section 100(A)(4) of the Local Government Act 1972 since the items involved the likely disclosure of exempt information under Paragraphs 1 and 2 of Schedule 12A to the Local Government Act 1972.

## **11. STANDARDS COMPLAINTS UPDATE (VERBAL)**

11.1 An update was provided in relation to Standards Complaints.

### **RESOLVED:**

- That the update was noted.

## **12. WHISTLEBLOWING UPDATE (VERBAL)**

12.1 An update was provided in relation to Whistleblowing.

**RESOLVED:**

- That the update was noted.

**The meeting concluded at 7.25pm**

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**Signed (Chair)**

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**Date**

<b>Subject:</b>	Internal Audit Plan 2024/25 Progress Report September- November 2024	<b>Status:</b>	For Publication
<b>Report to:</b>	Audit & Accounts Committee	<b>Date:</b>	3rd December 2024
<b>Report of:</b>	Head of Internal Audit (Internal Audit Service)	<b>Lead Member:</b>	Resources
<b>Key Decision:</b>	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	<b>General Exception</b>	<input type="checkbox"/> <b>Special Urgency</b> <input type="checkbox"/>
<b>Equality Impact Assessment:</b>	Required: No	<b>Attached:</b>	No
<b>Biodiversity Impact Assessment:</b>	Required: No	<b>Attached:</b>	No
<b>Contact Officer:</b>	Mark Baskerville Audit Manager	<b>Telephone:</b>	01772 538615
<b>Email:</b>	<a href="mailto:mark.baskerville@lancashire.gov.uk">mark.baskerville@lancashire.gov.uk</a>		

## 1. RECOMMENDATION

- 1.1 The Committee are asked to consider the Internal Audit report on progress to deliver the 2024/25 audit plan.

## 2. EXECUTIVE SUMMARY

- To support the Audit and Accounts Committee in fulfilling its responsibility to monitor performance against the internal audit plan.
- To consider a summary of internal audit activity and the level of assurance it gives over the Council's governance, risk management and internal control arrangements.

## 3. BACKGROUND

In the context of fulfilling its responsibility to monitor the adequacy and effectiveness of the internal audit service, and to review internal audit reports, the Committee is asked to consider the assurance provided by the Internal Audit Service.

## 4. DETAILS

This paper reports progress with the delivery of each audit on the 2024/25 annual audit plan

## 5. RISK

All the issues raised and the recommendation in this report involve risk considerations as set out below: adequacy of Council management of risks in respect of the areas subject to audit.

## 6. FINANCE

Any financial implications are commented upon in the report.

## 7. LEGAL

Any legal implications are commented upon in the report.

## 8. POLICY AND EQUALITIES IMPLICATIONS

Reported findings have been discussed and agreed, including management responses to the recommendations, with respective Service Managers and Heads of Service prior to reporting.

## 9. REASON FOR DECISION

To support the Audit and Accounts Committee in fulfilling its responsibility to monitor Internal Audit performance.

No background papers.

## Appendix A

**Rossendale Borough Council**

**Internal Audit Service**

**Progress on Delivery of the 2024/25 Audit Plan**

**September - November 2024**





## 1 Introduction

### Purpose of this report

- 1.1 This report supports Audit and Accounts Committee's responsibility under its terms of reference to consider performance reports from Internal Audit on progress with delivery of the 2024/25 audit plan agreed at the March 2024 Committee meeting.

## 2 Summary of progress against the 2024/25 audit plan

- 2.1 The table below reports progress with delivery of the 17 audits on the 2024/25 audit plan. Six audits are actively progressing and we expect to issue draft reports on the contract procedure rules and the Procurement Act shortly. The IT audit of cyber security is at the planning stage and in December we will meet representatives of the new IT audit provider, Salford City Council's Technical Audit Service, to agree the scope. We have issued draft reports for audits of the systems administered by Capita, housing benefits, council tax and business rates. We gave substantial assurance over payroll in our final report in October, agreeing one recommendation to improve review of starter and leavers pay.

Control Area	Audit Progress	Assurance
<b>Governance and democratic oversight</b>		
Contract procedure rules (2023/24)	Progressing	
Procurement Act 2023	Progressing	
Subject Access/ Freedom of Information	Not started	
<b>Business effectiveness</b>		
Risk Management	Progressing	
IT Audit – Cyber Security	Planning	
<b>Service delivery</b>		
Public Protection Unit	Not started	
Waste, Cleansing and Recycling Improvement	Progressing	
<b>Service support</b>		
Expense claims	Progressing	
Recruitment	Progressing	
<b>Business processes</b>		
Payroll	Completed	Substantial
Council tax	Draft report	
Business rates/ NNDR	Draft report	
Housing benefits	Draft report	
Accounts payable	Not started	
Accounts receivable	Not started	
General ledger and budget setting	Not started	
Income collection/ banking	Not started	

Stage of audit process	Number of audits
Not started	6
Progressing/ planning	7
Draft report	3
Completed - Final Report <i>or</i> no report necessary	1
Deferred/ cancelled	0
Total number of audits	17

### **3 Update on the National Fraud Initiative (NFI)**


- 3.1 We are unable to report NFI statistics in this period due to issues with the reliability of some Council Tax Reduction Scheme data reports provided by the DwP. We have contacted the NFI team to resolve the position and we are awaiting a response. We expect to provide an updated report to the January 2025 committee meeting.

### **4 Use of this report**


- 4.1 This report has been prepared solely for the use of Rossendale Borough Council and it would therefore not be appropriate for it or extracts from it to be made available to third parties other than the external auditors. We accept no responsibility to any third party who may receive this report, in whole or in part, for any reliance that they may place on it and we expect the external auditors to determine for themselves the extent to which they choose to utilise our work.

Extracts from Internal Audit reports

Payroll

<p><b>Overall assurance rating</b></p>  <p><b>Substantial</b></p> <p><i>See Appendix A for Rating Definitions</i></p>	<p><b>Audit findings requiring action</b></p> <table border="1"> <tr> <td style="background-color: black; color: white; text-align: center;"><b>Extreme</b></td> <td style="background-color: red; color: white; text-align: center;"><b>High</b></td> <td style="background-color: yellow; text-align: center;"><b>Medium</b></td> <td style="background-color: green; color: white; text-align: center;"><b>Low</b></td> </tr> <tr> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">1</td> <td style="text-align: center;">0</td> </tr> </table>				<b>Extreme</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	0	0	1	0
<b>Extreme</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>									
0	0	1	0									

Overall, we are satisfied that the control operating over the payroll system are operating effectively, the organisational structure is reviewed and updated annually in July and was accurate, other than recent new starters, with officers and roles matching the payroll system. Access to the payroll system is restricted to officers in the Human Resources (HR), payroll and Information Technology (IT) service areas. The tax thresholds input on the system are accurate to the figures published by central government. Four out of five new starters had been paid correctly according to their contract. We identified that one employee's first monthly pay was incorrectly calculated but brought this to the payroll officer's attention and they corrected it on the day of our visit. Evidence of identity and right to work is retained on file for all but one officer, which the Human Resources (HR) manager was aware of and was working to resolve. Leavers final month's salary is paid correctly, although exit interviews are not always conducted and leavers checklists not always completed but all equipment and ID badges are returned. We will address the right to work and exit interview findings up in our planned 2024/25 recruitment audit. All overtime and expenses are approved by a line manager and the relevant evidence is retained. Voluntary deductions are appropriately requested by either the officer or a third party. Absence and maternity leave adjustments are supported by doctor's notes and declaration forms, and absences that impacted pay are calculated correctly. The monthly payroll is reviewed by the payroll systems officer and approved by the Head of Finance prior to payment. The final BACS submission amount is input into the Civica finance system by an accountant.

<b>Agreed actions from the audit</b>	<b>Priority</b>
The first or final payment calculations for new starters and leavers should be checked by another officer prior to monthly approval of the payroll.	

## 2.1 Background

This audit has been undertaken in accordance with the 2024/25 Internal Audit Plan as approved by the Audit, Risk & Governance Committee. The audit covers the period January to August 2024 and has been conducted in conformance with the Public Sector Internal Audit Standards.

## 2.2 Context

The council uses the Complete Human Resource Information System (CHRIS21) to administer and calculate payroll. HR and payroll functions are undertaken by council officer's and system access is restricted to those in HR, payroll and ICT service.

The council employed 178 officers at the time of our review, with an approximate monthly net pay of £360k.

## 2.3 Previous audit

An internal audit of payroll was last carried out in September 2023. This resulted in a substantial assurance opinion being issued with no improvement action required.

## 2.4 Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Non-compliance with tax legislation related to employees, including the incorrect processing of deductions from salaries may lead to fines and penalties being imposed by HM Revenue and Customs;
- Access to the payroll system is not restricted or personal data is not stored securely;
- Unauthorised amendments to pay are processed resulting in inaccurate or untimely payment of salaries;
- Amendments relating to new starters and leavers are processed incorrectly or without sufficient authorisation, potentially resulting assets belonging to the Council being lost or stolen;
- Salaries and deductions are incorrectly calculated leading to employees being over or under paid;
- Bogus employees are set up on the payroll system enabling misappropriation of Council funds

### Scope, responsibilities and assurance

#### Approach

- 1 The Internal Audit Service operates in accordance with Public Sector Internal Audit Standards, 2017. The scope of internal audit work encompasses all the council's operations, resources and services including where they are provided by other organisations on its behalf.

#### Responsibilities of management and internal auditors

- 2 It is management's responsibility to maintain systems of risk management, internal control and governance. Internal audit is an element of the internal control framework assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal auditors cannot therefore be held responsible for internal control failures.
- 3 We have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. We have reported all such weaknesses to management as they have become known to us, without undue delay, and have worked with management to develop proposals for remedial action.
- 4 Internal audit procedures alone do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.
- 5 Internal audit's role includes assessing the adequacy of the risk management processes, key internal control systems and corporate governance arrangements put in place by management and performing testing to ensure those controls were operating effectively for the period under review.

#### Basis of our assessment

- 6 My opinion on the adequacy of control arrangements is based upon the result of internal audit work undertaken and completed during the period in accordance with the plan approved by the Audit and Accounts Committee. Sufficient, reliable and relevant evidence has been obtained to support the recommendations made.

#### Limitations to the scope of our work

- 7 Other than as set out in the audit plan for the year there have been no limitations to the scope of the audit work.

#### Limitations on the assurance that internal audit can provide

- 8 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from our work as internal auditors. These limitations include the possibility of faulty judgement in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. Further, there is no certainty that internal controls will continue to operate effectively in future periods or

that the controls will be adequate to mitigate all significant risks which may arise in the future.

- 9 Decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.

### **Access to this report and responsibility to third parties**

- 10 This report has been prepared solely for Rossendale Borough Council. It forms part of a continuing dialogue between the Internal Audit Service, the chief executive, Audit and Accounts Committee and management of the council. It is not therefore intended to include every matter that came to our attention during each internal audit assignment.
- 11 This report may be made available to other parties, such as the external auditors. However, no responsibility is accepted to any third party who may receive this report for any reliance that may be placed on it and, in particular, the external auditors must determine the reliance placed on the work of the Internal Audit Service.

### Audit assurance and residual risks

Note that our assurance may address the adequacy of the control framework's design, the effectiveness of the controls in operation, or both. The wording below addresses all these options and we will refer in our reports to the assurance applicable to the scope of the work we have undertaken.

- **Substantial assurance:** the framework of control is adequately designed and/ or effectively operated.
- **Moderate assurance:** the framework of control is adequately designed and/ or effectively operated overall, but some action is required to enhance aspects of it and/ or ensure that it is effectively operated throughout.
- **Limited assurance:** there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of its objectives at risk.
- **No assurance:** there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve its objectives.

### Classification of residual risks requiring management action

All actions agreed with management are stated in terms of the residual risk they are designed to mitigate.

- **Extreme residual risk:** critical and urgent in that failure to address the risk could lead to one or more of the following: catastrophic loss of the county council's services, loss of life, significant environmental damage or significant financial loss, with related national press coverage and substantial damage to the council's reputation. *Remedial action must be taken immediately*
- **High residual risk:** critical in that failure to address the issue or progress the work would lead to one or more of the following: failure to achieve organisational objectives, significant disruption to the council's business or to users of its services, significant financial loss, inefficient use of resources, failure to comply with law or regulations, or damage to the council's reputation. *Remedial action must be taken urgently.*
- **Medium residual risk:** failure to address the issue or progress the work could impact on operational objectives and should be of concern to senior management. *Prompt specific action should be taken.*
- **Low residual risk:** matters that individually have no major impact on achieving the service's objectives, but where combined with others could give cause for concern. *Specific remedial action is desirable.*



# Audit Completion Report

## Rossendale Borough Council – year ended 31 March 2019

December 2024



Rossendale Borough Council  
Futures Park  
Bacup  
OL13 0BB

3<sup>rd</sup> December 2024

Forvis Mazars  
One St Peter's Square  
Manchester  
M2 3DE

Dear Committee Members,

### **Audit Completion Report – Year ended 31 March 2019**

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions. The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 08 March 2019.

As a result of the legislative backstop arrangements introduced by the amendments to the Accounts and Audit Regulations 2015, we are unable to complete the audit as originally planned, in advance of the backstop date of 13 December 2024. We provide more information on the legislative backstop arrangements and its implications for the audit and our audit report, in section 01.

We will continue to work closely with you and management to take the necessary steps to rebuild assurance over future accounting periods. We will report further details to you on the rebuilding process in the coming months. In line with the guidance issued by the National Audit Office, as endorsed by the Financial Reporting Council, we hope to return to a standard audit cycle where we are able to obtain sufficient, appropriate evidence in order to issue an unmodified audit opinion in as short a period as practicable.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07909 986 776.

Yours faithfully

Alastair Newall

**Forvis Mazars LLP**

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- C** Appendix C: Confirmation of our independence

01

Executive Summary

# Executive summary

## The scope of our audit and implications of the backstop arrangements

### Our audit of the financial statements

The detailed scope of our work as your appointed auditor for 2018/19 is set out in the National Audit Office's (NAO) Code of Audit Practice ('the Code'). Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ("the 2014 Act") and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) ("auditing standards") and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 08 March 2019. Since then, Government has introduced measures intended to resolve the local government financial reporting backlog. Amendments to the Accounts and Audit Regulations require the Council to publish its audited 2018/19 financial statements and accompanying information on or before 13 December 2024. In accordance with the Code, we are required to provide our audit report in sufficient time to enable the Council to meet these responsibilities, whether the audit is completed or not.

Auditing standards require auditors to consider whether they have obtained sufficient appropriate assurance that the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Where the auditor determines they have been unable to obtain sufficient appropriate assurance, they must consider the implications of this on their audit report.

As a result of the backstop arrangements, we have determined that there is insufficient time to complete our audit procedures so as to obtain sufficient appropriate evidence, and, in our view, the effects of the resulting lack of assurance is pervasive to the financial statements as a whole. As a result, we intend to issue a disclaimer of opinion on the Council's financial statements.

When an opinion is disclaimed the auditor does not express an opinion on the financial statements and, consequently, no assurance is provided on the financial statements. Members will note that the form and content of this report differs substantially from the report which they will have seen in previous years. We provide more details on this in section 3.

### Internal control recommendations and misstatements

Despite our intention to issue a disclaimer of opinion, where matters come to our attention through the course of our audit, we may be required to report these to you. Section 3 sets out any internal control recommendations we have made and any misstatements identified in the draft financial statements and how these have been addressed by management.

### Value for Money arrangements

The amendments to the Accounts and Audit Regulations do not affect our responsibilities in relation to the Council's Value for Money arrangements. We anticipate concluding that the Council does have proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources, except in relation to its relationship with Rossendale Leisure Trust. Further detail on our Value for Money work is provided in section 4 of this report.

### Whole of Government Accounts

As a result of the backstop arrangements and our intention to issue a disclaimer of opinion on the Council financial statements, we do not anticipate reporting to the NAO on the Council's Whole of Government Accounts submission. The NAO have signed off the 2018/19 Whole of Government Accounts and we do not anticipate any further work will be required.

### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts.

# 02

Audit Approach

# Audit Approach

## Changes since we issued our Audit Strategy Memorandum

Section 1 of this report explains the implications of the backstop arrangements introduced by the recent amendments to the Accounts and Audit Regulations and confirms that we intend to issue a disclaimer of opinion on the Council's financial statements. As a result, we have not completed our planned procedures to respond to the significant and enhanced risks which we previously reported to you.

## Materiality

We are required to determine materiality and report this to you, irrespective of whether we are disclaiming our opinion.

Our provisional materiality at the planning stage of the audit was set at £775k using a benchmark of 2% of gross operating expenditure.

There have been no changes to the materiality levels we communicated in the Audit Strategy Memorandum.

## Summary of Risks

There have been no changes to the risks identified which we communicated in our Audit Strategy Memorandum, issued on 08 March 2023.

Whilst we planned our audit to address the risks of material misstatement we identified at the planning stage, we will not have completed our work in advance of the backstop date and as such do not provide any assurance over individual areas of the financial statements or the financial statements as a whole, nor do we provide assurance over any of the risks we identified at the planning stage of the audit, which are summarised below.

## Significant risks

Significant risks identified:

- Valuation of Land and Buildings
- Valuation of Investment Properties
- Management override of controls
- Defined benefit pension asset/liability valuation

Although we are unable to provide any assurance over the areas of risks we have identified, where matters

have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in section 3 of this report.

03

Significant findings

# Significant findings

## Background and modification of the audit opinion

As we outlined earlier in this report, as a result of the backstop arrangements, we have not been able to complete sufficient audit procedures to enable us to provide an unmodified opinion on the Council financial statements. As we have determined that the pervasive effects, or potential pervasive effects on the financial statements of the lack of sufficient appropriate assurance are pervasive, we will be issuing a disclaimer of opinion. This means we are expressing no opinion on the financial statements.

The basis of our disclaimer of opinion is the introduction of the backstop arrangements which require the Council to publish its audited 2018/19 financial statements by 13 December 2024.

The audit report will not report on other matters that would usually appear in an unmodified audit report. These include:

- the use of the going concern assumption in the preparation of the financial statements; and
- the consistency of the other information presented with the financial statements.

Although we are disclaiming our audit opinion, auditing standards require us to report matters to you that have come to our attention during the course of our audit, which we include in this section of this report.

## Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2018/19 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

## Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- Significant delays in the production of draft accounts supported by appropriate working papers.

We have written to management and TCWG regarding instances of fraud and non-compliance with laws and regulations during the year. We are yet to receive a response to our letters. We have not undertaken any further work in these areas and do not provide assurance that the financial statements are free from material error

## Significant difficulties during the audit

We have reported to the Accounts and Audit Committee previously that we have experienced significant difficulties when carrying out our audit work. These issues began with the delay in the predecessor auditor issuing their opinion on the Council's 2017/18 accounts until July 2022. This resulted in us agreeing with the Council to stop our audit work on the 2018/19 accounts to enable the Council to focus on completing the 2017/18 audit. By the time the 2017/18 audit was completed the Council had experienced significant turnover of finance staff with the consequential loss of corporate knowledge, and this significantly impacted our ability to complete audit work on the outstanding audit years. The turnover of staff also significantly impacted on the Council's ability to produce its draft accounts, causing delays in publishing the 2020/21, 2021/22 and 2022/23 accounts.

Although we have carried out limited substantive work on the 2018/19 accounts, we have performed a review of the financial statements and carried out basic checks which include casting, consistency and comparison to prior year accounts. This work has identified a significant number of material discrepancies throughout the accounts as well as material differences between the reported Cash at Bank balance and the balance in the Council's bank reconciliation.



# Our observations on internal control

As part of our planning procedures, we obtained an understanding of Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and to determine the nature, timing and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of Council's internal controls, we are required to evaluate any deficiencies in internal control that come to our attention, even though we intend to issue a disclaimer of opinion.

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/or correct misstatements in the financial statements on a timely basis is missing

The purpose of our audit, as originally planned before the backstop arrangements came into force, was to express an opinion on the financial statements. The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified through the audit procedures we were able to complete before the backstop date. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported. Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

## Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency are of sufficient importance to merit the attention of the Audit and Accounts Committee.

We have not identified any significant deficiencies in the Council's internal controls as at the date of this report

## Other observations on internal control

We also report to you, our observations on the Council internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

We do not have any other internal control observations to bring to your attention as at the date of this report.

Whether internal control observations merit attention by the Audit and Accounts Committee and/or management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

# Summary of amendments to the financial statements

The Council's S151 Officer, Chief Finance Officer, authorised the Council's draft financial statements for issue on 10/06/2019.

Although we intend to issue a disclaimer of opinion, we still report any amendments which management have made to the draft financial statements, identified either through the audit procedures that we have undertaken, or separately by management.

This information is provided to the Audit and Accounts Committee for information and to support it to discharge its responsibilities. It is important for members to note that, given we are issuing a disclaimer of opinion, we provide no assurance over the material accuracy of the amendments that have been made to the draft financial statements which are summarised in this section.

## Amendments to the financial statements

There have been no amendments made to the financial statements

## Unadjusted misstatements

When we issue a disclaimer of opinion as a result of the backstop arrangements, auditing standard require us to consider whether we are aware of any matter that would have otherwise required a modification to our opinion. Such matters may include, for example, material misstatements that have been identified which have not been amended by management in the final financial statements.

The audit procedures that we were able to complete identified several instances where there were material differences between the opening balances disclosed in the financial statements for the year ended 31 March 2019 and the closing balances disclosed in the financial statements for the year ended 31 March 2018. The existence of these material differences would have made it necessary for us to modify our opinion on the financial statements if we had not disclaimed our opinion.

04

Value for Money

# Value for Money arrangements

## Our approach to Value for Money

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the 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.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
<b>Informed decision making</b>	<ul style="list-style-type: none"><li>• Constitution in place which is available on the Council website.</li><li>• Council plan in place for the period and regularly updated.</li><li>• No data quality issues in respect of performance information that we are aware of.</li><li>• Regular reporting to TCWG of performance and financial information which includes variances.</li><li>• Medium Term Financial Plan (MTFP) in place (2018-2023) which is updated annually. Quarterly reporting is taken to Cabinet which sets out the position on the MTFP, including impact on future years.</li><li>• Regular and timely reporting to members.</li><li>• Risk register and management arrangements are in place. Risks are reported to Audit and Accounts Committee along with regular reporting by internal audit.</li><li>• Annual Governance Statement is prepared and reviewed by members.</li></ul>	Yes

# Value for Money arrangements

## Our approach to Value for Money continued

Sub-criteria	Commentary	Arrangements in place?
<b>Sustainable resource deployment</b>	<ul style="list-style-type: none"><li>• Financial and performance reports records progress against financial targets.</li><li>• The need to transform services to reduce costs is recognised.</li><li>• MTFP is updated annually as part of the budget setting and quarterly monitoring reports are reported which include savings targets and potential risks.</li><li>• Asset register in place along with the Capital Plan.</li><li>• HR policies and procedures in place.</li></ul>	Yes
<b>Working with partners and other third parties</b>	<ul style="list-style-type: none"><li>• Council plan is in place for the period, and available on the Council website.</li><li>• There are some good examples of partnership working in place to reduce costs and improve service delivery.</li><li>• There is no signed agreement between the Council and Rossendale Leisure Trust, exposing the Council to risk of financial loss and reducing its ability to manage and control leisure services delivered by the Trust.</li><li>• The Council has written procedures in place for procuring products and services.</li></ul>	Yes except for the weakness relating to arrangements with Rossendale Leisure Trust

# Value for Money arrangements

## Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant Value for Money risk, being financial sustainability over the medium term. Subsequently we have identified a further risk of significant weakness in arrangements, being the relationship with Rossendale Leisure Trust. The work we carried out in relation to significant risks is outlined below.

Risk	Work undertaken	Conclusion
<p><b>Arrangements to deliver Financial Sustainability over the medium term</b></p> <p>The Council's medium term financial strategy and budget for 2018/19 sets out the financial challenges it faces. The Council's initial 2018/19 budget indicated an underlying deficit of £851k. Members approved the use of £795k from earmarked reserves to meet the funding gap.</p> <p>The continuing challenges the Council faces are not new and not unique to Rossendale Borough Council. However, the challenges do present a significant audit risk in respect of considering the arrangements that the Council has in place to deliver financial sustainability over the medium term.</p>	<p>We have reviewed the arrangements the Council has in place for ensuring financial resilience, specifically that the medium term financial plan has taken into consideration factors such as: future funding sources and levels, levels of other income, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis.</p> <p>We have also review the arrangements in place to monitor progress delivering the budget and related savings plans.</p> <p>Findings: The budget for the year was taken to Cabinet in February 2019. This set a budget for net expenditure of £10,070k, of which savings required were £1,380k and £492k had been identified. The Medium Term Financial Plan (MTFP) was largely balanced, there was a planned use of reserves however the earmarked reserves were significant and more than sufficient to cover the additional use of them to support overspends. The budget report is sufficiently detailed and includes a number of assumptions that are clearly set out to members. Quarterly monitoring reports are presented to Cabinet giving an updated position of the Council against the financial targets.</p>	<p>We have updated our knowledge of the arrangements that the Council has in place, and our work has mitigated the risk that we identified at the planning stage.</p> <p>We conclude that for 2018/19 the Council had proper arrangements in place for delivery financial sustainability over the medium term.</p>

# Value for Money arrangements

## Significant Value for Money risks continued

Risk	Work undertaken	Conclusion
<p><b>Rossendale Leisure Trust relationship</b></p> <p>Rossendale Leisure Trust (the Trust) manages a number of the Council's leisure facilities and has done since 2004. During the year the Council paid for pay and non-pay expenditure incurred by the Trust. There is a risk that the Council are exposing themselves to unnecessary risks under this arrangement.</p>	<p>We have reviewed the arrangements the Council has in place with Rossendale Leisure Trust and sought to obtain any formal agreements and contracts that clearly define responsibilities.</p> <p>We have also reviewed details of any outstanding debtor balance owed to the Council from the Trust and any corresponding impairment assessments.</p> <p>Findings: The Council has had a close working relationship with Rossendale Leisure Trust for a number of years. We have sought to obtain and review all formal contracts and agreements in place but have not been provided with such documentation. Our understanding is that there were no outstanding debts in March 2019 between the Council and the Trust. However, the lack of a signed operating agreement exposes the Council to a risk of financial loss and does not assist their management and control of the Leisure Trust's service delivery.</p>	<p>We conclude that for 2018/19 the Council does not have proper arrangements in place in respect of its relationship with Rossendale Leisure Trust.</p>

### Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an 'except for' conclusion highlight that except for the weakness in arrangements with Rossendale Leisure Trust, the Council has proper arrangements in place for the 2018/19 financial year.

# Appendices

A: Draft management representation letter

B: Draft audit report

C: Confirmation of our independence



# Appendix A: Draft management representation letter

## TO BE PROVIDED ON CLIENT LETTERHEAD

One St Peter's Square  
Manchester  
M2 3DE

[Date]

Dear Alastair,

### **Rossendale Borough Council - Audit for Year Ended 31 March 2019**

This representation letter is provided in connection with your audit of the financial statements of Rossendale Borough Council the 'Council' for the year ended 31 March 2019. I note that you intend to intend to issue a disclaimer of opinion in respect of your audit. I understand I am still required to provide the representations set out in this letter so you can complete your audit in accordance with relevant auditing standards.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

#### **My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by the Code Update and applicable law.

#### **My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as s151 officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

**Accounting records**

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

**Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

**Accounting estimates, including those measured at current and/or fair value**

I confirm that the methods, significant assumptions and the data used by the Council in making the accounting estimates, including those measured at current and/or fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

**Contingencies**

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. 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 Code, as amended by the Code Update and applicable law.

**Laws and regulations**

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

**Fraud and error**

I acknowledge my responsibility as s151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

**Related party transactions**

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code Update and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

**Impairment review**

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

**Charges on assets**

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

**Future commitments**

The Council has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

**Service Concession Arrangements**

I am not aware of any material contract variations, payment deductions or additional service charges in 2018/19 in relation to the Council's service concession arrangements that you have not been made aware of.

**Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code Update and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

**Impacts of Russian Forces entering Ukraine**

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note to the financial statements fairly reflects that assessment

**Covid-19**

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note to the financial statements fairly reflects that assessment.

**Brexit**

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Annual Report fairly reflects that assessment.

**Going concern**

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

**Annual Governance Statement**

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

**Narrative Report**

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

**Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)**

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully,

Signed

## Appendix B: Draft audit report

The draft report will be provided at the conclusion of the audit.

## Appendix C: Confirmation of our independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

# Contact

## Forvis Mazars

### Alastair Newall

Director

Tel: +44 (0)161 238 9243

Alastair.newall@mazars.com

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# Audit Completion Report

## Rossendale Borough Council – year ended 31 March 2020

December 2024

Rossendale Borough Council  
Futures Park  
Bacup  
OL13 0BB

3<sup>rd</sup> December 2024

Dear Committee Members,

### **Audit Completion Report – Year ended 31 March 2020**

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions. The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 25 September 2024.

As a result of the legislative backstop arrangements introduced by the amendments to the Accounts and Audit Regulations 2015, we are unable to complete the audit as originally planned, in advance of the backstop date of 13 December 2024. We provide more information on the legislative backstop arrangements and its implications for the audit and our audit report, in section 01.

We will continue to work closely with you and management to take the necessary steps to rebuild assurance over future accounting periods. We will report further details to you on the rebuilding process in the coming months. In line with the guidance issued by the National Audit Office, as endorsed by the Financial Reporting Council, we hope to return to a standard audit cycle where we are able to obtain sufficient, appropriate evidence in order to issue an unmodified audit opinion in as short a period as practicable.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07909 986 776.

Yours faithfully

Alastair Newall

**Forvis Mazars LLP**

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- 02** Audit approach
- 03** Significant findings
- 04** Value for Money arrangements
  
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- C** Appendix C: Confirmation of our independence

01

Executive Summary

# Executive summary

## The scope of our audit and implications of the backstop arrangements

### Our audit of the financial statements

The detailed scope of our work as your appointed auditor for 2019/20 is set out in the National Audit Office's (NAO) Code of Audit Practice ('the Code'). Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ("the 2014 Act") and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) ("auditing standards") and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 25 September 2024. Since then, Government has introduced measures intended to resolve the local government financial reporting backlog. Amendments to the Accounts and Audit Regulations require the Council to publish its audited 2019/20 financial statements and accompanying information on or before 13 December 2024. In accordance with the Code, we are required to provide our audit report in sufficient time to enable the Council to meet these responsibilities, whether the audit is completed or not.

Auditing standards require auditors to consider whether they have obtained sufficient appropriate assurance that the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Where the auditor determines they have been unable to obtain sufficient appropriate assurance, they must consider the implications of this on their audit report.

As a result of the backstop arrangements, we have determined that there is insufficient time to complete our audit procedures so as to obtain sufficient appropriate evidence, and, in our view, the effects of the resulting lack of assurance is pervasive to the financial statements as a whole. As a result, we intend to issue a disclaimer of opinion on the Council's financial statements.

When an opinion is disclaimed the auditor does not express an opinion on the financial statements and, consequently, no assurance is provided on the financial statements. Members will note that the form and content of this report differs substantially from the report which they will have seen in previous years. We provide more details on this in section 3.

### Internal control recommendations and misstatements

Despite our intention to issue a disclaimer of opinion, where matters come to our attention through the course of our audit, we may be required to report these to you. Section 3 sets out any internal control recommendations we have made and any misstatements identified in the draft financial statements and how these have been addressed by management.

### Value for Money arrangements

The amendments to the Accounts and Audit Regulations do not affect our responsibilities in relation to the Council's Value for Money arrangements. We anticipate concluding that the Council does have proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources, except in relation to its relationship with Rossendale Leisure Trust and key financial controls in their financial reporting processes. Further detail on our Value for Money work is provided in section 4 of this report.

### Whole of Government Accounts

As a result of the backstop arrangements and our intention to issue a disclaimer of opinion on the Council financial statements, we do not anticipate reporting to the NAO on the Council's Whole of Government Accounts submission. The NAO have signed off the 2019/20 Whole of Government Accounts and we do not anticipate any further work will be required.

### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No such correspondence from electors has been received.

# 02

Audit Approach

# Audit Approach

## Changes since we issued our Audit Strategy Memorandum

Section 1 of this report explains the implications of the backstop arrangements introduced by the recent amendments to the Accounts and Audit Regulations and confirms that we intend to issue a disclaimer of opinion on the Council's financial statements. As a result, we have not completed our planned procedures to respond to the significant and enhanced risks which we previously reported to you.

## Materiality

We are required to determine materiality and report this to you, irrespective of whether we are disclaiming our opinion.

Our provisional materiality at the planning stage of the audit was set at £819k using a benchmark of 2% of gross operating expenditure.

There have been no changes to the materiality levels we communicated in the Audit Strategy Memorandum.

## Summary of Risks

There have been no changes to the risks identified which we communicated in our Audit Strategy Memorandum, issued on 25 September 2024.

Whilst we planned our audit to address the risks of material misstatement we identified at the planning stage, we will not have completed our work in advance of the backstop date and as such do not provide any assurance over individual areas of the financial statements or the financial statements as a whole, nor do we provide assurance over any of the risks we identified at the planning stage of the audit, which are summarised below.

## Significant risks

Significant risks identified:

- Valuation of Land and Buildings
- Valuation of Investment Properties
- Management override of controls
- Defined benefit pension asset/liability valuation

## Enhanced risks / areas of significant management judgement

Enhanced risks identified:

- Expected credit loss of financial assets

Although we are unable to provide any assurance over the areas of risks we have identified, where matters have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in section 3 of this report.

03

Significant findings



# Significant findings

## Background and modification of the audit opinion

As we outlined earlier in this report, as a result of the backstop arrangements, we have not been able to complete sufficient audit procedures to enable us to provide an unmodified opinion on the Council financial statements. As we have determined that the pervasive effects, or potential pervasive effects on the financial statements of the lack of sufficient appropriate assurance are pervasive, we will be issuing a disclaimer of opinion. This means we are expressing no opinion on the financial statements.

The basis of our disclaimer of opinion is the introduction of the backstop arrangements which require the Council to publish its audited 2019/20 financial statements by 13 December 2024.

The audit report will not report on other matters that would usually appear in an unmodified audit report. These include:

- the use of the going concern assumption in the preparation of the financial statements; and
- the consistency of the other information presented with the financial statements.

Although we are disclaiming our audit opinion, auditing standards require us to report matters to you that have come to our attention during the course of our audit, which we include in this section of this report.

## Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have made statutory recommendations from our 2019/20 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

## Recommendations under paragraph 2 of Schedule 7 of the Local Audit and Accountability Act 2014

Our audit work has identified material unexplained discrepancies between the closing balances reported in the Council's draft accounts for the 2018/19 financial year and the opening balances reported in the draft accounts for the 2019/20 financial year. Similar unexplained discrepancies were present in the subsequent draft accounts up to and including the 2023/24 financial year. In addition, the Council has not been able to provide evidence that it reconciled its bank statements with the balances recorded in its general ledger during the 2019/20, 2020/21, 2021/22, and 2022/23 financial years.

We recommend the Council should resolve and correct the discrepancies between its draft financial statements from the 2018/19 to 2023/24 financial years before the end of the 2024/25 financial year.

We also recommend the Council should

- carry out a bank reconciliation at 31 March 2020, 2021, 2022 and 2023,
- from April 2023 onwards reconcile its bank statements with the balances recorded in the general ledger on a monthly basis for each month,
- complete each month's bank reconciliation within one month of the month end, and
- report its compliance with this control to each meeting of the Audit & Accounts Committee.

These recommendations will be sent to the Secretary of State for Housing, Communities and Local Government. The Council is required to consider the recommendations at a meeting held before the end of the period of one month beginning with the day on which the recommendations were sent to them. At that meeting the Council must decide what action, if any, to take in response to the recommendations. The Council is required to publicise the meeting and, subsequently, the decision taken at the meeting.

# Significant findings continued

## Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- Significant delays in the production of draft accounts supported by appropriate working papers; and
- Appropriate key financial controls being implemented by the Council.

As part of our audit, we sought and obtained information from management in relation to actual or suspected non-compliance with laws and regulations, and any actual or suspected fraud which could materially impact upon the financial statements.

We have written to management and TCWG regarding instances of fraud and non-compliance with laws and regulations during the year. We are yet to receive a response to our letters. We have not undertaken any further work in these areas and do not provide assurance that the financial statements are free from material error

## Significant difficulties during the audit

We have reported to the Accounts and Audit Committee previously that we have experienced significant difficulties when carrying out our audit work. These issues began with the delay in the predecessor auditor issuing their opinion on the Council's 2017/18 accounts until July 2022. This resulted in us agreeing with the Council to stop our audit work on the 2018/19 accounts to enable the Council to focus on completing the 2017/18 audit. By the time the 2017/18 audit was completed the Council had experienced significant turnover of finance staff with the consequential loss of corporate knowledge, and this significantly impacted our ability to complete audit work on the outstanding audit years. The turnover of staff also significantly impacted on the Council's ability to produce its draft accounts, causing delays in publishing the 2020/21, 2021/22 and 2022/23 accounts.

Although we have carried out no substantive work on the 2019/20 accounts, we have performed a review of the financial statements and carried out basic checks which include casting, consistency and comparison to prior year accounts. This work has identified a significant number of material discrepancies throughout the accounts as well as material differences between the reported Cash at Bank balance and the balance in the Council's bank reconciliation.

# Our observations on internal control

As part of our planning procedures, we obtained an understanding of Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and to determine the nature, timing and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of Council's internal controls, we are required to evaluate any deficiencies in internal control that come to our attention, even though we intend to issue a disclaimer of opinion.

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/or correct misstatements in the financial statements on a timely basis is missing

The purpose of our audit, as originally planned before the backstop arrangements came into force, was to express an opinion on the financial statements. The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified through the audit procedures we were able to complete before the backstop date. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported. Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

## Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency are of sufficient importance to merit the attention of the Audit and Accounts Committee.

We have not identified any significant deficiencies in the Council's internal controls as at the date of this report.

## Other observations on internal control

We also report to you, our observations on the Council internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

We do not have any other internal control observations to bring to your attention as at the date of this report.

Whether internal control observations merit attention by the Audit and Accounts Committee and/or management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

# Summary of amendments to the financial statements

The Council's S151 Officer, Chief Finance Officer, authorised the Council's draft financial statements for issue on 31/01/2020.

Although we intend to issue a disclaimer of opinion, we still report any amendments which management have made to the draft financial statements, identified either through the audit procedures that we have undertaken, or separately by management.

This information is provided to the Audit and Accounts Committee for information and to support it to discharge its responsibilities. It is important for members to note that, given we are issuing a disclaimer of opinion, we provide no assurance over the material accuracy of the amendments that have been made to the draft financial statements which are summarised in this section.

## Amendments to the financial statements

There have been no amendments made to the financial statements

## Unadjusted misstatements

When we issue a disclaimer of opinion as a result of the backstop arrangements, auditing standard require us to consider whether we are aware of any matter that would have otherwise required a modification to our opinion. Such matters may include, for example, material misstatements that have been identified which have not been amended by management in the final financial statements.

The audit procedures that we were able to complete identified several instances where there were material differences between the opening balances disclosed in the financial statements for the year ended 31 March 2020 and the closing balances disclosed in the financial statements for the year ended 31 March 2019. The existence of these material differences would have made it necessary for us to modify our opinion on the financial statements if we had not disclaimed our opinion.

Value for Money arrangements work

# Value for Money arrangements

## Our approach to Value for Money

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, ‘in all significant respects, the 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.’ To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
<b>Informed decision making</b>	<ul style="list-style-type: none"> <li>• Constitution in place which is available on the Council website.</li> <li>• Council plan in place for the period and regularly updated.</li> <li>• No data quality issues in respect of performance information that we are aware of.</li> <li>• Regular reporting to TCWG of performance and financial information which includes variances.</li> <li>• Medium Term Financial Plan (MTFP) in place (2019-2024) which is updated annually. Quarterly reporting is taken to Cabinet which sets out the position on the MTFP, including impact on future years.</li> <li>• Regular and timely reporting to members.</li> <li>• Risk register and management arrangements are in place. Risks are reported to Audit and Accounts Committee along with regular reporting by internal audit.</li> <li>• Annual Governance Statement is prepared and reviewed by members.</li> <li>• Discussions with management has highlighted that monthly bank reconciliations were not performed throughout the year.</li> </ul>	Yes- except for the weakness relating to key financial controls.

# Value for Money arrangements

## Our approach to Value for Money continued

Sub-criteria	Commentary	Arrangements in place?
<b>Sustainable resource deployment</b>	<ul style="list-style-type: none"><li>• Financial and performance reports records progress against financial targets.</li><li>• The need to transform services to reduce costs is recognised.</li><li>• MTFP is updated annually as part of the budget setting and quarterly monitoring reports are reported which include savings targets and potential risks.</li><li>• Asset register in place along with the Capital Plan.</li><li>• HR policies and procedures in place.</li></ul>	Yes
<b>Working with partners and other third parties</b>	<ul style="list-style-type: none"><li>• Council plan is in place for the period, and available on the Council website.</li><li>• There are some good examples of partnership working in place to reduce costs and improve service delivery.</li><li>• There is no signed agreement between the Council and Rossendale Leisure Trust, exposing the Council to risk of financial loss and reducing its ability to manage and control leisure services delivered by the Trust.</li><li>• The Council has written procedures in place for procuring products and services.</li></ul>	Yes except for the weakness relating to arrangements with Rossendale Leisure Trust

# Value for Money arrangements

## Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified two significant Value for Money risks. The work we carried out in relation to significant risks is outlined below.

Risk	Work undertaken	Conclusion
<p><b>Arrangements to deliver Financial Sustainability over the medium term</b></p> <p>The Council's medium term financial strategy and budget for 2019/20 sets out the financial challenges it faces. The Council's initial 2019/20 budget indicated an underlying deficit of £700k. Members approved the use of £511k from earmarked reserves to meet the funding gap.</p> <p>The continuing challenges the Council faces are not new and not unique to Rossendale Borough Council. However, the challenges do present a significant audit risk in respect of considering the arrangements that the Council has in place to deliver financial sustainability over the medium term.</p>	<p>We have reviewed the arrangements the Council has in place for ensuring financial resilience, specifically that the medium term financial plan has taken into consideration factors such as: future funding sources and levels, levels of other income, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis.</p> <p>We have also review the arrangements in place to monitor progress delivering the budget and related savings plans.</p> <p>Findings: The budget for the year was taken to Cabinet in February 2020. This set a budget for net expenditure of £9,931k, of which savings required were £1,211k and £700k had been identified. The Medium Term Financial Plan (MTFP) was largely balanced, there was a planned use of reserves however the earmarked reserves were significant and more than sufficient to cover the additional use of them to support overspends. The budget report is sufficiently detailed and includes a number of assumptions that are clearly set out to members. Quarterly monitoring reports are presented to Cabinet giving an updated position of the Council against the financial targets.</p>	<p>We have updated our knowledge of the arrangements that the Council has in place, and our work has mitigated the risk that we identified at the planning stage.</p> <p>We conclude that for 2019/20 the Council had proper arrangements in place for delivery financial sustainability over the medium term.</p>



# Value for Money arrangements

## Significant Value for Money risks continued

Risk	Work undertaken	Conclusion
<p><b>Rossendale Leisure Trust relationship</b></p> <p>Rossendale Leisure Trust (the Trust) manages a number of the Council's leisure facilities and has done since 2004. During the year the Council paid for pay and non-pay expenditure incurred by the Trust. There is a risk that the Council are exposing themselves to unnecessary risks under this arrangement.</p>	<p>We have reviewed the arrangements the Council has in place with Rossendale Leisure Trust and sought to obtain any formal agreements and contracts that clearly define responsibilities.</p> <p>We have also reviewed details of any outstanding debtor balance owed to the Council from the Trust and any corresponding impairment assessments.</p> <p>Findings: The Council has had a close working relationship with Rossendale Leisure Trust for a number of years. We have sought to obtain and review all formal contracts and agreements in place but have not been provided with such documentation. Our understanding is that there were no outstanding debts in March 2020 between the Council and the Trust. However, the lack of a signed operating agreement exposes the Council to a risk of financial loss and does not assist their management and control of the Leisure Trust's service delivery.</p>	<p>We conclude that for 2019/20 the Council does not have proper arrangements in place in respect of its relationship with Rossendale Leisure Trust.</p>
<p><b>Key financial controls</b></p> <p>As part of our ongoing work with the Council, we have noted that monthly bank reconciliations were not performed throughout 2019/20.</p> <p>Bank reconciliations are a fundamental basis for the effective operation of financial controls and should be a regular test of the integrity of the Council's general ledger. The lack of completed bank reconciliations is a deficiency in these expected controls. This deficiency, exposes the Council to significant risk in relation to the proper operation of controls and assurance over its general ledger position.</p>	<p>We have held discussions with management regarding the internal controls and processes in place during 2019/20.</p> <p>Findings: Monthly bank reconciliations were not completed during the year. An exercise has been performed subsequently reconciling the bank to the ledger as at 31 March 2020, this was completed in 2023/24 and has not been subject to audit.</p>	<p>We conclude that for 2019/20 the Council does not have proper arrangements in place in respect of its key financial controls.</p>

### Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an 'except for' conclusion highlight that except for the weakness in arrangements with Rossendale Leisure Trust and key financial controls, the Council has proper arrangements in place for the 2019/20 financial year.

# Appendices

A: Draft management representation letter

B: Draft audit report

C: Confirmation of our independence

# Appendix A: Draft management representation letter

## TO BE PROVIDED ON CLIENT LETTERHEAD

One St Peter's Square  
Manchester  
M2 3DE

[Date]

Dear Alastair,

### **Rossendale Borough Council - Audit for Year Ended 31 March 2020**

This representation letter is provided in connection with your audit of the financial statements of Rossendale Borough Council the 'Council' for the year ended 31 March 2020. I note that you intend to intend to issue a disclaimer of opinion in respect of your audit. I understand I am still required to provide the representations set out in this letter so you can complete your audit in accordance with relevant auditing standards.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

#### **My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by the Code Update and applicable law.

#### **My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as s151 officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

**Accounting records**

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

**Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

**Accounting estimates, including those measured at current and/or fair value**

I confirm that the methods, significant assumptions and the data used by the Council in making the accounting estimates, including those measured at current and/or fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

**Contingencies**

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. 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 Code, as amended by the Code Update and applicable law.

### **Laws and regulations**

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

### **Fraud and error**

I acknowledge my responsibility as s151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

### **Related party transactions**

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code Update and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

### **Impairment review**

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

**Charges on assets**

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

**Future commitments**

The Council has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

**Service Concession Arrangements**

I am not aware of any material contract variations, payment deductions or additional service charges in 2019/20 in relation to the Council's service concession arrangements that you have not been made aware of.

**Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code Update and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

**Impacts of Russian Forces entering Ukraine**

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note to the financial statements fairly reflects that assessment

**Covid-19**

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note to the financial statements fairly reflects that assessment.

**Brexit**

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Annual Report fairly reflects that assessment.

**Going concern**

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

**Annual Governance Statement**

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

**Narrative Report**

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

**Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)**

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully,

Signed

## Appendix B: Draft audit report

The draft report will be provided at the conclusion of the audit.



## Appendix C: Confirmation of our independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

# Contact

## Forvis Mazars

### Alastair Newall

Director

Tel: +44 (0)161 238 9243

Alastair.newall@mazars.com

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# Audit Completion Report

## Rossendale Borough Council – year ended 31 March 2021

December 2024

Rossendale Borough Council  
Futures Park  
Bacup  
OL13 0BB

3<sup>rd</sup> December 2024

Dear Committee Members,

### **Audit Completion Report – Year ended 31 March 2021**

We are pleased to present our Audit Completion Report for the year ended 31 March 2021. The purpose of this document is to summarise our audit conclusions. The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 25 September 2024.

As a result of the legislative backstop arrangements introduced by the amendments to the Accounts and Audit Regulations 2015, we are unable to complete the audit as originally planned, in advance of the backstop date of 13 December 2024. We provide more information on the legislative backstop arrangements and its implications for the audit and our audit report, in section 01.

We will continue to work closely with you and management to take the necessary steps to rebuild assurance over future accounting periods. We will report further details to you on the rebuilding process in the coming months. In line with the guidance issued by the National Audit Office, as endorsed by the Financial Reporting Council, we hope to return to a standard audit cycle where we are able to obtain sufficient, appropriate evidence in order to issue an unmodified audit opinion in as short a period as practicable.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07909 986 776.

Yours faithfully

Alastair Newall

**Forvis Mazars LLP**

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01

Executive Summary

# Executive summary

## The scope of our audit and implications of the backstop arrangements

### Our audit of the financial statements

The detailed scope of our work as your appointed auditor for 2020/21 is set out in the National Audit Office's (NAO) Code of Audit Practice ('the Code'). Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ("the 2014 Act") and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) ("auditing standards") and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 25 September 2024. Since then, Government has introduced measures intended to resolve the local government financial reporting backlog. Amendments to the Accounts and Audit Regulations require the Council to publish its audited 2020/21 financial statements and accompanying information on or before 13 December 2024. In accordance with the Code, we are required to provide our audit report in sufficient time to enable the Council to meet these responsibilities, whether the audit is completed or not.

Auditing standards require auditors to consider whether they have obtained sufficient appropriate assurance that the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Where the auditor determines they have been unable to obtain sufficient appropriate assurance, they must consider the implications of this on their audit report.

As a result of the backstop arrangements, we have determined that there is insufficient time to complete our audit procedures so as to obtain sufficient appropriate evidence, and, in our view, the effects of the resulting lack of assurance is pervasive to the financial statements as a whole. As a result, we intend to issue a disclaimer of opinion on the Council's financial statements.

When an opinion is disclaimed the auditor does not express an opinion on the financial statements and, consequently, no assurance is provided on the financial statements. Members will note that the form and content of this report differs substantially from the report which they will have seen in previous years. We provide more details on this in section 3.

### Internal control recommendations and misstatements

Despite our intention to issue a disclaimer of opinion, where matters come to our attention through the course of our audit, we may be required to report these to you. Section 3 sets out any internal control recommendations we have made and any misstatements identified in the draft financial statements and how these have been addressed by management.

### Value for Money arrangements

The amendments to the Accounts and Audit Regulations do not affect our responsibilities in relation to the Council's Value for Money arrangements. We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 4 of this report.

### Whole of Government Accounts

As a result of the backstop arrangements and our intention to issue a disclaimer of opinion on the Council financial statements, we do not anticipate reporting to the NAO on the Council's Whole of Government Accounts submission. The NAO have signed off the 2020/21 Whole of Government Accounts and we do not anticipate any further work will be required.

### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No such correspondence from electors has been received.

# 02

Audit Approach



# Audit Approach

## Changes since we issued our Audit Strategy Memorandum

Section 1 of this report explains the implications of the backstop arrangements introduced by the recent amendments to the Accounts and Audit Regulations and confirms that we intend to issue a disclaimer of opinion on the Council's financial statements. As a result, we have not completed our planned procedures to respond to the significant and enhanced risks which we previously reported to you.

## Materiality

We are required to determine materiality and report this to you, irrespective of whether we are disclaiming our opinion.

Our provisional materiality at the planning stage of the audit was set at £819k using a benchmark of 2% of gross operating expenditure.

There have been no changes to the materiality levels we communicated in the Audit Strategy Memorandum.

## Summary of Risks

There have been no changes to the risks identified which we communicated in our Audit Strategy Memorandum, issued on 25 September 2024.

Whilst we planned our audit to address the risks of material misstatement we identified at the planning stage, we will not have completed our work in advance of the backstop date and as such do not provide any assurance over individual areas of the financial statements or the financial statements as a whole, nor do we provide assurance over any of the risks we identified at the planning stage of the audit, which are summarised below.

## Significant risks

Significant risks identified:

- Valuation of Land and Buildings
- Valuation of Investment Properties
- Management override of controls
- Defined benefit pension asset/liability valuation

## Enhanced risks / areas of significant management judgement

Enhanced risks identified:

- Expected credit loss of financial assets

Although we are unable to provide any assurance over the areas of risks we have identified, where matters have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in section 3 of this report.

03

Significant findings

# Significant findings

## Background and modification of the audit opinion

As we outlined earlier in this report, as a result of the backstop arrangements, we have not been able to complete sufficient audit procedures to enable us to provide an unmodified opinion on the Council financial statements. As we have determined that the pervasive effects, or potential pervasive effects on the financial statements of the lack of sufficient appropriate assurance are pervasive, we will be issuing a disclaimer of opinion. This means we are expressing no opinion on the financial statements.

The basis of our disclaimer of opinion is the introduction of the backstop arrangements which require the Council to publish its audited 2020/21 financial statements by 13 December 2024.

The audit report will not report on other matters that would usually appear in an unmodified audit report. These include:

- the use of the going concern assumption in the preparation of the financial statements; and
- the consistency of the other information presented with the financial statements.

Although we are disclaiming our audit opinion, auditing standards require us to report matters to you that have come to our attention during the course of our audit, which we include in this section of this report.

## Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2020/21 audit. However, a statutory recommendation was issued in 2019/20 which applies to 2020/21.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

## Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- Significant delays in the production of draft accounts supported by appropriate working papers; and
- Appropriate key financial controls being implemented by the Council.

As part of our audit, we sought and obtained information from management in relation to actual or suspected non-compliance with laws and regulations, and any actual or suspected fraud which could materially impact upon the financial statements.

We have written to management and TCWG regarding instances of fraud and non-compliance with laws and regulations during the year. We are yet to receive a response to our letters. We have not undertaken any further work in these areas and do not provide assurance that the financial statements are free from material error.

## Significant difficulties during the audit

We have reported to the Accounts and Audit Committee previously that we have experienced significant difficulties when carrying out our audit work. These issues began with the delay in the predecessor auditor issuing their opinion on the Council's 2017/18 accounts until July 2022. This resulted in us agreeing with the Council to stop our audit work on the 2018/19 accounts to enable the Council to focus on completing the 2017/18 audit. By the time the 2017/18 audit was completed the Council had experienced significant turnover of finance staff with the consequential loss of corporate knowledge, and this significantly impacted our ability to complete audit work on the outstanding audit years. The turnover of staff also significantly impacted on the Council's ability to produce its draft accounts, causing delays in publishing the 2020/21 accounts.

Although we have carried out no substantive work on the 2020/21 accounts, we have performed a review of the financial statements and carried out basic checks which include casting, consistency and comparison to prior year accounts. This work has identified a significant number of material discrepancies throughout the accounts as well as material differences between the reported Cash at Bank balance and the balance in the Council's bank reconciliation.

# Our observations on internal control

As part of our planning procedures, we obtained an understanding of Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and to determine the nature, timing and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of Council's internal controls, we are required to evaluate any deficiencies in internal control that come to our attention, even though we intend to issue a disclaimer of opinion.

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/or correct misstatements in the financial statements on a timely basis is missing

The purpose of our audit, as originally planned before the backstop arrangements came into force, was to express an opinion on the financial statements. The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified through the audit procedures we were able to complete before the backstop date. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported. Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

## Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency are of sufficient importance to merit the attention of the Audit and Accounts Committee.

The statutory recommendation which was issued for the 2019/20 year is applicable for the 2020/21 audit. This statutory recommendation highlights significant deficiencies in the Council's internal controls for financial reporting and bank reconciliations.

## Other observations on internal control

We also report to you, our observations on the Council internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

We do not have any other internal control observations to bring to your attention as at the date of this report.

Whether internal control observations merit attention by the Audit and Accounts Committee and/or management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

# Summary of amendments to the financial statements

The Council's S151 Officer, Chief Finance Officer, authorised the Council's draft financial statements for issue on 20/06/2023.

Although we intend to issue a disclaimer of opinion, we still report any amendments which management have made to the draft financial statements, identified either through the audit procedures that we have undertaken, or separately by management.

This information is provided to the Audit and Accounts Committee for information and to support it to discharge its responsibilities. It is important for members to note that, given we are issuing a disclaimer of opinion, we provide no assurance over the material accuracy of the amendments that have been made to the draft financial statements which are summarised in this section.

## Amendments to the financial statements

Management have made no amendments made to the financial statements.

## Unadjusted misstatements

When we issue a disclaimer of opinion as a result of the backstop arrangements, auditing standard require us to consider whether we are aware of any matter that would have otherwise required a modification to our opinion. Such matters may include, for example, material misstatements that have been identified which have not been amended by management in the final financial statements.

The audit procedures that we were able to complete identified several instances where there were material differences between the opening balances disclosed in the financial statements for the year ended 31 March 2021 and the closing balances disclosed in the financial statements for the year ended 31 March 2020. The Council has not completed its work to establish the correct balances and we are therefore unable to conclude the extent of the material misstatements. The existence of these material differences would have made it necessary for us to modify our opinion on the financial statements if we had not disclaimed our opinion.

Value for Money arrangements

# Value for Money arrangements

## Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report following the signed audit report.

## Status of our work

We have completed our work in respect of the Council arrangements for the year ended 31 March 2021 and have identified four significant weaknesses in arrangements and have made associated recommendations. We reported our commentary on the Council's VFM arrangements, including the significant weaknesses and recommendations in our report to the Audit & Accounts Committee in March 2024. The commentary will be incorporated in our Auditor's Annual Report to be issued once we have issued our signed audit report.

Our audit report will confirm that we have matters to report in respect of significant weaknesses.

# Appendices

A: Draft management representation letter

B: Draft audit report

C: Confirmation of our independence



# Appendix A: Draft management representation letter

## TO BE PROVIDED ON CLIENT LETTERHEAD

One St Peter's Square  
Manchester  
M2 3DE

[Date]

Dear Alastair,

### **Rossendale Borough Council - Audit for Year Ended 31 March 2021**

This representation letter is provided in connection with your audit of the financial statements of Rossendale Borough Council the 'Council' for the year ended 31 March 2021. I note that you intend to intend to issue a disclaimer of opinion in respect of your audit. I understand I am still required to provide the representations set out in this letter so you can complete your audit in accordance with relevant auditing standards.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

#### **My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by the Code Update and applicable law.

#### **My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as s151 officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

**Accounting records**

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

**Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

**Accounting estimates, including those measured at current and/or fair value**

I confirm that the methods, significant assumptions and the data used by the Council in making the accounting estimates, including those measured at current and/or fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

**Contingencies**

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. 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 Code, as amended by the Code Update and applicable law.

### **Laws and regulations**

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

### **Fraud and error**

I acknowledge my responsibility as s151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

### **Related party transactions**

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code Update and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

### **Impairment review**

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

**Charges on assets**

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

**Future commitments**

The Council has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

**Service Concession Arrangements**

I am not aware of any material contract variations, payment deductions or additional service charges in 2020/21 in relation to the Council's service concession arrangements that you have not been made aware of.

**Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code Update and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

**Impacts of Russian Forces entering Ukraine**

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note to the financial statements fairly reflects that assessment

**Covid-19**

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note to the financial statements fairly reflects that assessment.

**Brexit**

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Annual Report fairly reflects that assessment.

**Going concern**

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

**Annual Governance Statement**

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

**Narrative Report**

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

**Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)**

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully,

Signed

## Appendix B: Draft audit report

The draft report will be provided at the conclusion of the audit.

## Appendix C: Confirmation of our independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

# Contact

## Forvis Mazars

### Alastair Newall

Director

Tel: +44 (0)161 238 9243

Alastair.newall@mazars.com

Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861. VAT number: GB 839 8356 73

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# Audit Completion Report

## Rossendale Borough Council – year ended 31 March 2022

December 2024

Rossendale Borough Council  
Futures Park  
Bacup  
OL13 0BB

3 December 2024

Dear Committee Members,

### **Audit Completion Report – Year ended 31 March 2022**

We are pleased to present our Audit Completion Report for the year ended 31 March 2022. The purpose of this document is to summarise our audit conclusions. The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 25 September 2024.

As a result of the legislative backstop arrangements introduced by the amendments to the Accounts and Audit Regulations 2015, we are unable to complete the audit as originally planned, in advance of the backstop date of 13 December 2024. We provide more information on the legislative backstop arrangements and its implications for the audit and our audit report, in section 01.

We will continue to work closely with you and management to take the necessary steps to rebuild assurance over future accounting periods. We will report further details to you on the rebuilding process in the coming months. In line with the guidance issued by the National Audit Office, as endorsed by the Financial Reporting Council, we hope to return to a standard audit cycle where we are able to obtain sufficient, appropriate evidence in order to issue an unmodified audit opinion in as short a period as practicable.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07909 986 776.

Yours faithfully

Alastair Newall

**Forvis Mazars LLP**

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- 02** Audit approach
- 03** Significant findings
- 04** Value for Money
  
- A** Appendix A: Draft management representation letter
- B** Appendix B: Draft audit report
- C** Appendix C: Confirmation of our independence

01

Executive Summary

# Executive summary

## The scope of our audit and implications of the backstop arrangements

### Our audit of the financial statements

The detailed scope of our work as your appointed auditor for 2021/22 is set out in the National Audit Office's (NAO) Code of Audit Practice ('the Code'). Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ("the 2014 Act") and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) ("auditing standards") and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 25 September 2024. Since then, Government has introduced measures intended to resolve the local government financial reporting backlog. Amendments to the Accounts and Audit Regulations require the Council to publish its audited 2021/22 financial statements and accompanying information on or before 13 December 2024. In accordance with the Code, we are required to provide our audit report in sufficient time to enable the Council to meet these responsibilities, whether the audit is completed or not.

Auditing standards require auditors to consider whether they have obtained sufficient appropriate assurance that the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Where the auditor determines they have been unable to obtain sufficient appropriate assurance, they must consider the implications of this on their audit report.

As a result of the backstop arrangements, we have determined that there is insufficient time to complete our audit procedures so as to obtain sufficient appropriate evidence, and, in our view, the effects of the resulting lack of assurance is pervasive to the financial statements as a whole. As a result, we intend to issue a disclaimer of opinion on the Council's financial statements.

When an opinion is disclaimed the auditor does not express an opinion on the financial statements and, consequently, no assurance is provided on the financial statements. Members will note that the form and content of this report differs substantially from the report which they will have seen in previous years. We provide more details on this in section 3.

### Internal control recommendations and misstatements

Despite our intention to issue a disclaimer of opinion, where matters come to our attention through the course of our audit, we may be required to report these to you. Section 3 sets out any internal control recommendations we have made and any misstatements identified in the draft financial statements and how these have been addressed by management.

### Value for Money arrangements

The amendments to the Accounts and Audit Regulations do not affect our responsibilities in relation to the Council's Value for Money arrangements. We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 4 of this report.

### Whole of Government Accounts

As a result of the backstop arrangements and our intention to issue a disclaimer of opinion on the Council financial statements, we do not anticipate reporting to the NAO on the Council's Whole of Government Accounts submission. The NAO have signed off the 2021/22 Whole of Government Accounts and we do not anticipate any further work will be required.

### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No such correspondence from electors has been received.

# 02

Audit Approach

# Audit Approach

## Changes since we issued our Audit Strategy Memorandum

Section 1 of this report explains the implications of the backstop arrangements introduced by the recent amendments to the Accounts and Audit Regulations and confirms that we intend to issue a disclaimer of opinion on the Council's financial statements. As a result, we have not completed our planned procedures to respond to the significant and enhanced risks which we previously reported to you.

## Materiality

We are required to determine materiality and report this to you, irrespective of whether we are disclaiming our opinion.

Our provisional materiality at the planning stage of the audit was set at £795k using a benchmark of 2% of gross operating expenditure.

There have been no changes to the materiality levels we communicated in the Audit Strategy Memorandum.

## Summary of Risks

There have been no changes to the risks identified which we communicated in our Audit Strategy Memorandum, issued on 25 September 2024.

Whilst we planned our audit to address the risks of material misstatement we identified at the planning stage, we will not have completed our work in advance of the backstop date and as such do not provide any assurance over individual areas of the financial statements or the financial statements as a whole, nor do we provide assurance over any of the risks we identified at the planning stage of the audit, which are summarised below.

## Significant risks

Significant risks identified:

- Valuation of Land and Buildings
- Valuation of Investment Properties
- Management override of controls
- Defined benefit pension asset/liability valuation

## Enhanced risks / areas of significant management judgement

Enhanced risks identified:

- Expected credit loss of financial assets

Although we are unable to provide any assurance over the areas of risks we have identified, where matters have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in section 3 of this report.

# 03

Significant findings



# Significant findings

## Background and modification of the audit opinion

As we outlined earlier in this report, as a result of the backstop arrangements, we have not been able to complete sufficient audit procedures to enable us to provide an unmodified opinion on the Council financial statements. As we have determined that the pervasive effects, or potential pervasive effects on the financial statements of the lack of sufficient appropriate assurance are pervasive, we will be issuing a disclaimer of opinion. This means we are expressing no opinion on the financial statements.

The basis of our disclaimer of opinion is the introduction of the backstop arrangements which require the Council to publish its audited 2021/22 financial statements by 13 December 2024.

The audit report will not report on other matters that would usually appear in an unmodified audit report. These include:

- the use of the going concern assumption in the preparation of the financial statements; and
- the consistency of the other information presented with the financial statements.

Although we are disclaiming our audit opinion, auditing standards require us to report matters to you that have come to our attention during the course of our audit, which we include in this section of this report.

## Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2021/22 audit. However, a statutory recommendation was issued in 2019/20 which applies to 2021/22.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

## Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- Significant delays in the production of draft accounts supported by appropriate working papers; and
- Appropriate key financial controls being implemented by the Council.

As part of our audit, we sought and obtained information from management in relation to actual or suspected non-compliance with laws and regulations, and any actual or suspected fraud which could materially impact upon the financial statements.

We have written to management and TCWG regarding instances of fraud and non-compliance with laws and regulations during the year. We are yet to receive a response to our letters. We have not undertaken any further work in these areas and do not provide assurance that the financial statements are free from material error.

## Significant difficulties during the audit

We have reported to the Accounts and Audit Committee previously that we have experienced significant difficulties when carrying out our audit work. These issues began with the delay in the predecessor auditor issuing their opinion on the Council's 2017/18 accounts until July 2022. This resulted in us agreeing with the Council to stop our audit work on the 2018/19 accounts to enable the Council to focus on completing the 2017/18 audit. By the time the 2017/18 audit was completed the Council had experienced significant turnover of finance staff with the consequential loss of corporate knowledge, and this significantly impacted our ability to complete audit work on the outstanding audit years. The turnover of staff also significantly impacted on the Council's ability to produce its draft accounts, causing delays in publishing the 2021/22 accounts.

Although we have carried out no substantive work on the 2021/22 accounts, we have performed a review of the financial statements and carried out basic checks which include casting, consistency and comparison to prior year accounts. This work has identified a significant number of material discrepancies throughout the accounts as well as material differences between the reported Cash at Bank balance and the balance in the Council's bank reconciliation.

# Our observations on internal control

As part of our planning procedures, we obtained an understanding of Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and to determine the nature, timing and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of Council's internal controls, we are required to evaluate any deficiencies in internal control that come to our attention, even though we intend to issue a disclaimer of opinion.

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/or correct misstatements in the financial statements on a timely basis is missing

The purpose of our audit, as originally planned before the backstop arrangements came into force, was to express an opinion on the financial statements. The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified through the audit procedures we were able to complete before the backstop date. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported. Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

## Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency are of sufficient importance to merit the attention of the Audit and Governance Committee.

The statutory recommendation which was issued for the 2019/20 year is applicable for the 2021/22 audit. This statutory recommendation highlights significant deficiencies in the Council's internal controls for financial reporting and bank reconciliations.

## Other observations on internal control

We also report to you, our observations on the Council internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

We do not have any other internal control observations to bring to your attention as at the date of this report.

Whether internal control observations merit attention by the Audit and Governance Committee and/or management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

# Summary of amendments to the financial statements

The Council's S151 Officer, Chief Finance Officer, authorised the Council's draft financial statements for issue on 28/09/2023.

Although we intend to issue a disclaimer of opinion, we still report any amendments which management have made to the draft financial statements, identified either through the audit procedures that we have undertaken, or separately by management.

This information is provided to the Audit and Governance Committee for information and to support it to discharge its responsibilities. It is important for members to note that, given we are issuing a disclaimer of opinion, we provide no assurance over the material accuracy of the amendments that have been made to the draft financial statements which are summarised in this section.

## Amendments to the financial statements

Management have made no amendments made to the financial statements.

## Unadjusted misstatements

When we issue a disclaimer of opinion as a result of the backstop arrangements, auditing standard require us to consider whether we are aware of any matter that would have otherwise required a modification to our opinion. Such matters may include, for example, material misstatements that have been identified which have not been amended by management in the final financial statements.

The audit procedures that we were able to complete identified several instances where there were material differences between the opening balances disclosed in the financial statements for the year ended 31 March 2022 and the closing balances disclosed in the financial statements for the year ended 31 March 2021. The Council has not completed its work to establish the correct balances and we are therefore unable to conclude the extent of the material misstatements. The existence of these material differences would have made it necessary for us to modify our opinion on the financial statements if we had not disclaimed our opinion.

04

Value for Money

# Value for Money

## Approach to Value for Money

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report following the signed audit report.

## Status of our work

We have completed our work in respect of the Council arrangements for the year ended 31 March 2022 and have identified four significant weaknesses in arrangements and have made associated recommendations. We reported our commentary on the Council's VFM arrangements, including the significant weaknesses and recommendations in our report to the Audit & Accounts Committee in March 2024. The commentary will be incorporated in our Auditor's Annual Report to be issued once we have issued our signed audit report.

Our audit report will confirm that we have matters to report in respect of significant weaknesses.

# Appendices

A: Draft management representation letter

B: Draft audit report

C: Confirmation of our independence

# Appendix A: Draft management representation letter

## TO BE PROVIDED ON CLIENT LETTERHEAD

One St Peter's Square  
Manchester  
M2 3DE

[Date]

Dear Alastair,

### **Rossendale Borough Council - Audit for Year Ended 31 March 2021**

This representation letter is provided in connection with your audit of the financial statements of Rossendale Borough Council the 'Council' for the year ended 31 March 2021. I note that you intend to intend to issue a disclaimer of opinion in respect of your audit. I understand I am still required to provide the representations set out in this letter so you can complete your audit in accordance with relevant auditing standards.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

#### **My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by the Code Update and applicable law.

#### **My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as s151 officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

**Accounting records**

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

**Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

**Accounting estimates, including those measured at current and/or fair value**

I confirm that the methods, significant assumptions and the data used by the Council in making the accounting estimates, including those measured at current and/or fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

**Contingencies**

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

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There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. 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 Code, as amended by the Code Update and applicable law.



### **Laws and regulations**

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

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I acknowledge my responsibility as s151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
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  - employees who have significant roles in internal control; and
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I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code Update and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

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To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

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All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

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The Council has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

**Service Concession Arrangements**

I am not aware of any material contract variations, payment deductions or additional service charges in 2020/21 in relation to the Council's service concession arrangements that you have not been made aware of.

**Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code Update and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

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I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note to the financial statements fairly reflects that assessment

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I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note to the financial statements fairly reflects that assessment.

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I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Annual Report fairly reflects that assessment.

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To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

**Annual Governance Statement**

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

**Narrative Report**

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

**Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)**

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully,

Signed

## Appendix B: Draft audit report

The draft report will be provided at the conclusion of the audit.

## Appendix C: Confirmation of our independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

# Contact

## Forvis Mazars

### Alastair Newall

Director

Tel: +44 (0)161 238 9243

Alastair.newall@mazars.com

Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861. VAT number: GB 839 8356 73

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# Audit Completion Report

## Rossendale Borough Council – year ended 31 March 2023

December 2024

Rossendale Borough Council  
Futures Park  
Bacup  
OL13 0BB

3<sup>rd</sup> December 2024

Dear Committee Members,

### **Audit Completion Report – Year ended 31 March 2023**

We are pleased to present our Audit Completion Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions. The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on the 25 September 2024.

As a result of the legislative backstop arrangements introduced by the amendments to the Accounts and Audit Regulations 2015, we are unable to complete the audit as originally planned, in advance of the backstop date of 13 December 2024. We provide more information on the legislative backstop arrangements and its implications for the audit and our audit report, in section 01.

We will continue to work closely with you and management to take the necessary steps to rebuild assurance over future accounting periods. We will report further details to you on the rebuilding process in the coming months. In line with the guidance issued by the National Audit Office, as endorsed by the Financial Reporting Council, we hope to return to a standard audit cycle where we are able to obtain sufficient, appropriate evidence in order to issue an unmodified audit opinion in as short a period as practicable.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07909 986 776.

Yours faithfully

Alastair Newall

**Forvis Mazars LLP**



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- 01** Executive summary
- 02** Audit approach
- 03** Significant findings
- 04** Value for Money
  
- A** Appendix A: Draft management representation letter
- B** Appendix B: Draft audit report
- C** Appendix C: Confirmation of our independence

01

Executive Summary

# Executive summary

## The scope of our audit and implications of the backstop arrangements

### Our audit of the financial statements

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office's (NAO) Code of Audit Practice ('the Code'). Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ("the 2014 Act") and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) ("auditing standards") and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 25 September 2024. Since then, Government has introduced measures intended to resolve the local government financial reporting backlog. Amendments to the Accounts and Audit Regulations require the Council to publish its audited 2022/23 financial statements and accompanying information on or before 13 December 2024. In accordance with the Code, we are required to provide our audit report in sufficient time to enable the Council to meet these responsibilities, whether the audit is completed or not.

Auditing standards require auditors to consider whether they have obtained sufficient appropriate assurance that the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Where the auditor determines they have been unable to obtain sufficient appropriate assurance, they must consider the implications of this on their audit report.

As a result of the backstop arrangements, we have determined that there is insufficient time to complete our audit procedures so as to obtain sufficient appropriate evidence, and, in our view, the effects of the resulting lack of assurance is pervasive to the financial statements as a whole. As a result, we intend to issue a disclaimer of opinion on the Council's financial statements.

When an opinion is disclaimed the auditor does not express an opinion on the financial statements and, consequently, no assurance is provided on the financial statements. Members will note that the form and content of this report differs substantially from the report which they will have seen in previous years. We provide more details on this in section 3.

### Internal control recommendations and misstatements

Despite our intention to issue a disclaimer of opinion, where matters come to our attention through the course of our audit, we may be required to report these to you. Section 3 sets out any internal control recommendations we have made and any misstatements identified in the draft financial statements and how these have been addressed by management.

### Value for Money arrangements

The amendments to the Accounts and Audit Regulations do not affect our responsibilities in relation to the Council's Value for Money arrangements. We have identified significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 4 of this report.

### Whole of Government Accounts

As a result of the backstop arrangements and our intention to issue a disclaimer of opinion on the Council financial statements, we anticipate reporting to the NAO that we are unable to complete the mandatory audit procedures specified in their Group Audit Instructions. We are awaiting confirmation from the NAO of when and how this should be reported to the NAO.

### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No such correspondence from electors has been received.

02

Audit Approach

# Audit Approach

## Changes since we issued our Audit Strategy Memorandum

Section 1 of this report explains the implications of the backstop arrangements introduced by the recent amendments to the Accounts and Audit Regulations and confirms that we intend to issue a disclaimer of opinion on the Council's financial statements. As a result, we have not completed our planned procedures to respond to the significant and enhanced risks which we previously reported to you.

## Materiality

We are required to determine materiality and report this to you, irrespective of whether we are disclaiming our opinion.

Our provisional materiality at the planning stage of the audit was set at £819k using a benchmark of 2% of gross operating expenditure.

Based on the final financial statement figures and further analysis provided, the final overall materiality we applied was £810k (final performance materiality: £490k; final clearly trivial threshold: £25k).

## Summary of Risks

There have been no changes to the risks identified which we communicated in our Audit Strategy Memorandum, issued on 25<sup>th</sup> September 2024.

Whilst we planned our audit to address the risks of material misstatement we identified at the planning stage, we will not have completed our work in advance of the backstop date and as such do not provide any assurance over individual areas of the financial statements or the financial statements as a whole, nor do we provide assurance over any of the risks we identified at the planning stage of the audit, which are summarised below.

## Significant risks

Significant risks identified:

- Valuation of Land and Buildings
- Valuation of Investment Properties
- Management override of controls
- Defined benefit pension asset/liability valuation

## Enhanced risks / areas of significant management judgement

Enhanced risks identified:

- Expected credit loss of financial assets

Although we are unable to provide any assurance over the areas of risks we have identified, where matters have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in section 3 of this report.

03

Significant findings

# Significant findings

## Background and modification of the audit opinion

As we outlined earlier in this report, as a result of the backstop arrangements, we have not been able to complete sufficient audit procedures to enable us to provide an unmodified opinion on the Council financial statements. As we have determined that the pervasive effects, or potential pervasive effects on the financial statements of the lack of sufficient appropriate assurance are pervasive, we will be issuing a disclaimer of opinion. This means we are expressing no opinion on the financial statements.

The basis of our disclaimer of opinion is the introduction of the backstop arrangements which require the Council to publish its audited 2022/23 financial statements by 13 December 2024.

The audit report will not report on other matters that would usually appear in an unmodified audit report. These include:

- the use of the going concern assumption in the preparation of the financial statements; and
- the consistency of the other information presented with the financial statements.

Although we are disclaiming our audit opinion, auditing standards require us to report matters to you that have come to our attention during the course of our audit, which we include in this section of this report.

## Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2022/23 audit. However, a statutory recommendation was issued in 2019/20 which highlights matters equally applicable to 2022/23.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

## Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- Delays in the production of draft accounts supported by appropriate working papers

As part of our audit, we sought and obtained information from management in relation to actual or suspected non-compliance with laws and regulations, and any actual or suspected fraud which could materially impact upon the financial statements.

We have written to management and TCWG regarding instances of fraud and non-compliance with laws and regulations during the year. We are yet to receive a response to our letters. We have not undertaken any further work in these areas and do not provide assurance that the financial statements are free from material error

## Significant difficulties during the audit

We have reported to the Accounts and Audit Committee previously that we have experienced significant difficulties when carrying out our audit work. These issues began with the delay in the predecessor auditor issuing their opinion on the Council's 2017/18 accounts until July 2022. This resulted in us agreeing with the Council to stop our audit work on the 2018/19 accounts to enable the Council to focus on completing the 2017/18 audit. By the time the 2017/18 audit was completed the Council had experienced significant turnover of finance staff with the consequential loss of corporate knowledge, and this significantly impacted our ability to complete audit work on the outstanding audit years. The turnover of staff also significantly impacted on the Council's ability to produce its draft accounts, causing delays in publishing the 2020/21, 2021/22 and 2022/23 accounts.

Although we have carried out no substantive work on the 2022/23 accounts, we have performed a review of the financial statements and carried out basic checks which include casting, consistency and comparison to prior year accounts. This work has identified a significant number of material discrepancies throughout the accounts as well as material differences between the reported Cash at Bank balance and the balance in the Council's bank reconciliation.

# Our observations on internal control

As part of our planning procedures, we obtained an understanding of Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and to determine the nature, timing and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of Council's internal controls, we are required to evaluate any deficiencies in internal control that come to our attention, even though we intend to issue a disclaimer of opinion.

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/or correct misstatements in the financial statements on a timely basis is missing

The purpose of our audit, as originally planned before the backstop arrangements came into force, was to express an opinion on the financial statements. The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified through the audit procedures we were able to complete before the backstop date. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported. Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

## Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency are of sufficient importance to merit the attention of the Audit and Accounts Committee.

The statutory recommendation which was issued for the 2019/20 year is applicable for the 2022/23 audit. This statutory recommendation highlights significant deficiencies in the Council's internal controls for financial reporting and bank reconciliations.

## Other observations on internal control

We also report to you, our observations on the Council internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

We do not have any other internal control observations to bring to your attention as at the date of this report.

Whether internal control observations merit attention by the Audit and Accounts Committee and/or management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.



# Summary of amendments to the financial statements

The Council's S151 Officer, Chief Finance Officer, authorised the Council's draft financial statements for issue on 31/01/2024.

Although we intend to issue a disclaimer of opinion, we still report any amendments which management have made to the draft financial statements, identified either through the audit procedures that we have undertaken, or separately by management.

This information is provided to the Audit and Accounts Committee for information and to support it to discharge its responsibilities. It is important for members to note that, given we are issuing a disclaimer of opinion, we provide no assurance over the material accuracy of the amendments that have been made to the draft financial statements which are summarised in this section.

## Amendments to the financial statements

Management have made no amendments made to the financial statements.

## Unadjusted misstatements

When we issue a disclaimer of opinion as a result of the backstop arrangements, auditing standard require us to consider whether we are aware of any matter that would have otherwise required a modification to our opinion. Such matters may include, for example, material misstatements that have been identified which have not been amended by management in the final financial statements.

The audit procedures that we were able to complete identified several instances where there were material differences between the prior year balances disclosed in the financial statements for the year ended 31 March 2023 and the closing balances disclosed in the financial statements for the year ended 31 March 2022. The Council has not completed its work to establish the correct balances and we are therefore unable to conclude the extent of the material misstatements. The existence of these material differences would have made it necessary for us to modify our opinion on the financial statements if we had not disclaimed our opinion.

Value for Money arrangements

# Value for Money arrangements

## Approach to Value for Money arrangements

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report following the signed audit report.

## Status of our work

We have completed our work in respect of the Council arrangements for the year ended 31 March 2023 and have identified four significant weaknesses in arrangements and have made associated recommendations. We reported our commentary on the Council's VFM arrangements, including the significant weaknesses and recommendations in our report to the Audit & Accounts Committee in March 2024. The commentary will be incorporated in our Auditor's Annual Report to be issued once we have issued our signed audit report.

Our audit report will confirm that we have matters to report in respect of significant weaknesses.

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I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

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I confirm as s151 officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

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There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. 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 Code, as amended by the Code Update and applicable law.

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Yours faithfully,

Signed

## Appendix B: Draft audit report

The draft report will be provided at the conclusion of the audit.

## Appendix C: Confirmation of our independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We alert the Committee that 2022/23 is Alastair Newall's fifth audit year and ordinarily under PSAAs terms of appointment this would be his final year as your Key Audit Partner. However PSAA have agreed to an extension to include the 2023/24 audit year.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

# Contact

## Forvis Mazars

### Alastair Newall

Director

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<b>Subject:</b>	Adoption of statutory accounts under backstop arrangements for financial years 2018/19 through 2022/23	<b>Status:</b>	For Publication
<b>Report to:</b>	Audit & Accounts Committee	<b>Date:</b>	3 <sup>rd</sup> December 2024
<b>Report of:</b>	Director of Resources	<b>Lead Member:</b>	Resources
<b>Key Decision:</b>	<input type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	<b>General Exception</b>	<b>Special Urgency</b> <input type="checkbox"/>
<b>Equality Impact Assessment:</b>	Required:	No	Attached: No
<b>Biodiversity Impact Assessment:</b>	Required:	No	Attached: No
<b>Contact Officer:</b>	Chris Warren	<b>Telephone:</b>	01706 252409
<b>Email:</b>	ChrisWarren@rossendalebc.gov.uk		

## 1. RECOMMENDATION

- 1.1 Members are asked to note the contents of this report and accept the statutory accounts including the Statement of Responsibilities and Annual Governance Statement in their current form as the final published accounts for 2018/19 through to 2022/23 (Appendices 2 to 6)**
- 1.2 Members are asked to delegate to the Director of Resources and the Monitoring Officer in conjunction with the Chair of the Audit and Accounts committee any amendments to the documents to finalise the presentation of the statutory accounts, including the addition of the audit opinion, referencing adjustments and any minor amendments as necessary.**

## 2. EXECUTIVE SUMMARY

- 2.1 Given the delays to audit completion, resource turnover within the council, and a nationally enforced backstop to resolve the audit backlog we are now in a position where the council as part of the backstop regulations is directed to adopt the accounts for years 2018/19 through to 2022/23 by the 13th December 2024.
- 2.2 During those years our external auditors have reported inconsistencies in the draft accounts. The report identifies a series of actions that are to be taken to ensure that the Council can adopt the accounts for years 2018/19 through to 2022/23 by the 13<sup>th</sup> December 2024.

## 3. BACKGROUND

### The Annual Statement of Accounts

- 3.1 The accounts are a statutory document produced and published by the council every year. The preparation, and the subsequent external audit of the document is a significant undertaking for the finance function and the oversight of these tasks is one of the key undertakings for the Council's Responsible Finance Officer (the "Section 151 Officer").
- 3.2 The central role of the Statement of Accounts is to enhance the financial accountability of the Council to those external to the Council.

3.3 The Statement of Accounts is also a statutory document. The Local Government Act 2003 (section 21) enables the Secretary of State to issue regulations on the preparation and publication of accounts for local authorities, which is fulfilled by the Accounts and Audit Regulations 2015 (as amended).

The requirements are that:

- Every council must prepare a statement of accounts in accordance with the Regulations and proper accounting practices (section 7(1)).
- These statements must include a narrative statement (also known as the narrative report) which comments on the council's financial performance and the economy efficiency and effective in its use of resources over the financial year (section 8).
- The Responsible Financial Officer (the Section 151 Officer) must sign and date the accounts and so confirm that they are satisfied that they provide a true and fair view of the council's finances (Section 9(1)).
- The council must ensure that there is a period of public consultation.
- After the period of public consultation, the Statement of accounts should be considered by Full Council, or a Committee of the Council, for them to discuss and approve the statements. The statements must then be signed and dated to this effect (section9(2)).
- The Council must publish the annual Statement of Accounts, the narrative statement and the annual governance statement, together with any external audit opinion (reg 10(1)) by a specified date.

### **The form of the annual Statement of Accounts**

3.4 The Accounts and Audit Regulations Section 7(1) requires that the annual Statement of Accounts be prepared in accordance with proper accounting practices. This is defined as International Financial Reporting Standards (IFRS), as applied to local authorities by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) in their Code of Practice on Local Authority Accounting in the United Kingdom.

### **The External Audit Environment**

3.5 One of the key reasons that external audit assignments are in place is to ensure that the council has complied with the Code of Practice and as a result give a true and fair view of the state of affairs of the organisation. In the event of non or limited compliance, this must be made clear in the Statements themselves and may result in a qualified audit opinion.

3.6 For various resourcing reasons it has been impossible for audit firms to deliver complete audit assurance assignments in a timely manner. As of December 2023, there were 771 overdue audits. This backlog has been growing, with only 12% of local government bodies receiving their audit opinions in time to publish accounts for the 2021-22 financial year by the statutory deadline. The backlog was forecast to increase to around 1,000 by the end of September 2024.

### **Backstop Regulations**

3.7 To address this growing problem backstop regulations for the audit of local government accounts in England were introduced. The regulations were introduced by the Minister of State for Local Government, on July 31, 2024.

The primary reasons for these regulations include:

- **Restoring Transparency and Accountability:** The backlog undermined local accountability and governance, making it difficult for the public and other stakeholders to understand how public money was being spent.
- **Clearing the Backlog:** The government set statutory backstop dates to ensure that all outstanding audits up to and including the financial year 2022/23 would be completed by December 13, 2024. This measure aims to clear the backlog and enable a focus on more recent accounts.
- **Improving the Audit System:** The regulations are part of broader efforts to overhaul the local audit system to ensure it is fit for purpose and capable of delivering high-quality and timely financial reporting.

3.8 These steps are supported by guidance from the Comptroller and Auditor General and the Financial Reporting Council, with extensive communication and engagement planned to explain the necessity of these measures.

3.9 The backstop regulations for the audit of local government accounts in England set specific deadlines to address the backlog of unaudited accounts and ensure timely financial reporting.

The key directives are:

1. **Statutory Deadlines:** Local authorities must publish audited accounts for all financial years up to and including 2022/23 by December 13, 2024. This is intended to clear the existing backlog and allow a focus on more recent accounts.
2. **Future Deadlines:** For subsequent financial years, specific deadlines have been set:
  - 2023/24: 28 February 2025
  - 2024/25: 27 February 2026
  - 2025/26: 31 January 2027
  - 2026/27: 30 November 2027
  - 2027/28: 30 November 2028
3. **Modified or Disclaimed Opinions:** Auditors may issue modified or disclaimed opinions if they cannot complete all audit work by the backstop dates. These opinions must clearly state the reasons, distinguishing between issues caused by the backstop dates and those indicating significant financial reporting problems.
4. **Value for Money (VfM) Reporting:** Auditors are required to report on VfM arrangements and can issue statutory recommendations or Public Interest Reports if necessary.
5. **Communication and Support:** Extensive communication efforts will be made to explain the necessity of these measures and mitigate potential reputational impacts on local bodies.

These regulations aim to restore transparency, accountability, and efficiency in the local audit system.

## 4. DETAILS

- 4.1 The audit backlog of council accounts from 2018/19 through to 2022/23 will not be complete in time for the 13<sup>th</sup> December backstop date.
- 4.2 Furthermore, our external auditors have reported inconsistencies in the draft accounts that have been produced over that period, and at the time of drafting the accounts, balanced bank reconciliations were not in place. Given the nationally mandated backstop date and the issues outlined in this report, the Council's auditors will disclaim opinion.
- 4.3 This audit opinion will be similar to a large number of other local authorities and will make reference to the Council's historic issues. Given these factors, the Section 151 Officer, who was appointed from 2<sup>nd</sup> September 2024, cannot in good faith sign the required Statement of Responsibilities for the years 2018-19 through to 2022/23 without caveat. Further, at this stage, the s151 Officer cannot in good faith sign the Letter of Representation (a piece of audit evidence requested by the auditors) which will be referred to in the auditors disclaimed opinion.
- 4.4 The reconciliation of the bank account was put in place in March 2024 to allow a balanced and reconcilable position for the financial year 2023/24. This reconciliation is robust and has been "signed off" by the Head of Finance. This process remains and will continue to remain in place.
- 4.5 The auditor also referred to inconsistency with respect to prior year balances in each set of accounts. The Council will work through these inconsistencies to deliver some assurance for the opening balance sheet position for 2023/24.
- 4.6 A similar situation has arisen for the Chief Executive and Leader of the Council with respect to the Annual Governance Statement. A footnote has been added to recognise the issues raised.
- 4.7 Clearly all of these non-standard reporting features are being driven by the backstop provisions and relate to a time period of between 2 and 5 years ago. These provisions require that the Council must adopt accounts for the years outstanding up to 2022/23. In the case of the Council, 2018/19 through to 2022/23.
- 4.8 Rossendale Borough Council, along with the vast majority of other local authorities will now retain historic accounts that will have disclaimed audit opinions on them. This is likely to continue for an as yet undefined period going forward. It is likely that there will be modified opinions for the Council for at least 2023/24 and 2024/25. The framework around which auditors will rebuild assurance as part of their audit work is as yet undefined.

## 5. RISK

- 5.1 All the issues raised and the recommendations in this report involve risk considerations as set out below:
  - This report addresses the adequacy of the Council's management of risks in respect of the areas subject to audit. This is mitigated by building in systematic control and by bringing in temporary resource to assess the inconsistencies noted within the financial statements for the years 2018/19 through 2022/23.
  - There remains a risk as part of the ongoing building back assurance work that there may be a restatement of opening balances in any year up to the completion of audit backlog.



- There is a risk that ongoing backlog clearance work may negatively impact on the finance team resources available to continue to manage the financial affairs of the organisation. This can be mitigated by bringing in dedicated financial support should the need arise.

## **6. FINANCE**

- 6.1 Given the ongoing work to resolve the inconsistencies in the prior year accounts and the now in-built key control that was absent from the financial statements of the years addressed in this report the council is in a better position to certify accounts going forward.
- 6.2 The situation with respect to modified audit opinions is likely to remain in place for an undefined period of time as the audit sector works with local authorities to build back assurance. Current back stop provisions refer to the financial year 2027/28 which is indicative, but not conclusive as to when the national audit backlog will be resolved satisfactorily.
- 6.3 The reports covered by these backstop arrangements will remain on record and will not be amended. This is the case for all local authorities of which there are many as noted above with an audit backlog. Any material adjustments dictated by the work carried out to build back assurance will be actioned via the restatement of prior years' comparative figures in the latest unaudited financial statements. This is normal accounting practice.

## **7. LEGAL**

- 7.1 As detailed in the body of the report, the Accounts and Audits Regulations 2015 set out that relevant authorities must ensure that it has a sound system of internal control which
- facilitates the effective exercise of its functions and the achievement of its aims and objectives
  - ensures that the financial and operational management of the authority is effective; and
  - included effective arrangements for the management of risk
- 7.2 This report clearly sets out the current situation in relation to the statutory accounts. This has led to officers taking specialist and legal advice as to the legal responsibilities of the Council and its Statutory Officers. This report invites members to sign off the accounts with a proper caveat that reflects the responsibilities and professional duties of the s151 Officer to the Council and the profession.
- 7.3 The report demonstrates that robust and timely action has been taken to deal with the previous concerns raised by the auditors which will allow the s151 Officer to take comfort and mitigate risks in future years.
- 7.4 The Council's s151 Officer continues to work closely with the auditors in the spirit of transparency in these unprecedented and unusual times.

## **8. POLICY AND EQUALITIES IMPLICATIONS**

- 8.1 Reported findings have been discussed and agreed, including management responses to the recommendations, with respective Service Managers and Heads of Service prior to reporting.

## **9. REASON FOR DECISION**

To comply with the backstop provisions in place to help address the current backlog of statutory audits in the sector.

Background Papers	
Document	Place of Inspection
Appendix 1-Wording for the Statement of Responsibilities and Annual Governance Statement	Attached
Appendix 2 Financial Statements 2018/19	Attached
Appendix 3 Financial Statements 2019/20	Attached
Appendix 4 Financial Statements 2020/21	Attached
Appendix 5 Financial Statements 2021/22	Attached
Appendix 6 Financial Statements 2022/23	Attached

## **Appendix 1 Wording for the Statement of Responsibilities and Annual Governance Statement**

### **Statement of Responsibilities**

The following responsibilities are placed upon the authority and the Head of Finance in relation to the Council's financial affairs.

### **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 Head of Finance.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

### **The Director of Resources as Chief Finance Officer Responsibilities**

As the Chief Finance Officer, I am responsible for the preparation of the authority's Statement of Accounts in accordance with the proper practices as set out in the CIPFA/LASAAC 2018/19 Code of Practice on Local Authority Accounting in Great Britain (referred to as "the Code").

In preparing this Statement of Accounts, I have:-

- 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.

I was appointed Chief Finance Office and s.151 Officer on 2 September 2024. I am aware that in March 2024 the Council's external auditor's Value for Money report identified significant systemic weaknesses in the preparation of Statements of Account for the years ending 31 March 2021 to 31 March 2023. Accordingly, I cannot certify the adequacy of the systems that were used to prepare the accounts for the year ending 31 March 2019. Nor can I provide an assurance that weaknesses in the council's financial controls and other systemic weaknesses did not have a material impact on the accounts.

The Backstop Regulations were introduced by the Secretary of State for Housing, Communities and Local Government on 31 July 2024. The object of the Regulations is to secure published audited accounts for every financial year up to and including the year ending 31 March 2023 by 13 December 2024. Unfortunately, there is neither the time nor the resources to complete and evaluate the audit work that would be required to make a full assessment of the impact of the control and other weaknesses identified by the external auditors for the year ending 31 March 2019 by the backstop.

## Certificate of Director of Resources as Chief Finance Officer

This Statement of Responsibilities is signed by me subject to the aforementioned caveat. I certify that this Statement of Accounts gives a true and fair view of the financial position of Rossendale Borough Council at 31st March 2019, and its income and expenditure for the year ended 31<sup>st</sup> March 2019, including any known post balance sheet events as at 10<sup>th</sup> June 2019.

Signed: **Chris Warren**  
Director of Resources

**Michelle Smith**  
Chair of the Audit and Accounts Committee

And as a footnote to each Annual Governance statement for each financial year as follows:

Subsequent to the draft financial statements being published and prior to the directed adoption of these on 13<sup>th</sup> December 2024 as directed by the backstop regulations (introduced by the Minister of State for Local Government, on July 31, 2024 in response to the national local authority audit backlog) the council's external auditors referred in March 2024, to areas of significant weakness as part of their Value for Money Reports concerning the preparation of and evidence to support the Statement of Accounts for 2020/21 through 2022/23 with implications extending to this financial year. The matters noted were the non-completion of a bank reconciliation and the draft accounts having material inconsistencies within the comparative figures. These matters were compounded by the lack of finance capacity available to produce the accounts in years 2020/21 through 2022/23.

There are no other matters arising that indicate any wider or other concerns with the governance framework which would lead to a conclusion that there was not an effective governance framework in place, except for these significant matters.

We are aware that the council has already made headway in resolving the weaknesses and in particularly the key financial controls and the resourcing of the finance team.

Alyson Barnes

Rob Huntington



**Councillor A. Barnes**  
Council Leader



**Councillor B. Ashworth**  
Mayor



**S. Sugarman**  
Chief Executive



**P. Seddon**  
Head of Finance

# **DRAFT**

## **Statement of Accounts 2018/19**

As at 10 June 2019

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# Audit Report



# Audit Report

# Audit Report

# Narrative Report

## Introduction by the Head of Finance

This booklet presents the Council's accounts for the year ended 31<sup>st</sup> March 2019. It conforms to the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), which is based on the International Financial Reporting Standards (IFRSs). It also complies with the Accounts and Audit Regulations 2015 including the Narrative Statement and at Note 2 the Expenditure and Funding Analysis. The layout and purpose of each statement is as follows:-

### Introductory Statements

- Narrative Report - provides interested parties with an effective guide to the most significant matters reported in the accounts. It should be fair, balanced and understandable for the users of the financial statements, containing a commentary on the major influences affecting the authority's income and expenditure and cash flow, as well as information on the financial needs and resources of the authority. It includes a General Fund Summary which compares the financial out-turn with the Budget set in February 2018.
- Annual Governance Statement – explains the way the Council ensures responsible stewardship of its assets.
- Statement of Responsibilities - explains the responsibilities of the Council and its Chief Financial Officer in relation to the Council's financial affairs and the Statement of Accounts.

### Core Statements

- Comprehensive Income and Expenditure Statement (CIES) - a summary of the resources generated and consumed by the authority in the year in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Cost of Services section is now presented in the same format as the authority's operational reports. Note 1 presents a reconciliation between the General Fund Summary in the Narrative Report and the CIES figures produced here under statutory accounting practices.
- Movement in Reserves Statement – this statement shows the movement in year on the reserves held by the Council, analysed into 'useable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. It reverses the statutory accounting adjustments in the CIES to get back to the General Fund Balance Sheet Reserve.
- Balance Sheet - this shows the value of the assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the value of reserves held, split between Useable and Unusable reserves.
- Cash Flow Statement - summarises changes in cash and cash equivalents during the year, and how the Council generates and uses cash through operating, investing and financing activities.

### Notes to the core financial statements

All the notes to the core statements above are now collected in one place. Notes on the policies used in the preparation of the figures in these accounts, including judgements and assumptions, have been moved to the end of the notes area.

### Other Statements

- The Collection Fund – this agency statement reflects the Council's statutory obligation to maintain a separate Collection Fund for its transactions as a billing authority in relation to council tax and non-domestic rates.

**Glossary** - an explanation of some of the key technical terms used in these accounts.

# Narrative Report

## Rossendale – geography, economy and our priorities for 2018/19

Rossendale is an authority in East Lancashire that covers 138 square kilometres and has 14 electoral wards.

We have a population of around 70,365 (4.8% of the Lancashire population) which is expected to rise to around 71,000 by 2021.

Rossendale is a proud valley area with a rich industrial heritage, filled with friendly and welcoming communities in a number of vibrant market towns and villages.

Rossendale is a distinctive part of East Lancashire with its dramatic scenery, rich heritage and characterful features.

Sitting on the western slopes of the Pennines Rossendale is well connected to Lancashire, Greater Manchester and West Yorkshire.



## Our Vision: Rossendale, a place where people want to live, visit, work and invest

### Our people:

There were 31,870 dwellings in the borough at the beginning of 2018/19, 85% of which were owner occupied or private rented in Rossendale. In common with other East Lancashire authorities, Rossendale has a high proportion of its housing stock in the lowest category 'A' council tax band, almost 51% and around 3.2% of dwellings were vacant.

A total of 12.2% of Rossendale households were in fuel poverty in 2015 compared to the England average of 11.0%. The main factors that determine this are the energy efficiency status of the property, the cost of energy, and household income. At the same time the national indices of deprivation revealed that Rossendale was the 98th most deprived area out of the 326 districts and unitary authorities in England. However, the authority has around 17.8% of the population of pensionable age and this is predicted to rise to 26% in the next 25 years.

### Our businesses:

As in most places, the manufacturing sector has shed jobs over the years whilst the service sector has grown to become a far greater source of employee jobs. However there still continues to be a bias towards a larger proportion of employees in the manufacturing sector in Lancashire and Rossendale than is the national norm and a lower proportion of jobs in the service sector. Rossendale does, however, maintain a relatively high percentage of private-sector jobs with 2,764 active enterprises in Rossendale and we are proud that for the third year in a row a local company recently won a Queen's Award for Enterprise, namely Firesafe Fire Rated Ductwork Limited in Haslingden.

### Our area:

Though Rossendale is not served by the main railway network it does have excellent road links with the M66 heading south to Greater Manchester and the M62 corridor over the Pennines and the M65 heading west to link up with the M6. The 2011 census figures on commuter flows revealed that only 40.3% of Rossendale residents work within the borough and over 10% of working residents commute between 20 and 30 kilometres, the highest percentage in Lancashire and well above regional and national averages.

Lancashire has over 8,000 hectares of common land (1.5% of the nation's total) and Rossendale is one of the three boroughs which account for a significant proportion of this total. Rossendale has 23.0% of its land designated as green belt, safeguarding our countryside and preserving the character of our historic towns. This also contributes to maintaining our air quality, which is better than the county and national averages.

# Narrative Report

## Priority 1: A clean and green Rossendale

Our priority is to keep Rossendale clean and green for all of Rossendale’s residents and visitors, and to take available opportunities to recycle and use energy from renewable sources more efficiently.

### Key Actions: Clean

- Be tough with those who blight our communities with fly-tipping, litter and dog fouling through more enforcement
- Deliver a waste and recycling awareness and engagement campaign to support us in keeping our streets clean and reducing litter
- Reduce waste costs and increase recycling rates in the Borough
- Continue to work proactively with our partners to improve the quality of roads in the Borough
- In an average month we collect 1,200 tonnes of general waste, whilst 260 tonnes of glass, cans and plastic and 170 tonnes of paper get recycled

20 littering and 90 dog-fouling cases pursued in 2018/19
93 fly tipping cases pursued in 2018/19
1,076 likes on our environmental face-book page
Over 4,400 signed up for new green waste service
Delivered over £2.2m of flood resilience works since Storm Eva in Dec 2015

### Key Actions: Green

- Work with our communities to celebrate our environment, promote pride in our area and enhance our parks, playgrounds and open spaces
- Work with partners on ensuring Rossendale is robustly prepared for another flooding incident
- Promote our green spaces and countryside for all to enjoy

## Priority 2: A connected and successful Rossendale that welcomes sustainable growth

Our priority is to ensure that we are well connected to our residents, key partners and stakeholders. We want to make the most of every pound we spend and we are always looking for new and innovative ways to make the resources we do have, work harder for us. A key part of this involves developing new and existing economic and commercial opportunities in the Borough. This will eventually help us become a more dynamic and sustainable Council that is able to deliver successful, quality services for our residents and visitors.

### Key Actions: Connected

- Make it easier for customers to interact with the Council online when it suits them, by making more of our services digital
- Continue to work with partners and other agencies on better transport links in Rossendale and with our neighbours
- Make sure we get the best outcomes for Rossendale by working with public sector and other partners to make sure every pound gets the best results
- Make the most of our location; bordering Greater Manchester and West Yorkshire but also being committed to being part of a strong, confident Lancashire County
- Working with public transport providers to deliver the best public transport for Rossendale

55 of our services are now available on-line 24/7
Our conditions test for taxis & driver knowledge tests now acknowledged as best practice
We are active participants in the regional transport committee

# Narrative Report

## Key Actions: Growing

- Identify development sites to enable inclusive and sustainable growth (overnight visitor accommodation, housing, businesses, jobs and tourist destinations)
- Develop plans to ensure we have strong town centres and communities
- Invest in our staff to champion our more commercial and digital approach

## Key Actions: Successful

- Continue to celebrate and grow our sport, leisure and culture offer through Rossendale Leisure Trust, Whitaker Museum, Community Leisure Association Whitworth and other organisations
- Develop new relationships in the community and strengthen existing ones
- Focus on tourism, particularly around our Adrenaline Offer, bringing people, business and attractions to Rossendale

Renovated and let the old Town Hall in Rawtenstall as part of a £5.3m development

Promoted “Invest in Rossendale”

Held mtgs with land owners & developers at 4 key employment sites

Secured funding for Ski Rossendale development grant

Assisting with Whitaker Heritage Lottery Fund bid

## Priority 3: A proud, healthy and vibrant Rossendale

Our priority is to ensure that we are creating and maintaining a healthy and vibrant place for people to live and visit. We celebrate the health, vitality and enterprise of the people who live in, do business in and visit Rossendale. We are proud of our Borough and the success that happens here.

## Key Actions: Proud

- Celebrating Rossendale, the success of our residents, business and the Council’s work through publicity and awards, raising awareness of the great things they do
- Work with local schools to support career pathways and make sure that our children and young people flourish
- Building strong, resilient communities with volunteers and active citizens, creating neighbourhoods where people feel proud and safe to live
- Work closely with residents, communities and the police to maintain low crime levels and reduce Anti-Social Behaviour

Promoting Rossendale Board has produced a borough Food & Drink Guide

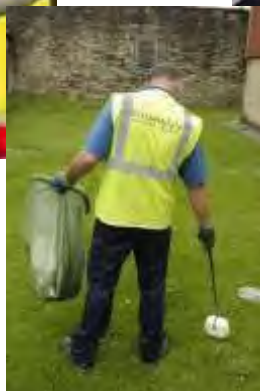
Our Facebook & Twitter feeds reach over 1 million people

Local lad Tom Hamer won medals in the Olympic & Commonwealth para-games

4 Neighbourhood Forums gave out £21k in grants to 36 local community groups

Communities team working to support WW1 centenary commemorations

Achieved 7 new affordable housing units, compared to a target of 25 – but work is ongoing to identify more sites



# Narrative Report

## Rossendale folk - the people behind the borough

### Our councillors

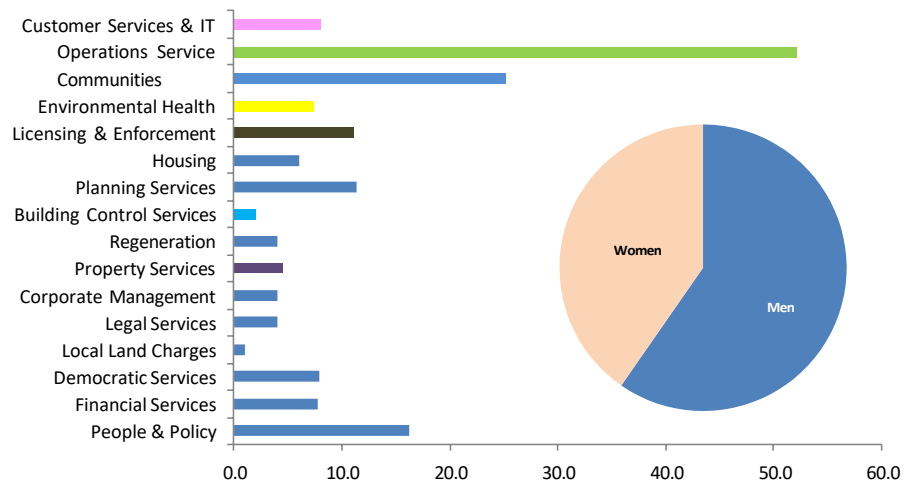
We have 36 councillors in Rossendale serving 14 wards across the borough. At the start of the 2018/19 Municipal year the political balance was as follows

- 20 Labour
- 14 Conservative
- 1 Community First
- 1 Independent

### Our staff

The Council employs 171 people across its services, 40% of whom provide front-line services within the Operations Team collecting refuse, maintaining our parks and cemeteries and keeping the roads around the borough clean. Of our 171 employees 40% are women and 44% are over 50.

### Staff employed across services in 2018/19



### Our Senior Management Team



**Stuart Sugarman**  
Chief Executive



**Sam Plum**  
Director of  
Communities



**Cath Burns**  
Director of  
Economic  
Development



**Phil Seddon**  
Head of  
Finance



**Clare Birtwistle**  
Legal Services  
Manager



**Clare Law**  
HR Manager

# Narrative Report

Our partners, community groups and the volunteers that we work with

**CAPITA** Capita provide our revenues, benefits and customer services.

**Civic Pride** groups support the borough by providing a gardening and litter clearance service, building upon the work done by the Council's workforce.



Voluntary Community Sector organisations work with us on a range of initiatives, a comprehensive list can be found on the **REAL Directory**.



**Calico Homes** now manage the East Lancashire Empty Homes project.

**Together Housing** manage social housing across the borough



**RTB Partnership Ltd** is an equal partnership development vehicle set up in February 2013 to facilitate a number of development projects across the borough.



**Rossendale Leisure Trust** provides the sports facilities provision in the Borough, with **Community Leisure Association Whitworth** providing them in Whitworth.



The NHS and **East Lancashire Clinical Commissioning Group** are the health providers for Rossendale. Main hospital services are provided by **East Lancashire Hospitals NHS Trust**. Some other facilities are run by the **Lancashire Care NHS Foundation Trust**.



**Lancashire Constabulary** is the local police force.  
**Lancashire Fire and Rescue** provide our fire service.  
**Lancashire County Council** upper tier responsibilities

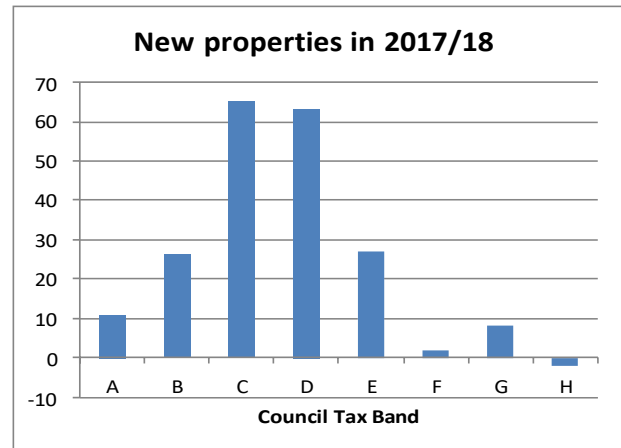
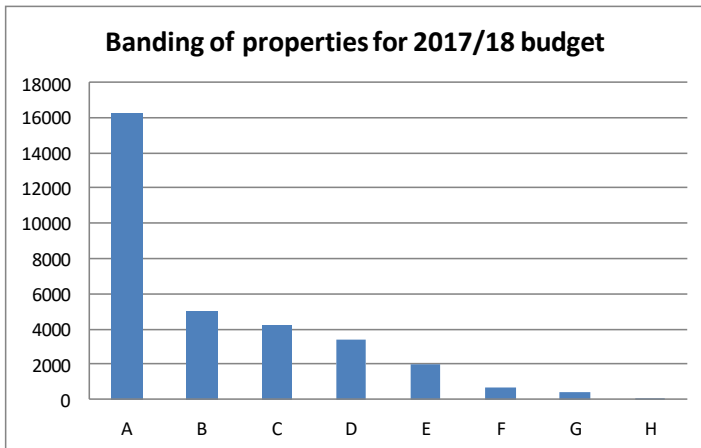




# Narrative Report

## Council Tax in Rossendale

Almost 51% of all the domestic properties in Rossendale fall into Band A, the lowest band for Council Tax purposes. Though the Band D is taken nationally as the average for the purposes of collecting Council Tax, only 10.5% of properties in Rossendale fall into this band. The total number of properties when the 2018/19 Council Tax was set was 31,870, up by 200 from 2017/18.

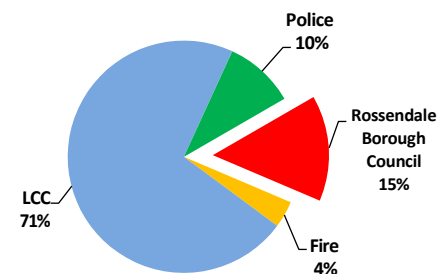


Rossendale Borough Council collects Council Tax on behalf of each of the major preceptors, Lancashire County Council, Lancashire Combined Fire Authority and Lancashire Constabulary. In 2018/19, we also collected a precept for Whitworth Town Council from 3,624 properties.

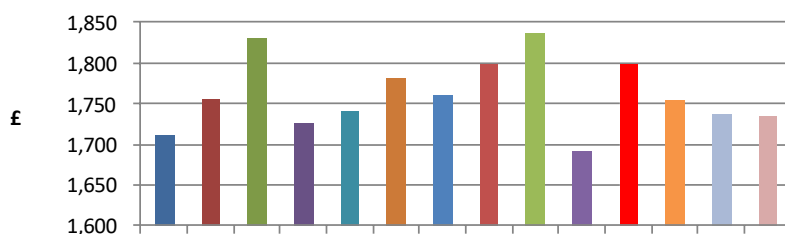
Back in 2017/18 Rossendale Borough Council increased its element of the Council Tax for the first time since March 2009. In 2018/19 the charge went up again by 2.99% to £258.44 for a band D property.

Precepting Body	% Increase	2017/18	2018/19
		Band D £	Band D £
Rossendale BC	2.99%	258.44	266.17
Lancashire County Council *	2.99%	1,175.64	1,212.17
LCC Adult Social Care *	3.00%	46.10	82.75
Combined Fire Authority	2.99%	65.50	67.46
Police & Crime Commissioner	7.25%	165.45	177.45
<b>Total (Excl' Whitworth)</b>	<b>5.54%</b>	<b>1,711.13</b>	<b>1,806.00</b>
Whitworth Parish Council	2.99%	23.40	24.10
<b>Total Whitworth Parish</b>	<b>5.51%</b>	<b>1,734.53</b>	<b>1,830.10</b>

Each £1 of Council Tax was split



## Council Tax Band D across Lancashire



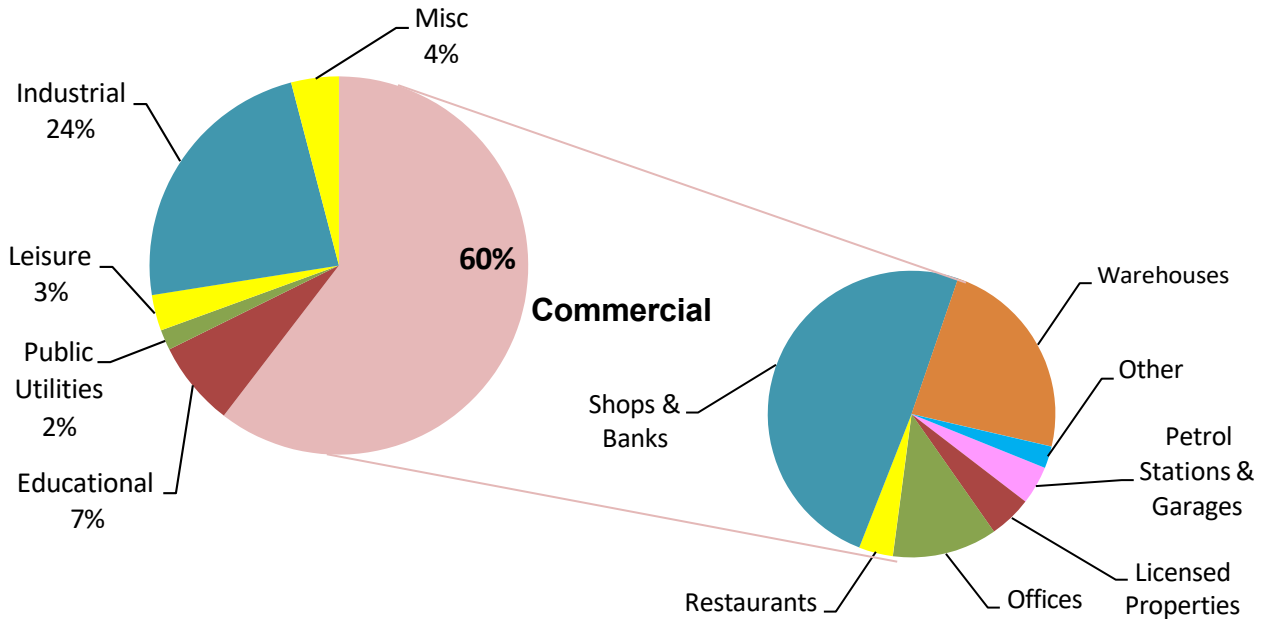
In comparison with our neighbouring authorities across Lancashire, Rossendale has the fourth highest total Band D charge.

# Narrative Report

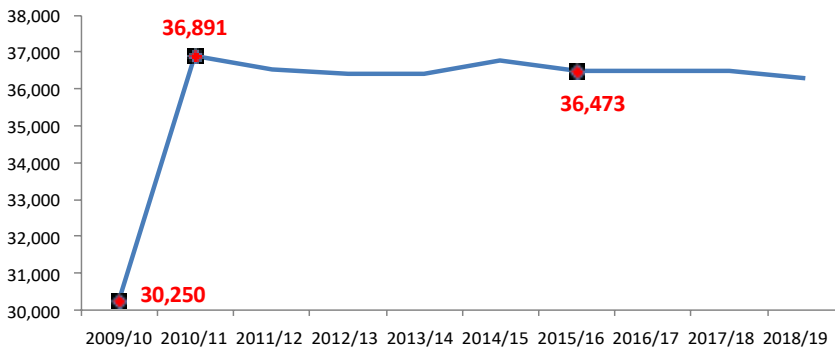
## Business Rates in Rossendale

Business Rates are payable based upon a rateable value set by the national Valuation Office. The total rateable value of business premises in Rossendale at the 31<sup>st</sup> March 2019 was £36,303k, down from £37,038 in March 2018.

### Rateable Values as at 31st March 2019



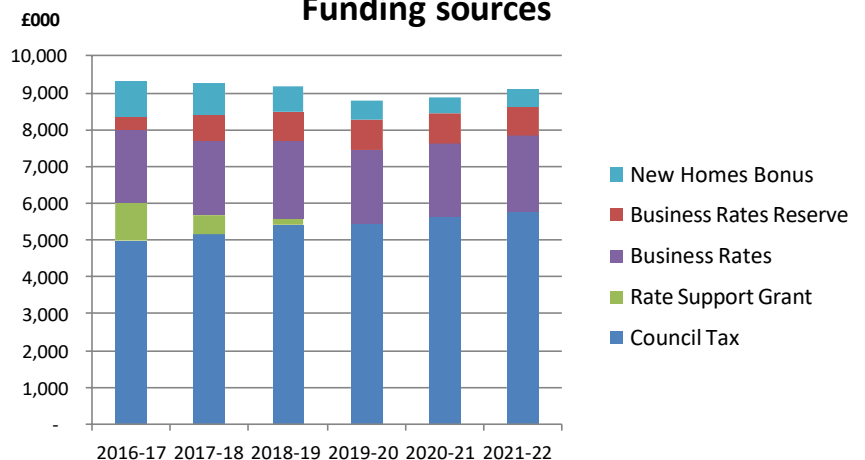
### Rateable Values in recent years



Rateable values underwent a national revaluation exercise in 2010/11 and a revision during 2015/16.

The sources of funding available for Council Services can be seen in the table opposite, along with future predictions over the Medium Term Financial Strategy

### Funding sources



# Narrative Report

## General Fund

The General Fund holds the income and expenditure associated with the day to day running of all the services that the Council provides.

In setting the 2018/19 budget, members continued to give due regard to the financial challenges facing the Council over the medium term. For a number of years the Council has continued to reduce its net revenue expenditure in line with its own efficiency agenda and the impact of the Government's 2015 Comprehensive Spending Review.

At the time of setting the 2018/19 original budget the medium term financial strategy (MTFS) indicated an underlying deficit of £851k for 2018/19, rising to over £1.3m by 2019/20. The Council has reviewed its MTFS at regular intervals and reported to Cabinet in October 2018 that additional business rates income should reduce the future underlying deficit to around £1m, but this is dependent upon the outcome of the Government's Fair Funding Review and the changes to the localisation of Business Rates.

As can be seen on the table on the previous page, external resources for 2018/19 included the central government support grant funding which fell from of £503k in 2017/18 to £189k in 2018/19 when this external funding ended. New Homes Bonus grant is also reducing, from £965k in 2016/17 to £835k in 2017/18 and £684k in 2018/19. This will continue to fall to around £453k by 2021/22 due to new calculation national methodologies, despite 0.6% increases in the overall housing numbers and the Council's efforts to bring empty homes back into use.

With the drop in external funding above, local taxation has to contribute towards the MTFS challenge and in the 2018/19 budget members made the difficult decision to increase the Council Tax by 2.99%, resulting in a Collection Fund Precept of £5,384k plus £61k to support Whitworth Town Council. Local business rates were also expected to provide £2,097k of funding in 2018/19 and members approved the use of £800k from prior year surpluses held in the Retained Business Rates Reserve. Between local and external funding the total resources available for 2018/19 were £9,236k.

Despite the financial challenges ahead, members approved a net services budget for 2018/19 of £10,032k including a contribution of £100k towards capital projects. In order to balance the budget members approved the use of £795k from Earmarked Reserves.

The following table and charts show the General Fund figures before the technical accounting adjustments required by the Code in the CIES on page 26. These follow the operational basis shown in the financial monitoring reports presented to members at each Cabinet meeting, with the exception of the precept payment to Whitworth Town Council.

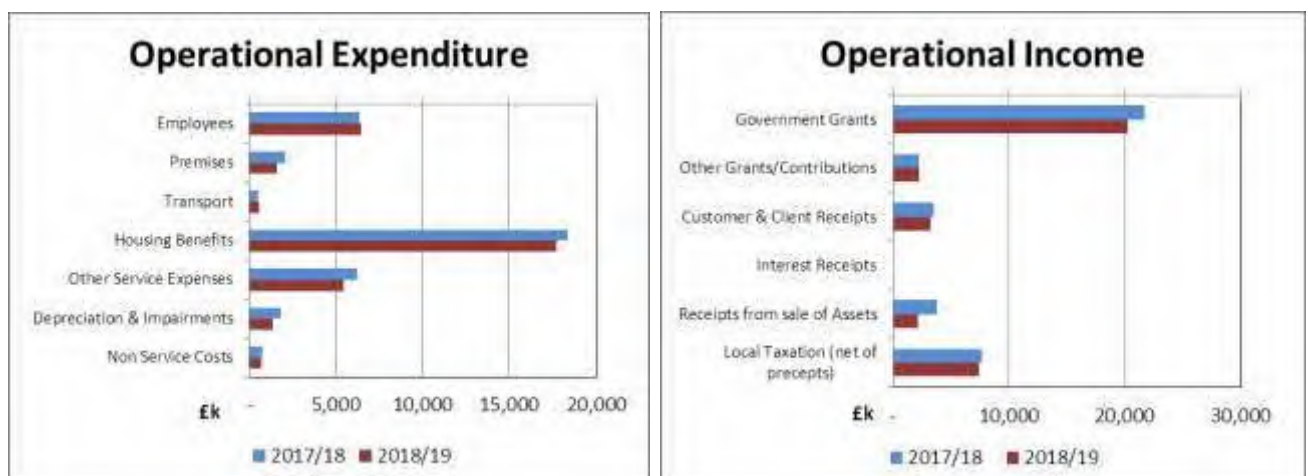
However, in comparison to the original budget, there are no internal recharges between sections for services, nor are there any depreciation charges. The reconciliation following the CIES at Note 1 shows the adjustments required to move from the Original Budget, to the Budget shown on the General Fund Summary overleaf and from the Actual overleaf to the CIES Actual position presented in-line with current accounting standards.

In their efforts to bridge the future funding gap members took the very difficult decision in 2017/18 to start charging residents for the non-statutory removal of garden waste on a fortnightly basis for a fee of £35 per year. Officers implemented this decision during the autumn of 2017, ahead of the first collections in March 2018. Based upon the experience of neighbouring authorities it was expected that this might see a take-up by around 2,500 residents, bringing in an estimated £87.5k of income for 2018/19. Operation in the first year saw a take-up ahead of expectations, which produced a favourable variance contributing over £150k to the annual funding gap.

# Narrative Report

GENERAL FUND SERVICES	2017/18			2018/19			Note
	Adjusted Budget £000s	Operational Out-turn £000s	Variance (adv)/ fav £000s	Adjusted Budget £000s	Operational Out-turn £000s	Variance (adv)/ fav £000s	
Communities Directorate							
Customer Services & IT	1,185	410	775	1,470	142	1,328	
Operations	2,898	1,873	1,025	2,101	2,246	(145)	
Community & Partnerships	1,526	603	923	720	747	(27)	
Public Protection Unit	-	-	-	120	122	(2)	
Environmental Health	546	264	282	256	235	21	
Licensing & Enforcement	237	173	64	157	121	36	
Housing	389	421	(32)	208	216	(8)	
Economic Directorate							
Building Control	94	(56)	150	(32)	3	(35)	
Planning	586	255	331	294	222	72	
Regeneration	512	597	(85)	367	480	(113)	
Property Services	840	1,242	(402)	742	1,483	(741)	
Corporate Management							
Corporate Management	279	394	(115)	448	429	19	
Legal Services	71	194	(123)	188	173	15	
Local Land Charges	(11)	(23)	12	(27)	(17)	(10)	
Democratic Services	637	498	139	552	545	7	
Financial Services	239	489	(250)	489	480	9	
People and Policy	93	474	(381)	507	446	61	
Non-distributed Costs	141	707	(566)	1,086	723	363	
Capital Financing & Interest	(822)	656	(1,478)	386	1,370	(984)	
<b>Total cost of General Fund Services</b>	<b>9,440</b>	<b>9,171</b>	<b>269</b>	<b>10,032</b>	<b>10,166</b>	<b>(134)</b>	
Whitworth Town Council Precept	51	59	(8)	61	61	-	
Contrib to/(from) Earmarked Reserves	(899)	(204)	(695)	(1,596)	(1,247)	(349)	32a
<b>Amount to be met from government grants &amp; local tax payers</b>	<b>8,592</b>	<b>9,026</b>	<b>(434)</b>	<b>8,497</b>	<b>8,980</b>	<b>(483)</b>	
Precept on the Collection Fund	5,219	5,219	-	5,445	5,437	8	Coll Fund
Collection Fund - prior year surplus	-	-	-	82	82	-	Coll Fund
Collection Fund - current yr surplus/(deficit)	-	239	(239)	-	(5)	5	
Rate Support Grant	503	503	-	189	172	17	7
Non-service related Government Grants	835	835	-	684	684	-	7
Non-Domestic Rates	2,035	2,230	(195)	2,097	2,610	(513)	6
<b>Amounts received from government grants &amp; local tax payers</b>	<b>8,592</b>	<b>9,026</b>	<b>(434)</b>	<b>8,497</b>	<b>8,980</b>	<b>(483)</b>	

A breakdown of the Council's expenditure and income can be found at Note 2



# Narrative Report

Major Variances during 2018/19	Favourable	Adverse	Net
	£000	£000	£000
Housing Benefits Subsidy	103		103
Recovery of Overpaid Benefits	27		27
Collection Fund Court Costs		(19)	(19)
IT software and data storage		(27)	(27)
Vehicle maintenance & hire		(114)	(114)
MRP saving on vehicles	72		72
Recycling income		(38)	(38)
Garden Waste income	151		151
Planning & Building fees	106		106
Licensing income	17	(94)	(77)
Homelessness Grant	48		48
Audit costs	23		23
Business Rates refunds	89		89
Property rental (considering sale)		(139)	(139)
Pensions pre-payment saving	27		27
Interest earned (net)	16		16
Doubtful Debt Provision		(82)	(82)
Staffing	156		156
Other Misc Variances (net)	27		27
	<b>862</b>	<b>(513)</b>	<b>349</b>

The main variances between the budget and the out-turn are shown in the table opposite. More details about the review of vehicle replacement requirements can be found in Note 14, 17 and 32b as this led to an MRP saving of £72k which contributed towards an increase of £114k in vehicle maintenance and hire costs.

There has been a small increase in the collection rates for Council Tax and Business Rates during 2018/19 which will have resulted in around £119k additional cash received into the Collection Fund. However, this has led a drop of 9k in court costs raised and an increase of £10k in the level of doubtful debt provision, creating a net adverse variance of £19k.

The business rate refunds related principally to the properties within the footprint of the new Spinning Point development in Rawtenstall town centre.

In terms of fee income, planning, building control services and cemeteries saw a combined increase of £106k, but the new Licensing policies mentioned on page 8 above have resulted in a £77k drop in income.

## Other financial factors

This Council signed up to the Lancashire Business Rates Pool which came into effect on the 1<sup>st</sup> April 2016. Under these arrangements Rossendale retains more of its local business rates. April 2016 also saw changes in renewable energy installations such that 100% is now retained locally, adding £163k to the Non-Domestic Rates income during 2018/19.

By the end of 2017/18 the Council's direct management of the properties under the East Lancs Empty Homes Scheme was drawing to a conclusion. This scheme has brought back into use almost 200 long-term empty domestic properties across East Lancashire, funded through a combination of Homes and Communities Grant, owner contributions, local housing associations and contributions from the other neighbouring local councils. During 2016/17 the process began to transfer management of the properties and the tenants to a third-party housing association, Calico homes Ltd, under a self-financing contract. This transfer process continued throughout 2017/18 as renovation works were completed on each property. During 2018/19 the council has concluded the grant scheme with the Homes and Communities Agency and the remaining properties will continue to be let for the remainder of their leases, details of which can be seen at Note 18a.



## Capital Strategy and the Capital Programme 2017/18 to 2018/19

In February 2018 the Council set an affordable capital budget of £1443k, funded from £500k of grants, £639k of internal borrowing, £100k from revenue resources and £204k from capital receipts. The programme included £693k of new parks vehicles, £130k on maintaining the Council's operational assets and £500k on Disabled Facilities Grants (DFGs) for domestic properties across the borough.

This was added to £5,662k of ongoing capital works at the end of 2017/18, which included key projects such as the Bacup Townscape Heritage Initiative (THI) of £772k and the £4,013k Spinning Point Phase 1 project to build a new bus station in Rawtenstall centre, along with the redevelopment of the old Town Hall and the former Police Station sites.

During the year additional capital projects included an extra £563k of DFG grant and community projects to improve parks and play areas attracted over £94k of third party grants and contributions. This brought the final capital programme to £9,584k.

More information on the capital costs and funding sources can be found in Note 17.

Capital receipts from the sale of fixed assets totalled £160k, as shown in Note 31b.

In order to meet the Council's capital investment ambitions a loan of £4.6m was entered into with the Public Works Loan Board in March 2010 for a period of 25 years at 4.49%. This loan is reflected in the Balance Sheet and the Financial Instruments at Notes 20 and 28 to the Core Statements.

At the end of 2018/19 £51k of the Bacup THI scheme was still ongoing and £3,163k of the original Spinning Point Phase 1 project was still under construction. With an unspent balance of £882k in DFGs grants, the Council carried £5,303k of ongoing capital projects forward into 2019/20.

## Treasury Management

Treasury Management is conducted in-house with advice provided by an external organisation, Link Asset Services. Investment performance has struggled to meet the budget target as interest rates on the Council's bank accounts continued to be below bank base rates during the year. By the end of the year the council was earning 0.6% on balances, up from 0.47% at the end of 2017/18 despite the base rates rising to 0.75% during the year. However, the level of balances held during 2018/19 was above that predicted when setting the original budget, which led to an overall favourable interest income variance of £16k.

Treasury management during the year was conducted within the borrowing limits and investment criteria approved in the Treasury Management Strategy and Treasury Management Practices approved at Full Council in February 2018.

The Ministry for Housing, Communities and Local Government (MHCLG) allows local councils to fund capital expenditure from other revenue reserves, known as internal borrowing, as long as the investment can be shown to be prudent. The value of this internal investment is known as the Capital Financing Requirement, as shown at Note 17a. At the 31<sup>st</sup> March 2019 the Capital Financing Requirement (CFR) stood at £8,323k. At the same time the balance of the Council's PWLB borrowing was £2,944k (Note 28), meaning that the Council is "under borrowed" by £5,379k which is covered by the useable earmarked reserves of £6,017k (Note 31a). As the value of useable reserves drops over the life of the Council's MTFs, greater consideration will need to be made of the need for additional PWLB borrowing to fund future capital investments.

The MHCLG also requires councils to set aside 'prudent' provision for the repayment of debt where they have used internal borrowing arrangements to finance capital expenditure, but allows certain flexibility as to how this is calculated. This cost is known as Minimum Revenue Provision (MRP) and it is a charge to the General Fund budget, but is not included in the CIES. This Council calculates MRP on a direct line basis to match the estimated life of each particular asset. The normal requirement for MRP in 2018/19 was £614k. During 2018/19 members approved an additional Voluntary Revenue Provision (VRP) of £657k.

# Narrative Report

## Pensions and IAS19

Rossendale Borough Council is a member of the Local Government Pension Scheme, administered by Lancashire County Council. Note 33 explains how the Council has accounted for the underlying long term commitments in relation to the retirement benefits for employees in line with the prudent and prescriptive IAS19 methodology. Measurement of the assets and liabilities, under the statutory IAS19 regulations, showed an increase in the net liability from £29.7m at March 2015 to £33.6m at March 2017 and a subsequent drop to £30.1m at March 2019, which can be seen in note 33a.

The Lancashire County Pension Fund underwent a full triennial actuarial valuation by Mercers in March 2016, which came into force in December 2016. For the Rossendale element this showed a reduction in the net deficit to £15m, representing a funding level of 77% and so the deficit recovery period was maintained at 16 years. At the 31<sup>st</sup> March 2019 the remaining recovery period is 13.7 years.

Lancashire County Pension Fund- Rossendale Borough Council	March 2013 £000	March 2016 £000
Pension Deficit	£22m	£15m
Funding Level	68%	77%
Employer Future Service Rate (%ge of pensionable pay p.a.)	14.0%	15.5%
Remaining recovery period	16 yrs	16 yrs

The key conclusions from the March 2016 actuarial valuation were:

- Based on the assumptions made for assessing the cost of future accruals, the future service rate for Rossendale Borough Council has risen from 14.0% at March 2013 to 15.6%.
- In line with the Funding Strategy Statement (FSS), a 19-year deficit recovery plan has been put in place for the County Fund as a whole which requires additional employer contributions of £2.9m over the next three years. For Rossendale this was maintained at the 16 years set at the previous valuation in March 2013.
- Active members also pay contributions to the Fund as a condition of membership and this rate remains at 6.4% per annum.

Bearing in mind the funding challenges facing the Council over the life of the MTFs, members approved the pre-payment of the pension fund costs for the current triennial period, which will lead to a saving of over £300k over the three years. Consequently, £4.6m was paid to the pension fund in April 2017, of which £1.5m was classed as an advance payment at the 31<sup>st</sup> March 2019. This led to a net saving of £27k during 2018/19, in addition to the £100k saving included in the original budget. The prepayment can be seen in the Balance Sheet as the difference between the Net Pension Liability of £28.6m and the Pension Reserve deficit of £30.1m.



## Annual Governance Statement: Year Ended 31st March 2019

### Scope of Responsibility

Rossendale Borough 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. Rossendale Borough Council also has a duty under the Local Government Act 1999 to make arrangements 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, Rossendale Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Rossendale Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government - 2016 edition. A copy of the authority's code is on our website at the following link: [https://www.rossendale.gov.uk/downloads/file/14400/ethical\\_governance\\_framework](https://www.rossendale.gov.uk/downloads/file/14400/ethical_governance_framework) or can be obtained from Legal and Democratic Services. This statement explains how Rossendale Borough Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1), which requires all relevant bodies to prepare an annual governance statement.

Delivering Good Governance (2016 Edition) defines the principles against which the Annual Governance Statement reports:

- Behave with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- Ensure openness and comprehensive stakeholder engagement;
- Define outcomes in terms of sustainable economic, social, and environmental benefits;
- Determine the interventions necessary to optimise the achievement of the intended outcomes
- Develop the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implement good practices in transparency, reporting, and audit to deliver effective accountability

### The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. 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 services and value for money.

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 authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Rossendale Borough Council for the year ended 31 March 2017 and up to the date of approval of the annual report and statement of accounts.



# Annual Governance Statement

## The Governance Framework

The key elements of the systems and processes that comprise the authority's governance include arrangements for:

- Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users through its:
  - Corporate Plan 2017- 21 (including the annual light touch refresh)
  - Medium Term Financial Strategy
  - Sustainable Community Strategy 2008-18
- Reviewing the authority's vision and its implications for the authority's governance arrangements through its:
  - Corporate business plan
  - Performance monitoring
  - Overview and Scrutiny Committee
  - Audit & Accounts Committee
- Translating the vision into objectives for the authority and its partnerships as detailed in the Corporate Plan and annual corporate business plans.
- Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money. This is supported by The Medium Term Financial Strategy, budget setting and budgetary management systems which aim to economically, effectively and efficiently use resources in line with corporate priorities along with the regular reporting of financial performance to officers and members. In addition the Council's quarterly Performance Reporting to Members highlights the organisation's achievement of its objectives, performance indicators and its current position with regard to risks.
- Defining and documenting the roles and responsibilities of the Members, Committees and officer functions, with clear delegation arrangements and protocols via the Constitution and the annual development training programme. The Codes and Protocols are contained in Part 5 of the Constitution which is publically available on the Council's website.
- Effective communication in respect of the authority and partnership arrangements. This is supported by a performance framework that, inter alia, includes:
  - Annual corporate business planning
  - Annual personal development reviews
  - Team Rossendale e-bulletins, daily messages, policy briefings and Members bulletins
  - Overview and Scrutiny Committee
  - Audit & Accounts Committee
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff via a series of Member and personnel policies and procedures and in particular staff annual appraisals incorporating the Council's five core competencies and values of:
  - Listening and communicating
  - Loyalty
  - Management of Performance
  - Celebrating success
  - Customers Matter.
- Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality as scrutinised by

Members of the Council's Overview and Scrutiny Committee (and the Governance Working Group).

- Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability as supported by the Council's Risk Management Strategy (significant revision March 2016) and the Internal Audit annual plan.
- Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained (eg: Housing Benefit Fraud investigation and the support of the Internal Audit Service).
- Ensuring effective management of change and transformation. This is supported by an established business planning process, which sets clear objectives and targets in light of national and local drivers, the Council's own policy priorities and the financial resources available. Significant projects are controlled by project management techniques and overseen by a Programme Board.
- We confirm that the authority's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015)*.
- Ensuring the authority's assurance arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit (2010)* which is also supported by a partnership with Lancashire County Council for the management of the internal audit service that works with officers to assess and develop the governance framework and which supports management's assessment of compliance with established policies, procedures, laws and regulations.
- Ensuring effective arrangements are in place for the discharge of the monitoring officer function via the Constitution and officer protocols.
- Ensuring effective arrangements are in place for the discharge of the head of paid service function via the Constitution and office protocols.
- Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities (2013)* and which, inter alia, oversees the production of the authority's Annual Governance Statement.
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. This is supported by Financial Regulations, Contract Procedure Rules, a clear supporting framework of financial procedure and the role of the Monitoring Officer as described in Part 5 of the Constitution.
- A well-publicised and effective procedure for dealing with whistleblowing, combating fraud and corruption and for receiving and investigating complaints, or answering Freedom of Information requests, from the public together with enquiries from Council Members or Members of Parliament.
- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training. This process has previously been the recipient of a national award.
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation. In particular encouraging fair and representative public participation through the adoption of a "Procedure for Public Speaking" at public meetings and online accessibility to Council meeting agendas and minutes including information on availability in different formats. In addition the Council has an established consultation procedure including the use of, inter alia, a citizens panel, Infusion Research and web consultation.
- Enhancing the accountability for service delivery and effectiveness of other public service providers. This is done in part by performance management system of regular monitoring and

# Annual Governance Statement

reporting to Members of the Council's performance and financial standing against its plans together with its own assurance framework ensuring the accuracy and completeness of data.

- Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements.
- Annual quality assurance statements by all Heads of Service and specific senior managers (signed together with line Director and Portfolio Holders) which both acknowledge officer responsibilities in matters of governance and internal control and make an annual evaluation of their adequacy within the service area
- A structure of centrally monitored, yet devolved financial management, that promotes management of the Council's finances at the appropriate organisational level;
- A Customer Access Strategy, designed amongst other things, to empower employees to deal with customer queries quickly and satisfactorily, increase customer satisfaction with the Council ultimately to deliver better access to improved public services;
- A centrally held partnership register together with developing terms of reference for outside bodies;
- Active participation in, where appropriate, procurement matters with other local authorities which aims to ensure maximum value for money for the Council through collaborative procurement exercises;
- Participation in the nationwide National Fraud Initiative;
- Health and Safety arrangements are overseen with SLM Training & Consultancy during 2018/19, who check compliance with both legal and internal requirements.
- Emergency planning arrangements managed internally to ensure the Council's emergency response arrangements are robust and effective.
- Effective staff recruitment, selection, retention and organisational development.

## Review of Effectiveness

Rossendale Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of system of internal control. The review of effectiveness is informed by the work of the executive managers 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 roles and processes that have been applied in maintaining and reviewing the effectiveness of the governance framework are as follows:

### *Rossendale Borough Council*

- weekly diarised meetings of the Leader of Council and Chief Executive; and monthly meetings with the Leader of the largest opposition group
- Regular meetings of Cabinet, Portfolio Holders and Heads of Service
- Monitoring Officer and s.151 Officer protocols (including regular meetings with the Portfolio Holder and the relevant opposition party leads)
- Regular review of The Constitution and Code of Corporate Governance
- Terms of reference for all Council committees and Portfolio holders
- Member / Officer protocols
- Annual updated Corporate Business plans, including a mechanism for identifying and managing risks, which continues to be consolidated and embedded across the Council

### *The Cabinet*

- Cabinet Member terms of reference
- Portfolio Holder role descriptions

### *The Overview and Scrutiny Committee*

- Overview and scrutiny annual reports, task and finish reports
- Integrated performance reporting
- Robust Member call-in procedures
- Published committee agendas and minutes
- Customer complaints reviews

### *The Governance Working Group*

- Review the Council's Constitution.
- Recommend governance framework improvements.
- Ensure ethical governance arrangements are appropriate and robust.
- Review Contract Procedure Rules and Financial Regulations.
- Review Codes of Conduct including Planning Code of Good Practice and Protocol on Member/Officer Relations.
- Review Standards Panel protocols.

### *The Audit and Accounts Committee*

- Monitoring corporate governance arrangements.
- Ensuring corporate governance compliance and best practice.
- Maintaining high standards of conduct by Councillors/Co-opted Members.
- Scrutiny of the corporate risk register and Risk Strategy updates.

### *The Standards Committee*

- Determine complaints about breaches of the Members' Code of Conduct in consultation with the Standards Independent Person.

### *Internal and External Audit*

- Audit scrutiny which seeks assurance, from a variety of sources, that controls have been adequately designed and are operating effectively in practice
- Member training (eg: risk management, internal controls, end of year statutory reporting)
- Annual Audit Reports (from both external and internal auditors) and the assurances they give around the effectiveness of internal controls in place
- Follow up work undertaken by internal audit to ensure remedial action is being taken by management to mitigate any risks (and control any deficiencies) identified
- Confirmation that the Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards, 2013
- The Internal Audit Service charter formalises the framework within which the Internal Audit Service operates to best serve the Council and meet its professional obligations under applicable professional standards
- The Internal Audit Service Quality Assurance and Improvement Programme (QAIP) formalises the arrangements in place to ensure the quality of internal audit work.
- The internal/external auditor protocol sets out how the Council's internal Audit Service and external auditors work together, and establishes a framework for coordination, cooperation and exchange of information. Regular reports from the Internal Audit Service to the Audit and Accounts Committee on progress against the audit plan.

## Annual Governance Statement

- External audit annual inspections and judgements (eg: Value for Money) and any specific in year inspections. Previous triennial reviews of the Council's Internal Audit service (though now ceased) have previously found it to be 'fully compliant with professional standards'.

### *The explicit review and assurance mechanisms*

- A Senior Management Team led "Programme Board" for significant projects.
- Formal reporting mechanism for significant events ("Significant Event Review" reports) and ensuring lessons learned where appropriate.
- Member Development Strategy and annual Personal Development Plans.
- Development of the Council's Empty Homes improvement plan in response to the Internal Auditor's November 2015 report on the Homes and Communities Agency Empty Homes Programme.

### Significant Governance Issues

1. Further strategic development and action in relation to key priorities, partnerships and/or contractual relationships (eg: Regeneration, Leisure, Waste Management, Customer Services, Transport, etc.)
2. The implications arising from the Council's Medium Term Financial Strategy and the continuing requirement to balance expenditure with resources and to find new sources of income over the medium term and resolve the identified future challenges.
3. Further embedding risk, performance and project management throughout the organisation to ensure a process that is fit for purpose, and in particular adequately identifies and manages the risks the Council faces.

### Footnote

Subsequent to the draft financial statements being published and prior to the directed adoption of these on 13<sup>th</sup> December 2024 as directed by the backstop regulations (introduced by the Minister of State for Local Government, on July 31, 2024 in response to the national local authority audit backlog) the council's external auditors referred in March 2024, to areas of significant weakness as part of their Value for Money Reports concerning the preparation of and evidence to support the Statement of Accounts for 2020/21 through 2022/23 with implications extending to this financial year. The matters noted were the non-completion of a bank reconciliation and the draft accounts having material inconsistencies within the comparative figures. These matters were compounded by the lack of finance capacity available to produce the accounts in years 2020/21 through 2022/23.

There are no other matters arising that indicate any wider or other concerns with the governance framework which would lead to a conclusion that there wasn't an effective governance framework in place, except for these significant matters.

We are aware that the council has already made headway in resolving the weaknesses and in particularly the key financial controls and the resourcing of the finance team.



**Councillor Alyson Barnes**  
Council Leader



**Rob Huntington**  
Chief Executive

# Statement of Responsibilities

The following responsibilities are placed upon the authority and the Head of Finance in relation to the Council's financial affairs.

## 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 Head of Finance.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

## The Director of Resources as Chief Finance Officer Responsibilities

As the Chief Finance Officer, I am responsible for the preparation of the authority's Statement of Accounts in accordance with the proper practices as set out in the CIPFA/LASAAC 2018/19 Code of Practice on Local Authority Accounting in Great Britain (referred to as "the Code").

In preparing this Statement of Accounts, I have:-

- 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.

I was appointed Chief Finance Office and s.151 Officer on 2 September 2024. I am aware that in March 2024 the Council's external auditor's Value for Money report identified significant systemic weaknesses in the preparation of Statements of Account for the years ending 31 March 2021 to 31 March 2023.

Accordingly, I cannot certify the adequacy of the systems that were used to prepare the accounts for the year ending 31 March 2019. Nor can I provide an assurance that weaknesses in the council's financial controls and other systemic weaknesses did not have a material impact on the accounts.

The Backstop Regulations were introduced by the Secretary of State for Housing, Communities and Local Government on 31 July 2024. The object of the Regulations is to secure published audited accounts for every financial year up to and including the year ending 31 March 2023 by 13 December 2024.

Unfortunately, there is neither the time nor the resources to complete and evaluate the audit work that would be required to make a full assessment of the impact of the control and other weaknesses identified by the external auditors for the year ending 31 March 2019 by the backstop.

## Certificate of Director of Resources as Chief Finance Officer

This Statement of Responsibilities is signed by me subject to the aforementioned caveat. I certify that this Statement of Accounts gives a true and fair view of the financial position of Rossendale Borough Council at 31st March 2019, and its income and expenditure for the year ended 31<sup>st</sup> March 2019, including any known post balance sheet events as at 10<sup>th</sup> June 2019.

Signed:

**Chris Warren**  
Director of Resources

## Approval of Accounts

These Draft Statement of Accounts for 2018/19 were submitted for public inspection and external audit on the 10<sup>th</sup> June 2018.

Signed:

**Councillor M. Smith**  
Chair of the Audit and Accounts Committee

# Core Financial Statements

## Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) shows the cost of providing services in the year in accordance International Financial Reporting Standards, rather than the amount to be funded from Council Tax and other Government grants. The amount funded from Council Tax and Government grants differ from this by a series of adjustments made in accordance with regulations. These adjustments are reversed in the Movement in Reserves Statement; explained in Note 1 and 13.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	2017/18			2018/19			Note
	Gross		Net	Gross		Net	
	Expend	Income	Expend	Expend	Income	Expend	
	£000s	£000s	£000s	£000s	£000s	£000s	
Communities Directorate							
Customer Services & IT	20,623	(20,213)	410	19,904	(19,761)	143	
Operations	2,728	(784)	1,944	2,867	(564)	2,303	
Communities	942	(338)	604	1,015	(268)	747	
Public Protection Unit	-	-	-	123	(1)	122	
Environmental Health	289	(25)	264	276	(42)	234	
Licensing & Enforcement	465	(292)	173	263	(143)	120	
Housing	1,688	(1,267)	421	1,956	(1,739)	217	
Economic Development Directorate							
Building Control	102	(158)	(56)	129	(126)	3	
Planning	662	(1,246)	(584)	837	(1,299)	(462)	
Regeneration, Health & Housing	2,339	(1,742)	597	1,025	(546)	479	
Property Services	1,472	(231)	1,241	1,505	(288)	1,217	
Corporate Management							
Corporate Management	405	(10)	395	464	(35)	429	
Legal Services	202	(8)	194	184	(11)	173	
Local Land Charges	36	(59)	(23)	37	(55)	(18)	
Democratic Services	703	(204)	499	584	(39)	545	
Financial Services	504	(15)	489	480	-	480	
People & Policy	474	-	474	447	(1)	446	
Non-Distributed costs	764	(57)	707	745	(21)	724	
<b>Cost of Services</b>	<b>34,398</b>	<b>(26,649)</b>	<b>7,749</b>	<b>32,841</b>	<b>(24,939)</b>	<b>7,902</b>	1
<b>Other Operating Expenditure</b>							
Whitworth Town Council Precept	59	-	59	61	-	61	
(Gain)/Loss on disposal of fixed assets	678	(3,836)	(3,158)	26	(16)	10	13,27,32b
Other Income	-	(572)	(572)	-	(2,108)	(2,108)	13,32b
<b>Financing and Investments</b>							
Interest payable on debt	146	-	146	138	-	138	21b
Interest and investment income	-	(94)	(94)	-	(66)	(66)	21b
Pensions - interest cost	2,484	-	2,484	2,521	-	2,521	34f
Pensions - curtailments	-	-	-	-	-	-	34f
Pensions - admin expenses	19	-	19	20	-	20	34f
Pensions - interest on assets	-	(1,726)	(1,726)	-	(1,818)	(1,818)	34f
Trading Undertakings	878	(273)	605	518	(310)	208	5
<b>Taxation and Non-Specific Grants</b>							
Collection Fund							
Council Tax	-	(5,219)	(5,219)	-	(5,437)	(5,437)	Coll Fund
Council Tax re prior year deficit	-	-	-	-	-	-	Coll Fund
Retained Business Rates	2,534	(4,764)	(2,230)	2,610	(4,875)	(2,265)	6
Collection Fund (surplus)/deficit							
Council Tax	-	(38)	(38)	-	(5)	(5)	Coll Fund
Retained Business Rates	-	(201)	(201)	-	(345)	(345)	Coll Fund
Rate Support Grant	-	(503)	(503)	-	(172)	(172)	7
Non service related Government Grants	-	-	-	-	-	-	7
<b>(Surplus)/Deficit on Provision of Services</b>	<b>41,196</b>	<b>(43,875)</b>	<b>(2,679)</b>	<b>38,735</b>	<b>(40,091)</b>	<b>(1,356)</b>	1, 2
<b>(Surplus)/deficit on revaluations:-</b>							
Property, Plant & Equipment assets	667	(229)	438	1,318	(1,561)	(243)	14,33a,33b
Pension Fund assets	-	(3,837)	(3,837)	-	(359)	(359)	34f
<b>Other Comprehensive (Income)/Expend</b>			<b>(3,399)</b>			<b>(602)</b>	
<b>Total Comprehensive (Income)/Expend</b>			<b>(6,078)</b>			<b>(1,958)</b>	

# Core Financial Statements

## Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The 'Surplus/(deficit) on Provision of Services' line shows the true economic cost of providing the Council's services, as shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes and details of the adjustments required can be found at Note 13.

The 'Net increase/(decrease) before transfers to reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. Details of these transfers can be found at Note 31a.

<b>MOVEMENT IN RESERVES STATEMENT</b>	<b>General Fund Balance</b>	<b>Earmarked Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Govt Grants Unapplied</b>	<b>Total Useable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>	<b>Note</b>
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
<b>Balance at 31 March 2017</b>	<b>1,000</b>	<b>6,874</b>	<b>1,762</b>	<b>929</b>	<b>10,565</b>	<b>(6,838)</b>	<b>3,727</b>	
<b>Movement in Reserves in 2017/18</b>								
Surplus/(Deficit) on Provision of Services	2,679	-	-	-	2,679	-	2,679	
Other Comprehensive Income/(Expend)	-	-	-	-	-	3,399	3,399	
<b>Total Comprehensive Income/(Expend)</b>	<b>2,679</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,679</b>	<b>3,399</b>	<b>6,078</b>	
Adjustments between accounting basis & funding basis under regulations	(3,387)	-	718	(39)	(2,708)	1,900	(808)	13
<b>Net incr/(decr) before transfers to Earmarked Reserves</b>	<b>(708)</b>	<b>-</b>	<b>718</b>	<b>(39)</b>	<b>(29)</b>	<b>5,299</b>	<b>5,270</b>	
Transfers to/from Earmarked Reserves	708	(708)	-	-	-	-	-	
<b>Increase/(decrease) in year</b>	<b>-</b>	<b>(708)</b>	<b>718</b>	<b>(39)</b>	<b>(29)</b>	<b>5,299</b>	<b>5,270</b>	
<b>Balance at 31 March 2018</b>	<b>1,000</b>	<b>6,166</b>	<b>2,480</b>	<b>890</b>	<b>10,536</b>	<b>(1,539)</b>	<b>8,997</b>	
<b>Movement in Reserves in 2018/19</b>								
Surplus/(deficit) on Provision of Services	1,356	-	-	-	1,356	-	1,356	
Other Comprehensive Income/(Expend)	-	-	-	-	-	602	602	
<b>Total Comprehensive Income/(Expend)</b>	<b>1,356</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,356</b>	<b>602</b>	<b>1,958</b>	
Adjustments between accounting basis & funding basis under regulations	(1,505)	-	(11)	56	(1,460)	1,405	(55)	13
<b>Net incr/(decr) before transfers to Reserves</b>	<b>(149)</b>	<b>-</b>	<b>(11)</b>	<b>56</b>	<b>(104)</b>	<b>2,007</b>	<b>1,903</b>	
Transfers to/from Reserves	149	(149)	-	-	-	-	-	
<b>Increase/(decrease) in year</b>	<b>-</b>	<b>(149)</b>	<b>(11)</b>	<b>56</b>	<b>(104)</b>	<b>2,007</b>	<b>1,903</b>	
<b>Balance at 31 March 2019</b>	<b>1,000</b>	<b>6,017</b>	<b>2,469</b>	<b>946</b>	<b>10,432</b>	<b>468</b>	<b>10,900</b>	
<b>Note</b>		31a	31b	31c				



# Core Financial Statements

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities at the Balance Sheet date. The net assets are matched by the reserves held by the authority. Reserves are split between, **useable reserves** and **unusable reserves** (see Notes 31 and 32).

BALANCE SHEET	31st March 2018 £000s	31st March 2019 £000s	Note
Property, Plant & Equipment			
Other Land and Buildings	21,173	18,453	14
Vehicles, Plant, Furniture & Equipment	1,410	1,418	14
Infrastructure	113	104	14
Community Assets	674	669	14
Assets under construction	4,075	5,545	14
Surplus Assets	390	390	14
	<b>27,835</b>	<b>26,579</b>	
Heritage Assets	2,154	2,151	14
Investment Property	539	550	15
Intangible Assets	91	50	16
Long-term Investments	2	2	20a, 20c
Long-term Debtors	967	749	19,20a,20c
<b>Long-term Assets</b>	<b>31,588</b>	<b>30,081</b>	
Short-term Investments	5,250	6,070	20a,20c,24
Inventories	31	40	22
Short Term Debtors	3,763	3,867	23
Cash and cash equivalents	2,089	3,888	20a,20c,24
Assets held for sale within one year	47	2,937	26
<b>Current Assets</b>	<b>11,180</b>	<b>16,802</b>	
Short-term Borrowing	(184)	(184)	20a,20c,28
Short-term Creditors	(3,570)	(5,454)	27
Short-term Provisions	(773)	(575)	29
Short-term Capital Grant Receipts in Advance	(3,620)	(2,920)	30
<b>Current Liabilities</b>	<b>(8,147)</b>	<b>(9,133)</b>	
Long Term Borrowing	(2,944)	(2,760)	20a,20c,28
Long-Term Provisions	(827)	(747)	29
Net Pensions Liability	(27,112)	(28,601)	33a
<b>Long- term Liabilities</b>	<b>(30,883)</b>	<b>(32,108)</b>	
<b>Net Assets</b>	<b>3,738</b>	<b>5,642</b>	
<b>Represented by:</b>			
General Fund	999	1,000	MiR
Earmarked Reserves	6,166	6,017	31a
Capital Receipts Reserve	2,480	2,469	31b
Grants Unapplied	890	946	31c
<b>Usable Reserves</b>	<b>10,535</b>	<b>10,432</b>	
Revaluation Reserve	11,233	11,415	32a
Pension Reserve	(30,175)	(30,100)	33a
Capital Adjustment Account	10,167	11,493	32b
Deferred Capital Receipts	1,770	1,559	32c
Collection Fund Adjustment Account	208	843	13,CF2
<b>Unusable Reserves</b>	<b>(6,797)</b>	<b>(4,790)</b>	
<b>Total Reserves</b>	<b>3,738</b>	<b>5,642</b>	

Phil Seddon, Head of Finance

10<sup>th</sup> June 2019

# Core Financial Statements

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting periods. The Statement shows how the Council 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 Council are funded by way of taxation and grant income or by 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. The cash outflows here relate to capital spend on assets held by the Council, such as buildings, vehicles and equipment, which will be used to provide services in the future. Cash inflows relate to the sale of assets no longer required by the Council to provide its services, or capital grants and contributions received by the Council.

Cash flows arising from financing activities show the net movements in investments and borrowing during the period in accordance with the Council's treasury management strategy. These can be useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Council.

CASH FLOW STATEMENT	2017/18 £000	2018/19 £000	Note
<b>Operating Activities</b>			
Net surplus/(deficit) on the provision of services	2,679	1,356	CIES
Adjustment for noncash movements	5,079	1,270	35a
Adjustment for items that are investing and financing activities	(5,564)	2,283	35a
<b>Net cash flows from Operating Activities</b>	<b>2,194</b>	<b>4,909</b>	
<b>Investing Activities</b>			
Additions to property, plant and equipment & intangible assets	(3,884)	(2,787)	17a
Proceeds from the sale of property, plant and equipment	3,836	150	13 & 31b
(Increase)/decrease in Deferred Capital Receipts	306	211	
Increase/(decrease) in long-term debtors	(306)	(218)	19
Other income	(573)	(2,108)	13 & 31b
<b>Net Cash Flows from Investing Activities</b>	<b>(621)</b>	<b>(4,752)</b>	
<b>Management of Liquid Resources</b>			
Cash inflows - Short-term investments	14,000	19,820	20a,20c,24
Cash outflows - Short-term investments	(16,250)	(19,000)	20a,20c,24
<b>Financing</b>			
Cash Inflows/(Outflows) - agency operations			
National non-domestic rates	268	1,422	
Council Tax	(874)	(416)	
Cash Outflows - Repayments of amounts borrowed	(184)	(184)	20a,20c,28
<b>Net Cash Flows from Financing Activities</b>	<b>(3,040)</b>	<b>1,642</b>	
<b>Net increase/(decrease) in Cash and Cash Equivalents</b>	<b>(1,467)</b>	<b>1,799</b>	35b
Cash and Cash Equivalents at the beginning of the year	3,556	2,089	24
<b>Cash and Cash Equivalents at the end of the year</b>	<b>2,089</b>	<b>3,888</b>	24

# Notes to Core Financial Statements

## Note 1 Reconciliation of General Fund Services to CIES

GENERAL FUND SERVICES <b>2017/18</b>	Original Budget £000s	Remove Internal Market & Cap Fin £000s	Items not Cost of Services £000s	Adjusted Budget £000s	Technical Changes					CIES Actual £000s	Note
					Reported Out-turn £000s	Items not Cost of Services £000s	Deprec'n Capital, Assets £000s	Pension, Grants, Reserves, £000s			
Place Directorate											
Customer Services & IT	1,186	198	-	1,384	1,333	-	(992)	69	410		
Operations	2,898	(1,332)	-	1,566	1,728	71	(358)	503	1,944		
Community & Partnerships	1,526	(632)	-	894	636	-	(98)	66	604		
Public Protection Unit	-	-	-	-	-	-	-	-	-		
Environmental Health	546	(168)	-	378	226	-	-	38	264		
Licensing & Enforcement	237	(314)	-	(77)	169	-	-	4	173		
Housing	390	(125)	-	265	883	-	(462)	-	421		
Business Directorate											
Building Control	94	(96)	-	(2)	(63)	-	-	7	(56)		
Planning	586	(322)	-	264	258	-	(848)	6	(584)		
Regeneration	512	(177)	217	552	(104)	-	703	(1)	598		
Property Services	841	167	-	1,008	755	(676)	1,162	-	1,241		
Corporate Management											
Corporate Management	279	199	-	478	429	-	-	(34)	395		
Legal Services	71	103	-	174	194	-	-	-	194		
Local Land Charges	(11)	(27)	-	(38)	(23)	-	-	-	(23)		
Democratic Services	637	(109)	-	528	521	-	(23)	-	498		
Financial Services	239	83	-	322	489	-	-	-	489		
People and Policy	93	377	(20)	450	474	-	-	-	474		
Non-distributed Costs	138	955	-	1,093	1,116	-	-	(409)	707		
Capital Financing & Interest	(822)	1,220	(197)	201	150	(54)	(98)	2	-		
<b>Cost of Services</b>	<b>9,440</b>	<b>-</b>	<b>-</b>	<b>9,440</b>	<b>9,171</b>	<b>(659)</b>	<b>(1,014)</b>	<b>251</b>	<b>7,749</b>		
Whitworth Town Council Precept	51	-	8	59	59	-	-	-	59		
Other Operating (Income)/Expenditure	-	-	-	-	-	-	(3,730)	-	(3,730)		
Financing, Pensions & Investments	-	-	-	-	-	54	-	775	829		
Trading Undertakings	-	-	-	-	-	605	-	-	605		
Precept on the Collection Fund	(5,219)	-	-	(5,219)	(5,219)	-	-	-	(5,219)	Coll Fund	
Collection Fund - prior yr surplus	-	-	-	-	-	-	-	-	-	Coll Fund	
Collection Fund - current yr surplus	-	-	-	-	(239)	-	-	-	(239)		
Rate Support Grant	(503)	-	-	(503)	(503)	-	-	-	(503)	7	
Non-service Government Grants	(835)	-	-	(835)	(835)	-	-	835	-	7	
Non-Domestic Rates	(2,035)	-	-	(2,035)	(2,230)	-	-	-	(2,230)	6	
<b>(Surplus)/Deficit on Provision of Services</b>	<b>899</b>	<b>-</b>	<b>8</b>	<b>907</b>	<b>204</b>	<b>-</b>	<b>(4,744)</b>	<b>1,861</b>	<b>(2,679)</b>		

### Adjustments to the Budget

As Rossendale Borough Council now complies with the Code for 2018/19 the format of the General Fund Budget approved in February 2018 needs some adjustments to enable the reader to directly relate the Budget to the Outturn and the monitoring reports presented to Cabinet throughout the year.

- Internal market charges were included in the Original Budget, but are never a part of the financial reports taken to Members to enable management and members to focus on direct costs and income at their source, rather than redistributing any variances across other services. The CIES format now presents direct service costs in the same way and it is our intention that future Budgets will be aligned with this policy as from the 2019/20 Budget.

### Adjustments to the Outturn

The General Fund Actual shown in the Narrative Statement undergoes some statutory adjustments to meet the accounting regulations required in the presentation of the Comprehensive Income and Expenditure Statement (CIES).

- Interest paid and received is shown in the CIES as Financing and Investments
- Trading accounts are shown in the CIES as Financing and Investments, see Note 5 for details.

# Notes to Core Financial Statements

GENERAL FUND SERVICES 2018/19	Remove				Technical Changes					Note
	Original Budget £000s	Internal Market & Cap Fin £000s	Items not Cost of Services £000s	Adjusted Budget £000s	Reported Out-turn £000s	Items not Cost of Services £000s	Deprec'n Capital, Assets £000s	Pension, Grants, Reserves £000s	CIES Actual £000s	
Place Directorate										
Customer Services & IT	1,226	244	-	1,470	1,276	-	(1,133)	-	143	
Operations	3,602	(1,501)	-	2,101	2,124	56	135	(12)	2,303	
Community & Partnerships	1,369	(649)	-	720	698	-	(2)	51	747	
Public Protection Unit	-	120	-	120	123	-	-	-	123	
Environmental Health	491	(233)	-	258	193	-	-	41	234	
Licensing & Enforcement	473	(318)	-	155	121	-	-	-	121	
Housing	375	(167)	-	208	155	-	1	61	217	
Business Directorate										
Building Control	70	(102)	-	(32)	(1)	-	3	-	2	
Planning	634	(340)	-	294	222	-	(684)	-	(462)	
Regeneration	561	(214)	20	367	352	-	(39)	166	479	
Property Services	850	(108)	-	742	783	(264)	698	-	1,217	
Corporate Management										
Corporate Management	170	278	-	448	442	-	-	-	442	
Legal Services	95	93	-	188	173	-	-	-	173	
Local Land Charges	2	(29)	-	(27)	(17)	-	-	-	(17)	
Democratic Services	652	(100)	-	552	542	-	-	-	542	
Financial Services	228	261	-	489	482	-	-	-	482	
People and Policy	100	427	(20)	507	467	-	-	(21)	446	
Non-distributed Costs	(32)	1,118	-	1,086	1,179	-	378	(833)	724	
Capital Financing & Interest	(834)	1,220	-	386	370	(72)	(298)	-	-	
<b>Cost of Services</b>	<b>10,032</b>	<b>-</b>	<b>-</b>	<b>10,032</b>	<b>9,684</b>	<b>(280)</b>	<b>(941)</b>	<b>(547)</b>	<b>7,916</b>	
Whitworth Town Council Precept	50	-	-	50	61	-	-	-	61	
Other Operating (Income)/Expenditure	-	-	-	-	-	-	(2,098)	-	(2,098)	
Financing, Pensions & Investments	-	-	-	-	-	72	-	723	795	
Trading Undertakings	-	-	-	-	-	208	-	-	208	
Precept on the Collection Fund	(5,435)	-	-	(5,435)	(5,434)	-	-	-	(5,434)	Coll Fund
Collection Fund - prior yr surplus	-	-	-	-	-	-	-	-	-	Coll Fund
Collection Fund - current yr surplus	-	-	-	-	-	-	(350)	-	(350)	
Rate Support Grant	(189)	-	-	(189)	(189)	-	-	-	(189)	7
Non-service Government Grants	(684)	-	-	(684)	-	-	-	-	-	7
Non-Domestic Rates	(2,179)	-	-	(2,179)	(2,179)	-	(86)	-	(2,265)	6
<b>(Surplus)/Deficit on Provision of Services</b>	<b>1,595</b>	<b>-</b>	<b>-</b>	<b>1,595</b>	<b>1,943</b>	<b>-</b>	<b>(3,475)</b>	<b>176</b>	<b>(1,356)</b>	

- Depreciation and Capital Charges included in the Budgets are presented differently in the CIES.
  - Depreciation is included within service budgets and the CIES to present a true cost of running services. However, it is removed in the Capital Financing section of the Budget as it is not a cost to the Council Tax payer. The statutory accounts show this removal in the Movement in Reserves (MiRs), not the CIES, see Note 13.
  - Conversely, the MRP charge is included in the budgets as a cost to the tax payers of the borough, but it is excluded from the CIES and then added back in the MiRs at Note 13.
  - Capital costs on non-Council assets, such as DFGs and the Empty Homes Scheme, are not a part of the revenue General Fund Budget, but have to be included in the CIES, along with their respective grant funding resources. Again, these items are removed through the MiRs.
- Pension Fund accounting entries are explained in further detail at Note 33, but essentially the Budget is set on a cash basis, whereas in the CIES the Cost of Services is reduced to just the cost of staff employed within the year. The other gains and losses on pension fund assets and liabilities are added in as Financing and Investments items. Adjustments in the Movement in Reserves bring the net cost back to the cash basis.

## Notes to Core Financial Statements

### Note 2 Expenditure & Funding Statement

In accordance with the 2018/19 Code this Expenditure and Funding Statement shows the nature of the Council's costs and its sources of income. This table is also used to produce the charts in the Narrative Report on page 15.

Expenditure and Funding Statement	2017/18					2018/19				
	Operational Directorates Economic					Operational Directorates Economic				
	Communities £000s	Development £000s	Corporate £000s	Other £000s	Total £000s	Communities £000s	Development £000s	Corporate £000s	Other £000s	Total £000s
Employees	3,259	874	1,495	9	5,637	3,324	952	1,548	20	5,844
Pension Adjustments	-	-	-	732	732	-	-	-	632	632
Premises	533	1,234	9	303	2,079	274	966	7	372	1,619
Transport	516	16	6	-	538	571	16	7	-	594
Housing Benefits	18,391	-	-	-	18,391	17,696	-	-	-	17,696
Other Service Expenses	3,509	1,709	825	32	6,075	3,714	846	748	21	5,329
Depreciation, Impairments etc	527	743	11	543	1,824	537	715	-	106	1,358
Interest Payments	-	-	-	146	146	-	-	-	138	138
Precepts & Levies	-	-	-	2,593	2,593	-	-	-	2,166	2,166
<b>Expenditure</b>	<b>26,735</b>	<b>4,576</b>	<b>2,346</b>	<b>4,358</b>	<b>38,015</b>	<b>26,116</b>	<b>3,495</b>	<b>2,310</b>	<b>3,455</b>	<b>35,376</b>
Government Grants	(19,511)	(1,649)	(8)	(503)	(21,671)	(19,125)	(598)	(24)	(503)	(20,250)
Other Grants & Contributions	(1,077)	(1,123)	(43)	-	(2,243)	(1,348)	(900)	(27)	-	(2,275)
Pension Adjustments	-	-	-	777	777	-	-	-	723	723
Customer & Client Receipts	(2,331)	(605)	(301)	(274)	(3,511)	(2,045)	(760)	(110)	(309)	(3,224)
Interest Receipts	-	-	-	(94)	(94)	-	-	-	(66)	(66)
Receipts from sale of Assets	-	-	-	(3,730)	(3,730)	-	-	-	(2,098)	(2,098)
Council Tax & Business Rates	-	-	-	(10,222)	(10,222)	-	-	-	(9,542)	(9,542)
<b>Income</b>	<b>(22,919)</b>	<b>(3,377)</b>	<b>(352)</b>	<b>(14,046)</b>	<b>(40,694)</b>	<b>(22,518)</b>	<b>(2,258)</b>	<b>(161)</b>	<b>(11,795)</b>	<b>(36,732)</b>
<b>CIES (Surplus)/Deficit on Provision of Services</b>	<b>3,816</b>	<b>1,199</b>	<b>1,994</b>	<b>(9,688)</b>	<b>(2,679)</b>	<b>3,598</b>	<b>1,237</b>	<b>2,149</b>	<b>(8,340)</b>	<b>(1,356)</b>

### Note 3 Long-term Contracts

In October 2015 the Council negotiated an extension to its 10-year contract with Capita Business Services Ltd for the provision of Revenues, Benefits and General Customer Contact Services, taking it up to October 2019. In 2018/19 the contract value was £1,151k (£1,150k in 2017/18). In 2019/20 the anticipated full-year contract value is £1,213k. During 2018/19 officers have been undertaking a full tender exercise for the provision of this service for the next ten years at least, which was in the final contract negotiations stage at the end of March 2019.

### Note 4 Acquired and Discontinued Operations

The Council has not acquired any operations during either 2018/19 or during the comparator year 2017/18. However, in 2017/18 the Council sold its 100% shareholding in Rossendale Transport Ltd, included in the Council's Balance Sheet at 31<sup>st</sup> March 2017 at a value of £645k, for a net consideration of £3,640k including the transfer of the Knowsley Road Depot at an estimated value of £2,300k and the extinguishing of the outstanding mortgage of £1,010k and the cash-flow loan of £400k. The impacts of the sale can be seen the comparator figures in Notes 13,14,17,19, 20, 31a & 31b.



# Notes to Core Financial Statements

## Note 5 Trading Operations

The Council operates 3 markets in Haslingden, Bacup and Rawtenstall, which between them ensure that there is at least one market open within the borough every day of the week from Tuesday to Saturday.

The Council has 29 industrial trading units, promoting economic regeneration across the borough.

Business Offices include a small number of high-tech managed office spaces as well as conference and meeting facilities at the Business Centre, Futures Park, Bacup. Upon the sale of the shares in Rossendale Transport Ltd in January 2018, the Knowsley Road depot building was added to the Business Office Facilities shown below.

Trading Operations	Net Expend/ (Income) 2017/18 £000s	Gross Expend 2018/19 £000s	Income 2018/19 £000s	Net Expend/ (Income) 2018/19 £000s	Note
Markets	38	120	(83)	37	14b
Industrial Units	(113)	14	(140)	(126)	14b
Business Office Facilities	66	270	(51)	219	14b
<b>Total Trading Accounts</b>	<b>(9)</b>	<b>404</b>	<b>(274)</b>	<b>130</b>	

## Note 6 Retained Business Rates

In April 2013 Local Government funding changed with the introduction of a system of locally retained business rates. Rossendale Council now has a direct stake in the business rates collected within the borough and at Full Council in February the Council sets a precept based on 40% of the business rates forecast to be collected within the Borough, from which it pays a tariff to Central Government.

The Lancashire Business Rates Pool, of which Rossendale Borough Council is a member, came into effect on 1<sup>st</sup> April 2016. Under the Pool arrangements, the first 50% of business rates continue to go to Central Government, 9% goes to Lancashire County Council and 1% goes to Lancashire Fire Authority, with Rossendale Borough Council taking the remaining 40%. From that 40% Rossendale continues to pay a Tariff, but in 2016/17 the Tariff became payable to the Pool, rather than Central Government. As a result, Rossendale Borough Council retains 90% of any and all surplus or deficit arising from increases in the overall business rates during the year. In 2018/19 this led to a retained surplus for Rossendale Borough Council of £873k compared to a surplus of £148k in 2017/18.

Rossendale Borough Council also benefits from 100% of the business rates from renewable energy installations, valued at £163k in 2018/19 compared to £159k in 2017/18.

Business Rates Income & Expenditure	2017/18 £000s	2018/19 £000s	Note
Business Rates collected within Rossendale	11,528	14,784	Coll Fund
Less Provision for bad debts & appeals	584	87	Coll Fund
Less Cost of Collection	(99)	(99)	Coll Fund
<b>Net Business Rates Collected</b>	<b>12,013</b>	<b>14,772</b>	Coll Fund
Rossendale Borough Council Business Rates Precept	4,805	5,909	
Rossendale Borough Council Renewable Energy Collections	159	163	
Less Lancashire Business Rates Pool Tariff	(2,534)	(2,610)	
<b>Comprehensive Income/Expenditure - Retained Business Rates</b>	<b>2,430</b>	<b>3,462</b>	CIES
Budgeted share of Business Rates after tariff (based on former central government settlement principles)	2,230	2,097	Narr Report
<b>Surplus for Retained Business Rates under the new regime</b>	<b>(200)</b>	<b>(1,365)</b>	Narr Report

## Notes to Core Financial Statements

### Note 7 Grant Income

The Council recognised the following significant grants, contributions and donations during 2018/19:

Grants and contributions received	2017/18 £000s	2018/19 £000s	Note
Credited to Cost of Services			
DWP - Housing and Council Tax Benefits - paid to claimants	18,159	17,502	
DWP - Discretionary Housing Payments	104	120	
DWP - Housing and Council Tax Benefits - administration grant	225	208	
DWP - Implementation of Universal Credit	12	15	
MHCLG - Flexible Homeslessness and Prevention Grant	-	92	
MHCLG - New Burdens Grants	57	83	
MHCLG - Custom Build Grant	-	30	
MHCLG - Business Rates - Small Business Relief Grants	776	984	
MHCLG - Business Rates Collection Grant	99	98	
MHCLG - New Homes Bonus	840	684	
MHCLG - Localising Council Tax administration subsidy	98	95	
MHCLG - Flood Relief & Flood Resilience	1,040	-	
MHCLG - Town centre clean up and playarea improvement	-	48	
PCC - Rogue Landlord Grant	-	18	
Cabinet Office - Individual Electoral Registration	33	27	
LCC - Domestic Abuse Grant	-	50	
LCC - Affordable Warmth Grant	48	-	
Heritage Lottery - Bacup Townscape Heritage Initiative	29	45	
Contributions from developers under S106 agreements	140	13	
Other minor grants and contributions	41	63	
	21,701	20,175	
Credited to Cost of Services for REffCUS			
LCC Better Care Fund - Disabled Adaptations Grant	869	1,064	31c
Third Party Contribution to DFGs	3	-	
Lancashire Environmental Fund	76	-	
Virridor	69	-	
Min of Housing Communities & Local Government - re Homelessness	118	-	
Homes & Communities Agency - re Empty Homes Scheme	73	-	30
Heritage Lottery - Bacup Townscape Heritage Initiative	599	402	
Other minor grants and contributions	47	-	
	1,854	1,466	
<b>Total in the CIES Cost of Services</b>	<b>23,555</b>	<b>21,641</b>	
Credited to Taxation and Non-Specific Grant Income			
Rate Support Grant	503	172	
<b>Non-Specific Grants in the CIES</b>	<b>503</b>	<b>172</b>	



## Note 8 Members Allowances

An Independent Remuneration Panel meet at a minimum of every 4 years to review Member's Allowances. This group last met in June 2014, but in light of the Council's Medium Term Financial Strategy position, Council members voted to defer the proposed increase in allowances.

Total Cost of Elected Members	2017/18 £000s	2018/19 £000s
Basic Allowance	120	119
Special Responsibility Allowance	70	70
Employers National Insurance incurred	4	3
Mileage, subsistence & other reimbursements	-	1
	<b>194</b>	<b>193</b>

The Council's committee structure last underwent a full review in 2013/14 year and the basic and special responsibility allowances paid to members were as follows:-

Annual amounts payable for elected roles	2017/18 £s	2018/19 £s
<b>Basic Allowance</b>	3,342	3,342
<b>Special Responsibility Allowances</b>		
Leader of Majority or Largest Group	13,368	13,368
Deputy Leader of Majority or Largest Group	10,026	10,026
Leader of Minority or Second Largest Group	6,684	6,684
Executive Members	6,684	6,684
All Committee Chairs (4)	3,342	3,342
Committee Vice Chairs (1) (removed 9th November 2017)	1,671	1,671

## Note 9 Senior Officers' Remuneration

The table below shows remuneration details for the Chief Executive and the Senior Officers directly responsible to him, along with their respective salary (including fees and allowances), employer's pension contributions and total remuneration during 2018/19, along with prior year comparators.

Over the past three years there has been a Senior Management Team restructure. The Director of Communities post was established and filled from January 2017, whilst the Director of Economic Development left in December 2016 and was not replaced until February 2018. From April 2016 until October 2017 an external consultant fulfilled the vacant director roles. The new Senior Management Team structure operational since the end of 2017/18 can be seen in the Narrative Report on page 10.

Senior Officers		Salary £	Other Allowances & Expenses £	Election Duties £	Pension £	Total £
Chief Executive	2018/19	100,825	694	2,326	15,729	119,573
	2017/18	98,848	601	4,375	15,420	119,244
Acting Director (Consultant) <i>Covering Apr 16 to Oct 2017</i>	2018/19	-	-	-	-	-
	2017/18	50,200	-	-	-	50,200
Director of Economic Develop <i>Feb 2018 to March 2018</i>	2018/19	70,887	-	-	11,058	81,946
	2017/18	9,163	-	-	1,429	10,592
Director of Communities <i>Commenced Jan 2017</i>	2018/19	75,319	528	-	11,662	87,508
	2017/18	75,257	506	-	11,740	87,503
Head of Finance	2018/19	62,169	114	-	9,698	71,982
	2017/18	60,950	456	-	9,508	70,914
Legal Services Manager	2018/19	48,439	59	359	7,557	56,413
	2017/18	47,489	150	-	7,408	55,047
HR Manager	2018/19	48,439	200	-	7,557	56,195
	2017/18	47,489	2	-	7,408	54,899



## Notes to Core Financial Statements

### Note 10 Other Officers' Remuneration

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more are listed in the table opposite in bands of £5,000.

The Code includes a requirement to disclose the costs of exit packages paid by the Council in bands of £20k. The Council has paid no exit packages, in either 2017/18 or 2018/19.

Officers with remuneration above £50,000 (excl pension)	2017/18 Number	2018/19 Number
£60,000 - £64,999	-	1
£65,000 - £69,999	1	-
£70,000 - £74,999	1	1
£75,000 - £79,999	1	1
£80,000 - £99,999	-	-
£100,000 - £104,999	1	1
	<b>4</b>	<b>4</b>

### Note 11 Related Parties

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. Most transactions involving related parties to the council are disclosed elsewhere within the Financial Statements as follows:

#### Central government

- receipts from Central Government – see Notes 7, 30 and 31c.

#### Other local authorities and precepting bodies

- payments to the Lancashire County Council Pension Fund– see Note 33.
- precepts in relation to Council Tax and Business Rates are paid to Central Government, Lancashire Police Authority, Lancashire Fire Authority, Lancashire County Council and from 1<sup>st</sup> April 2016 the Lancashire Business Rates Pool – see Note 6 and the Collection Fund.
- precept payable to Whitworth Town Council – see the Narrative Statement and the Comprehensive Income & Expenditure Statement.

#### Subsidiary and associated companies

- Until January 2018 the management of Rossendale Transport Ltd was supported by Council Members and staff, for which the company made a contribution towards specific services provided. The Council had agreed to provide a loan facility to the company, the balance of which was £100k at 31<sup>st</sup> March 2017 and £400k at the point at which the Council sold the company shares in January 2018. The total interest charged to the company for amounts outstanding during 2017/18 was £15k along with an arrangement fee of £3.7k.
- In October 2016 the Council also repaid the Transport company's mortgage on their main depot site in Haslingden at a cost of £1.1m. This was shown as a long term loan in Note 19 and was repayable in equal instalments of principal over 15 years, beginning in April 2017, with an applicable interest rate, equivalent to the Council's borrowing rate with the PWLB at the time, of 2.8%. Following the sale of the company shares in January 2019 this loan was written down to nil.

#### Other key partners

- In June 2004 the bulk of Rossendale's Leisure Facilities transferred to the management of the newly-formed independent Rossendale Leisure Trust.
  - In previous years the Council has given the Trust an operational grant. However, as explained in the Narrative Report and Note 34, the Council purchased the balance of the Haslingden Gym extension loan in November 2016 at a cost of £1,010k. The Trust will now pay a rental charge for using the asset of £60k per annum for its remaining 16 year life. This represents a saving for the Trust which will negated the need for any grant funding from 2017/18 onwards.
  - In 2007/08 the Trust was given a £65k loan, originally for a period of 5 years which is shown as a Long Term Debtor in the Council's Balance Sheet. A further £18k was

added to this loan during 2009/10. The value outstanding at the end of 2018/19 was £34k, as shown in Note 19.

- During 2018/19 the operational inter-company cash balance has been cleared within each calendar month.
- Both the cash-flow loan and the £65k 5-years loan to the Trust are considered soft loans because interest payments totalling £5k were waived in each year.
- In previous years the Council provided a guarantee on a lease taken out by the Trust in 2008/09 for the extension to Haslingden Sports Centre. The Council purchased the balance of this lease in November 2016, and this is now included in the Council's assets at Notes 14, 17a and 34.
- To assist the Trust in its efforts to find operational efficiencies, the Council began to provide its professional financial and IT services in April 2013 under a service level agreement. No charge is made for these services.
- Community Leisure Association of Whitworth (CLAW) is a separate charitable organisation operating Whitworth Swimming Pool and Whitworth Civic Hall, for which they received £60k towards running costs in 2018/19 and 2017/18.
- The RTB Partnership Ltd was incorporated on the 4<sup>th</sup> February 2013, with equal partners being Rossendale Borough Council, Together Housing and Barnfield Construction Ltd. The Partnership is a vehicle to facilitate a variety of development projects across the borough and the Council contributed £47k during 2018/19 to the partnership as loans.

### Members and Chief Officers

The Council's Standing Orders make provision for a register of Members and Officers interests and also require members who believe they have a prejudicial interest in a matter to be discussed at a Council or Committee meeting to declare that interest at the meeting and, in general, to withdraw from the meeting while that particular matter is being discussed.

Upon review of this register it is considered that any transactions involving Members and Chief Officers with related parties have complied with the above regulations and are not material.

### Note 12 External Audit Costs

The sums due from Rossendale Borough Council to the external auditors for works carried out relating to the year of account 2018/19 were:-

Audit costs	2017/18 £000s	2018/19 £000s
Fees payable in respect of external audit of accounts	46	32
Fees payable for the certification of grant claims and returns	8	8
	<b>54</b>	<b>40</b>



# Notes to Core Financial Statements



## Note 13 Adjustments between Accounting Basis and Funding Basis under regulations

This note details the adjustments that are made in the Movement in Reserves Statement to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The table below details the changes in 2018/19 while the financial year 2017/18 can be found on the opposite page.

Adjustments to the Comprehensive Income and Expenditure Statement in the Movement in Reserves Statement	2018/19				Note
	General Fund Balance	Capital Receipts Reserve	Govt Grants Unapplied	Unuseable Reserves	
	£000s	£000s	£000s	£000s	
<b>Capital Adjustment Account adjustments</b>					
Depreciation of Property, Plant & Equipment (PPE)	1,141	-	-	(1,141)	14,15,32a,32b
Impairment of Property, Plant & Equipment (PPE)	202	-	-	(202)	14,15,32a,32b
Revaluation gain/loss on Property, Plant and Equipment (PPE)	(332)	-	-	332	14,15,32a,33b
Deferred Capital Receipts	-	211	-	(211)	32c
Amortisation of Intangible Assets	41	-	-	(41)	14 & 32b
Revenue Expend funded from Capital under Statute (REFFCUS)	1,260	-	-	(1,260)	17a & 32b
REFFCUS for Empty Homes Scheme	291	-	-	(291)	17a & 32b
Net book value of assets sold	678	(645)	-	(33)	14,15,26,32a,32b
Statutory provisions for financing of capital investment (MRP)	(604)	-	-	604	17a & 32b
Capital Expend charged to General Fund	149	-	-	(149)	17a & 32b
Capital Expend charged to General Fund Empty Homes	(153)	-	-	153	17a & 32b
<b>Capital Receipts Reserve adjustments</b>					
Transfer of cash proceeds of assets sold	(150)	150	-	-	31b
Other Income	(1,958)	1,958	-	-	31b
Use of Capital Receipts Reserve to fund capital spend	(291)	(1,685)	-	1,976	17a,31b,32b
<b>Capital Grants Unapplied Account adjustments</b>					
Capital grants and contributions credited to the CIES	(56)	-	56	-	17a & 31c
Application of grants to the Capital Adjustment Account (CAA)	(1,317)	-	-	1,317	17a & 32b
Application of grants to the CAA Empty Homes Scheme	-	-	-	-	17a & 32b
<b>Pensions Reserve adjustments</b>					
Employer contributions paid to the Pension Fund	(1,708)	-	-	1,708	33f
Net IAS19 charges made for retirement benefits	1,937	-	-	(1,992)	33f
<b>Collection Fund Adjustment Account adjustments</b>					
Difference between the Council Tax and Non-Domestic Rates income credited to the CIES and that calculated in accordance with statutory requirements	(635)	-	-	635	31a & CF2
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(1,505)</b>	<b>(11)</b>	<b>56</b>	<b>1,405</b>	



Adjustments to the Comprehensive Income and Expenditure Statement in the Movement in Reserves Statement	2017/18				Note
	General Fund Balance	Capital Receipts Reserve	Govt Grants Unapplied	Unuseable Reserves	
	£000s	£000s	£000s	£000s	
<b>Capital Adjustment Account adjustments</b>					
Depreciation of Property, Plant & Equipment (PPE)	913	-	-	(913)	14,15,32a,32b
Impairment of Property, Plant & Equipment (PPE)	314	-	-	(314)	14,15,32a,32b
Revaluation gain/loss on Property, Plant and Equipment (PPE)	608	-	-	(608)	14,15,32a,33b
Deferred Capital Receipts	-	(379)	-	(379)	32c
Amortisation of Intangible Assets	70	-	-	(70)	14 & 32b
Revenue Expend funded from Capital under Statute (REFFCUS)	1,297	-	-	(1,297)	17a & 32b
REFFCUS for Empty Homes Scheme	159	-	-	(159)	17a & 32b
Net book value of assets sold	678	(645)	-	(33)	14,15,26,32a,32b
Statutory provisions for financing of capital investment (MRP)	(604)	-	-	604	17a & 32b
Capital Expend charged to General Fund	(410)	-	-	410	17a & 32b
Capital Expend charged to General Fund Empty Homes	(575)	-	-	575	17a & 32b
<b>Capital Receipts Reserve adjustments</b>					
Transfer of cash proceeds of assets sold	(3,836)	3,836	-	-	31b
Other Income	(572)	572	-	-	31b
Use of Capital Receipts to fund capital spend	-	(2,666)	-	2,665	17a,31b,32b
<b>Capital Grants Unapplied Account adjustments</b>					
Capital grants and contributions credited to the CIES	39	-	(39)	-	17a & 31c
Application of grants to the Capital Adjustment Account	(1,155)	-	-	1,155	17a & 32b
Application of grants to the Capital Adjustment Account	(212)	-	-	212	17a & 32b
<b>Pensions Reserve adjustments</b>					
Employer contributions to the Pension Fund	(1,747)	-	-	1,698	33f
Net IAS19 charges made for retirement benefits	2,096	-	-	(2,096)	33f
<b>Collection Fund Adjustment Account adjustments</b>					
Difference between the Council Tax and Non-Domestic Rates income credited to the CIES and that calculated in accordance with statutory requirements	(450)	-	-	450	31a & CF2
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(3,387)</b>	<b>718</b>	<b>(39)</b>	<b>1,900</b>	

# Notes to Core Financial Statements

## Note 14 Property, Plant and Equipment

### 14a Movements during the year

Movements on property, plant & equipment assets in 2018/19 were as follows:-

Property, Plant & Equipment 2018/19	Land & Buildings £000s	Vehicles, Plant, Furniture & Equip £000s	Infra- structure Assets £000s	Community Assets £000s	Assets under constr'n £000s	Surplus Assets £000s	Total Assets £000s	Heritage Assets £000s	Note
<b>Cost or Valuation 1st April 2018</b>	30,331	6,384	253	941	4,591	519	43,019	2,185	
Additions	676	582	-	58	1,471	-	2,787	-	17a
Revaluation increases/(decreases) to Revaluation Reserve	(242)	-	-	-	-	-	(242)	-	32a
to Provision of Services	(345)	-	-	-	-	-	(345)	-	13, 32b
Reclassifications- to/from Assets Held for Sale others	(2,890)	-	-	-	-	-	(2,890)	-	26
Derecognition- on disposal	(66)	66	-	-	-	-	-	-	
	-	(347)	-	-	-	-	(347)	-	13, 32b
<b>Cost or Valuation 31st March 2019</b>	<b>27,464</b>	<b>6,685</b>	<b>253</b>	<b>999</b>	<b>6,062</b>	<b>519</b>	<b>41,982</b>	<b>2,185</b>	
<b>Accum Depreciation and Impairments 1st April 2018</b>	(9,158)	(4,974)	(140)	(267)	(516)	(129)	(15,184)	(31)	
Depreciation for the year- to Revaluation Reserve	(156)	-	-	(1)	(1)	-	(158)	-	13, 32a
to Provision of Services	(288)	(584)	(9)	(3)	-	-	(884)	(2)	13, 32b
Impairment losses/(reversals) to Revaluation Reserve	606	-	-	-	-	-	606	-	13, 32a
to Provision of Services	(143)	-	-	(59)	-	-	(202)	-	13, 32b
Reclassifications	30	(30)	-	-	-	-	-	-	
Derecognition- on disposal	98	321	-	-	-	-	419	-	13, 32b
<b>Accumulated Depreciation and Impairments 31st March 2019</b>	<b>(9,011)</b>	<b>(5,267)</b>	<b>(149)</b>	<b>(330)</b>	<b>(517)</b>	<b>(129)</b>	<b>(15,403)</b>	<b>(33)</b>	
Net Book Value at 31st March 2019	18,453	1,418	104	669	5,545	390	26,579	2,152	
Net Book Value at 31st March 2018	21,173	1,410	113	674	4,075	390	27,835	2,154	

Depreciation, using the straight line method, has been charged according to the estimated life of the assets involved on the following basis.

- Operational buildings generally have a useful life of 40 years, except where expert opinion has reduced this estimate. The land upon which the buildings reside is not subject to depreciation.
- Vehicles are depreciated over a useful life of 3-7 years depending upon their technical or mechanical nature.
- Equipment such as refuse bins, are depreciated over their individual useful life determined at the point of acquisition.
- All other assets under land, assets under construction, community assets, investment and surplus assets are not depreciated.

Component accounting is applied to all revaluation exercises on the following basis.

- For all property assets, land and buildings are valued separately. Only assets with a combined land and buildings value of £500k and over will be subject to component accounting.
- Significant components are items (or groups of items) with a value of at least 25% of the total asset value.

### 14b Fair Value Hierarchy – Surplus Assets

- Surplus assets comprise land from which the Council does not provide services. The Council has determined all of its surplus assets are valued at level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly at 31 March 2018 and 2019. There were no transfers between levels during 2018/19.

# Notes to Core Financial Statements

Comparator movements in 2017/18 were as follows:

Property, Plant & Equipment 2017/18	Land & Buildings £000s	Vehicles, Plant, Furniture & Equip £000s	Infra- structure Assets £000s	Community Assets £000s	Assets under constr'n £000s	Surplus Assets £000s	Total Assets £000s	Heritage Assets £000s	Note
<b>Cost or Valuation 1st April 2017</b>	30,233	6,398	253	1,142	1,174	519	39,719	2,185	
Additions	2,843	62	-	3	906	31	3,845	-	17a
Revaluation increases/(decreases)									
to Revaluation Reserve	198	-	-	(204)	-	-	(438)	-	32a
to Provision of Services	(432)	-	-	-	-	-	(609)	-	13, 32b
Reclassifications-									
to/from Assets Held for Sale	-	-	-	-	-	-	-	-	26
others	(2,511)	-	-	-	2,511	-	-	-	
Derecognition- on disposal	-	(76)	-	-	-	(31)	(107)	-	13, 32b
<b>Cost or Valuation 31st March 2018</b>	<b>30,331</b>	<b>6,384</b>	<b>253</b>	<b>941</b>	<b>4,591</b>	<b>519</b>	<b>42,410</b>	<b>2,185</b>	
<b>Accum Depreciation and Impairments 1st April 2017</b>	(8,207)	(4,488)	(131)	(257)	(214)	(129)	(13,426)	(30)	
Depreciation for the year-									
to Revaluation Reserve	(103)	-	-	(1)	-	-	(104)	-	13, 32a
to Provision of Services	(232)	(560)	(9)	(2)	(2)	-	(805)	(1)	13, 32b
Impairment losses/(reversals)									
to Revaluation Reserve	(306)	-	-	(7)	-	-	(314)	-	13, 32a
to Provision of Services	(610)	-	-	-	-	-	-	-	13, 32b
Reclassifications	300	-	-	-	(300)	-	-	-	
Derecognition- on disposal	-	74	-	-	-	-	74	-	13, 32b
<b>Accumulated Depreciation and Impairments 31st March 2018</b>	<b>(9,158)</b>	<b>(4,974)</b>	<b>(140)</b>	<b>(267)</b>	<b>(516)</b>	<b>(129)</b>	<b>(14,575)</b>	<b>(31)</b>	
Net Book Value at 31st March 2018	21,173	1,410	113	674	4,075	390	27,835	2,154	

## 14b Breakdown of buildings owned

The operation of the Ski Slope transferred to a community group during 2011/12 but the property is still owned by the Council and therefore still included here.

A summary of Council Assets	31st March 2018	31st March 2019
	No.	No.
Administrative Buildings	2	2
Depots and Workshops	5	5
Off-Street Car Parks	51	51
Off-Street Car Parking spaces	1,086	1,086
Sports Centres	1	1
Public Halls	1	1
Swimming Pools	2	2
Museums	1	1
Cemetries	4	4
Parks and recreation grounds	58 hectares	58 hectares
Amenity open spaces	36 hectares	36 hectares
Ski Slope	1	1
Public Conveniences	13	13
Industrial Units	28	28
Markets	3	3
Community & Youth Centres	3	3
Sheltered accommodation	1	1
Surplus Assets	12	12
Surplus Assets Held for Sale	2	2

# Notes to Core Financial Statements

## 14c Revaluation Programme

The authority operates a five-year rolling programme of revaluation on its General Fund properties. During 2018/19 the valuations were carried out by external RICS-qualified officers from Capita Symonds Ltd, PO BOX 212, Faverdale Industrial Estate, Darlington, DL1 9HN. For details of the basis of valuation please refer to the Accounting Policies. The Net Book Value of assets which underwent a revaluation during 2018/19 was £10,490k and this resulted in a net revaluation loss of £242k in the Revaluation Reserve (Note 33a) and £345k in the Capital Adjustment Account (Note 33b). Assets valued in previous years have not undergone any material changes which would alter their valuations.

The details below show the history of the revaluation programme and the next planned revaluation exercise for each type of asset held. Under the provisions of the Code assets of a similar type should be revalued together.

Revaluation Programme for assets under Property, Plant & Equipment	Historic Cost £000s	Assets revalued in the year ending					Total Net Book Value £000s	Planned Next Valuation
		March 2015 £000s	March 2016 £000s	March 2017 £000s	March 2018 £000s	March 2019 £000s		
Land	119	124	-	103	-	761	1,107	2023/24
Administrative Buildings	-	-	-	-	10	1,381	1,391	2022/23
Depots and Workshops	49	-	-	62	564	-	675	2022/23
Garages	-	-	307	42	-	-	349	2020/21
Car Parks	-	1,077	-	-	-	-	1,077	2019/20
Cemeteries	-	-	-	455	137	-	592	2021/22
Culture & Heritage Assets	-	-	-	-	-	-	-	2019/20
Sports & Leisure Facilities	198	220	4	79	-	7,985	8,486	2023/24
Parks, & Recreation Grounds	146	126	-	483	415	-	1,170	2021/22
Woodlands & Open Spaces	48	240	138	516	90	39	1,071	2021/22
Industrial Units	-	-	-	960	-	-	960	2021/22
Domestic Housing	-	94	90	-	80	-	264	2020/21
Business Offices	-	562	-	-	-	-	562	2019/20
Public Conveniences	-	11	-	48	54	-	113	2021/22
Markets	-	-	-	-	105	-	105	2022/23
Sheltered Accommodation	-	-	-	-	-	295	295	2023/24
Plant, Vehicles & Equipment	1,465	-	-	-	-	-	1,465	n/a
Other Assets	98	316	86	823	-	29	1,352	various
Assets under construction	5,545	-	-	-	-	-	5,545	2019/20
<b>Net Book Value 31<sup>st</sup> March 2016</b>	<b>7,668</b>	<b>2,770</b>	<b>625</b>	<b>3,571</b>	<b>1,455</b>	<b>10,490</b>	<b>26,579</b>	

## Note 15 Investment Properties

The Council has one piece of land classified as an investment property following the agreement of a long-term lease. The value of the land reflects the rental incomes receivable.

**Fair Value Hierarchy – Investment Properties.** The Council has determined that this asset should be valued as a level 2 inputs. The value of the land reflects the rental incomes receivable from 2013/14 onwards.

Investment Properties	31 <sup>st</sup> March 2018 £000s	31 <sup>st</sup> March 2019 £000s	
Cost or Valuation 1st April	550	550	
<b>Cost or Valuation 31st March</b>	<b>550</b>	<b>550</b>	
Accum Depreciation and impairments 1st April	(11)	(11)	
Impairment losses/(reversals)	-	11	35b
<b>Accum Depreciation and Impairments 31st March</b>	<b>(11)</b>	<b>-</b>	
Net Book Value at 31st March	539	550	
Rental income within the year	25	25	

# Notes to Core Financial Statements

## Note 16 Intangible Assets

Intangible Assets	31 <sup>st</sup> March 2018 £000s	31 <sup>st</sup> March 2019 £000s	Note
Cost or Valuation 1st April	1050	1,056	17a
Additions	6	-	
<b>Cost or Valuation 31st March</b>	<b>1,056</b>	<b>1,056</b>	
Accum Depreciation 1st April	(896)	(968)	15, 32b
Amortisation for the period	(72)	(38)	
<b>Accum Depreciation and Impairments 31st March</b>	<b>(968)</b>	<b>(1,006)</b>	
Net Book Value at 31st March	88	50	

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item under Property, Plant and Equipment. At Rossendale Borough Council these intangible assets comprise only purchased licenses as the Council has no internally generated software.

All software is given a finite useful life, based on assessments of the expected benefit to the Council, over which depreciation is calculated on a straight line basis. The default value for the useful life is 5 years and all current assets have been deemed to follow that standard.





## Notes to Core Financial Statements

### Note 17 Capital Expenditure, Financing and Capitalisation of Borrowing Costs

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. The Council has not acquired any assets under finance leases or PFI schemes which would have been included below).

#### 17a - Capital Expenditure on Council Assets

The Capital Financing Requirements (CFR) is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. This capital expenditure is charged to future years through Minimum Revenue Provision (MRP) as assets are used by the Council. Rossendale Borough Council now splits the CFR into two distinct elements; those costs pertaining to the East Lancs Empty Homes Scheme and other capital expenditure. The movement in the CFR during the year is analysed in the second part of this note.

Capital Financing Requirement	2017/18 £000s	2018/19 £000s	Note
<b>Opening Capital Financing Requirement</b>	<b>9,069</b>	<b>8,751</b>	
<b>Non-Empty Homes Opening Capital Financing Requirement</b>	<b>7,698</b>	<b>8,008</b>	
Capital investments			
Property, Plant & Equipment	3,845	2,787	14
Intangible Assets	6	-	16
Revenue Expenditure funded from Capital under Statute	1,297	1,636	13, 32b
	5,148	4,423	
Sources of Finance			
Capital Receipts	(2,473)	(1,976)	13, 31b
Government Grants and other contributions	(1,351)	(1,317)	13, 32b
Sums set aside from Revenue:-			
Direct revenue contributions	(410)	(149)	13, 32b
Minimum Revenue Provision (MRP)	(604)	(614)	13, 32b
Voluntary Revenue Provision (VRP)	-	(657)	
<b>Non Empty Homes Closing Capital Financing Requirement</b>	<b>8,008</b>	<b>7,718</b>	32b
<b>Empty Homes Opening Capital Financing Requirement</b>	<b>1,371</b>	<b>743</b>	
Empty Homes			
Revenue Expenditure funded from Capital under Statute	158	(291)	13, 32b
Sources of Finance			
Capital Receipts	(375)	-	13, 32b
Government Grants and other contributions	(411)	-	13, 32b
Sums set aside from Revenue:-			
Direct revenue contributions	-	153	13, 32b
<b>Empty Homes Closing Capital Financing Requirement</b>	<b>743</b>	<b>605</b>	32b
<b>Closing Capital Financing Requirement</b>	<b>8,751</b>	<b>8,323</b>	
Explanation of movements in the year -			
Increase in underlying borrowing (net of direct grants and contributions)	286	843	
Repayments (MRP)	(604)	(1,271)	

The capital expenditure shown above is split between Council-owned assets and those owned by third parties. The Council incurs capital expenditure on third party assets through schemes like the Disabled Facilities Grants (DFGs), the Bacup Townscape Heritage Initiative and the East Lancs Empty Homes Scheme. The distinction is an important one because capital expenditure on assets not owned by the Council is permitted by Statute, but is accounted for as revenue expenditure, along with its respective funding. Hence, in the table above there are details of 'Revenue Expenditure funded from Capital under Statute' (REffCuS) and funding from grants and other receipts and contributions, not from MRP.

# Notes to Core Financial Statements

## 17b - Capital Expenditure on Council Assets

The main items of capital expenditure on the Council's own assets during the year were:-

Capital expenditure on Council assets	2017/18 £000s	2018/19 £000s
IT Strategy & Software	6	-
Sports & Leisure Facilities	73	486
Playing fields, playgrounds & parks	429	142
Rawtenstall Valley Centre/Spinning Point	906	1,471
Refuse Vehicles	2,300	464
Others	170	232
	<b>3,884</b>	<b>2,795</b>

## 17c - Capital Commitments

The Council operates a rolling 3-year capital programme and in addition to the £2,795k spent on council assets in 2018/19 above, approved capital works of £3,313k were carried forward into 2019/20 onwards, known as slippage. The total amount of slippage carried forwards, including REffCUS items not owned by the Council, was £5,303k.

Contract commitments relating to Council assets	31 <sup>st</sup> March 2017 £000s	31 <sup>st</sup> March 2018 £000s
Parks & Play Areas - finalising ongoing projects	103	82
Building Maintenance Projects	-	68
Infrastructure, including car parks and signage	4,442	3,163
	<b>4,545</b>	<b>3,313</b>

## 17d - Capitalisation of Borrowing Costs

The Council has one 25-year loan from the PWLB which was taken out in March 2010 in order to support the impact upon the Council's need to borrow which resulted from investment recommended by the 2009/2010 Leisure Review and regeneration projects. Borrowing costs were capitalized up to the Marl Pits facility opening in autumn 2012.

There have been no capitalised payments or receipts in either 2017/18 or 2018/19.

## Note 18 Leases

### 18a - Authority as Lessee

During 2014/15 the Council became directly responsible for the leases of domestic properties under the East Lancashire Empty Homes Scheme which were to be met from future rental incomes. In October 2016 the Council entered into a contract with Calico Housing Ltd to manage these properties on behalf of the Council. Calico now arranges the contracts with tenants, collects the rent and pays the leases over to the property owners. The lease commitments shown below refer solely to the properties which the Council is in the process of returning to the owners at which point all future lease commitments shown below will be extinguished.

Authority as a Lessee	2017/18 £000s	2018/19 £000s
<b>Lease Payments within the year</b>	<b>828</b>	<b>438</b>
Future minimum lease commitments		
Amounts falling due within 1 year	84	46
Amounts falling due within 2-5 years	456	311
Amounts falling due within 6-10 years	78	27
<b>Total Minimum Lease Payments</b>	<b>618</b>	<b>384</b>

# Notes to Core Financial Statements

## 18b - Disclosure by Lessor

The Council has a number of premises that it makes available on an operating lease basis, for lease terms substantially less than the expected lives of the assets. Asset values included within the Balance Sheet and minimum lease income receivable during the year were as follows:

Authority as a Lessor	2017/18	2018/19			Total £000s	Note
	Total £000s	Industrial Properties £000s	Leisure Premises £000s	Other Properties £000s		
Gross Value at 31st March	11,650	1,163	10,147	45	11,355	
Accumulated Depreciation	(2,479)	(203)	(2,088)	(35)	(2,326)	
<b>Net Book Value at 31st March</b>	<b>9,171</b>	<b>960</b>	<b>8,059</b>	<b>10</b>	<b>9,029</b>	
Lease Income within the year	(134)	(140)	-	-	(140)	5

The rental incomes above show a nil return for leisure properties. These are now managed and operated by partners such as Rossendale Leisure Trust and Community Leisure Association Whitworth on a rent-free basis and the Council makes a grant contribution each year to the provision of leisure services across the borough. Grant details can be found in Note 11 on Related Party Transactions.

The assets shown as 'other properties' above have similarly been leased to third parties at peppercorn rents, including the Cherry Crescent Community Centre and the Aged Blind and Disabled Centre.

## Note 19 Long-term Debtors

The analysis of the long-term debt outstanding at the balance sheet date is:

Long Term Debtors	Ross'dale Leisure Trust £000s	Rossendale Transport Cash Loan £000s	Mortgage £000s	Empty Homes Loans £000s	Other loans & mortgages £000s	Total £000s	Note
Debt Outstanding 1st April 2017	35	100	1,082	2,075	114	3,406	20a & 20c
Advances	-	570	-	70	-	640	
Receipts	-	(670)	(1,082)	(376)	(10)	(2,138)	
	35	-	-	1,769	104	1,908	25
Provision for Doubtful Debts	-	-	-	(941)	-	(941)	25
<b>Balance at 31st March 2018</b>	<b>35</b>	<b>-</b>	<b>-</b>	<b>828</b>	<b>104</b>	<b>967</b>	20a & 20c
Debt Outstanding 1st April 2018	35	-	-	1,769	104	1,908	20a & 20c
Advances	-	-	-	81	20	101	
Receipts	(1)	-	-	(292)	(26)	(319)	
	34	-	-	1,558	98	1,690	25
Provision for Doubtful Debts	-	-	-	(941)	-	(941)	25
<b>Balance at 31st March 2019</b>	<b>34</b>	<b>-</b>	<b>-</b>	<b>617</b>	<b>98</b>	<b>749</b>	20a & 20c

The East Lancs Empty Homes Strategy moved into full operation during 2013/14. Funded by the Homes and Communities Agency (HCA) in the first instance, this programme saw long-term empty properties across East Lancashire brought back into use. Any renovation costs, shown above as advances, are being recouped from property rentals during the life of the lease, shown above as receipts. At the end of the lease these properties revert to their owners.

The Narrative Report, and Note 11 provides further details on the sale of the Council's shares in Rossendale Transport Ltd in January 2018, at which point the balances on the cash flow loan and the mortgage were extinguished. Other than this there have been no Long Term Debts written off during 2017/18 or 2018/19.

# Notes to Core Financial Statements

## Note 20 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 on another.

The term 'financial instruments' covers both financial assets and financial liabilities and includes both straight forward trade receivables and trade payables as well as complex money-market assets. Typical financial instruments and their basis of measurement are shown in the table below:

Financial Instruments	Measurement	Rossendale Note
<b>Liabilities</b>		
Trade and other payables (Creditors)	Held at invoice value	Trade payables excluding government and other non-contract creditors
Borrowings	Included at the face value of the loan or bank account	Borrowing can include fixed term loans and bank overdrafts. Rossendale Borough Council has loan from the PWLB over a period of 25 years commencing March 2010
Financial guarantees	Measurement balances guarantee value with the risk of the guarantee being called	The Council has given one financial guarantee, but considers the risk to be so minimal as to render the liability as not material (Note 11)
<b>Assets</b>		
Bank deposits	Any deposit with 365 days or less to run is held at carrying value of the account	The Council's 'Cash at Bank' figure includes a minimal value of cash in hands of officers as well as bank accounts with instant access.
Trade receivables (Debtors)	Held at invoiced amount less an impairment for uncollectable debts	Trade receivables exclude government and other non-contract debts
Loans receivable	Included at the face value of the loan or bank account	Loan deposits can include investments which have fixed terms and fixed interest rates. The Council has issued two loans to Rossendale Leisure Trust (see Note 9). These are considered soft loans because no interest has been charged to the Trust.
Soft Loans	Where material, soft loans are measured using an effective market rate of interest	The Council had only one minor soft loan to facilitate business relocation, which was fully repaid during 2017/18.
Other receivables and advances	Held at the carrying value on the basis on materiality	These are predominantly arrangements made under the Empty Homes Strategy, being repaid from future rental incomes.
Investments	Held at historic cost value	The Council's investment in Rossendale Transport Ltd was held at the historic value of the shares because there was no reliable estimate of market value available. These were sold in January 2018.

The Council has assessed the materiality of all its financial instruments and those considered too small to make an adjustment to the carrying value of the original asset or liability included soft loans and other minor investments. (A soft loan is where the Council has lent money at a lower than market rate). The Council issued one soft loan back in 2011 in order to facilitate a business relocation which met the Council's regeneration priorities. The Rossendale Leisure Trust loans were also treated as soft loans because no interest was paid in either 2017/18 or 2018/19. The value of interest forgone in relation to these loans was not material.

# Notes to Core Financial Statements

## 20a - Categories of Financial Instruments

The categories of financial instruments included within the Balance Sheet and Notes are:-

Categories of Financial Instrument	Long Term		Current		Note
	31 <sup>st</sup> March 2018 £000s	31 <sup>st</sup> March 2019 £000s	31 <sup>st</sup> March 2018 £000s	31 <sup>st</sup> March 2019 £000s	
<b>Cash and cash equivalents</b>					
Receivables	-	-	2,089	3,888	20c, 24
<b>Investments</b>					
Loans and receivables	-	-	5,250	6,070	20c, 24
Unquoted equity investment at cost	2	2	-	-	
<b>Trade Debtors</b>					
Loans and receivables	967	749	1,238	952	19,20c,21b,23
<b>Borrowings</b>					
Financial liabilities at amortised cost	(2,944)	(2,760)	(184)	(184)	20c, 28
<b>Trade Creditors</b>					
Financial liabilities at amortised cost	-	-	(2,177)	(2,182)	20c, 30

Local authorities sometimes give financial guarantees that require them to make specified payments to reimburse the holder of a debt if the debtor fails to make payment when due in accordance with the terms of the contract. The Council provided a financial guarantee in respect of Rossendale Leisure Trust and a gym extension at Haslingden Sports Centre.(see Notes 11 & 34), which has been initially recognised at fair value of nil and noted in the Contingent Assets and Liabilities at Note 34.

As explained in Note 11 above, the Council bought out the balance on the lease in November 2016 at a cost of £1,010k and this has been treated as an investment in the asset already owned by the Council (see Notes 14 and 17a). The Trust will now pay a rental charge for using the asset of £60k per annum for its remaining 14 year life which will offset the MRP charge.

Fair Value Hierarchy of Investments - The investments above were assessed as level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly at 31 March 2018 and 2019.

## 20b - Financial Instrument Gains/Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

Income & Expenses	2017/18	2018/19		Total £000s
	Total £000s	Financial Liabilities at amortised cost £000s	Loans & Receivables £000s	
Interest payable - revenue	146	138	-	138
Interest income - revenue	(94)	-	(66)	(66)
<b>Net (Gain)/Loss for the year</b>	<b>52</b>	<b>138</b>	<b>(66)</b>	<b>72</b>

## 20c - Fair value of assets and liabilities carried at amortised cost

Financial liabilities and assets represented by loans and receivables are carried on the balance sheet at amortised cost. The fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions.

- For loans from the PWLB the fair value was calculated by reference to the premature repayment set of rates in force on 31<sup>st</sup> March 2018 and 31<sup>st</sup> March 2019 respectively.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

	31st March 2018		31st March 2019		Note
	Carrying amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s	
Borrowings	(3,128)	(3,698)	(2,944)	(3,556)	20a & 28
Short Term Creditors	(2,177)	(2,177)	(2,182)	(2,182)	20a & 30
<b>Total Financial Liabilities</b>	<b>(5,305)</b>	<b>(5,875)</b>	<b>(5,126)</b>	<b>(5,738)</b>	
Investments <1 year	5,250	5,250	6,070	6,070	20a & 24
Long Term Debtors	967	967	749	749	19 & 20a
Short Term Trade Debtors	1,238	1,238	952	952	20a & 23
Cash and Cash Equivalents	2,089	2,089	3,888	3,888	20a & 24
<b>Total Financial Assets</b>	<b>9,544</b>	<b>9,544</b>	<b>11,659</b>	<b>11,659</b>	

At March 2019 Rossendale Borough Council has one outstanding PWLB loan taken out in March 2010 for 25 years at a fixed rate of 4.49%. The premature repayment rate applicable on 31<sup>st</sup> March 2019 was 1.73% and the figures for fair value above have been supplied by the Council's treasury management advisor, Link Asset Services. For a sensitivity analysis, Link Asset Services have confirmed that a similar new loan on the 31<sup>st</sup> March 2019 at the discount rate available of 0.79% would have reduced the fair value of the loan at the end of 2018/19 to £3,805k.

The Council's portfolio of treasury management investments does not include any long-term deposits over 365 days. For investments under 365 days the deposit value is taken as a fair approximation of their value.

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

## Note 21 Nature and extent of risks arising from Financial Instruments

### Key Risks

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

- Credit risk the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risks the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates movements.

### Overall procedures for Managing Risks

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise potential adverse effects on the resources available to fund services. The procedures for risk management are set out through a legal framework set out in the

## Notes to Core Financial Statements

Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
  - the Council's overall borrowing;
  - it's maximum and minimum exposures to fixed and variable rates;
  - it's maximum and minimum exposures of the maturity structure of its debt;
  - it's maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the government guidance.

These requirements are known as Prudential Indicators and are required to be reported and approved alongside the Council's annual Council Tax budget setting in February, along with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported monthly to Members.

These policies are implemented by the Council's Financial Services staff. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed annually.

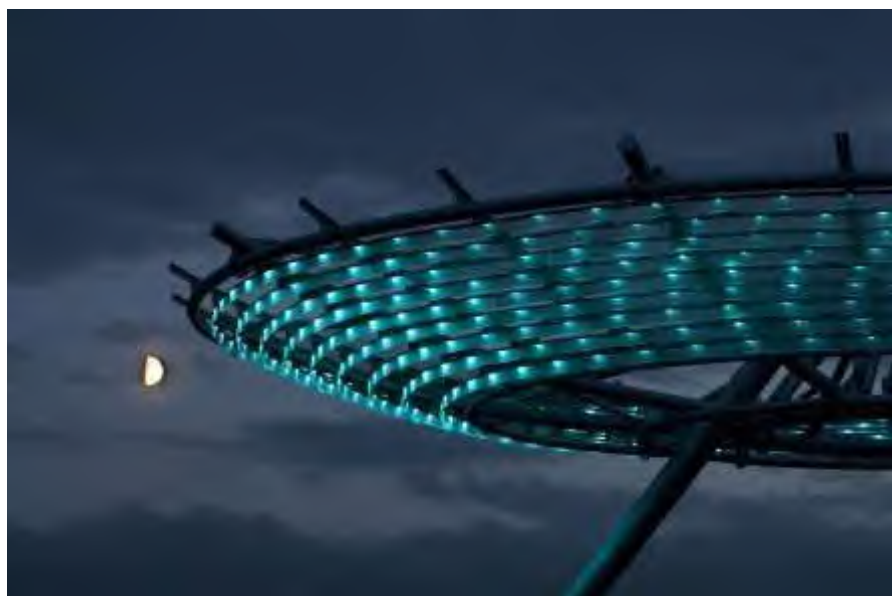
### Credit Risk

Credit risk arises from deposits with banks and financial institutions, and credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria and limits approved by the Council.

The Council maintains strict criteria for investment counterparties and monitors activity against these criteria. As a result of this high credit criteria there has been no experience of defaults. The Council refers to an approved list of organisations for investment purposes, assessed by the rating agencies, consisting of major banks, building societies and other local authorities. Maturity limits apply for each counterparty category and maximum investment limits also exist per counterparty and per sector.

No breaches of these criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any counterparty in relation to financial deposits. However, the Council has supported Rossendale Leisure Trust through a cash flow loan of around £740k (repaid in full at the end of March 2017) and with a building loan with a current value of £35k over a maximum of five years.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience of its customer collection levels over the last three financial years, adjusted to reflect current market conditions.



## 21a Credit Risk

Credit Risk	Actual Amount March 2019 £000s	Historical default £000s	Adjusted for market conditions %	Estimated maximum exposure March 2019 £000s	Estimated maximum exposure March 2018 £000s	Note
Cash and Cash Equivalents	3,888	0.00%	0.00%	-	-	20a,20c,24
Investments - Bank Deposits	6,070	0.00%	0.00%	-	-	20a,20c,24
Investments - Others	2	0.00%	0.00%	-	-	19,20a,20c
Long Term Debtors	749	0.00%	0.00%	-	-	19,20a,20c
Short Term Trade Debtors	952	6.60%	7.00%	67	87	20a,20c,23
<b>Total Financial Assets</b>	<b>11,661</b>			<b>67</b>	<b>87</b>	

## 21b Trade Debtors

The Council does not generally allow credit for its trade debtors. The Council reports the level of trade debts outstanding each quarter in the financial monitoring report to Cabinet, which is available on the website. The balance of Trade Debtors at 31<sup>st</sup> March 2019 stood at £2,026k (£2,889k at March 2018), of which £1,387k was overdue (£1,353k at March 2018). Against this the Council held a doubtful debt provision of £841k (£1,651k at March 2018), as shown in the table below.

Short Term Trade Debtors age	by	31st March 2018 £000s	31st March 2019 £000s	Note
Not yet past due		1,536	406	
Less than one month		23	63	
One to Two months		88	10	
Two to three months		2	9	
Three to six months		32	3	
Six months to one year		204	228	
Over one year		1,004	1,074	
Doubtful debts provision		(1,651)	(841)	
<b>Total Net Trade Debtors</b>		<b>1,238</b>	<b>952</b>	20a,20c,23

## Liquidity Risk

The council has ready access to borrowings from the Public Works Loan Board for long term borrowing and the Money Markets to cover any day-to-day cash flow need. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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 management and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice. The Council's performance in managing its current cash position is reported each month in the financial monitoring reports available on the website.

## Refinancing and Maturity Risk

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments of greater than one year in duration are the key parameters used to address this risk. The approved treasury and investment strategy addresses the main risks and sets the operational parameters should the Council ever need to borrow funds.



# Notes to Core Financial Statements

## Market Risk

There are three related risks the Council is aware of: interest rate risk, price risk and foreign exchange risk.

### Interest Rate Risk

The Council has limited exposure to interest rate movements on its borrowings and investments. Borrowings are carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and reflected in the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. The annual Medium Term Financial Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. The aim of the prudential indicators is to contain the activity of the treasury function within certain limits reducing the risk or likelihood of an adverse movement in certain interest rates or borrowing decisions that could impact negatively on the Council's overall financial position.

Within this Strategy prudential indicators are set which provide maximum and minimum limits for fixed and variable interest rate exposure. The Financial Services staff monitor markets and forecast interest rates within the year to adjust exposure appropriately. The indicators in force during 2018/19, which were approved along with the Council's annual budget in February 2018, are shown below.

Limits in interest rate exposure	2016/17	2017/18	2018/19	2019/20
Max principal sums borrowed > 364 days	£4.5m	£4.5m	£9.5m	£9.0m
Borrowing limits on Fixed Interest Rates	100%	100%	100%	100%
Borrowing limits on Variable Interest Rates	0%	0%	0%	0%
Max sums invested > 364 days	£0m	£0m	£0m	£0m
Max sums invested with single body	£5m/50%	£5m/50%	£5m/50%	£8m/50%
Max sums invested with any group	£10m	£10m	£10m	£10m

If all lending interest rates had been 1% higher, with all other variables held constant, the financial effect would only impact on the interest receivable on variable rate investments by an extra £126k. All other interest payable and receivable is fixed.

### Price Risk

The Council, excluding the pension fund, does not generally invest in instruments with this type of risk.

### Foreign exchange risk

Local custom and practice is not to engage in foreign currency trade or deal with foreign financial institutions. The Council, therefore, has no financial assets or liabilities denominated in foreign currencies and has no exposure to loss arising from movements in exchange rates.

## Note 22 Inventories

The total value of stocks at 31 March 2019 was £40k (£31k at 31<sup>st</sup> March 2018), representing fuel, vehicle maintenance spares, trade waste bins and refuse sacks. These are valued at cost due to the high turnover nature of the items concerned providing a very close approximation to the current value at the Balance Sheet date.

# Notes to Core Financial Statements

## Note 23 Debtors

The short-term debtors here are net of provisions for bad and doubtful debts - see Note 25 below.

Debtors (net of any provisions for bad or doubtful debts)	31 <sup>st</sup> March	31 <sup>st</sup> March	Note
	2018	2019	
	£000s	£000s	
Central Government Bodies	113	594	2
Other Local Authorities	1,501	1,277	
Other entities and individuals	Council Tax	300	318
	Retained Business Rates	110	86
	Advance Payments	524	640
	Sundry Trade Debtors	1,227	952
	2,161	1,996	23, 25
<b>Net Balance at 31st March</b>	<b>3,775</b>	<b>3,867</b>	

## Note 24 Short-term Investments, Cash and Cash Equivalents

Short Term Investments and Cash & Cash Equivalents	31 <sup>st</sup> March	31 <sup>st</sup> March	Note
	2018	2019	
	£000s	£000s	
Bank Deposits - access under 3 months	3,750	4,570	
Bank Deposits - access 3 to 6 months			
Bank Deposits - access 6 to 12 months	1,500	1,500	
Other Local Authorities - access less than 3 months	-	-	
<b>Short-term Investments at 31st March</b>	<b>5,250</b>	<b>6,070</b>	20a & 20c
Bank Deposits - instant access	2,088	3,887	
Cash in Hands of Officers	1	1	
<b>Cash and cash equivalents at 31st March</b>	<b>2,089</b>	<b>3,888</b>	20a,20c,35b

## Note 25 Impairment Losses

Impairment losses/(reversals) on property, plant and equipment, investment properties and intangible assets are disclosed in Note 17 and 18 respectively.

The Council also makes provision for the impairment of long-term and short-term debtors, as shown in Notes 19 and 23, based on historical default experience adjusted for the current market conditions as disclosed in Note 20.

The table below shows a large provision for doubtful long-term debts. This is in relation to the East Lancs Empty Homes Scheme and represents the balance of the renovation loans at 31<sup>st</sup> March 2019 on properties which are expected to be returned to owners early.

Impairment Losses (see Notes 20 & 24)	Long Term	Council	Business	Sundry	Total	Note
	Debts	Tax	Rates	Debts	Current	
	£000s	£000s	£000s	£000s	Debts	
					£000s	
<b>Balance at 1st April 2017</b>	(889)	(498)	(456)	(1,491)	(2,445)	
Provisions Made	(52)	19	-	(483)	(464)	
Provisions Utilised	-	2	55	25	82	
<b>Balance at 31st March 2018</b>	<b>(941)</b>	<b>(477)</b>	<b>(401)</b>	<b>(1,949)</b>	<b>(2,827)</b>	19 & 23
Provisions Made	-	(70)	(91)	(132)	(293)	
Provisions Utilised	-	57	46	118	221	
<b>Balance at 31st March 2019</b>	<b>(941)</b>	<b>(490)</b>	<b>(446)</b>	<b>(1,963)</b>	<b>(2,899)</b>	19 & 23
Debt outstanding 31st March 2019	1,690	808	532	2,915	4,255	19 & 23
Debt outstanding 31st March 2018	1,908	777	511	3,187	4,475	19 & 23

## Notes to Core Financial Statements

### Note 26 Assets Held for Sale

Current Assets held for sale	2017/18 £000s	2018/19 £000s	Note
Balance at 1st April	60	48	
Assets reclassified to/(from) PPE	120	2,890	14
Revaluation gains/(losses) to the Revaluation Reserve	(12)	-	32b
Depreciation for the year- to Provision of Services	-	(1)	
Write out NBV of Assets sold - from Revaluation Reserve	(120)	-	32a
<b>Balance at 31st March</b>	<b>48</b>	<b>2,937</b>	

### Note 27 Creditors

Creditors	31 <sup>st</sup> March 2018 £000s	31 <sup>st</sup> March 2019 £000s	Note
Central Government Bodies	942	2,721	
Other Local Authorities	101	196	20a, 20c
Bodies external to government			
Advance Receipts: Council Tax	87	97	
Advance Receipts: Retained Business Rates	59	119	
Advance Receipts: Others	305	335	20a, 20c
Employee Benefit Expenses	43	43	20a, 20c
Sundry Trade Creditors	2,033	1,943	20a, 20c
<b>Balance at 31st March</b>	<b>3,570</b>	<b>5,454</b>	

### Note 28 Borrowing

Following the budget setting in February 2010, a loan of £4.6m was taken out from the PWLB over a life of 25 years at 4.49% to support the costs of the Council's capital spending, including the planned investment resulting from the Leisure Services Review. Repayment of this loan is based on equal instalments of principal at £184k per annum. See the Financial Instruments Note 20.

PWLB Borrowing	31 <sup>st</sup> March 2018 £000s	31 <sup>st</sup> March 2019 £000s	Note
Repayable in less than 12 months	184	184	
Repayable between 1 and 2 years	184	184	
between 2 and 5 years	552	552	
between 5 and 10 years	920	920	
in 10 years or more	1,288	1,104	
<b>Balance at 31st March</b>	<b>3,128</b>	<b>2,944</b>	20a, 20c

### Note 29 Provisions

Provisions	31st March 2018 £000s	Provisions		31 <sup>st</sup> March 2019 £000s	Note
		Made £000s	Utilised £000s		
Stubbylee Park Provision	10	-	-	10	
Facilities Provisions	19	33	-	52	
Empty Homes Renovation Provision	345	18	(214)	149	
Corporate Services	391	8	(92)	307	
Other Provisions	8	51	(2)	57	
<b>Short Term Provisions</b>	<b>773</b>	<b>110</b>	<b>(308)</b>	<b>575</b>	
Business Rate Appeals Provision	827	-	(80)	747	CF4
<b>Long Term Provisions</b>	<b>827</b>	<b>-</b>	<b>(80)</b>	<b>747</b>	
<b>Total Provisions</b>	<b>1,600</b>	<b>110</b>	<b>(388)</b>	<b>1,322</b>	

## Notes to Core Financial Statements

### Note 30 Short-term Grant Receipts in Advance

This account holds the movements between capital grants received and those recognised through the CIES when the grant conditions have been met.

During 2017/18 a new grant of £3,421k was received in advance from Lancashire County Council towards the construction of the new bus station element of the Spinning Point Phase 1 project. The demolition phase has now concluded and renovation of the old Town Hall finished in December 2018. Construction of the new bus station began in January 2019.

Short-term Capital Grant Receipts in Advance	31 <sup>st</sup> March 2018 £000s	31 <sup>st</sup> March 2019 £000s	Note
<b>HCA East Lancs Empty Homes Grant</b>			
Balance Brought forward	279	200	
Grant received/(repaid) in the year	127	(200)	
Amounts recognised into the CIES (conditions met)	(206)	-	32b
	200	-	
<b>LCC Grant for Spinning Point Phase 1</b>			
Balance Brought forward	-	3,420	
Grant received/(repaid) in the year	3,420	-	
Amounts recognised into the CIES (conditions met)	-	(500)	32b
	3,420	2,920	
<b>Balance at 31st March</b>	<b>3,620</b>	<b>2,920</b>	

### Note 31 Usable Reserves

The overall movements in the Council's Usable Reserves can be seen in the Movement in Reserves Statement. Further details on the movements in the individual Earmarked Reserves and Capital Grants Unapplied accounts can be found below, along with greater explanation of the activity on the Usable Capital Receipts Reserve.

#### Note 31a - Earmarked Reserves

Transport Reserve – Historic valuation of the Council's shares in Rossendale Transport Ltd. This reserve was extinguished as part of the sale of the Transport Company shares in January 2018.

Employment & Transport Reserve – re future investment in transport and employment opportunities.

Pension Fund Reserve – To meet future pension fund liabilities in respect of former housing services.

Economic Regeneration Reserve – Funds such as Local Authority Business Growth Incentive Scheme (LABGIS) grants held for future investment in specific regeneration schemes.

Leisure Reserve – This reserve had been held to meet any potential requirement to underwrite the Balance Sheet of Rossendale Leisure Trust, and the majority was used for this purpose in 2016/17 (see Note 11)

Directorate Investment Reserve – This reserve holds unspent budgets future one-off revenue projects.

Directorate Operational Reserve – This reserve holds funds set aside for ongoing or incomplete revenue projects where there is no contractual obligation but member approval has been granted.

Homelessness Reserve – This reserve holds funds for supporting ongoing and future projects to tackle homelessness within Rossendale.

Vehicle Reserve – To support vehicle maintenance costs and the rolling replacement programme. Contributions were withheld in 2017/18 and 2018/19 when delays in replacing older vehicles meant higher maintenance costs. (see the Narrative Report page 16)

Transitional Reserve – This reserve is to support the Council in its medium-term financial strategy.

Bacup Townscape Heritage Initiative Reserve – This reserve was established in 2013/14 to hold the Council's £400k matched funding resources for this £2.5m scheme which should end during 2019/20.

## Notes to Core Financial Statements

Individual Registration Reserve – Individual electoral registration implementation began in summer 2014 and this reserve was established to hold grant funds received during 2013/14 to be matched against costs as they arose over the subsequent years. A further £21k was received in 2018/19.

Business Rates Retention Reserve – Following the localisation of non-domestic rates in April 2013, this reserve was established with the additional grant received for Small Business Rate Relief to support any future volatility of this new resource stream. The balance on this reserve will also be required to support the deficit on the Collection Fund Adjustment Account. Under the timings permitted by the Code each year's surplus or deficit will not impact on the CIES until the following year.

Planning Strategy Reserve – This reserve is to cover the costs of public scrutiny associated with reviews of planning strategy in the future.

Tourism Strategy Reserve – Since the Tourism Officer post was disestablished in 2011/12, monies have been set aside to allow the Council to support various events/ activities.

Haslingden Regeneration Reserve – The Council has previously set aside £100k to provide pump-priming funds for the wider regeneration of Haslingden.

Earmarked Reserves	Balance 31 <sup>st</sup> March 2018	Income & Transfer to Reserves	Transfers between Reserves	Utilised from Reserves	Balance 31 <sup>st</sup> March 2019	Note
	£000s	£000s	£000s	£000s	£000s	
Employment & Transport	1,157	-	-	(85)	1,072	
Leisure Reserve	64	-	-	-	64	
Directorate Investment	5	17	-	(1)	21	
Directorate Operational Reserves	276	68	-	(20)	324	
Homelessness	105	63	-	-	168	
TCA - Living Well, Living Better	75	-	-	(14)	61	
Vehicle Repairs & Replacement	230	-	-	-	230	
Transitional Reserve	2,767	1,032	-	(1,479)	2,320	
Bacup THI	72	-	-	(47)	25	
Individual Registration	31	21	-	-	52	
Business Rates Retention	1,082	1,058	-	(800)	1,340	
Planning Strategy	194	80	-	(31)	243	
Tourism Strategy	45	-	-	-	45	
Haslingden Regeneration	63	-	-	(11)	52	
	<b>6,166</b>	<b>2,339</b>	<b>-</b>	<b>(2,488)</b>	<b>6,017</b>	MiR



# Notes to Core Financial Statements

## Note 31b - Capital Receipts Reserve

These are capital receipts (net of asset values) which have not yet been used to finance capital expenditure or repay debt.

Usable Capital Receipts Reserve	2017/2018	2018/2019	Note
	£000s	£000s	
Balance at 1st April	1,762	2,480	
Capital receipts in year			
Sale of Assets	2,815	160	13
Other Income	572	1,813	13
Capital receipts used to fund capital expend	(2,669)	(1,976)	13,17a,32b
Legal Costs of Sale	-	(10)	15
Payments to capital receipts pool	-	-	15
<b>Non Empty Homes sub-total</b>	<b>2,480</b>	<b>2,467</b>	
<b>Empty Homes</b>			
Balance at 1st April	-	-	
Capital receipts in year			
Other income	375	293	13
Capital receipts used to fund capital expend	(375)	(291)	13,17a,32b
<b>Empty Homes sub-total</b>	<b>-</b>	<b>2</b>	
<b>Balance at 31st March</b>	<b>2,480</b>	<b>2,469</b>	

## Note 31c - Capital Grants Unapplied Account

Capital grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with. This account holds the balance of grants unapplied at year-end. The Regional Housing Grant was used to support renovation costs of the Empty Homes Scheme during 2017/18.

Capital Grants Unapplied Account	Balance 31 <sup>st</sup> March 2018	Grants Received	Grants Applied	Balance 31 <sup>st</sup> March 2019	Note
	£000s	£000s	£000s	£000s	
Communities for Habitats	25	-	(25)	-	
Disabled Facilities Grants	708	1,065	(890)	883	7
Homelessness Grants	69	-	(16)	53	
Domestic Abuse Grant	36	-	(29)	7	7
Transforming Lives Grant	41	-	(41)	-	7
Hoarding Project Grant	11	-	(8)	3	7
	<b>890</b>	<b>1,065</b>	<b>(1,009)</b>	<b>946</b>	MiR



# Notes to Core Financial Statements

## Note 32 Unusable Reserves

### 32a Revaluation Reserve

In accordance with the Statement of Recommended Practice, from 1st April 2007 the Revaluation Reserve contains unrealised revaluation gains, net of depreciation and disposals on that revaluation amount, on a strict per-asset basis. This Reserve is matched by fixed assets within the Balance Sheet. It does not represent resources available to the authority. Accumulated gains arising before the 1<sup>st</sup> April 2007 were consolidated into the balance on the Capital Adjustment Account.

Revaluation Reserve	2017/2018 £000s	2018/2019 £000s	Note
Balance at 1st April	11,856	11,233	
Surplus/(Deficit) on revaluation of assets in the year			
Property, Plant & Equipment	(438)	(242)	17
Value of assets disposed of in the year	-	-	15, 28, 35b
Depreciation in the year	(105)	(158)	15,17,18,35b
(Impairments)/Impairment Reversals in the year	(80)	582	15 & 17
<b>Balance at 31st March</b>	<b>11,233</b>	<b>11,415</b>	

### 32b Capital Adjustment Account

In accordance with the CIPFA Code of Practice the Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls mechanism.

In the main this account holds the gains on historical revaluations of the assets still held by the Council, depreciated over the life of the assets. It is managed as a total figure, not on a per-asset basis, and does not represent cash resources available to the authority.

Capital Adjustment Account	2017/2018 £000s	2018/2019 £000s	Note
Balance at 1st April	9,200	10,910	
Revenue and Capital Receipts used to finance capital			
Revenue Contributions	410	149	13 & 17
Useable Capital Receipts	2,592	1,976	13, 17, 31b
Capital Grants and Contributions	1,155	1,317	13 & 17
Losses on Revaluation of assets			
Property, Plant & Equipment	(608)	(345)	13, 14a
Write off NBV of disposals (net of Revaluation Reserve)	(33)	(26)	13,14,26,32a
Minimum Revenue Provision for repayment of debt	604	1,271	13 & 17
Depreciation of Property, Plant and Equipment	(808)	(983)	13,14,15,32a
Amortisation of Intangible Assets	(70)	(41)	13 & 16
Impairment of Property, Plant & Equipment assets	(234)	(202)	13 & 14
Revenue Expenditure funded from Capital under statute	(1,298)	(1,927)	13 & 17
<b>Non Empty Homes sub-total</b>	<b>10,910</b>	<b>12,099</b>	
<b>Empty Homes</b>			
Balance at 1st April	(1,371)	(743)	
Revenue and Capital Receipts used to finance capital			
Revenue Contributions	575	(153)	13 & 17
Useable Capital Receipts	-	-	13, 17, 31b
Capital Grants and Contributions	212	-	30
Revenue Expenditure funded from Capital under statute	(159)	290	13 & 17
<b>Empty Homes sub-total</b>	<b>(743)</b>	<b>(606)</b>	
<b>Balance at 31st March</b>	<b>10,167</b>	<b>11,493</b>	

## 32c Deferred Capital Receipts Account

In the past Deferred Capital Receipts held the amounts of mortgages for former council house tenants falling due in future years. The last such mortgage ended in November 2013.

The balance of £1,558k at 31<sup>st</sup> March 2019 (£1,770k at March 2018) pertains solely to the value of renovation loans on the East Lancs Empty Homes properties and as such it mirrors the loan values shown in the Long Term Debtors at Note 19.

Deferred Capital Receipts Account	31 <sup>st</sup> March 2018 £000s	31 <sup>st</sup> March 2019 £000s	Note
<b>East Lancs Empty Homes Scheme Loans</b>			
Balance at 1st April	2,076	1,770	19
New Deferred Receipts	69	81	19
Amounts received	(375)	(293)	20, 31b
<b>Balance at 31st March</b>	<b>1,770</b>	<b>1,558</b>	19

## Note 33 Local Government Pension Scheme – a defined benefit scheme

The following note explains the terms and conditions of the retirement benefits of the Council officers and other employees. 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 the employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme administered by Lancashire County Council – this is a funded 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. The Narrative Statement explained that, the scheme underwent a full valuation in March 2016 which was reported in December 2016 and first impacted upon the Council’s Pension Scheme Liabilities and Pension Reserve in the Consolidated Balance Sheet as at the 31st March 2017.

As explained in the Narrative Report on page 18, following the valuation the Council also decided to consolidate the Rossendale Transport Ltd element of the LCC Pension Fund with its own. This can be seen in the notes below referred to as ‘Business Consolidations’.

### Changes to Scheme Valuation and Presentation

In December 2006 the Accounting Standards Board (ASB) made a number of changes to the FRS 17 accounting standard. In the main these related to the presentation of the figures and disclosures below rather than the underlying calculations themselves. However, they did also include a requirement for most assets to be valued at “realisable values” (i.e. bid values), as opposed to the previous requirement of “fair values” (in effect, mid-market values).

### 33a - Present Net Value of Scheme

The underlying assets and liabilities attributable to Rossendale Borough Council at 31st March were:-

Scheme History	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	Note
Scheme Liabilities at 31 <sup>st</sup> March	(84,178)	(80,607)	(100,932)	(98,446)	(105,060)	33b
Scheme Assets at 31 <sup>st</sup> March	50,127	50,854	67,318	68,271	74,960	33c
<b>Net Scheme Assets/(Liabilities)</b>	<b>(34,051)</b>	<b>(29,753)</b>	<b>(33,614)</b>	<b>(30,175)</b>	<b>(30,100)</b>	



## Notes to Core Financial Statements

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total net liability of £30.1m impacts on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

In his budget statement on 22 June 2010, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which had been the practice in the past. As a result, future pension increases under the Lancashire County Pension Fund are expected to be slightly lower, on average, than would have been the case if this change had not been made. The precise financial effect has been taken into account in the IAS19 figures shown in note 33f.

### 33b - Present Value of Scheme Liabilities

The following table reconciles the opening and closing values of the scheme liabilities.

Scheme Liabilities	2017/18 £000s	2018/19 £000s	Note
Scheme Liabilities as at 1 <sup>st</sup> April	100,932	98,446	
Current Service Cost	1,319	1,240	33f
Interest on Pension Liabilities	2,484	2,521	33f
Member Contributions	256	256	
Remeasurement of liabilities	(3,084)	5,807	33f
Curtailments	-	-	33f
Benefits/transfers paid	(3,461)	(3,210)	
<b>Scheme Liabilities as at 31<sup>st</sup> March</b>	<b>98,446</b>	<b>105,060</b>	33a

Of the above liabilities there is an unfunded element, for which the value at 31<sup>st</sup> March 2019 was £2,282k (£2,269k at 31<sup>st</sup> March 2018).

### 33c - Present Value of Scheme Assets

The following table reconciles the opening and closing values of the scheme assets.

Scheme Assets	2017/18 £000s	2018/19 £000s	Note
Scheme Assets as at 1 <sup>st</sup> April	67,318	68,271	
Interest on plan assets	1,726	1,818	33f
Remeasurement of assets	753	6,166	33g
Administration expenses	(19)	(20)	33f
Employer contributions	1,698	1,679	33f
Member contributions	256	256	
Benefits/transfers paid	(3,461)	(3,210)	
<b>Scheme Assets as at 31<sup>st</sup> March</b>	<b>68,271</b>	<b>74,960</b>	33a & 33d

# Notes to Core Financial Statements

## 33d - Major Categories of Scheme Assets

Scheme Assets	31st March 2018		31st March 2019		Note
	£000s	%	£000s	%	
Bonds	2,895	4.2%	3,514	4.7%	33c
Property	6,421	9.4%	6,986	9.3%	
Alternatives	59,242	86.8%	64,023	85.5%	
Cash & Cash equivalents	(287)	-0.4%	437	0.6%	
<b>Total Scheme Assets</b>	<b>68,271</b>		<b>74,960</b>		

## 33e - Scheme Membership

The membership of the scheme was as follows:-

Scheme Membership	31st March 2018	31st March 2019
Active Members	153	153
Deferred Members	254	240
Pensioners	422	429
Spouses / dependents	125	115

## 33f - Comprehensive Income and Expenditure Account

Authorities recognise the cost of retirement benefits in the Comprehensive Income and Expenditure Statement 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 that the real cost of retirement benefits is reversed out of the in the Movement in Reserves Statement and replaced with the cash paid in the year.

The table below shows transactions within the Comprehensive Income and Expenditure Statement and the corresponding adjustments made in the Movement in Reserves Statement.

Reconciliation of the movement in the Pension Fund Reserve	2017/18 £000s	2018/19 £000s	Note
<b>Comprehensive Income and Expenditure Statement</b>			
Net Costs of Services - Current Service Cost	1,319	1,240	33b
Financing and Investment Income and Expenditure			
Interest cost	2,484	2,521	33b
Expected return on assets in the scheme	(1,726)	(1,818)	33c
Administration expenses	19	20	33c
<b>Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,096</b>	<b>1,963</b>	
<b>Other Comprehensive Income and Expenditure</b>			
Actuarial (gains)/losses	(3,837)	(359)	33g
<b>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(1,741)</b>	<b>1,604</b>	
<b>Movement in Reserves Statement</b>			
Reverse net charges for retirement benefits in accordance with the Code	(2,096)	(1,963)	13 & 33a
<b>Actual charge to the General Fund Balance in the year</b>			
Employer's contributions payable to the scheme	1,698	1,679	13 & 33a

## Notes to Core Financial Statements

### 33g – Re-measurement impacts in the Other Comprehensive Income & Expenditure Statement

Remeasurement Gains/(Losses)	2017/18 £000s	2018/19 £000s	Note
Experience gains/(losses)	-	-	
Gains/(losses) on financial assumptions	(3,084)	5,807	
Gains/(losses) on demographic assumptions	-	-	
Remeasurement of Liabilities gains/(losses)	(3,084)	5,807	33b
Remeasurement of Assets gains/(losses)	(753)	(6,166)	33c
<b>Net Actuarial gains/(losses) in current year</b>	<b>(3,837)</b>	<b>(359)</b>	

### 33h – Actual gains and losses on plan assets

The actual gains measured against experience gains/(losses) in the year can be seen in the following table, along with the relevant percentages of period-end assets and liabilities which these values represent:

Actual Gains/(Losses)	2017/18		2018/19		Note
	£000s	%	£000s	%	
Actual Return on Plan Assets	2,479	16.6%	7,984	10.7%	

### 33i - Actuarial Assumptions

The Borough Council fund liabilities and assets have been assessed by Mercer Human Resource Consulting, an independent firm of actuaries, and their estimates have been based on the latest full valuation of the scheme as at 31st March 2016 which was published in December 2016. The main assumptions used in their calculations at the beginning and end of the year are shown below, with an effective date of 31<sup>st</sup> March 2019.

The 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.

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion with their expected rates of return at the beginning and end of the year:



# Notes to Core Financial Statements

Actuarial Assumptions	Beginning of Period %	End of Period %
<b>Duration information as at the end of the accounting period</b>		
Estimated Macaulay duration of liabilities	14 yrs	14 yrs
Duration profile used to determine assumptions	Retired	Retired
<b>Financial Assumptions</b>		
Rate of CPI inflation	2.10%	2.30%
Rate of increase in salaries	3.60%	3.80%
Rate of increase in pensions	2.20%	2.40%
Discount rate	2.60%	2.40%
<b>Post retirement mortality assumptions</b>		
Non-retired members (retiring in the future in normal health)	S2PA CMI_2015_1.5% (98% M, 89% F)	S2PA CMI_2015_1.5% (98% M, 89% F)
Current pensioners (retired in normal health)	S2PA CMI_2015_1.5% (99% M, 93% F)	S2PA CMI_2015_1.5% (99% M, 93% F)
<b>Life expectancy</b>		
of a male (female) future pensioner aged 65 in 20 yrs	25 (28) yrs	25.1 (28.2) yrs
of a male (female) current pensioner aged 65	22.7 (25.4) yrs	22.8 (25.5) yrs
<b>Takeup of option to convert annual pension into lump sum at retirement</b>	50% take maximum cash, 50% take 3/80ths cash	
<b>Market value of total fund assets</b>		
	£6,036m	£7,621m
Last actuarial valuation	bid value at	bid value at
31st March 2016	31st March 2018	28th February 2019

## 34j – Sensitivity Analysis of Actuarial Assumptions

Under IFRS the assumptions made by the actuary must be submitted to a sensitivity analysis. Below are the main assumptions used by the actuary and the effects on the pension fund accounts if those assumptions changed.

Sensitivity analysis based on assumptions as at 31st March 2018	Central Estimates for 2019/20 £000s	Sensitivity 1	Sensitivity 2	Sensitivity 3	Sensitivity 4	Note
		+ 0.1% p.a. discount rate £000s	+ 0.1% p.a. inflation £000s	+ 0.1% p.a. salary inflation £000s	+ 1 yr to member's life expect £000s	
Liabilities	105,060	103,565	106,577	105,194	107,211	
Assets	(74,960)	(74,960)	(74,960)	(74,960)	(74,960)	
Deficit/(Surplus)	30,100	28,605	31,617	30,234	32,251	
Projected current service cost	1,386	1,349	1,425	1,386	1,415	33k
Projected net interest cost	702	693	740	706	755	33k
Projected Employer contributions	(1,740)	(1,740)	(1,740)	(1,740)	(1,740)	33k

# Notes to Core Financial Statements

## 33k – Budgeting figures used in the Assumptions

Budgets used in assumptions for following year	2017/18 £000s	2018/19 £000s	Note
<b>Projected Pension cost next year</b>			
Estimated Pay	3,879	3,911	
Service Cost (% of pay)	31.3%	35.0%	
Implied Service Cost including interest	1,230	1,386	33j
Net Interest Cost	762	702	33j
Administration Expenses	19	20	
	<b>2,011</b>	<b>2,108</b>	

### Note 34 Contingent Assets & Liabilities

There are no known contingent assets or liabilities.



# Notes to Core Financial Statements

## Note 35 Cash Flow notes

### Note 35a Reconciliation of Revenue Surplus to Net Cash Flow

Reconciliation of I&E Surplus to Net Cash Flow from revenue activities	RBC		Note
	31st March 2018 £000s	31st March 2019 £000s	
<b>Adjustments for non-cash movements</b>			
Depreciation and Impairments	1,227	1,343	13
Amortisation of Intangible Assets	70	41	13
Revaluation losses charged to Revenue	528	(332)	
Carrying amount of non-current assets sold	(732)	(72)	13, 14, 26
Pension Fund Adjustment	349	285	13 & 33f
<b>Adjustments between accruals and cash accounting</b>			
(Incr)/Decr in Long Term Debtors	1,550	218	19
(Incr)/Decr in Inventories	(7)	(9)	22
(Incr)/Decr in Debtors	(981)	(104)	23
Adjusted for Cash (Outflows)/Inflows - agency operations	606	(1,006)	
Incr/(Decr) in Creditors	(948)	1,884	27
Incr/(Decr) in Grant Receipts in Advance	3,341	(700)	30
Incr/(Decr) in Short-term Provisions	254	(198)	29
Incr/(Decr) in Long-term Provisions	(178)	(80)	29
<b>Adjust net surplus or deficit on the provision of services for non-cash movements</b>	<b>5,079</b>	<b>1,270</b>	
<b>Adjustments for investing and financing activities</b>			
Additions to PPE & intangible assets	-	325	13 & 32b
Proceeds from the sale of PPE	(6,136)	(150)	13 & 31b
Other income	572	2,108	13 & 32c
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>	<b>(5,564)</b>	<b>2,283</b>	

Following the sale of the shares in Rossendale Transport Ltd in January 2018, the Council no longer prepares Group Accounts.

### Note 35b Net Change in Liquid Resources

Net change in liquid resources	31 <sup>st</sup> March 2018 £000s	31 <sup>st</sup> March 2019 £000s	Movement £000s	Note
Cash in Hand	1	1	-	
Cash at Bank	2,088	3,887	1,799	20a, 20c, 24
<b>Net Book Value at 31st March</b>	<b>2,089</b>	<b>3,888</b>	<b>1,799</b>	24



# Notes to Core Financial Statements

## Note 36 Accounting Policies

### Accounting Concepts & Principles

This Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the end of the year of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which required the Accounts to be prepared in accordance with the proper accounting practices. These practices are primarily comprised of the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) supported by International Financial Reporting Standards (IFRS).

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

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

### Revenue Recognition

Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchase 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.

### Accruals of Expenditure & Income

Under the accruals principle the Comprehensive Income & Expenditure Statements matches expenditure relating to the production of goods or delivery of services during the financial period with the income to finance those goods and services, regardless of whether the cash transactions have taken place. Income due at the year-end pertaining to services provided are shown in the Balance Sheet as debtors and payments due for goods and services received but not paid for are shown as creditors. The Cash Flow Statement and its Notes reconcile the expenditure and income on an accruals basis with the true cash inflows and outflows during the financial period.

Further details of the Council's expenditure and income on provision of services for the year can be found in the segmental reporting analysis in the Explanatory Foreword.

### Employee Benefit Expenses – Notes 13 and Note 33

The code has interpreted IAS 19 *Employee Benefits* and confirmed that local authorities should account for:

- benefits payable during employment,
- termination benefits
- post-employment benefits
- pension fund accounts

Short-term benefits to be accrued for include:

- wages, salaries and social security contributions
- short-term compensated absences
- bonuses and similar payments
- non-monetary benefits

Full details of Employee Benefits, including exit packages, paid during employment are shown at Note 13. Accruals for short-term compensated absences, calculated per employee at each year-end, are also shown as a separate item within the Creditors at Note 27.

## Pensions – Note 33

The requirements of IAS 19 in relation to post-employment benefits, ie pensions, have been fully incorporated into the Comprehensive Income & Expenditure Statement with actuarial gains and losses being recognised in Other Comprehensive Income and Expenditure, as Note 33 explains in detail.

Under local government finance legislation local authorities in England are required not to charge to revenue expenditure amounts in respect of liabilities for retirement benefits, but instead to maintain a Pension Reserve to which the pension liabilities are charged.

The amount charged to the General Fund for providing pensions for employees is the amount payable in the year. Where this amount does not match the amount charged to the Surplus or Deficit on the Provision of Service in the Comprehensive Income and Expenditure Statement, the Code stipulates that the difference is taken to the Pension Reserve.

Rossendale Borough Council participates in the Local Government Pension Scheme administered by Lancashire County Council. More details about this scheme and its valuations can be found in Note 33 and the Explanatory Foreword.

## Interest – Note 20b

Interest paid on external borrowings is accrued in the accounts of the period to which it relates and interest earned on the external investment of surplus funds is credited to the General Fund using the effective interest method as set out in the Code.

## Operations acquired or discontinued - Note 4

Note 4 explains the sale of the Council's shares in Rossendale Transport Ltd during 2017/18.

## Value Added Tax

VAT incurred by the Council on goods and service it procures is fully recoverable from HM Customs & Revenue, except in certain exceptional cases. Consequently, all expenditure shown in the Comprehensive Income & Expenditure Statement excludes VAT.

Where the Council charges for goods and services which are subject to VAT, the income included in the Comprehensive Income & Expenditure Statement is shown excluding the VAT element which must be passed on to HM Customs and Revenue.

Due to the nature of local government services the net position of VAT payable and recoverable generally results in a debtor in the Balance Sheet.

## Cost of Support Services (Overheads)

Since the amendments in the 2016/17 Code in relation to the presentation of the CIES in a format comparable to the operational management structure, the allocation of central support services have been removed. Note 1 provides a reconciliation for the removal of such internal market charges from the original budgets and the monitoring reports throughout the year.

## Principal and Agent transactions

Where an authority is acting as a principal transactions shall be included in the authority's financial statements. However, where authorities act as agents transactions shall not be reflected in an authority's financial statements, with the exception in respect of cash collected or expenditure incurred by the agent on behalf of the principal, in which case there is a debtor or creditor position and the net cash position is included in financing activities in the Cash flow Statement. This Council acts as an agent for the collection of council tax and non-domestic rating income.



# Notes to Core Financial Statements

## Non-domestic Rates - Notes 6 and the Collection Fund

The localisation of non-domestic rates was introduced in April 2013, under which this council collects business rates on behalf of itself, central government and other major preceptors on an agency basis.

Top-up income receivable and tariff expenditure payable, as well as safety net income and levy expenditure payable are recognised by the authority in the Comprehensive Income and Expenditure Statement on an accruals basis in the line item Taxation and Non-Specific Grant income and Expenditure. On 1st April 2016 Rossendale became a part of the Lancashire-wide Business Rates Pool and so no safety net or levy will be applicable from this date. More information is within Notes 23, 27 and 29 and the Collection Fund.



## Landfill Allowances Scheme and Carbon Reduction Commitment

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities to reduce the amount of biodegradable municipal waste disposed of into landfill sites. Rossendale Borough Council, as waste collection authority for the borough, was a partner in a cost-share agreement until 31<sup>st</sup> March 2018 with Lancashire County Council, who are the disposal authority for this area.

Rossendale Borough Council operated within its allocated landfill allowances under the cost-share agreement during the reporting periods covered by these statements. As a result, confirmation was received from Lancashire County Council that no charges would be incurred in the 2018/19 financial year.

Whilst this authority is too small to be subject to the Carbon Reduction Commitment Scheme, members have taken the view that investing in solar panels will reduce both annual energy costs and environmental impacts in the future.

## Property, Plant and Equipment – Note 14

Local authorities now account for tangible fixed assets in accordance with IAS 16 *Property, Plant and Equipment*. Property, plant and equipment are tangible assets (ie assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one accounting period. These assets are further classified as follows:

- Operational land and buildings,
- Operational plant, furniture, equipment, and motor vehicles.
- Infrastructural assets which are the fixed utility systems, and
- Community assets.
- Surplus assets – held for future regeneration opportunities

### Recognition and Measurement

Under IAS 16 property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses. However, for the public sector the following adaptations have been applied:

- Infrastructure, community assets and assets under construction (excluding investment properties) are measured at historical cost. Historical cost is deemed to be the carrying amount of an asset at 1<sup>st</sup> April 2007 or at the date of acquisition, whichever is the later, and adjusted for subsequent depreciation or impairment (if applicable).
- All other classes of assets are measured at fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length

transaction. Fair value for land and buildings is interpreted as the amount that would be paid for the asset in its existing use, in accordance with UK Policy Statement (UKPS) 1.3 of the valuation standards issued by The Royal Institution of Chartered Surveyors (RICS)

- Where there is no market-based evidence of fair value because of the specialist nature of an asset, or such assets are rarely sold, the Council may need to estimate fair value using a depreciated replacement cost approach, accounting for all physical deterioration and all relevant forms of obsolescence and optimisation.

Cost is defined as the cash or cash equivalents paid in relation to:-

- the acquisition, reclamation, enhancement or laying out of land;
- the acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures, including insulation works and disabled adaptations;
- the acquisition, installation or replacement of movable or immovable plant, machinery, vehicles, apparatus or vessels;

All expenditure on the acquisition, creation or enhancement of assets is capitalised on an accruals basis in the accounts, provided that the asset yields benefits to the authority and the services it provides for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to provision of services within the Comprehensive Income and Expenditure Statement.

## Revaluation

Revaluations of fixed assets are undertaken by professionally qualified valuers on a five year rolling basis. Any unrealised gains on revaluation are shown in the Comprehensive Income & Expenditure Statement then removed in the Movement in Reserves Statement to the Revaluation Reserve on the Balance Sheet. In accordance with the updated Code the revaluation programme has reviewed £10,490k of the Council's assets during 2018/19 and Note 14c provides an analysis of the current valuation basis for each type of asset held by the Council.

Revaluation gains are depreciated in line with the asset to which they relate. Future revaluation losses are matched against any balance in the Revaluation Reserve in the first instance on a strict per-asset basis, with the remaining balance being transferred to the Capital Adjustment Account.

## Impairment

In accordance with IAS 36 *Impairment of Assets*, an impairment review is undertaken at the end of each accounting period and material changes to asset valuations are adjusted as they occur. Impairment loss on a re-valued asset is recognised in the Revaluation Reserve to the extent that the impairment does not exceed the balance in the Revaluation Reserve for that asset and thereafter as a cost to the provision of services in the Comprehensive Income & Expenditure Statement.

However, the Code stipulates that impairments do not impact on the council tax, hence an adjusting transaction can be found in the Movement in Reserves Statement (see workings at Note 13).

## Depreciation

Depreciation is provided for on all operational assets with a finite useful life (which can be determined at the time of acquisition or revaluation over the useful life of the asset) using the straight-line method calculated on a daily basis.

Charges for depreciation cover buildings, vehicles, plant, furniture and equipment. Infrastructure, community assets and surplus non-operational assets are not depreciated each year but measured at historical cost.

Depreciation is charged to the Comprehensive Income and Expenditure Statement as a cost of the provision of services. As with impairments, the Code stipulates that depreciation does not impact on the council tax, hence an adjusting transaction can be found in the Movement in Reserves Statement (see workings at Note 13).

# Notes to Core Financial Statements

## Component Accounting

Where the asset comprises two or more major components with substantially different useful economic lives, each component should be accounted for separately for depreciation purposes and depreciated over its individual useful life. Componentisation was introduced officially from 1<sup>st</sup> April 2010 without retrospective applications, therefore component elements have been considered as assets are professionally revalued within the 5-year rolling programme. However, the major components of land and buildings have already been separated for many years, with no depreciation being applied to the land element.

## Community Assets – Included within Note 14

The Code defines Community Assets are those which an authority intends to hold in perpetuity, that have no determinable useful life and which may, in addition, have restrictions on their disposal. At Rossendale classification of Community Assets includes the 4 cemeteries, the Whitaker Park Museum and some parks and recreation areas which have been gifted to the Council with restrictions on their disposal.

## Heritage Assets – Included within Note 14

Authorities account for heritage assets under the requirements of FRS30 *Heritage Assets*.

A tangible heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. An intangible heritage asset is an intangible asset with cultural, environmental or historical significance, including such items as recordings of significant historical events. For ease of presentation, details are alongside Property, Plant and Equipment at Note 14.

## Recognition and Measurement

For Rossendale Borough Council Heritage Assets include the Panopticon in Haslingden and the war memorials across the borough as well as civic regalia and exhibits at Whittaker Park Museum.

Where heritage assets are purchased or costs capitalised, these assets are now valued on a historic cost basis. This has occurred in examples such as the creation of the Panopticon. However, for historic assets where it is not possible to obtain a cost value commensurate with the benefit to users of the financial statements, the Council is entitled to use any method it deems appropriate and relevant. For the items of civic regalia and the exhibits at Whittaker Park Museum the latest insurance values have been used as an approximation for the asset value.

## Amortisation

Depreciation or amortization is not required on heritage assets which have indefinite lives. However, the carrying amount of such assets is reviewed regularly to ensure that they have not suffered any physical deterioration, which would be treated as an impairment.

## Investment Properties – Note 15

Authorities now account for investment properties in accordance with IAS 40 *Investment Property*, except where the Code has provided definition interpretation for the public sector. Under this definition, an investment property is one that is used solely to earn rentals or for capital appreciation, or both. This Council has one piece of land which meets the definition of an Investment Property.

## Intangible Assets – Note 16

IAS 38 *Intangible assets* defines intangible assets as non-financial assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights, such as software, which are expected to provide future service benefits or be used in the provision of services over several years to come.

## Recognition and Measurement

This Council does not have any internally-generated intangible assets.

Other intangible assets are capitalised at cost incurred to acquire and bring to use, eg the implementation costs of specific software. Costs associated with maintaining computer software are recognised as an expense when incurred.

An intangible asset may be acquired by way of government grant or other contribution, either in full or in part. In such instances both the asset and the grant or contribution are recognised initially at fair value.

### Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Comprehensive Income and Expenditure as a cost of using the asset in the provision of services. The useful lives and associated amortisation rates of computer software have been estimated at 5 years.

### Surplus Assets and Assets Held for Sale – Note 14 and 26

In line with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use.

Assets held for sale are now separated into two categories. Those with specific intentions to be sold in the following accounting period are classified under Current Assets as 'Assets held for sale within one year' – see Note 26. Those held for inclusion in longer-term regeneration plans are classified as Surplus Assets under Property, Plant and Equipment at Note 14.

### Recognition and Measurement

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell, where fair value is the amount for which the asset could be exchanged between knowledgeable, willing parties in an arm's-length transaction. Surplus Assets are re-valued at the point of their transfer to the surplus category, but based upon their existing use value which is an estimate of the asset's remaining useful service potential.

### Amortisation

Depreciation or amortization is not required on surplus assets or those held for sale. However, the carrying amount of such assets is reviewed regularly to ensure that they have not suffered any physical deterioration, which would be treated as an impairment.

### Leases – Note 18

This Council has not entered into any Finance Leases, either as lessee or as lessor.

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Where assets are acquired under operating leases the leasing rentals payable are recognised in the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease. The value of the assets subject to leasing agreements are not shown in the Balance Sheet, but are disclosed in Note 18.

Assets held by the Council for use in operating leases (acting as a lessor) are not recorded in the Balance Sheet as fixed assets. Rental incomes from such assets are recognised on a straight line basis and matched against costs of insurance and maintenance in the Comprehensive Income and Expenditure Statement. The value of such assets and the incomes receivable are disclosed in Note 18.

### Revenue Expenditure funded from Capital under Statute - Notes 13, 17 and 32b

Legislation allows some items of expenditure to be funded from capital resources which under IFRS and normal accounting practice would be charged to Surplus of Deficit on the Provision of Services. Such expenditure termed 'Revenue Expenditure funded from Capital under Statute' within the Code

## Notes to Core Financial Statements

and is written off to the Comprehensive Income and Expenditure Statement in the year incurred and matched by the grants received.

The types of expenditure to which this usually refers are disabled access grants and decent homes assistance where the local authority does not receive the economic benefits arising from the expenditure. A reversing entry in the Movement in Reserves Statement ensures there is no impact on the Council Tax or General Fund Balance, see workings at Note 13 and the Capital Adjustment Account at Note 32b.

### Government Grants and Other Contributions – Note 7, 30 and 31c

In line with the Code's adaptation of IAS 20 *Accounting for Government Grants*, grants and contributions for capital purposes should be recognised immediately, unless any conditions have not been met; an authority shall not include grants and contributions deferred on the Balance Sheet. Retrospective application of the change in policy has resulted in all remaining Government Grants Deferred being incorporated into the Capital Adjustment Account as if they had been recognised when the asset was first created.

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Grants received in advance of these conditions being met are held as Short-term Capital Grant Receipts in Advance until released into the Comprehensive Income & Expenditure Statement as entitlement allows (see Notes 7, 30 and 31c).

### Capital Receipts – Note 31b

Amounts to be treated as capital receipts are defined by statute and usually arise from disposal of an interest in a fixed asset. Any difference between the receipt value and the carrying value of the asset in the balance sheet at the time of disposal is shown in the Comprehensive Income & Expenditure Statement as a gain or loss on disposal.

However, some statutorily defined capital receipts do not arise from the disposal of an interest in a fixed asset and as such are treated separately in the Comprehensive Income and Expenditure Statement as 'Other Income'.

Capital receipts are not attributable to the General Fund Balance and are therefore transferred to the Useable Capital Receipts Reserve in the Movement in Reserves Statement (see workings at Note 13).

### Long-term Investments

Long-term investments are those with a remaining life of more than 1 year at the Balance Sheet date and are shown in the Balance Sheet at fair value.

The largest long-term investment consists of 100% of the share capital in Rossendale Transport Ltd., a company set up under the Transport Act 1985. Rossendale Borough Council sold the shares in Rossendale Transport Ltd in January 2018.

### Short-term Investments – Note 24

Short-term investments are those with a life of between 30 days and 1 year at the Balance Sheet date and are shown in the Balance Sheet at fair value. These investments follow policies laid down in the Council's Treasury Management Strategy and Treasury Management Practices. Note 24 details the short-term investments held by the Council at the Balance Sheet date, alongside cash and cash equivalents.

### Inventories – Note 22

Stocks of materials or supplies to be consumed in the provision of future services are accounted for under IAS 2 *Inventories*, except for financial instruments and work in progress under construction contracts. Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the course of operations, less the estimated costs of completion and any estimated costs necessary to make the sale, exchange or distribution.

Work in progress under construction contracts is subject to *IAS 11 Construction Contracts* and an interim valuation is obtained covering the cost of works completed at the end of the reporting period plus any overheads reasonably attributable to those works. This value is then included in the Balance Sheet within property, plant and equipment rather than listed within current inventory assets.

## Short-term Debtors – Note 23

Authorities account for debtors in accordance with *IAS 18 Revenue* and *IAS 39 Financial Instruments: recognition and Measurement*, except where interpretations or adaptations to fit the public sector have been detailed in the Code.

The revenue accounts of the Council are maintained on an accruals, therefore sums due to the Council for services delivered or rendered during the financial year are included whether or not the cash has actually been received. Debtors are then recognised in the Balance Sheet as the full value of the consideration receivable, in most cases in cash or cash equivalents. Note 23 shows the value of outstanding debts net of any provision for impairment losses on doubtful debts. More details of the impairment Provisions can be seen at Note 25.

Debtors also arise where the Council has made payment in advance of receipt of goods or services from suppliers, shown in the analysis in Note 23 as 'Payments in Advance'.

## Cash and Cash Equivalents – Note 24

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Balance Sheet.

## Provision for Impairment Losses– Note 25

The Council prepares its accounts in a prudent manner and as such the value of debtors receivable is subject to a degree of risk. The Council assesses the risk attributable to each individual class of debtors in order to arrive at a realisable value and more information on Financial Instrument Risks can be found in Notes 20 and 21.

The difference between the full value and the realisable value of Financial Instruments is called a Provision for Impairment. Debts written off are charged to this provision and any requirement to make new provisions is charged as an expense to the cost of provision of services within the Comprehensive Income & Expenditure Statement.

## Short-term Creditors – Note 27

Under *IAS 18 Revenue*, the annual provision of services by the Council are accounted for on an accruals basis. That is, sums due from the Council pertaining to the acquisition of goods or services used in the provision of services within the year are included whether or not the cash has actually been paid in the year. An exception to this principle relates to electricity and similar payments which are charged at the date of meter reading rather than being apportioned between financial years. Most of these payments are now monthly and this policy is consistently applied each year, therefore any discrepancy is deemed to be immaterial to the year's accounts.

Creditors also arise where the Council receives income from customers ahead of the provision of goods or services. Such payments are shown separately in the detailed analysis at Note 27 as 'Receipts in Advance'.

# Notes to Core Financial Statements

## Provisions – Note 29

Under the Code local authorities now apply IPSAS 19, which interprets IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* for the public sector. Proper provisions are required for any liabilities or losses of uncertain timing or amount. Provisions expected to be called upon within 12 months from the end of the financial period are classed as Short-Term Provisions, while those of a more extended nature are classed as Long-Term Provisions.

Provisions are charged to the (Surplus)/Deficit on Provision of Service in the Comprehensive Income & Expenditure Statement. Provisions are utilised only for the purpose for which they were established, except where a regular review to determine the appropriateness of the level of the charge and the balance of the provision properly requires a change. The provisions held and any change in their use are disclosed in Note 29 along with activity on the provision in the accounting period.

Provision for Impairment has also been made for doubtful debts and known uncollectable debts have been written off during the year. The balance of the Provision for Impairment, used to reduce the overall level of Current Assets outstanding, is disclosed in Note 25.

## Short-term Capital Grants Receipts in Advance – Note 30

When capital grants are received in advance with conditions attached to the application of those grant, they are held in the Short-term Capital Grants Receipts in Advance account and only recognised in the Comprehensive Income and Expenditure Statement when the grant conditions have been met.

## Contingent Liabilities and Contingent Assets– Note 34

A contingent liability is either: (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or (b) a present obligation that arises from past events but is not recognised because: (i) it is not probable that a transfer of economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability.

A material contingent liability is not recognised within the accounts as an item of expenditure. It is, however, disclosed in a note unless the possibility of a transfer of economic benefits in settlement is remote.

A contingent asset is a possible asset that may arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Contingent assets are not recognised in the revenue account or the balance sheet because prudence cautions that the gain might never be realised, instead they are disclosed in the Notes to the Core Statements.

When realisation of the gain is virtually certain, then the item ceases to be a contingent asset and can be accounted for as revenue or capital income as appropriate.

## Reserves - Notes 31 and 32

The Council maintains certain reserves for the purpose of meeting liabilities other than those covered by provisions. A distinction is made in the Balance Sheet between usable reserves, which are cash-backed reserves available for use by the Council in the future provision of services and unusable reserves which are used for statutory accounting purposes and cannot be used directly to finance future service costs.

### Usable Reserves – Note 31

- The General Fund Balance is the accumulation of surplus or deficit on operational services attributable to council tax payers. Such funds are not held for any specific purpose, but are available to assist with the management of financial risks and to deal with any emergencies which might arise. The Medium Term Financial Strategy sets out the Council's policy for the recommended value of the General Fund Balance in order to provide assurance against the estimates and assumptions used in the annual budgeting process.

- Earmarked Reserves are resources set aside to meet specific future running costs and investments. The Medium Term Financial Strategy sets out the Council's policy for Earmarked Reserves, including their nature and suggested requirements. Full details of the movements on each reserve can be found at Note 31a.
- The Capital Receipts Reserve holds the proceeds of fixed asset sales available to meet future capital investment (see Note 31b).
- Capital Grants Unapplied – holds the balance of grants received where the conditions of grant entitlement have not yet been met. Grants and other contributions are now accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Grants received in advance of these conditions being met are held as Grants Unapplied until released into the Comprehensive Income & Expenditure Statement as entitlement allows (see Note 31c).

### Unusable Reserves – Note 32

- Revaluation Reserve records unrealised revaluation gains, net of depreciation and disposals on that revaluation amount, on a strict per-asset basis (see Note 32a)
- Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and financed through the capital controls mechanism (see Note 32b).
- Available-for-sale Financial Instruments Reserve stores any gains on revaluation of investments not yet realised through sales. The investment in Rossendale Transport Ltd was not revalued due to the specialised nature of the company and the subjectivity of any such valuation. Instead the investment was carried at the historic value of the shares which were extinguished following the sale of the shares in the company in January 2018.
- Collection Fund Adjustment Account holds the surplus/(deficit) on the Collection Fund which is directly attributable to Rossendale Borough Council (details can be found in the Collection Fund at Section 3).
- Deferred Capital Receipts Account (Note 32c) holds the value of long term debts not receivable until future years under the terms of the debt. In the past this related to mortgages for Council House tenants prior to 1991, but the last of these mortgages ended in November 2013. From 2013/14 the balance relates to the repayment loans due on the Empty Homes Strategy and the corresponding debt can be seen within Long Term Debtors on the Balance Sheet at Note 19.
- Pensions Reserve is a balancing account to allow the inclusion of Pensions Liability in the Balance Sheet. Details of Pension Fund assets/liabilities can be found in Note 33b and 33c.





## Notes to Core Financial Statements

### Repurchase of Borrowing

The Code requires gains or losses on the repurchase of borrowing to be recognised in the Comprehensive Income and Expenditure Statement in the year in which they are realised. Where, however, the repurchase is coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect, gains or losses are to be recognised over the life of the replacement borrowing. No such gains or losses were experienced in the current accounting period.

### Minimum Revenue Provision (MRP) - Notes 13, 17 and 32b

In accordance with the requirements of the Local Government and Housing Act 1989, the authority is required to set aside a minimum revenue provision for repayment of debt. Minimum Revenue Provision is a charge to the cost of services in the Comprehensive Income & Expenditure Statement, details of which can be found in Notes 13, 17a, and 32b. In line with Government guidance, the Council calculates MRP to match the life of the asset.

In 2018/19 the Council decided to make an additional Voluntary Revenue Provision (VRP)

### Financial Instruments – Notes 20 and 21

#### Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income & Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest.

Any gains or losses on the repurchase or early settlement of borrowing are charged to the Comprehensive Income & Expenditure Statement. However, where repurchase takes place as part of a restructure the premium or discount is added to the amortised cost and charged over the life of the new or modified loan. Where premiums and discounts are charged directly to the Comprehensive Income & Expenditure Statement regulations permit the impact on the General Fund Balance to be spread over future years. This is achieved by transfer to/from the Financial Instruments Adjustment Account. No such gains or losses arose in the current accounting period.

#### Financial Assets

These are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market. These are measured at fair value and carried at amortised cost. Annual credits to the Comprehensive Income & Expenditure Statement are based on the carrying amount multiplied by the effective rate of interest. In all cases where the Council has made loans cost has been used as a proxy for fair value.
- Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments. These are initially measured, and carried, at fair value. Credits to the Comprehensive Income & Expenditure Statement for interest are based on the amortised cost multiplied by the effective rate of interest. Gains or losses are posted to the Available for sale Reserve. On de-recognition gains/losses are charged to the Comprehensive Income & Expenditure Statement.



## 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, 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:

- a) in the principal market for the asset or liability, or
- b) 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 using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act 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 valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

## Prior Period Adjustments Note 37

Prior period adjustments are material adjustments applicable to prior years arising from changes in accounting policies or estimates or from the correction of fundamental errors, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Code requires that the financial statements should disclose, where practicable the nature of the change in policy and the impact of any adjustment on the preceding accounting period where practicable. Where this is not practicable, the fact this is so and the reasons for it should be disclosed.

This Statement of Accounts includes at Note 2 to the Core Financial Statements an explanation of any adjustments made to comply with changes in the Code.

## Events after the Balance Sheet date – Note 37

Local authorities are required to account for events, both favourable and unfavourable, which occur between the end of the reporting period and the date when the financial statements are authorised for issue in accordance with IAS 10 *Events after the Reporting Period* and IPSAS 14 *Events after the Reporting Date*. Two types of events can be identified:

- Adjusting Events - where events arising after the balance sheet date provide additional evidence of conditions that existed at the balance sheet date and are of a material nature the amounts should be reflected in the Core Statements.
- Non-adjusting Events – events which arise after the balance sheet date and concern conditions which did not exist at that time should be detailed in Notes to the Core Statements if they are of such materiality that their disclosure is required for the fair presentation of the financial statements, rather than reflected in the Core Statements.

## Notes to Core Financial Statements

The date on which the financial statements are authorised for issue is shown in the Statement of Responsibilities.

### Group Accounts

Following the sale of its shares in Rossendale Transport Ltd in January 2018, the Council no longer prepares Group Accounts.

### Other Accounting Policies

Foreign currency transactions do not play a material part in the Council's financial transactions. Rossendale Borough Council has not entered into any PFI schemes.

### Note 37 Restatement of Prior Year Accounts

The Council's accounts for 2018/19 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), which is based on the International Financial Reporting Standards (IFRSs). No adjustments to prior year comparative accounts have been required due to changes in the Code.



## Note 38 Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 36, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in preparing this Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired. In line with the Council's Medium Term Financial Strategy, where services are at potential risk the intention would be to realise the value of any assets deemed surplus to requirements before any impairment occur.
- In order to facilitate the speedy closure of the Council's accounts an estimate of the outstanding housing and council tax benefit grant has been included in the Comprehensive Income and Expenditure Statement. The estimated balance of the grant claim included in the Balance Sheet at 31<sup>st</sup> March 2019 is a Short-term Debtor of £719k (£218k at March 2018).
- Estimates for depreciation of assets in any one year depend upon the forecast life of the assets. The asset life of buildings is determined by a qualified valuer at each revaluation date and in the case of vehicles, equipment and intangible assets by Council staff. Depreciation charges in 2017/18 amounted to £1,044k, an increase of £134k on 2016/17. Depreciation of intangible assets totalled £38k in 2018/19, down from £72k in 2017/18 (see Notes 13, 14 & 16).
- Estimates for impairment of assets are performed by the Council's qualified Property Services Manager at the end of each year to reflect any abnormal changes in property values between full formal reviews within the 5-year rolling revaluation programme. The total value of impairments charged to 2018/19 was £404k (compared to £924k charged to 2017/18) (Note 13 & 14).
- Provision for the potential cost of Non-Domestic Rating appeal refunds has been based upon appeals lodged with the Valuation Office at the 31<sup>st</sup> March and an assumed level of successful appeals based upon historical data. Officers deemed that the balance on the Provision at the 31<sup>st</sup> March 2019 was sufficient to cover the reduced value of outstanding appeals. The Rossendale Borough Council share of that Provision now stands at £747k and more details can be found in Note 29 and Note 4 to the Collection Fund.



## Note 39 Events after the Balance Sheet date

This DRAFT Statement of Accounts was authorised for release by the Head of Finance on 10<sup>th</sup> June 2019. Events taking place after this date are not reflected in the financial statement or notes. Where events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## Notes to Core Financial Statements

### Note 40 Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Council's Balance Sheet at 31<sup>st</sup> March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.</p> <p>It is estimated that for every year that useful lives were reduced the annual depreciation charge would increase as follows</p> <ul style="list-style-type: none"> <li>• buildings &amp; infrastructure £10k</li> <li>• vehicles &amp; equipment £84k</li> <li>• intangible assets £10k</li> </ul>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns in pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions have been included in detail within Note 33.
Arrears	Each year the Council reviews the significant balances for Council Tax and sundry debtor arrears. Officers estimate the potential impairment of those debts based on historical default experience, and the age of the debts. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, the effects of an additional 1% in the rate of in-year losses on collection would be an increase of £124k in the required provision for council tax doubtful debts, £48k for business rates doubtful debts and £31k for sundry debts

# Group Accounts

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate collection fund. The statement below 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.

COLLECTION FUND	2017/18		2018/19		Note
	Council Tax	Business Rates	Council Tax	Business Rates	
	£000	£000	£000	£000	
<b>Income</b>					
Council Tax	34,856	-	36,974	-	
Non Domestic Rates	-	12,495	-	13,130	
	<b>34,856</b>	<b>12,495</b>	<b>36,974</b>	<b>13,130</b>	
<b>Expenditure</b>					
Precepts paid out					
Lancashire County Council	24,432	1,036	26,195	1,060	
Rossendale Borough Council	5,219	4,605	5,437	4,712	6
Rossendale Borough Council - renewable energy	-	159	-	163	
Lancashire Police Authority	3,309	-	3,590	-	
Lancashire Fire Authority	1,310	115	1,365	118	
Other costs and provisions					
Payment to Central Government	-	668	-	200	
Payment to Lancashire Business Rates Pool	-	5,756	-	5,889	
Provisions for Rating Appeals	-	(445)	-	(200)	CF4
Provisions for Bad Debts	169	-	352	227	CF5
Cost of Collection Allowance	-	99	-	99	
	<b>34,439</b>	<b>11,993</b>	<b>36,939</b>	<b>12,268</b>	
<b>Surplus / (deficit) Council Tax</b>	<b>417</b>	<b>502</b>	<b>35</b>	<b>862</b>	

Where Note references are preceded by CF they related to the Collection Fund Notes on this and the following pages. Other Note references relate to the Notes to the Core Statements on pages 26 to 80.

## Collection Fund Note 1 Surplus/(deficit) apportionment to the major Preceptors

The table below shows how the surplus/(deficit) on the Collection Fund is distributed across the major preceptors on an agency basis each year.

Apportionment of in-year surplus/(deficit) to major preceptors	2017/18		2018/19		Note
	Council Tax	Business Rates	Council Tax	Business Rates	
	£000	£000	£000	£000	
<b>Preceptor</b>					
Lancashire Business Rates Pool	-	251	-	431	
Lancashire County Council	346	45	25	77	
Rossendale Borough Council	6	201	5	345	CIES, 13
Lancashire Police Authority	46	-	4	-	
Lancashire Fire Authority	19	5	1	9	
<b>Surplus/(deficit) for the year</b>	<b>417</b>	<b>502</b>	<b>35</b>	<b>862</b>	

## Group Accounts

### Collection Fund Note 2 Collection Fund Adjustment Account

The surplus/(deficit) attributable to Rossendale Borough Council now resides in the Collection Fund Adjustment Account on the Balance Sheet, as shown below.

Rossendale Borough Council - Collection Fund Adjustment Account	2017/18		2018/19		Note
	Council Tax	Business Rates	Council Tax	Business Rates	
	£000	£000	£000	£000	
Accumulated surplus/(deficit) at 1st April	82	(324)	82	126	
Prior year (surplus)/deficit transferred to/from revenue	(38)	249	(82)	367	13
Apportioned Estimated Surplus/(Deficit) for the year	82	(366)	5	284	13
Apportioned Final Surplus/(Deficit) for the year	(44)	567	-	61	13
<b>Accumulated Surplus/(Deficit) at 31st March</b>	<b>82</b>	<b>126</b>	<b>5</b>	<b>838</b>	

### Collection Fund Note 3 Council Tax Base

Council tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities and the Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts). The Council Tax base for 2018/19 was 20,229 compared to 19,678 for 2017/18.

The basic amount of Council Tax for a Band D property rose in 2018/19 from £1,711.13 to £1,806.00 following increases of around 3% by all preceptors except the Lancashire Police Authority.

Rossendale Borough Council and Whitworth Town Council increased their Council Tax charges by 2.99% for the second time since March 2009 – see Collection Fund Note 7 for details of the Council Tax bands charges.

The council tax base has been calculated as follows:-

Band	Ratio to Band D	Total No. Properties	Total equiv No. after Discounts & Exemptions	2018/19 Band D Equivalent	2017/18 Band D Equivalent
Special	5/9		40.3	22.4	18.6
A	6/9	16,223	10,896.3	7,264.2	7,084.4
B	7/9	5,011	4,075.7	3,170.0	3,079.2
C	8/9	4,187	3,630.8	3,227.4	3,131.3
D	1	3,363	3,056.2	3,056.2	2,961.5
E	11/9	1,950	1,818.5	2,222.6	2,153.9
F	13/9	654	615.3	888.8	879.1
G	15/9	446	411.4	685.7	669.4
H	2	36	23.8	47.5	53.5
		<b>31,870</b>	<b>24,568.3</b>	<b>20,584.8</b>	<b>20,030.9</b>
Less adjustments for anticipated changes to the base and losses on collection				-355.8	-352.9
<b>Band D equivalent number of properties</b>				<b>20,229.0</b>	<b>19,678.0</b>

## Collection Fund Note 4 Provision for Rating Appeals

Provision for Rating Appeals	2017/18		2018/19		Note
	Council Tax	Business Rates	Council Tax	Business Rates	
	£000s	£000s	£000s	£000s	
Balance as 1st April	-	2,503	-	2,058	
Provision made in year	-	-	-	-	
Provision utilised in year	-	(445)	-	(199)	
<b>Balance at 31st March</b>	-	<b>2,058</b>	-	<b>1,859</b>	
<b>Balance at 31st March - Rossendale only</b>	-	<b>823</b>	-	<b>744</b>	30

The Council has made provision for the anticipated impact on the Collection Fund in respect of business valuation appeals lodged with the Valuation Office. In quarter 4 of 2018/19 the Valuation Office decided several key appeals cases which led officers to utilize £199k of the provision in 2018/19. The balance of £1,859k on the provision was deemed sufficient to cover the balance of claims outstanding at the 31<sup>st</sup> of March 2019, therefore no further provision was made during 2018/19.

## Collection Fund Note 5 Provision for Bad Debts

Bad Debts Provision	2017/18		2018/19		Note
	Council Tax	Business Rates	Council Tax	Business Rates	
	£000s	£000s	£000s	£000s	
Balance as 1st April	3,144	1,141	3,329	1,001	
Provision made in year	169	-	352	227	
Debts written off	16	(140)	(384)	(114)	
<b>Balance at 31st March</b>	<b>3,329</b>	<b>1,001</b>	<b>3,297</b>	<b>1,114</b>	
<b>Balance at 31st March - Rossendale only</b>	<b>477</b>	<b>345</b>	<b>490</b>	<b>447</b>	26

From 1<sup>st</sup> April 2013, under the Retained Business Rates scheme, Rossendale Borough Council accounts for 40% of the arrears and the provision against those arrears. Given the level of 2018/19 collections for business rates, as noted below, the provision for bad debts at the end of 2018/19 was deemed to be £227k.

## Collection Fund Note 6 Arrears

Arrears	2016/17		2017/18		Note
	Council Tax	Business Rates	Council Tax	Business Rates	
	£000s	£000s	£000s	£000s	
Balance as 1st April	5,174	1,486	5,422	1,070	
Change in year	248	(208)	16	(208)	
<b>Balance at 31st March</b>	<b>5,422</b>	<b>1,070</b>	<b>5,438</b>	<b>862</b>	
<b>Balance at 31st March - Rossendale only</b>	<b>777</b>	<b>512</b>	<b>808</b>	<b>512</b>	24

The in-year collection rate for 2018/19 Council Tax was 96.7% compared to a target performance of 97.8%. The collection rate for NNDR in 2018/19 was 98.47% compared to a target performance of 97.1%. Note 23 to the Core Statements shows the Rossendale Borough Council portion of the Council Tax and Business Rates arrears, net of the provision for bad debts shown in Note 5 above.

Part of the Collection Fund surplus is due to the collection of prior year arrears, when the total collection rate rises to over 99%.



## Group Accounts

### Collection Fund Note 7 Non-Domestic Rates (NDR)

April 2013 saw the introduction of new system of local business rates retention. Under the new model Rossendale Borough Council retains 40% of the business rates collected locally. At the 1<sup>st</sup> April 2016 the new Lancashire Pooling arrangement came into effect and Rossendale Borough Council is a partner in that Pool. The tariff payment into the Pool for 2018/19 was £2,610k (in 2017/18 this was £2,586k) and this can be seen in Note 6 to the Core Statements.

Non-domestic rates are organized on a national basis. Central Government specifies an amount (49.3p in 2018/19 and 47.9p in 2017/18) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying the rateable value of their property by that amount. The rateable value for business premises in Rossendale increased to £36,303k by March 2019, up from £37,038k in March 2018.

For the first time in 2016/17 Rossendale Borough Council was entitled to keep 100% of the business rates from renewable energy installations. In 2018/19 Rossendale's element of the business rates scheme as shown in the CIES and Note 6 to the Core Statements was £163k, compared to £159k in 2017/18.

The net business rates collected within Rossendale in cash terms (before provision for bad debts and appeals) were £13,826k compared with £13,639k in 2017/18.

### Collection Fund Note 8 Council Tax for all Precepting Bodies 2018/19

Precepting Bodies	2017/18	Change	2018/19							
	Band D £		Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
Rossendale	258.44	2.99%	177.45	207.02	236.60	266.17	325.32	384.47	443.62	532.34
LCC	1,175.64	2.99%	808.11	942.80	1,077.48	1,212.17	1,481.54	1,750.91	2,020.28	2,424.34
LCC - Adult Social C	46.10	3.00%	55.17	64.36	73.56	82.75	101.14	119.53	137.92	165.50
Fire	65.50	2.99%	44.97	52.47	59.96	67.46	82.45	97.44	112.43	134.92
Police	165.45	7.25%	118.30	138.02	157.73	177.45	216.88	256.32	295.75	354.90
<b>Total (excl parish)</b>	<b>1,711.13</b>	<b>5.54%</b>	<b>1,204.00</b>	<b>1,404.67</b>	<b>1,605.33</b>	<b>1,806.00</b>	<b>2,207.33</b>	<b>2,608.67</b>	<b>3,010.00</b>	<b>3,612.00</b>
Whitworth Parish	23.40	2.99%	16.07	18.74	21.42	24.10	29.46	34.81	40.17	48.20
<b>Total (incl parish)</b>	<b>1,734.53</b>	<b>5.51%</b>	<b>1,220.07</b>	<b>1,423.41</b>	<b>1,626.75</b>	<b>1,830.10</b>	<b>2,236.79</b>	<b>2,643.48</b>	<b>3,050.17</b>	<b>3,660.20</b>



## Accounting Standards Board

The role of the Accounting Standards Board (ASB) is to issue accounting standards. Accounting standards developed by the ASB are contained in 'Financial Reporting Standards' (FRSs). Soon after it started its activities in 1990, the ASB adopted the standards issued by the Accounting Standards Committee (ASC), so that they also fall within the legal definition of accounting standards.

These are designated 'Statements of Standard Accounting Practice' (SSAPs). Whilst some of the SSAPs have been superseded by FRSs, some remain in force. Accounting standards apply to all companies, and other kinds of entities that prepare accounts that are intended to provide a true and fair view.

## Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

## Agency Services

Services provided by the Council, as an agent on behalf of the responsible body, where the principal reimburses the Council for the cost of the work carried out.

## Auditor's Opinion

The opinion required by statute from the Council's external auditors, indicating whether the statement of accounts presents a true and fair view of the financial position of the authority.

## Budget

A statement of the Council's spending plans for revenue and capital expenditure over a specified period of time.

## Business Rates

From the 1<sup>st</sup> April 2013 non-domestic rates, or Business Rates, were localised. In the past all business rates were collected locally but then paid over to central government and each authority was paid a share of the national pool based upon their population and circumstances.

Rossendale Borough Council now collects these rates and pays 50% direct to central government, 9% to Lancashire County Council and 1% to Lancashire Fire Authority. This means that 40% should be kept locally.

Note 9 to the core statements explains how the tariff system provides a national balancing adjustment between the 40% local share and the amount received previously from the national pool. After the tariff the actual amount kept by Rosendale Borough Council in 2013/14 was 15%.

## Capital expenditure

Spending on the acquisition or maintenance of assets either directly by the Council or indirectly in the form of grants to other persons or bodies. Section 40 of the Local Government and Housing Act 1989 defines 'expenditure for capital purposes'. Expenditure that does not fall within the definition must be charged to a revenue account.



# Glossary

## Capital Receipts

Proceeds from the sale of fixed assets, such as land or buildings, or the repayment of capital grants or advances.

## Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is one of the leading professional accountancy bodies in the UK and the only one which specialises in the public sector. It is responsible for the education and training of professional accountants and for their regulation through the setting and monitoring of professional standards. Uniquely among the professional accountancy bodies in the UK, CIPFA has responsibility for setting accounting standards for a significant part of the economy, namely local government.

## Code of Practice on Local Authority Accounting (the CODE)

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2010 (the Code) stipulates that the preparation of the Statement of Accounts. This Code replaces CIPFA's Statement of Recommended Practice 2009 (SORP) and is now based on the International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) adapted as interpreted for the public sector by the International Public Sector Accountancy Standards (IPSASs).

## Collection Fund

The account which shows the transactions of the Council in relation to non-domestic rates and Council Tax, and the distribution of these to other precepting bodies and to Rossendale Borough Council's General Fund for the year.

Following the SORP 2009, the Collection Fund is now operated on an agency basis. That means that the accumulated balances at the year end, including arrears and accounts in credit are apportioned over the main precepting bodies. Rossendale Borough Council's proportion of the debtors and accounts in credit can be directly on the Balance Sheet and at Note 19 and 22 to the Core Statements and the Council's proportion of the overall surplus/(deficit) on the account is now held in the Collection Fund Adjustment Account. Those amounts attributable to each of the other preceptors are included as a net position within the Other Public Bodies sections of Note 19 and Note 22 respectively.

## Collection Fund Adjustment Account

A new account created following the SORP 2009, which holds that portion of the Collection Fund cumulative balance attributable solely to Rossendale Borough Council.

## Community Assets

Assets that the Council 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.

## The Department for Communities and Local Government (CLG)

The central government department for Communities and Local Government (CLG) has a powerful remit to promote community cohesion and equality, as well as responsibility for housing, urban regeneration, planning and local government. The CLG is responsible for national policy on local government in England, examining the future of local government and local democracy; reviewing performance and measurement through inspection and audit; driving through the modernisation agenda of efficiency and improvement of service delivery; and maintaining and developing a framework for local government finance.

# Glossary

## Consolidated Balance Sheet

The combined balance sheets of the Council's services.

## Contingency Sum

A sum set aside to provide for foreseen but unquantifiable future commitments or for unforeseen expenditure that may become necessary during the year.

## Cost of Management and Administration

An allocation to service accounts of the net cost of the administrative and professional departments which support all of the Council's services.

## Creditor

An amount owed by the Council for goods received, or services rendered to it within the accounting period, but for which payment has not been made.

## Current Costs Accounting (CCA)

The presentation of the accounts in a form that aims to reflect the consequences of price and value charges.

## Debt redemption

The repayment of external loans previously raised to finance capital expenditure.



## Debtor

An amount of income due to the Council within the accounting period but not received at the balance sheet date.

## Deferred capital receipts

Capital receipts to be received by instalments over agreed periods of time.

## Deferred charges

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. An example of a deferred charge is expenditure on items such as improvement grants.

## D.E.F.R.A.

The Department for the Environment, Food and Rural Affairs supports the Council in its recycling projects.

## Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset.

# Glossary

## **D.W.P.**

The Department of Work and Pensions funds the Housing and Council Tax Benefits payable to borough residents and also funds the administration of those benefits.

## **E.R.D.F.**

The European Regional Development Fund which supports regeneration projects such as Futures Park managed office units.

## **Fair Value**

In accounting, fair value is used as an estimate of the market value of an asset (or liability) for which a market price cannot be determined (usually because there is no established market for the asset). Where a reasonable estimation of fair value cannot be calculated assets are carried at historical cost.

## **Financial instruments**

Financial instruments are cash, evidence of an ownership interest in an entity, or a contractual right to receive, or deliver, cash or another financial instrument. Financial instruments can refer to both receivables (including debtors and other investments) and payables (including creditors and other liabilities or borrowings).

## **Financial Reporting Standard 17 (FRS17)**

FRS17, issued by the Accounting Standards Board in November, 2000 and amended November, 2002, set out the accounting treatment for retirement benefits such as pensions and medical care during retirement.

## **General Fund**

The main revenue fund of the Council. Day-to-day spending on services is met from the General Fund. Spending on the provision of housing, however, must be charged to a separate Housing Revenue Account.

## **Governance Framework**

Authorities have a responsibility to ensure that their 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 governance framework comprises the systems and processes, and culture and values by which the Council is directed and controlled and its activities through which it accounts to and engages with and leads the community. The principles of this framework were laid down by the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government.

## **Housing General Fund**

Strategy and support for domestic properties across the borough, as opposed to the operation of council-owned housing which is kept separate in the Housing Revenue Account, or strategy and support for commercial properties.

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

A separate account for the operation of the direct provision of housing by the Council, which is now closed following the LSVT to Green Vale Homes in March 2006.

# Glossary

## Impairment

A measure of abnormal consumption of the economic benefit of an asset over and above the normal annual depreciation.

## Infrastructure assets

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

Intangible assets are non-financial assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights, such as software. Intangible assets are capitalised at cost and depreciated to the revenue account over their useful economic life.

## Internal Borrowing

Whilst capital resources cannot be used to fund revenue works, revenue reserves can be used to support the costs of capital projects, either permanently, or temporarily. Temporary revenue funding is known as Internal Borrowing and these funds are repaid over the life of the asset in a process called the Minimum Revenue Provision. When the Council has the revenue reserves to do this it is usually a cheaper option than external borrowing.

## Large scale voluntary transfer (LSVT)

This relates to the transfer of the housing stock, as voted by the tenants, and is generally referred to as a large scale voluntary transfer due to its size.

## Leasing

A method of utilising assets where a rental charge is paid for a specified period of time, instead of outright purchase.

## Loans outstanding

The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the balance sheet date.

## Local Authority Business Growth Incentive Scheme (LABGIS)

This is a means to reward Councils for increases in the rateable value of business properties above a certain threshold. Rossendale has received this for the first time in 2006/07 and used the extra income to create a Reserve for future Economic Development activity.

## Materiality

Materiality is a concept within auditing and accounting relating to the importance of an amount, transaction, or discrepancy. Information is material if its omission or misstatement could influence the economic decision of users taken on the basis of the financial statements and depends on the size of the item or the particular circumstances of its omission or misstatement.



# Glossary

## Minimum Revenue Provision (MRP)

The Minimum Revenue Provision is the minimum amount which must be charged to the Council's revenue account each year to repay the revenue reserves for amounts used to support the capital programme – known as Internal Borrowing.

## Ministry for Housing, Communities and Local Government (MHCLG)

The Ministry of Housing, Communities and Local Government's (formerly the Department for Communities and Local Government) job is to create great places to live and work, and to give more power to local people to shape what happens in their area.

## National non-domestic rates (NNDR) – see Business Rates from 1<sup>st</sup> April 2013

A national non-domestic rate poundage for commercial premises is set annually by the government and collected by all local authorities. The proceeds are redistributed between local authorities in proportion to their adult populations.

## Net book value

The amount at which assets are included in the balance sheet, i.e. their historical cost of current value, less the cumulative amounts provided for depreciation.

## Non-operational assets

Assets held by the Council, but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

## Operational assets

Assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

## Precept

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council Tax payers on their behalf, for example Lancashire County Council is a precepting authority which requires Rossendale Borough Council to collect an amount from each householder within the borough. Details of these charges made and the amounts collected and owing are kept separate from the day-to-day running of Rossendale Borough Council in the Collection Fund.

## Prior Period Adjustment

Prior period adjustments are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

## Post Balance Sheet Events

Events arising after the balance sheet date which provide additional evidence of conditions that existed at the balance sheet date and are of a material nature.

## Primacy of Legislative Requirements

The non-cash effects of transactions and other events should be reflected, as far as is possible, in the financial statements for the accounting period in which they occur and not in the period in which any cash involved is received or paid. (This replaces the principle of matching that underlies the accruals concept.)

# Glossary

## Provision

An amount set aside in the accounts for liabilities that are certain to be incurred in the future, but which cannot be quantified accurately at the balance sheet date.

## Public Works Loan Board (PWLB)

A Government agency that provides longer term loans to local authorities.

## Reserve

Amounts included in one financial year's accounts to provide for payment for goods or services, whether revenue or capital, in a future financial year.

## Revenue Account

The Revenue Account records the authority's day-to-day expenditure and income on such items as salaries and wages and other running costs of services. The is sometimes also referred to as the General Fund.

## Service Reporting Code of Practice for Local Authorities (SeRCOP)

Local authorities in England prepare their Comprehensive Income & Expenditure Statement in accordance with the Service Reporting Code of Practice for Local Authorities (SeRCOP). The SeRCOP stipulates the service divisions to be used in the Comprehensive Income & Expenditure Statement, including the collection of central managerial costs under 'Other Central Services'.

## SOLACE

The Society of Local Authority Chief Executives and Senior Managers was formed in 1974. SOLACE is the representative body for senior strategic managers working in the public sector. Its aim is to promote excellence in public service.

## Tangible Assets

Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

## Useable and Unuseable Reserves

The Reserves in the Balance Sheet are reported in two categories:-

**Useable Reserves** are those 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 to repay debt).

**Unuseable reserves**, are those that the authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.'





## Glossary

আপনি যদি এসব তথ্যের সার সংক্ষেপ বড় হরফের ছাপায়, অডিও ক্যাসেটে অথবা ইংরেজী ছাড়া অন্য কোন ভাষায় পেতে চান তাহলে অনুগ্রহ করে আমাদেরকে জানালে আমরা অত্যন্ত খুশী মনে তার ব্যবস্থা করব।

অনুগ্রহ করে ০১৭০৬ ২১৭৭৭৭ এই নাম্বারে অথবা কমিউনিকেশন সেকশন, টাউন সেন্টার অফিস, রটেনস্টল বি.বি.৪ ৭এল.জেড. এই ঠিকানায় যোগাযোগ করুন।

اگر آپ کو ان معلومات کا خلاصہ بڑے حروف میں، آڈیو کیسٹ پر، یا انگریزی کے علاوہ کسی اور زبان میں درکار ہے تو براۓ مہربانی ہمیں بتائیں، ہم بخوشی آپ کے لیے اس کا انتظام کریں گے۔

برائے مہربانی 01706 217777 پر ٹیلیفون کریں یا پھر کمیونٹی کیشن سیکشن سے اس پتہ پر رابطہ قائم کریں:

Communications Section, Town Centres, Rawtenstall, BB4 7LZ

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If you would like a summary of this information in large print,  
on audio cassette or language other than English,  
please let us know and we will be happy to arrange it.

Tel: 01706 217777 or contact:  
Rossendale Borough Council  
PO BOX 74, Bacup, OL13 0WU

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**Statement of Accounts 2019/20**

As at 31 August 2020

## Preface to the 2019/20 Statement of Accounts

In setting the 2019/20 budget, members continued to give due regard to the financial challenges facing the Council over the medium term. For a number of years the Council has continued to reduce its net revenue expenditure in line with its own efficiency agenda and the impact of the Government's 2015 Comprehensive Spending Review.

Alongside this, the Council has continued to pursue its ambitious agenda, of delivering the Spinning Point & Futures Park Plot 5 developments, progressing our Bacup 2040 Vision Towns Fund Bid, the Haslingden 2040 & The Whitaker National Lottery Heritage Fund Bids and other key areas of work such as progressing the Climate Change agenda.

Despite the difficult budget decisions Members have had to make in recent years, the Council is still delivering high-quality frontline services to Rossendale's residents. Ambitions remain high and we are proud to serve the borough and of the work we, alongside partners, continue to achieve.

We currently find ourselves in uncharted waters, amidst a global pandemic from which the social, economic and health impact are still largely unknown. Unfortunately, we are now faced with unprecedented levels of financial and economic uncertainty as we continue to support our residents, communities and businesses through the pandemic and prepare for the recovery phase.

Despite the financial challenges ahead, members approved a net services budget for 2020/21 of £9,006k including a contribution of £100k towards capital projects. The Council continues to seek savings where possible through efficiencies and being more commercially minded.

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79	Note 36 – Accounting Policies
91	Note 37 – Restatement of Prior Year Accounts under current policies
92	Note 38 - Accounting Standards Issued, but not yet Adopted
92	Note 39 – Critical judgements in applying accounting policies
93	Note 40 – Events after the Balance Sheet date
94	Note 41 – Assumptions made about the future and other major sources of estimation uncertainty

## Introduction

**This Statement of Accounts for the year ended 31st March 2020 has been prepared and published in accordance with the Code of Practice on Local Authority Accounting 2019/20, issued by the Chartered Institute of Public Finance and Accountancy and the Accounts and Audit Regulations 2015.**

The accounting policies adopted by the Council comply with the relevant recommended accounting practices and the latest revisions to these from 1 April 2019. There have been no major changes in the Council's statutory functions during the year.

The draft Statement of Accounts has been published later than in previous years owing to the coronavirus pandemic. Normally, the draft accounts are published at the end of May with the audited accounts published by the end of July. However, as a result of the COVID-19 pandemic the Government issued regulations in relation to local authority accounts for the financial year ending 31st March 2020 which have the effect of:

- extending the publication date for audited accounts from 31st July to 30th November 2020, and
- removing the requirement for the public inspection period to include the first 10 working days in June. Instead, local authorities must commence the public inspection period on or before the first working day of September 2020. This means that draft accounts must be published by no later than the 31st August.

The above changes have been made for 2019/20 only.



# Audit Report

# Audit Report



# Audit Report

# Narrative Report

## Introduction by the Head of Finance

This booklet presents the Council's accounts for the year ended 31<sup>st</sup> March 2020. It conforms to the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), which is based on the International Financial Reporting Standards (IFRSs). It also complies with the Accounts and Audit Regulations 2015 including the Narrative Statement and at Note 2 the Expenditure and Funding Analysis. The layout and purpose of each statement is as follows:-

### Introductory Statements

- Narrative Report - provides interested parties with an effective guide to the most significant matters reported in the accounts. It should be fair, balanced and understandable for the users of the financial statements, containing a commentary on the major influences affecting the authority's income and expenditure and cash flow, as well as information on the financial needs and resources of the authority. It includes a General Fund Summary which compares the financial out-turn with the Budget set in February 2020.
- Annual Governance Statement – explains the way the Council ensures responsible stewardship of its assets.
- Statement of Responsibilities - explains the responsibilities of the Council and its Chief Financial Officer in relation to the Council's financial affairs and the Statement of Accounts.

### Core Statements

- Comprehensive Income and Expenditure Statement (CIES) - a summary of the resources generated and consumed by the authority in the year in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Cost of Services section is now presented in the same format as the authority's operational reports. Note 1 presents a reconciliation between the General Fund Summary in the Narrative Report and the CIES figures produced here under statutory accounting practices.
- Movement in Reserves Statement – this statement shows the movement in year on the reserves held by the Council, analysed into 'useable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. It reverses the statutory accounting adjustments in the CIES to get back to the General Fund Balance Sheet Reserve.
- Balance Sheet - this shows the value of the assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the value of reserves held, split between Useable and Unusable reserves.
- Cash Flow Statement - summarises changes in cash and cash equivalents during the year, and how the Council generates and uses cash through operating, investing and financing activities.

### Notes to the core financial statements

All the notes to the core statements above are now collected in one place. Notes on the policies used in the preparation of the figures in these accounts, including judgements and assumptions, have been moved to the end of the notes area.

### Other Statements

- The Collection Fund – this agency statement reflects the Council's statutory obligation to maintain a separate Collection Fund for its transactions as a billing authority in relation to council tax and non-domestic rates.

**Glossary** - an explanation of some of the key technical terms used in these accounts.

# Narrative Report

## Rossendale – geography, economy and our priorities for 2019/20

Rossendale is an authority in East Lancashire that covers 138 square kilometres and has 14 electoral wards.

Rossendale is a proud valley area with a rich industrial heritage, filled with friendly and welcoming communities in a number of vibrant market towns and villages.

Rossendale is a distinctive part of East Lancashire with its dramatic scenery, rich heritage and characterful features.

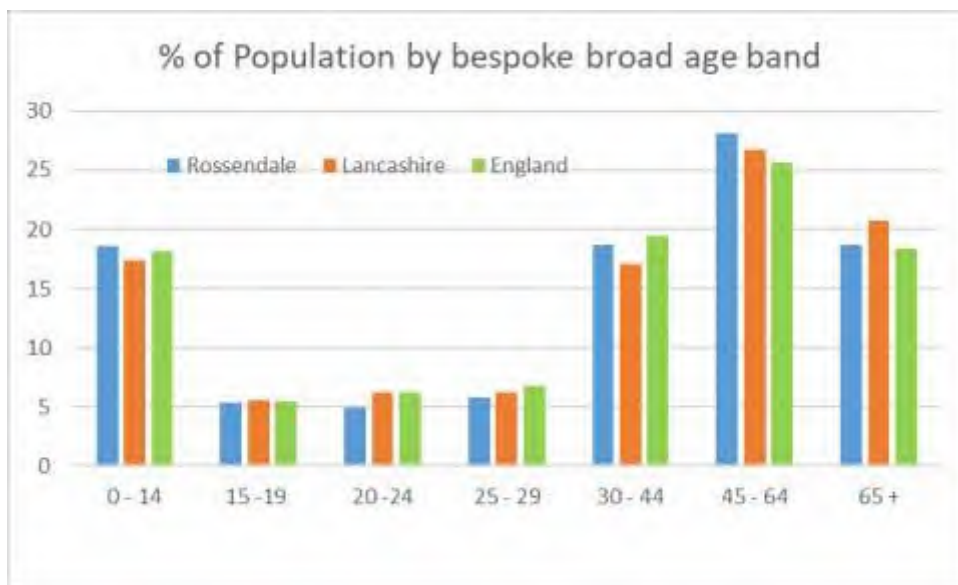
Sitting on the western slopes of the Pennines Rossendale is well connected to Lancashire, Greater Manchester and West Yorkshire.



## Our Vision: Rossendale, a place where people want to live, visit, work and invest

### Our people:

In 2019 the population estimate for the Rossendale area was 71,482. The age demographic make-up of the population compared with Lancashire and England is shown in the table below:-



The population of Rossendale is growing and it is estimated that between 2016 and 2041 the population will increase by 5.7%.

### Housing:

There were 32,200 dwellings in the borough at the beginning of 2019/20, 85% of which were owner occupied or private rented. In common with other East Lancashire authorities, Rossendale has a high proportion of its housing stock in the lowest category 'A' council tax band, almost 51% and around 3.6% of dwellings were vacant in 2019.

A total of 12.1% of Rossendale households were in fuel poverty in 2017 compared to the England average of 10.9%. The main factors that determine this are the energy efficiency status of the property, the cost of energy, and household income. The 2019 national indices of deprivation revealed that Rossendale was the 91<sup>st</sup> most deprived area out of the 317 districts and unitary authorities in England.

# Narrative Report

## Our businesses:

As in most places, the manufacturing sector has shed jobs over the years whilst the service sector has grown to become a far greater source of employee jobs. However there still continues to be a bias towards a larger proportion of employees in the manufacturing sector in Lancashire and Rossendale than is the national norm and a lower proportion of jobs in the service sector. Rossendale does, however, maintain a relatively high percentage of private-sector jobs with 2,710 active enterprises in Rossendale and we are proud that two local companies recently won a Queen's Award for Enterprise, namely Slingco Ltd in Bacup and Orthoplastics Ltd in Bacup.

## Our area:

Though Rossendale is not served by the main railway network it does have excellent road links with the M66 heading south to Greater Manchester and the M62 corridor over the Pennines and the M65 heading west to link up with the M6. The 2011 census figures on commuter flows revealed that only 40.3% of Rossendale residents work within the borough and over 10% of working residents commute between 20 and 30 kilometres, the highest percentage in Lancashire and well above regional and national averages.

Lancashire has over 8,000 hectares of common land (1.5% of the nation's total) and Rossendale is one of the three boroughs which account for a significant proportion of this total. Rossendale has 23.0% of its land designated as green belt, safeguarding our countryside and preserving the character of our historic towns. This also contributes to maintaining our air quality, which is better than the county and national averages.

## Priority 1: A clean and green Rossendale

Our priority is to keep Rossendale clean and green for all of Rossendale's residents and visitors, and to take available opportunities to recycle and use energy from renewable sources more efficiently.

### Key Actions: Clean

- Be tough with those who blight our communities with fly-tipping, litter and dog fouling through more enforcement
- Deliver a waste and recycling awareness and engagement campaign to support us in keeping our streets clean and reducing litter
- Reduce waste costs and increase recycling rates in the Borough
- Continue to work proactively with our partners to improve the quality of roads in the Borough
- In an average month we collect 1,200 tonnes of general waste, whilst 260 tonnes of glass, cans and plastic and 170 tonnes of paper get recycled

1,687 littering and 144 dog-fouling cases pursued in 2019/20
132 fly tipping cases pursued in 2019/20
1,924 likes on our environmental face-book page
Over 4,900 signed up for the green waste service
Delivered over £2.2m of flood resilience works since Storm Eva in Dec 2015

### Key Actions: Green

- Work with our communities to celebrate our environment, promote pride in our area and enhance our parks, playgrounds and open spaces
- Work with partners on ensuring Rossendale is robustly prepared for another flooding incident
- Promote our green spaces and countryside for all to enjoy

# Narrative Report

## Priority 2: A connected and successful Rossendale that welcomes sustainable growth

Our priority is to ensure that we are well connected to our residents, key partners and stakeholders. We want to make the most of every pound we spend and we are always looking for new and innovative ways to make the resources we do have, work harder for us. A key part of this involves developing new and existing economic and commercial opportunities in the Borough. This will eventually help us become a more dynamic and sustainable Council that is able to deliver successful, quality services for our residents and visitors.

### Key Actions: Connected

- Make it easier for customers to interact with the Council online when it suits them, by making more of our services digital
- Continue to work with partners and other agencies on better transport links in Rossendale and with our neighbours
- Make sure we get the best outcomes for Rossendale by working with public sector and other partners to make sure every pound gets the best results
- Make the most of our location; bordering Greater Manchester and West Yorkshire but also being committed to being part of a strong, confident Lancashire County

55 of our services are now available on-line 24/7

Our conditions test for taxis & driver knowledge tests now acknowledged as best practice

We are active participants in the regional transport committee

### Key Actions: Growing

- Identify development sites to enable inclusive and sustainable growth (overnight visitor accommodation, housing, businesses, jobs and tourist destinations)
- Develop plans to ensure we have strong town centres and communities
- Invest in our staff to champion our more commercial and digital approach

Committed to fully Developing Futures Park for Businesses

Promoted "Invest in Rossendale"

Developed Plot 5 Futures Park for expansion of a local business

### Key Actions: Successful

- Continue to celebrate and grow our sport, leisure and culture offer through Rossendale Leisure Trust, Whitaker Museum, Community Leisure Association Whitworth and other organisations
- Develop new relationships in the community and strengthen existing ones
- Focus on tourism, particularly around our Adrenaline Offer, bringing people, business and attractions to Rossendale

Secured development funding for Haslingden 2040 from National Heritage Lottery

Assist with securing Whitaker National Heritage Lottery funding

# Narrative Report

## Priority 3: A proud, healthy and vibrant Rossendale

Our priority is to ensure that we are creating and maintaining a healthy and vibrant place for people to live and visit. We celebrate the health, vitality and enterprise of the people who live in, do business in and visit Rossendale. We are proud of our Borough and the success that happens here.

### Key Actions: Proud

- Celebrating Rossendale, the success of our residents, business and the Council's work through publicity and awards, raising awareness of the great things they do
- Work with local schools to support career pathways and make sure that our children and young people flourish
- Building strong, resilient communities with volunteers and active citizens, creating neighbourhoods where people feel proud and safe to live
- Work closely with residents, communities and the police to maintain low crime levels and reduce Anti-Social Behaviour

Promoting Rossendale Board has produced a borough Food & Drink Guide
Our Facebook & Twitter feeds reach over 1 million people
4 Neighbourhood Forums gave out £15k in grants to 49 local community groups
Communities team co-ordinated the summer holiday food project to address 'holiday hunger' supported events including Haslingden Street Fair and Rawtenstall Christmas lights switch on and lantern parade



# Narrative Report

## Rossendale folk - the people behind the borough

### Our councillors

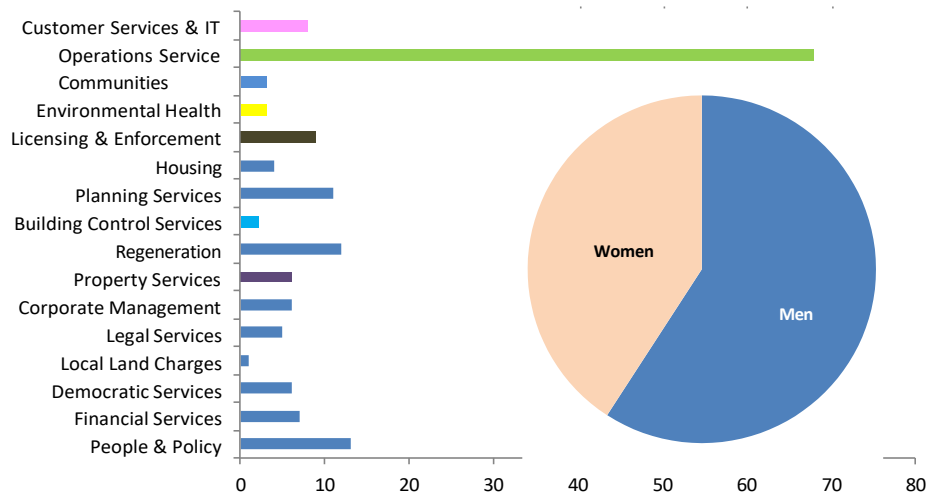
We have 36 councillors in Rossendale serving 14 wards across the borough. At the start of the 2019/20 Municipal year the political balance was as follows

- 19 Labour
- 13 Conservative
- 2 Community First
- 
- 1 Independent
- 1 Unknown

### Our staff

The Council employs 164 people across its services, 42% of whom provide front-line services within the Operations Team collecting refuse, maintaining our parks and cemeteries and keeping the roads around the borough clean. Of our 164 employees 41% are women and 48% are over 50.

### Staff employed across services in 2019/20



### Our Senior Management Team



**Neil Shaw**  
Chief Executive



**Adam Allen**  
Director of  
Communities



**Cath Burns**  
Director of  
Economic  
Development



**Karen Spencer**  
Head of Finance



**Clare Birtwistle**  
Legal Services  
Manager



**Clare Law**  
HR Manager

# Narrative Report

Our partners, community groups and the volunteers that we work with

**CAPITA** Capita provide our revenues, benefits and customer services.

**Civic Pride** groups support the borough by providing a gardening and litter clearance service, building upon the work done by the Council's workforce.



Voluntary Community Sector organisations work with us on a range of initiatives, a comprehensive list can be found on the **REAL Directory**.



**Calico Homes** now manage the East Lancashire Empty Homes project.

**Together Housing** manage social housing across the borough



**RTB Partnership Ltd** is an equal partnership development vehicle set up in February 2013 to facilitate a number of development projects across the borough.



**Rossendale Leisure Trust** provides the sports facilities provision in the Borough, with **Community Leisure Association Whitworth** providing them in Whitworth.



The NHS and **East Lancashire Clinical Commissioning Group** are the health providers for Rossendale. Main hospital services are provided by **East Lancashire Hospitals NHS Trust**. Some other facilities are run by the **Lancashire Care NHS Foundation Trust**.



**Lancashire Constabulary** is the local police force.  
**Lancashire Fire and Rescue** provide our fire service.  
**Lancashire County Council** upper tier responsibilities

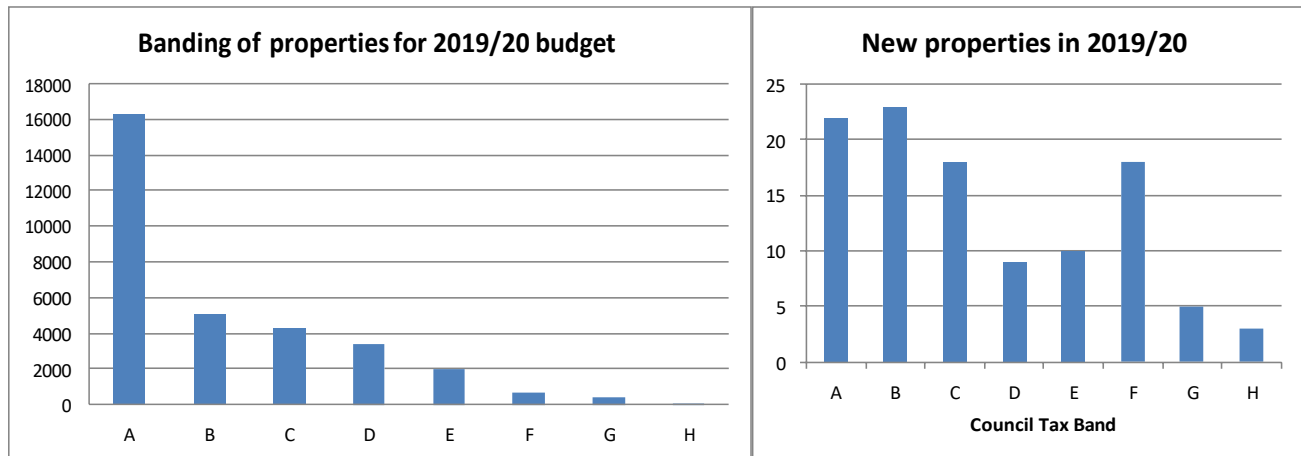




# Narrative Report

## Council Tax in Rossendale

Almost 51% of all the domestic properties in Rossendale fall into Band A, the lowest band for Council Tax purposes. Though the Band D is taken nationally as the average for the purposes of collecting Council Tax, only 10.5% of properties in Rossendale fall into this band. The total number of properties when the 2019/20 Council Tax was set was 32,107, up by 108 from 2018/19.

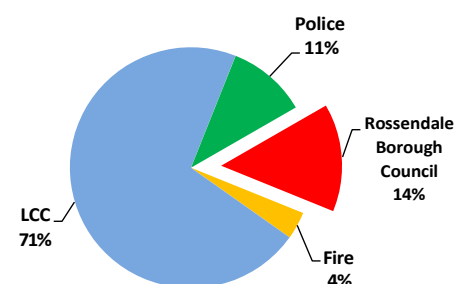


Rossendale Borough Council collects Council Tax on behalf of each of the major preceptors, Lancashire County Council, Lancashire Combined Fire Authority and Lancashire Constabulary. In 2019/20, we also collected a precept for Whitworth Town Council from 3,626 properties.

Back in 2017/18 Rossendale Borough Council increased its element of the Council Tax for the first time since March 2009. In 2018/19 and 2019/20 the charge went up by 2.99%, which made the 2019/20 charge for a band D property £271.46. The Council retained £5.645m in Council Tax in 2019/20.

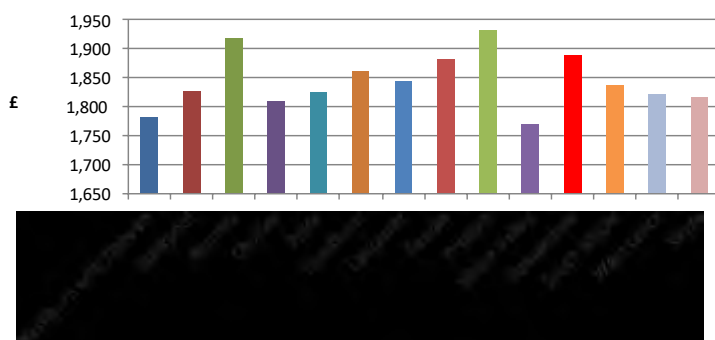
Precepting Body	% Increase	2018/19	2019/20	% Share
		Band D £	Band D £	
Rossendale BC	4.00%	263.57	274.12	14.5%
Lancashire County Council *	2.99%	1,212.17	1,250.89	66.1%
LCC Adult Social Care *	1.00%	82.75	95.70	5.1%
Combined Fire Authority	2.99%	67.46	69.48	3.7%
Police & Crime Commissioner	13.52%	177.45	201.45	10.6%
<b>Total (Excl' Whitworth)</b>	<b>4.89%</b>	<b>1,803.40</b>	<b>1,891.64</b>	<b>100.0%</b>
Whitworth Parish Council	6.07%	23.40	24.82	
<b>Total Whitworth Parish</b>	<b>4.91%</b>	<b>1,826.80</b>	<b>1,916.46</b>	

Each £1 of Council Tax was split



\* percentage increase is based on the total combined tax level

## Council Tax Band D across Lancashire



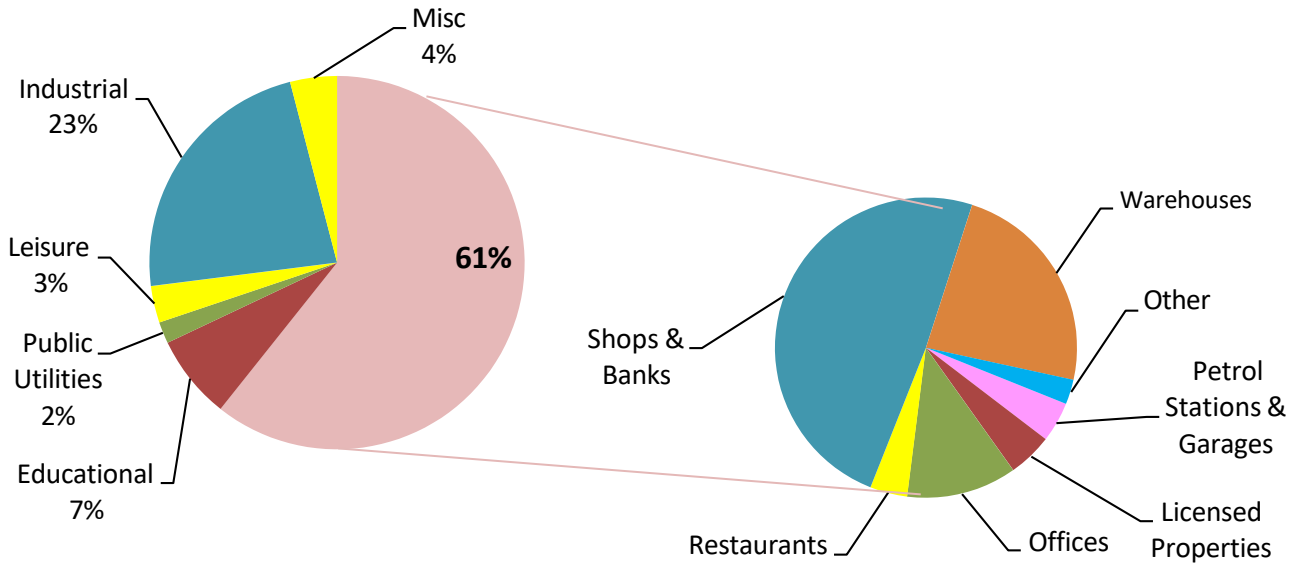
In comparison with our neighbouring authorities across Lancashire, Rossendale has the third highest total Band D charge.

# Narrative Report

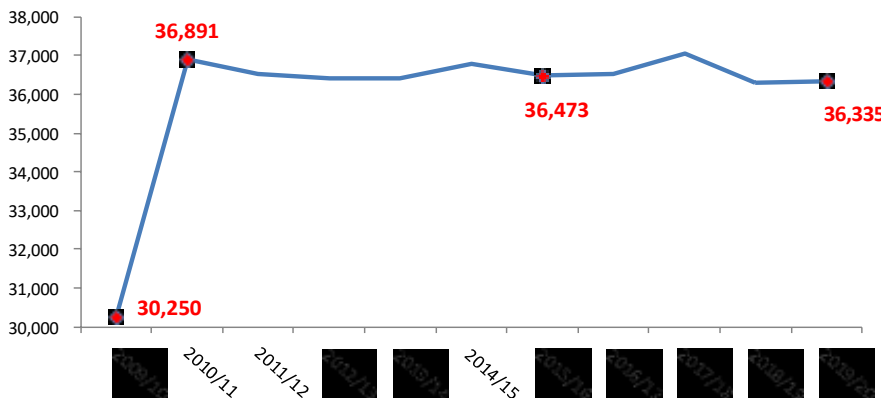
## Business Rates in Rossendale

Business Rates are payable based upon a rateable value set by the national Valuation Office. The total rateable value of business premises in Rossendale at the 31<sup>st</sup> March 2020 was £36,335k, down slightly from £37,303k in March 2019. The Council retained £6.965m in Business Rates in 2019/20.

### Rateable Values as at 31st March 2020



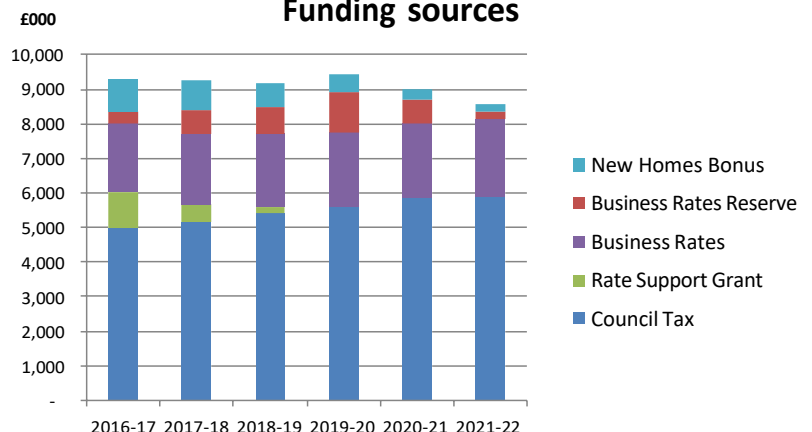
### Rateable Values in recent years



Rateable values underwent a national revaluation exercise in 2010/11 and a revision during 2015/16.

Since 2020/11 the Council has seen significant reductions in core Government funding and an increase in reliance on Council Tax income to fund services. The sources of funding available for Council Services can be seen in the table opposite, along with future predictions over the Medium Term Financial Strategy

### Funding sources



# Narrative Report

## General Fund

The General Fund holds the income and expenditure associated with the day to day running of all the services that the Council provides.

In setting the 2019/20 budget, members continued to give due regard to the financial challenges facing the Council over the medium term. For a number of years the Council has continued to reduce its net revenue expenditure in line with its own efficiency agenda and the impact of the Government's 2015 Comprehensive Spending Review.

At the time of setting the 2019/20 original budget the medium term financial strategy (MTFS) indicated an underlying deficit of £511k for 2019/20, rising to £789k by 2020/21. The Council reviews its MTFS at regular intervals and reported to Cabinet in October 2019 that reduced pension deficit contributions, combined with various other changes, should reduce the deficit for 2020/21 to £355k. However, beyond that the future underlying deficit remains at c£730k.

As can be seen on the table on the previous page, external resources for 2018/19 included £189k revenue support grant funding. This was the final year, from 2019/20 onwards the council no longer receives this grant. New Homes Bonus grant has also reduced, from £684k in 2018/19 to £485k in 2019/20. This will continue to fall with 2022/23 being the final year the Council will receive this funding stream.

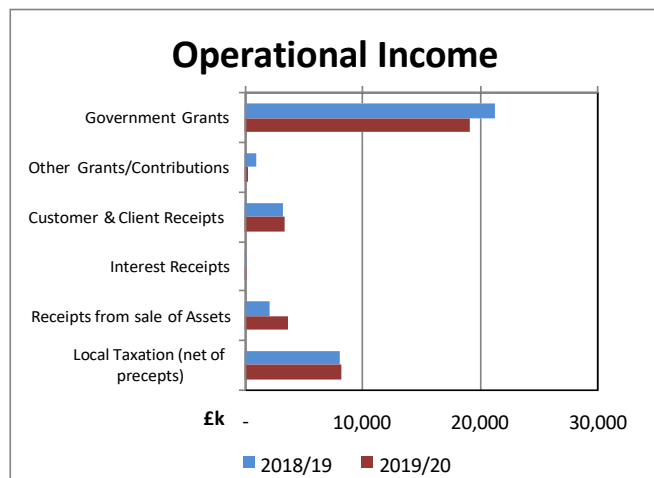
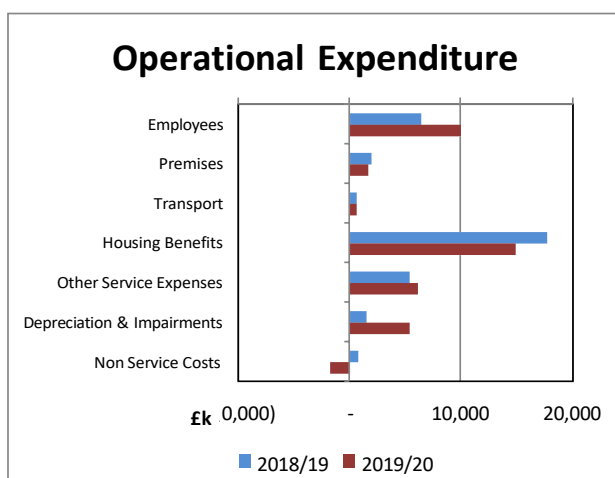
With the drop in external funding above, local taxation has to contribute towards the MTFS challenge and in the 2019/20 budget, members again made the difficult decision to increase the Council Tax by 2.99%, resulting in a Collection Fund Precept of £5,591k plus £54k to support Whitworth Town Council. Local business rates were also expected to provide £2,144k of funding in 2019/20 and members approved the use of £1,200k from prior year surpluses held in the Retained Business Rates Reserve. Between local and external funding the total resources available for 2019/20 were £9,420k.

Despite the financial challenges ahead, members approved a net services budget for 2020/21 of £9,006k including a contribution of £100k towards capital projects.

The following table and charts show the General Fund figures before the technical accounting adjustments required by the Code in the CIES on page 37. These follow the operational basis shown in the financial monitoring reports presented to members at each Cabinet meeting, with the exception of the precept payment to Whitworth Town Council.

The reconciliation following the CIES at Note 1 shows the adjustments required to move from the Original Budget, to the Budget shown on the General Fund Summary overleaf and from the Actual overleaf to the CIES Actual position presented in-line with current accounting standards.

A breakdown of the Council's expenditure and income can be found at Note 2



# Narrative Report

GENERAL FUND SERVICES	2018/19			2019/20			Note
	Adjusted Budget £000s	Operational Out-turn £000s	Variance (adv)/ fav £000s	Adjusted Budget £000s	Operational Out-turn £000s	Variance (adv)/ fav £000s	
Communities Directorate							
Customer Services & IT	2,454	1,126	1,328	1,460	1,457	3	
Operations	2,101	2,246	(145)	2,117	2,286	(169)	
Community & Partnerships	720	747	(27)	727	623	104	
Public Protection Unit	120	122	(2)	132	130	2	
Environmental Health	256	235	21	211	194	17	
Licensing & Enforcement	157	121	36	60	86	(26)	
Housing	208	216	(8)	192	372	(180)	
Economic Directorate							
Building Control	(32)	3	(35)	(10)	(3)	(7)	
Planning	294	222	72	297	239	58	
Regeneration	367	480	(113)	373	339	34	
Property Services	742	1,483	(741)	791	826	(35)	
Corporate Management							
Corporate Management	448	429	19	452	327	125	
Legal Services	188	173	15	194	139	55	
Local Land Charges	(27)	(17)	(10)	(22)	(15)	(7)	
Democratic Services	552	545	7	569	575	(6)	
Financial Services	489	480	9	499	498	1	
People and Policy	507	446	61	522	446	76	
Non-distributed Costs	1,086	723	363	1,017	1,009	8	
Capital Financing & Interest	386	1,370	(984)	351	533	(182)	
<b>Total cost of General Fund Services</b>	<b>11,016</b>	<b>11,150</b>	<b>(134)</b>	<b>9,932</b>	<b>10,061</b>	<b>(129)</b>	
Whitworth Town Council Precept	61	61	-	60	60	-	page 16 & 31a
Contrib to/(from) Earmarked Reserves	(1,596)	(1,247)	(349)	(512)	(590)	78	
<b>Amount to be met from government grants &amp; local tax payers</b>	<b>9,481</b>	<b>9,964</b>	<b>(483)</b>	<b>9,480</b>	<b>9,531</b>	<b>(51)</b>	
Precept on the Collection Fund	5,445	5,437	8	5,651	5,645	6	Coll Fund
Collection Fund - prior year surplus	82	82	-	-	-	-	Coll Fund
Collection Fund - current yr surplus/(deficit)	-	(5)	5	-	66	(66)	
Non-Domestic Rates	2,097	2,610	(513)	2,144	2,572	(428)	6
Rate Support Grant	189	172	17	-	-	-	7
Non-Spec Govt Grants - New Homes Bonus	684	684	-	485	485	-	7
Non-Spec Govt Grants - S31 Grants	984	984	-	1,200	1,681	(481)	
<b>Amounts received from government grants &amp; local tax payers</b>	<b>9,481</b>	<b>9,964</b>	<b>(483)</b>	<b>9,480</b>	<b>10,449</b>	<b>(969)</b>	

Major Variances during 2019/20	Favourable	Adverse	Net
	£000	£000	£000
Housing Benefits Subsidy	179		179
Recovery of Overpaid Benefits	107		107
Collection Fund Court Costs		(51)	(51)
Provision for prior yr HB to DWP		(163)	(163)
Vehicle maintenance & hire		(37)	(37)
Fuel		(26)	(26)
Parks and Street Sweeping		(21)	(21)
Trade Waste and Bulks net income	26		26
Planning & Building fees	77		77
Licensing income		(46)	(46)
Audit costs	29		29
Empty Homes Scheme costs		(520)	(520)
Property rental	85		85
Pensions pre-payment saving	108		108
Interest earned (net)	24		24
Doubtful Debt Provision		(82)	(82)
Staffing	232		232
Other Misc Variances (net)		(50)	(50)
	<b>867</b>	<b>(996)</b>	<b>(129)</b>

The main variances between the budget and the out-turn are shown in the table opposite. More details about the review of vehicle replacement requirements can be found in Note 14, 17 and 32b as this led to an MRP saving of £72k which contributed towards an increase of £114k in vehicle maintenance and hire costs.

There has been a small increase in the collection rates for Council Tax and Business Rates during 2018/19 which will have resulted in around £119k additional cash received into the Collection Fund. However, this has led to a drop of £9k in court costs raised and an increase of £10k in the level of doubtful debt provision, creating a net adverse variance of £19k.

## Narrative Report

In terms of fee income, planning, building control services and cemeteries saw a combined increase of £106k, but the new Licensing policies mentioned on page 8 above have resulted in a £77k drop in income.

### Other financial factors

This Council signed up to the Lancashire Business Rates Pool which came into effect on the 1<sup>st</sup> April 2016. Under these arrangements Rossendale retains more of its local business rates. In 2019/20 the Council was a member of the Lancashire Business Rates 75% Pilot Pool and benefitted from an increased retained share of 56% as opposed to 40% in 2018/19.

The Council continues to be the accountable body for the East Lancs Empty Homes Scheme, which has brought back into use almost 200 long-term empty domestic properties across East Lancashire, funded through a combination of Homes and Communities Grant, owner contributions, local housing associations and contributions from the other neighbouring local councils. The properties are managed by management agents with the majority of the properties being managed by Calico homes Ltd, under a self-financing contract. 2019/20 was a significant year for the project as the first tranche of properties were returned to their owner. Unfortunately, this has meant increased costs to the council of c£720k in the 2019/20 financial year.

There are c116 properties remaining on the scheme. These properties will continue to be let for the remainder of their leases, details of which can be seen at Note 18a.



# Narrative Report

## Capital Strategy and the Capital Programme 2019/20 to 2021/22

In February 2019 the Council set an affordable capital budget for new projects of £1,304k, funded from £500k of grants, £473k of internal borrowing, £100k from revenue resources and £231k from capital receipts. The programme included £554k of new parks vehicles, £130k on maintaining the Council's operational assets and £500k on Disabled Facilities Grants (DFGs) for domestic properties across the borough.

This was added to £5,662k of ongoing capital works anticipated at the end of 2018/19, which included key projects such as the Bacup Townscape Heritage Initiative (THI) of £772k and the £4,013k Spinning Point Phase 1 project to build a new bus station in Rawtenstall centre, along with the redevelopment of the old Town Hall and the former Police Station sites. At the end of 2018/19 the actual value of slippage brought into 2019/20 was £5,303k.

During the year additional capital projects included an extra £522k of DFG grant and community projects to improve parks and play areas which attracted over £293k of third party grants and contributions.

Major capital projects added during 2019/20 also included £3,800k on the construction of a building on Plot 5 at Futures Park in Bacup, funded by a combination of internal and external Borrowing, and £1,899k for works at Whittaker Park Museum funded by National Lottery Heritage Fund. This brought the final capital programme for 2019/20 to £6,920k.

More information on the capital costs and funding sources can be found in Note 17.

The sale of fixed assets with a Net Book Value of £245k brought in £694k of capital receipts during 2019/20. These assets included £46k of vehicles which sold for £106k and £197k of Assets Held for Sale which sold for £543k as shown in Notes 14, 26, 31b, 32a and 32b.

In order to meet the Council's capital investment ambitions a loan of £4.6m was entered into with the Public Works Loan Board (PWLB) in March 2010 for a period of 25 years at 4.49%. At the commencement of the Futures Park Plot 5 building the Council entered into a second PWLB loan of £2m at 1.34% repayable over a 20year period. These loans are reflected in the Balance Sheet and the Financial Instruments at Notes 20 and 28 to the Core Statements.

At the end of 2019/20 the Whittaker Park refurbishment project had only just begun and £1,855k of was carried forward into 2020/21. The construction of the Plot 5 building was well under way with £1,228k carried forward and the Spinning Point Phase 1 project had just £284k of mainly ground works and car parking provision still to complete. With an unspent balance of £1,173k in Disabled Facilities Grants, the Council carried £5,573k of ongoing capital projects forward into 2020/21.

## The Collection Fund

Billing authorities in England, such as Rossendale, are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (Business Rates). The key features relevant to accounting for council tax and business rates in the Core Financial Statements are:

- In its capacity as a billing authority the Council acts as agent; it collects and distributes council tax income on behalf of the major preceptors and itself; under the scheme of Business Rates Retention introduced from 2013/14, business rates are also collected on behalf of Central Government and the major preceptors;
- While the council tax and business rate income credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors.

## Narrative Report

The council tax and business rate income included in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the Collection Fund has been taken to the Collection Fund Adjustment Account and is included as a reconciling item in the Movement in Reserves Statement.

Since the collection of council tax and business rates income is in substance an agency arrangement, cash collected by the billing authority from council tax and business rates debtors belongs proportionately to the billing authority and the major preceptors. There is therefore a debtor/creditor position between the billing authority and each major preceptor which is recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from taxpayers.

The surplus on the Collection Fund for Council tax as at 31<sup>st</sup> March 2020 was £449k and will be shared between the Council (billing authority), the County Council, the Police Authority and the Fire Authority in the following years. The Council's share of the surplus is £65k. The actual rate of in year collection of Council Tax for 2019/20 was 96.32% (96.7% for 2018/19).

For 2019/20 the Council is a member of the Lancashire Business Rate 75% Pool, this provides the opportunity for the Council to benefit from local business rate growth.

In the year ended 31<sup>st</sup> March 2020 the collection fund position for NNDR was a surplus of £363k which will be carried forward and distributed in subsequent years' budgets. Rossendale Borough Council's share of this is £203k with the balance due to the Government and major preceptors.

Further details in relation to the Collection Fund can be found in the Supplementary Statements.

### Treasury Management

Treasury Management is conducted in-house with advice provided by an external organisation, Link Asset Services. Investment performance has struggled to meet the budget target as interest rates on the Council's bank accounts continued to be below bank base rates during the year. By the end of the year the council was earning 0.24% on balances, down from 0.6% at the end of 2018/19. However, the level of balances held during 2019/20 was above that predicted when setting the original budget, which led to an overall favourable interest income variance of £23k.

Treasury management during the year was conducted within the borrowing limits and investment criteria approved in the Treasury Management Strategy and Treasury Management Practices approved at Full Council in February 2019.

The Ministry for Housing, Communities and Local Government (MHCLG) allows local councils to fund capital expenditure from other revenue reserves, known as internal borrowing, as long as the investment can be shown to be prudent. The value of this internal investment is known as the Capital Financing Requirement, as shown at Note 17a. At the 31<sup>st</sup> March 2020 the Capital Financing Requirement (CFR) stood at £14,063k. At the same time the balance of the Council's PWLB borrowing was £4,710k (Note 28) following additional borrowing of £2m in August 2019. This means that the Council is "under borrowed" by £9,353k. For the first time in many years this is not fully covered by the useable earmarked reserves of £6,491k (Note 31a). As the value of useable reserves drops over the life of the Council's MTFs, greater consideration will need to be made of the need for additional PWLB borrowing to fund future capital investments.

## Narrative Report

The MHCLG also requires councils to set aside 'prudent' provision for the repayment of debt where they have used internal borrowing arrangements to finance capital expenditure, but allows certain flexibility as to how this is calculated. This cost is known as Minimum Revenue Provision (MRP) and it is a charge to the General Fund budget, but is not included in the CIES. This Council calculates MRP on a direct line basis to match the estimated life of each particular asset. The normal requirement for MRP in 2019/20, as provided for in the original budget, was £781k, During the year the £200k MRP anticipated for the Empty Homes Scheme was transferred to cover other costs arising from the properties, and the delayed replacement of some vehicles to allow for a full review of fleet requirements leaving an actual MRP contribution of £539k.

### Pensions and IAS19

Rossendale Borough Council is a member of the Local Government Pension Scheme, administered by Lancashire County Council. Note 33 explains how the Council has accounted for the under-lying long term commitments in relation to the retirement benefits for employees in line with the prudent and prescriptive IAS19 methodology. Measurement of the assets and liabilities, under the statutory IAS19 regulations, showed an increase in the net liability from £29.7m at March 2015 to £33.6m at March 2017 and a subsequent drop to £24,5m at March 2020, which can be seen in note 33a.

The Lancashire County Pension Fund underwent a full triennial actuarial valuation by Mercers in December 2019, which came into force in March 2020. For the Rossendale element this showed that the net deficit had dropped from £15m to £2,7m, representing a funding level of 96% and so the deficit recovery period was maintained at 16 years.

Lancashire County Pension Fund- Rossendale Borough Council	March 2014 £000	March 2017 £000	March 2020 £000
Pension (Surplus)/Deficit	£22m	£15m	£2.7m
Funding Level	68%	77%	96%
Employer Future Service Rate (%ge of pensionable pay p.a.)	14.0%	15.5%	17.6%
Remaining recovery period	16 yrs	16 yrs	16 yrs

The key conclusions from the March 2020 actuarial valuation were:

- Based on the assumptions made for assessing the cost of future accruals, the future service rate for Rossendale Borough Council has risen from 15.5% at March 2017 to 17.6%.
- In line with the Funding Strategy Statement (FSS), a 16-year deficit recovery plan has been put in place for the County Fund as a whole which requires additional employer contributions of £549k over the next three years.
- The estimated impact of the McCloud judgement for Rossendale was £240k, which represented 0.3% of the total liabilities and contributed 0.9% to the increase in the future service rate of 17.6% shown above.
- Active members also pay contributions to the Fund as a condition of membership and this rate remains at 6.4% per annum.

Bearing in mind the funding challenges facing the Council over the life of the MTFs, members approved the pre-payment of the pension fund costs for the current triennial period, which will lead to a saving of over £300k over the three years. Consequently, £4.6m was paid to the pension fund in April 2017, of which £1.5m was classed as an advance payment at the 1<sup>st</sup> April 2019. This led to a net actual saving of £113k in 2019/20 compared to the £108k saving included in the original budget. The prepayment can be seen in the Balance Sheet as the difference between the Net Pension Liability of £28.6m and the Pension Reserve deficit of £30.1m at the end of 2018/19. As the pre-payment period had now ended, there is no difference in these figures at 31<sup>st</sup> March 2020.

The Council had approved a similar prepayment plan in April 2020 of £2.6m in order to save £151k over the next 3-year period.



# Narrative Report

## The Economic Climate and Financial Outlook for the Future

The latest MTFs reported to Budget Council in February 2020 sets out the Council's spending plans and available capital and revenue resources for the period 2019/20 to 2023/24. The MTFs set out the funds required to deliver the Council's essential services and the objectives in our priority areas. It also highlighted the key areas/issues facing the Council in the current year and future years. For 2020/21 onwards a major concern is the impact of Covid-19, future Government funding and potential impact of a no deal Brexit.

The Government is planning to announce a three year spending review for the period 2021/22 to 2023/24. Until this announcement is made and the local government finance settlement figures are published we have no indication of the level of funding the Council will receive from 2021/22 onwards.

In light of the current risks and uncertainties the Council will aim to continue to maintain a healthy and robust level of reserves. The Council's strategic budget plan has been to use reserves to fund the gap between income and expenditure over the life of the forecast, whilst looking to identify savings and income generating opportunities.

# Annual Governance Statement

Annual Governance Statement: Year Ended 31<sup>st</sup> March 2020

## 1) Scope of responsibility

Rossendale Borough 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. Rossendale Borough Council also has a duty under the Local Government Act 1999 to make arrangements 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, Rossendale Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Rossendale Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government – 2016 Edition. This statement explains how Rossendale Borough Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1), which requires all relevant bodies to prepare an annual governance statement.

Delivering Good Governance (2016 Edition) defines the principles against which the Annual Governance Statement reports:

Principles
<b>Principle A: Behave with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>
<b>Principle B: Ensure openness and comprehensive stakeholder engagement</b>
<b>Principle C: Define outcomes in terms of sustainable economic, social, and environmental benefits</b>
<b>Principle D: Determine the interventions necessary to optimise the achievement of the intended outcomes</b>
<b>Principle E: Develop the entity’s capacity, including the capability of its leadership and the individuals within it</b>
<b>Principle F: Managing risks and performance through robust internal control and strong public financial management</b>
<b>Principle G: Implement good practices in transparency, reporting, and audit to deliver effective accountability</b>

# Annual Governance Statement

## 2) The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. 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 services and value for money.

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 authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

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

## 3) The Governance Framework

Key elements of the systems and processes that comprise the authority's governance include arrangements for:

**Principle A:** *Behave with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law*

The Council has a formal Constitution which is reviewed annually, amended as required and made publicly available on our website at [www.Rossendale.gov.uk](http://www.Rossendale.gov.uk). The Constitution sets out how we operate, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by the law, while others are a matter for us to choose.

The Constitution includes the following documents which provide guidance for officers and Councillors on the standards of behaviour expected to ensure integrity:

- Code of Conduct for Members (Councillors)
- Code of Conduct for Employees
- Guidance on the role of a Councillor

The Council's Monitoring Officer maintains the Codes of Conduct up to date and investigates any suspected breaches. Alleged breaches of the Members Code of Conduct are conducted in accordance with an agreed protocol. Councillors sign a formal declaration agreeing to abide by the Code of Conduct. For staff, the Employee Handbook sets out the requirements and standards expected and this forms part of the staff induction process.

The Council also has established a set of core values which are intended to underpin all that we do. These are published as part of our Strategic Plan and include the following ethical values:-

- Customers Matter
- Listening & Communicating
- Management of Performance
- Celebrating success

Underpinning everything we do is our commitment to equality, diversity, transparency, inclusion, sustainability and value for money.

# Annual Governance Statement

Staff and Councillors are made aware of other policies relevant to this principle of the framework including the Council's Anti-Fraud and Corruption, Bribery and Whistleblowing Policies. These arrangements are reviewed and reported on via the Council's Audit and Accounts Committee being the Committee charged with oversight of the governance arrangements at the Council. At the heart of these policies is the requirement for all relevant parties to act with integrity.

All Councillors have to register and declare certain pecuniary interests such as employment, land holdings and contracts with the Council. The register of interests is available on our website at [www.rossendale.gov.uk](http://www.rossendale.gov.uk). Councillors must declare such interests at meetings which they attend. There are also procedures laid down for staff and councillors relating to the receipt of gifts and hospitality.

All Council decisions have to consider legal implications. These are set out in reports to Councillors which are published on the Council's website. The Council's Constitution sets out the responsibility for decision-making. Certain decisions are reserved to the full Council with others delegated to the Policy and Resources Committee or other Committees each acting in accordance with parameters set out in the Constitution.

A number of areas are delegated to officers for the purposes of decision-making; however, limits on the exercise of delegation are laid down in an approved Scheme of Delegation to Officers within the Constitution. The Council's legal team will advise on the legal implications of proposed decisions and where necessary will engage external legal advisors. The Council's Monitoring Officer and Section 151 Officer have specific responsibility for ensuring legality, for investigating any suspected instances of failure to comply with legal requirements, and for reporting any such instances to councillors.

## **Principle B: *Ensure openness and comprehensive stakeholder engagement***

Our Corporate strategy identifies and reiterates our commitment to working with partners, volunteers and our residents. Performance management against key actions, performance measures and risks represents an essential part of our assurance and accountability process to our residents and our partners.

All decisions of the Council are made in accordance with principles laid down in the Constitution and include the following:-

- a presumption in favour of openness
- explanation of the options considered and the reasons for decisions.

All meetings of the Council, Cabinet and other Committees are open to the public.

Agenda papers and reports together with the Minutes of all meetings are publicly available on the Council's website unless they are exempt from publication.

The Council's guidance on, the role of a Councillor' contains the following which reinforces the importance of openness requiring Councillors to:

- Contribute to the governance of the area and actively encourage community participation and citizen involvement in decision making

The Code of Conduct for Councillors also outlines the following requirements:-

You must take decisions solely in terms of the public interest. You must not do so in order to gain financial or other material benefits for yourself, your family, or your friends.

You are accountable for your decisions and actions to the public and must be available for scrutiny as appropriate to your office.

You must be as open as possible about all the decisions and actions that you take. You should give reasons for your decisions and restrict information only when the wider public interest clearly demands.

# Annual Governance Statement

The Council undertakes consultation on specific topics (2019/20 included consultation on the proposed traveller transit site). The Council also makes use of social media via Facebook and Twitter.

The Council is committed to publishing information freely and to develop further our culture of openness and transparency and publishes information in accordance with the Local Government Transparency Code. The Council's Freedom of Information Publication Scheme provides a general guide for the public in terms of what information should routinely be available to them by either accessing our website or upon request.

Partnership working is important and the Council has in place a wide range of arrangements ranging from small scale local groups (e.g. Civic Pride groups) to larger and more formal partnerships (e.g. public/private partnership with Rossendale Leisure Trust and Capita).

## **Principles C & D – Defining outcomes in terms of sustainable benefits (economic, social and environmental) and determining the interventions necessary to achieve them.**

The Council's strategic vision for the Borough is set out in our Strategic Plan. Our vision is to work with our partners to ensure that Rossendale is a place where people want to live, visit, work and invest. We aim to achieve this by working on our three priority areas:

- A clean green Rossendale
- A connected and successful Rossendale that welcomes sustainable growth
- A proud, healthy and vibrant Rossendale

Underpinning our Corporate Strategy are robust business plans for each of our service areas. These detail how we will deliver the strategy, our vision and priorities. They also detail how we will continue to deliver services to our residents and meet our financial challenges.

Service areas are required to set and monitor agreed targets for performance. Performance against and achievement of expected outcomes is monitored regularly via the Council's corporate performance management system and reported quarterly to Councillors and the Management Team. Where the expected performance is not being met then potential intervention measures are considered and implemented where appropriate.

In relation to the buying of goods and services, staff must comply with the Council's Contract Procedure Rules. These set out relevant considerations when reaching decisions on award of contracts and include relevant environmental and sustainability aspects including the achievement of 'social value' in addition to cost.

Decisions on the overall level of resources allocated are taken by the Council following recommendations from the Cabinet. Resources and spending plans are critically reviewed to optimise their use and level of fit with the Council's objectives. Financial planning arrangements are well established and underpinned by a three year forward projection as part of the Council's medium term financial planning arrangements. This includes both capital and revenue budgets.

## **Principle E - Develop the entity's capacity, including the capability of its leadership and the individuals within it**

At the heart of this principle is the Council's commitment to '*Invest in our staff to champion our more commercial and digital approach*'. The aim is to ensure that, as an organisation, we are suitably placed to deliver the priorities identified for Rossendale and its residents. To do this we will employ the right people with the right skills in the right job. We will maintain robust financial processes, standards and systems optimising the technology and resources we have available to us, making us more efficient and effective in our service delivery and becoming digital by default.

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In recent years the Council has invested in training programmes to enhance organisational development, develop leadership skills and promote a coaching culture with staff at all levels encouraged to be innovative and challenge the normal way of doing things. All staff take part in annual performance management reviews which include consideration of their individual training and development needs. A range of training methods and resources are applied and feedback is actively encouraged to assess the benefit of investment in training. The Council has developed a workforce plan, organisational development strategy and a learning and development strategy. Training is available for Councillors including induction and topic specific matters in addition to what is available from organisations such as the Local Government Association.

Capacity is enhanced via a range of partnerships and collaborative arrangements, as well as our commissioning and procurement processes through which the Council operates a mixed economy approach to delivering services in the most effective and efficient way. Service delivery models include, in-house, external outsourced, transfers to external partners. On a regional and sub-regional basis the Council works closely with the Lancashire Enterprise Partnership and Pennine Lancashire bodies notably in areas such as economic development, regeneration and skills/training. It also works closely with Burnley College on training provision.

Wider partnership working and engagement across Lancashire has also been evident during the COVID-19 pandemic via the Councils collaboration with the Lancashire Resilience Forum (LRF) and the creation of the Rossendale Community Support Hub.

Leadership roles are well defined at the Council for staff and Councillors, distinguishing for example the role of Council Leader and the officer being the Head of Paid Service (i.e. the Chief Executive). A protocol is included in the Council's Constitution which reflects the principles underlying the respective Codes of Conduct which apply to Members and Employees. The shared object of these codes is to enhance and maintain the integrity of local government and therefore, demands high standards of personal conduct.

The Council is committed to a culture of continuous improvement and has a focus on service delivery and effective performance management. Peer learning is encouraged and the Council is due to undertake a Peer Challenge review led by the Local Government Association to provide an assessment and feedback on, amongst other things, our organisational capacity and capability from best practice in the local government sector.

The Workforce Strategy acknowledges the essential role staff play in the Council's ability to deliver effective services; thus wanting to ensure that every employee fulfils their potential and takes advantage of the development opportunities available to them.

Sustaining organisational resilience is increasingly challenging at a time when headcount is reducing in response to ongoing resource constraints. Set against this, the importance of supporting staff health and well-being is acknowledged and a suite of policies and procedures are in place to help staff maintain their own physical and mental well-being. Examples include the work/life balance policy and the operation of flexible working for most staff.

## **Principle F - *Managing risks and performance through robust internal control and strong public financial management***

The maintenance of systems and processes to identify and manage the key strategic and operational risks is integral to the achievement of the Council's objectives. The Council's

# Annual Governance Statement

**risk management framework** continues to evolve and presently includes the following arrangements:-

- Risk Management Policy and Strategy
- Arrangements for the Strategic Risk Register comprising corporate risks assigned to designated officers, with appropriate counter-measures and an action plan established for each key risk
- Periodic review of risks in-year with reports to the Council's Management Team, Cabinet and the Audit and Accounts Committee
- the use by Internal Audit of a risk based approach in the preparation and delivery of the internal audit plan
- the requirement for Officers of the Council to consider risk management issues when submitting reports to Committee for consideration by Councillors
- a suite of policies and procedures in relation to Whistleblowing, Anti-Fraud Theft and Corruption, Bribery and Anti-Money Laundering
- a suite of Business Continuity Plans are in place, i.e. Business Continuity Policy and Strategy, Strategic Crisis Management Plan, a Local Crisis Management Plan and a Business Recovery Plan for critical services

Councillors and officers have previously been trained in risk management and the Leader of the Council is briefed on the strategic risks faced by the Council. Managers have the responsibility for the effective control of risk, and all service plans have a section on risk management.

Corporate Governance including risk management, incorporating the key strategic risks for the Council, are the subject of periodic reports to Cabinet and the Audit and Accounts Committee.

The Corporate Management Team review the Corporate Risk Register to ensure that risks are being actively monitored and managed and target risk scores have been introduced for all identified strategic risks as a means of providing much greater focus on those areas where risk management can be effective. Details of changes are reported to the Audit and Accounts Committee.

The Chief Executive, as the Council's Head of Paid Service, is responsible for the corporate management of the Council, taking an active role in the corporate governance arrangements, including the organisation of the Council's staff and ensuring that appropriate internal control mechanisms are in place to achieve the Council's objectives in the most economical, efficient and effective way.

The Legal Services Manager is appointed the Council's Monitoring Officer. The appointment of a Monitoring Officer is required in accordance with Section 5 of the Local Government and Housing Act 1989. It is the function of the Monitoring Officer to report to Members upon any contravention of any enactment or rule of law or any maladministration by the Authority. The Monitoring Officer also has responsibilities under the Council's Ethical Framework relating to the Members' Code of Conduct and the Standards Regime.

The Chief Financial Officer is designated as the officer with statutory responsibility for the proper administration of the Council's financial affairs, in accordance with Section 151 of the Local Government Act 1972.

The three statutory officers referred to above have unfettered access to information and to Councillors on the Council so that they can discharge their responsibilities effectively. The functions of these Officers and their roles are clearly set out in the Council's Constitution.

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In particular, the role of the Chief Financial Officer at the Council accords with the principles set out in CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

An established **financial management framework** comprising the following:-

- Financial and Contract Procedure Rules as part of the Constitution
- Medium term financial planning using a three-year cycle, updated annually, to align resources to corporate priorities
- Service and financial planning integrated within the corporate performance management cycle
- Annual budget process involving scrutiny, challenge and consultation
- Annual review of the adequacy of the level of financial reserves
- Regular monitoring by management of revenue and capital budgets with reports to Management Team and Cabinet
- Annual reports to councillors on both the final revenue and capital out-turns compared to the approved budget
- Continuous challenge of the scope for securing efficiencies and service improvements
- Production of an annual Statement of Accounts compliant with the requirements of local authority accounting practice
- Compliance with the requirements established by CIPFA, the public sector accountancy body
- A regular review of the Council's Financial Management arrangements.

A **performance management framework** which provides an explicit link between the corporate priorities and personal objectives of staff and their training and development needs. Performance is reported to Councillors and the Management Team on a systematic basis with areas of poor performance investigated proactively. Key features of the Performance Management Framework include:-

- A regular review of the Corporate Strategy to ensure that priorities are reviewed, remain relevant and reflect the aims of the Council
- Service Plans produced with explicit goals and associated performance targets in order to ensure that achievement of performance is measurable
- The Council's staff appraisal system – Performance Management Reviews against a competency framework - links personal objectives directly to Service Plans
- Regular reports on the performance of key indicators which are presented to Councillors and Officers

An **Information Governance Framework** which sets out the way we handle and process information, in particular, the personal and sensitive data relating to residents, suppliers and employees. Key features of the information governance framework include:-

- A suite of policies and procedures on the Council's Information Security which are available on the Intranet for all staff to review
- Arrangements for document management and retention
- A Data Protection Policy and Procedure with nominated staff responsible for providing advice and guidance on Data Protection matters
- Compliance with the Local Government Transparency Code and provision of Open Data on Council website



## Annual Governance Statement

- A system for dealing with requests for information submitted to the Council under the Freedom of Information Act 2000 (including a regular review of the Council's Publication Scheme)
- Regular reviews of the Council's Information Governance and Security arrangements by Internal Audit and external assessors.

The Internal Audit function operates in accordance with the statements, standards and guidelines published by the Auditing Practices Board, CIPFA (particularly the Public Sector Internal Audit Standards) and the Institute of Internal Auditors. The Internal Audit function examines and evaluates the adequacy of the Council's system of internal control.

The Council has partnered with Lancashire County Council (LCC) for the delivery of the Internal Audit function. LCC provide an independent and objective appraisal function for reviewing the system of internal control. This is in compliance with Regulation 5 of the Accounts and Audit Regulations 2015 that specifically requires a local authority to undertake an adequate and effective system of internal audit. This work is delivered by way of a Strategic Audit Plan developed using a risk-based approach. The Internal Audit plan is agreed and monitored by the Audit and Accounts Committee. The Audit Manager is required to give an opinion on the adequacy of the Council's system of internal control each year.

In compliance with the Accounts and Audit Regulations 2015, a review of the effectiveness of the system of internal audit is undertaken annually with the results of the review reported to the Audit and Accounts Committee. This Committee can make recommendations or highlight any matters requiring attention to the Cabinet and Council.

Significant projects are controlled by project management techniques and overseen by a Programme Board.

Lastly, each member of Management Team is required to sign an Assurance Statement in relation to a range of key controls operating in their area of work. This specifically seeks assurance from Senior Managers that, other than those identified during the course of their normal work or by Internal Audit, they are not aware of any weaknesses in the Council's systems of internal control.

### **Principle G** - *Implement good practices in transparency, reporting, and audit to deliver effective accountability*

All reports to meetings of Council, Cabinet and other committees are publicly available on our website with the Minutes also published showing what decisions have been taken and the reason(s) why. Other forms of public accountability reporting include the annual Statement of Accounts, the Council's Annual Report and in year financial and performance monitoring reports. Reports from external audit are also published online including their annual report setting out the findings resulting from their audit of the accounts.

The Council reports performance against targets and financial targets on a regular basis. Progress updates on the implementation status of audit recommendations are also reported quarterly to the Audit and Accounts Committee. The Internal Audit service complies with the requirements of the Public Sector Internal Audit Standards and has direct access to Councillors and all staff in order to discharge its responsibilities.

The Council publishes information in accordance with the Local Government Transparency Code. The Council's website includes a section on Access to Information, which is about

## Annual Governance Statement

being transparent, sharing our information with the wider community, and giving them the opportunity to use that data to build useful applications.

The Council welcomes peer challenge reviews and inspections from regulatory bodies and will act on any recommendations arising as appropriate.

### 4) How the Council Gains Assurance/Review of Effectiveness

The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control. This review of effectiveness is informed by the work of the Council's Management Team who have a responsibility for the development and maintenance of the governance environment, the Audit Manager's Annual Report on Internal Audit and also reports from the external auditor and any other review agencies and inspectorates.

The purpose of a review is to identify and evaluate the key controls in place to manage principal risks. It also requires an evaluation of the assurances received, identifies gaps in controls and assurances and should result in an action plan to address significant internal control issues.

Just prior to the end of the 2019/20 financial year, the Government's response to the COVID-19 outbreak led to changes in our governance arrangements. These are discussed in more detail below, along with details of our other governance arrangements.

The process that has been applied in maintaining and reviewing the effectiveness of the Council's Governance Framework includes the following:-

- The Council's Monitoring Officer and the Council in general oversee the operation of the Constitution to ensure its aims and principles are given full effect. The Constitution was most recently reviewed in May 2019 at the Annual General Meeting of Council
- The arrangements for scrutiny operate via the Overview and Scrutiny Committee as required, allowing for the review of key policy areas and providing opportunities for public involvement in specific matters of business. This committee receives reports from the Task & Finish group. During 2019/20 two Task & Finish Reviews were completed – Holiday Hunger and Rossendale Suicide and Drug Related Deaths Logic Model Action Plan – with the recommendations from each being approved by Council.
- Further scrutiny of Cabinets decisions is also provided by the Council's Call-In procedures. This is where any three members of the Council may sign and deliver to the Monitoring Officer a request for the decision to be called in, stating why they feel that the decisions should be considered further. Group Leaders will then be consulted to obtain each of their views, potentially resulting in referral back to Cabinet for re-consideration.
- As a consequence of the Coronavirus emergency there was a period where no Council meetings were held. During this period decisions were taken in accordance with the Council's Exercise of Urgent Business Protocol, as detailed in the Council's Constitution and the updated protocol to specifically reflect the COVID-19 outbreak. Details of decisions taken under this protocol are published on the Council's website.
- The Council has operated a Standards regime consistent with the requirements of the Localism Act 2011 during the year.

## Annual Governance Statement

- The Audit and Accounts Committee met throughout the year and received various reports on the progress by External and Internal Audit against their respective work plans. The Committee also received a report in July 2020 on the outcome of a review of the effectiveness of the system of internal audit in 2019/20, The Council received **Moderate** Assurance. (for 2018/19 the equivalent report was submitted to the Accounts and Audit Committee in July 2019, receiving a **Substantial** Assurance).
- The Audit and Accounts Committee and Council were previously appraised of developments arising from the Local Audit and Accountability Act 2014. This includes provisions for the appointment of local auditors. The Council previously agreed to opt in to the national scheme for auditor appointments and during the year under review the appointment of Mazars as auditor to the Council was confirmed for a term of five years commencing from 1st April 2018.
- There have been no formal reports during the year from either the Council's Monitoring Officer or Section 151 Officer on matters of legality or financial related concerns. There were also no objections from local electors in respect of the financial statements and supporting information for the previous financial year.

### Impact of COVID-19 on our Governance Arrangements

Following the declaration of a public health emergency by the World Health Organisation in early March 2020, the Council began preparations and planning in the event of a more widespread outbreak.

As a result of the emerging pandemic, in mid-March the Lancashire Resilience Forum agreed a Lancashire-wide emergency response, establishing a command structure for Lancashire to target key crisis areas. The Council's senior managers played a key role within the respective areas ensuring that a local response was put in place.

In mid-March, the Council invoked its Business Continuity Plan (BCP) and emergency planning procedures in response to the pandemic being declared. The BCP was refreshed to reflect the Coronavirus emergency. Twice weekly meetings of CMT were held along with representation of CMT members on the relevant response and recovery groups of the Lancashire Resilience Forum.

Critical and essential services continued to work effectively with the redeployment of staff in response to demand where and when required. Additional demands were made on the Council including the establishment of a Community Food Hub and a system of administering grants to local business.

Regular COVID-19 guidance notes and briefings for staff were issued and home working arrangements for staff were deployed. HR policies were reviewed and updated as required to enable the most effective and efficient response to the rapidly evolving situation as possible, whilst also protecting the health and wellbeing of staff.

In order to enable adherence to social distancing guidelines face-to-face meetings could no longer go ahead, the Council introduced the use of Zoom meetings and WhatsApp groups to ensure continued open communication channels and participation in virtual meetings.

During the period where no Council meetings could be held decisions were taken in accordance with the Council's Exercise of Urgent Powers Protocol, as detailed in the Council's Constitution and the updated protocol to specifically reflect the pandemic.

# Annual Governance Statement

IT Guidance for home working was issued when home working arrangements were being implemented. Alongside this, technical IT solutions were taken to safeguard the Council as much as possible and ensuring the maintenance of IT access controls.

In response to the pandemic Risk Assessments were conducted across Council services and additional control measures were put in place such as social distancing in offices, extra PPE, hand sanitizers, screens and implementing changes to work patterns.

## 5) Dealing with Last Year’s Key Improvement Areas

Last year’s Annual Governance Statement highlighted the following areas for improvement. The narrative below sets out the action has been taken to address these issues in the current year:

Area of Concern	Progress Update
<p><b>Further strategic development and action in relation to key partnerships and/or contractual relationships.</b></p>	<p>The Council continuously works to improve and develop its key Partnerships.</p>
<p><b>The implications arising from the Council’s Medium Term Financial Strategy and the continuing requirement to reduce its annual net expenditure and to find new sources of income over the medium term and deal with the identified future challenges.</b></p>	<p>For 2020/21 the Council agreed a balanced budget and work is ongoing to update the MTFS to reflect the impacts of the Coronavirus emergency. There remains uncertainty of the forward estimates of core funding within the MTFS beyond 2020/21 pending the outcome of the Government’s Comprehensive Spending Review and the delayed Fair Funding Review. In light of the reductions in core funding since 2010 this matter continues to represent a significant challenge for the Council. Work has already begun to develop savings proposals for the period 2021/22 to 2023/24 as part of the development of the Council’s MTFS</p>
<p><b>Further embedding Risk Management throughout the organisation to ensure a process that is fit for purpose, and in particular adequately identifies the risks the Council faces.</b></p>	<p>Corporate risks are reviewed at the start of the year. Work is ongoing to create project risk registers, this will be reported to Programme Board.</p>

## 6) Key Areas for Further Improvement

Building on the improvements in 2019/20 the Council has reviewed the governance arrangements and identified the following areas where it wishes to see improvements in 2020/21:

- A review of the Constitution has been commissioned, this will be lead by the Head of Legal and is due for completion at the end of October 2020
- The Council has recognised current and future financial challenges in its strategic

## Annual Governance Statement

risk register and MTFs. The scale of the savings required represents a significant challenge. The situation is further complicated by the currently unknown outcome of the Government's Comprehensive Spending Review and the delayed Fair Funding Review. The Council will continue to meet these challenges as it has done in the past, taking steps to manage this by considering commercialisation, modernisation and rationalisation.

- The introduction of tighter project management controls which will be overseen by the Programme Board.

### 7) Conclusion

On the basis of the work carried out, we are satisfied that the Governance Framework is effective and continues to be fit for purpose. We will continue to progress, implementing improvements to further enhance our governance arrangements. We will monitor any further implementations as part of our next annual review.

The Covid-19 pandemic is having a significant impact and it is paramount that the Council's governance arrangements remain robust and effective. The impact of Covid-19 will be considered in all governance arrangements. All risks reviews will be reviewed taking into account the impact of Covid-19 on services and processes. Both Members and officers will need to be vigilant to ensure that our governance arrangements remain robust and sustainable and remain effective during this period of uncertainty and high risk.

### Footnote

Subsequent to the draft financial statements being published and prior to the directed adoption of these on 13<sup>th</sup> December 2024 as directed by the backstop regulations (introduced by the Minister of State for Local Government, on July 31, 2024 in response to the national local authority audit backlog) the council's external auditors referred in March 2024, to areas of significant weakness as part of their Value for Money Reports concerning the preparation of and evidence to support the Statement of Accounts for 2020/21 through 2022/23 with implications extending to this financial year. The matters noted were the non-completion of a bank reconciliation and the draft accounts having material inconsistencies within the comparative figures. These matters were compounded by the lack of finance capacity available to produce the accounts in years 2020/21 through 2022/23.

There are no other matters arising that indicate any wider or other concerns with the governance framework which would lead to a conclusion that there wasn't an effective governance framework in place, except for these significant matters.

We are aware that the council has already made headway in resolving the weaknesses and in particular the key financial controls and the resourcing of the finance team.

### Signed:

On behalf of Rossendale Borough Council

Alyson Barnes

Rob Huntington

Leader of Council

Chief Executive

## Statement of Responsibilities

The following responsibilities are placed upon the authority and the Head of Finance in relation to the Council's financial affairs.

### 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 Head of Finance.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

### The Director of Resources as Chief Finance Officer Responsibilities

As the Chief Finance Officer, I am responsible for the preparation of the authority's Statement of Accounts in accordance with the proper practices as set out in the CIPFA/LASAAC 2018/19 Code of Practice on Local Authority Accounting in Great Britain (referred to as "the Code").

In preparing this Statement of Accounts, I have:-

- 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.

I was appointed Chief Finance Office and s.151 Officer on 2 September 2024. I am aware that in March 2024 the Council's external auditor's Value for Money report identified significant systemic weaknesses in the preparation of Statements of Account for the years ending 31 March 2021 to 31 March 2023. Accordingly, I cannot certify the adequacy of the systems that were used to prepare the accounts for the year ending 31 March 2020. Nor can I provide an assurance that weaknesses in the council's financial controls and other systemic weaknesses did not have a material impact on the accounts.

The Backstop Regulations were introduced by the Secretary of State for Housing, Communities and Local Government on 31 July 2024. The object of the Regulations is to secure published audited accounts for every financial year up to and including the year ending 31 March 2023 by 13 December 2024. Unfortunately, there is neither the time nor the resources to complete and evaluate the audit work that would be required to make a full assessment of the impact of the control and other weaknesses identified by the external auditors for the year ending 31 March 2020 by the backstop.

### Certificate of Director of Resources as Chief Finance Officer

This Statement of Responsibilities is signed by me subject to the aforementioned caveat. I certify that this Statement of Accounts gives a true and fair view of the financial position of Rossendale Borough Council at 31st March 2020, and its income and expenditure for the year ended 31<sup>st</sup> March 2020, including any known post balance sheet events as at 31<sup>st</sup> August 2020.

Signed:

**Chris Warren**  
Director of Resources

### Approval of Accounts

These Draft Statement of Accounts for 2019/20 were submitted for public inspection and external audit on the 13<sup>th</sup> November 2020.

Signed:

**Councillor M. Smith**  
Chair of the Audit and Accounts Committee

# Core Financial Statements

## Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) shows the cost of providing services in the year in accordance International Financial Reporting Standards, rather than the amount to be funded from Council Tax and other Government grants. The amount funded from Council Tax and Government grants differ from this by a series of adjustments made in accordance with regulations. These adjustments are reversed in the Movement in Reserves Statement; explained in Note 1 and 13.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	2018/19			2019/20			Note
	Gross		Net	Gross		Net	
	Expend	Income	Expend	Expend	Income	Expend	
	£000s	£000s	£000s	£000s	£000s	£000s	
Communities Directorate							
Customer Services & IT	19,904	(18,777)	1,127	17,183	(15,895)	1,288	
Operations	2,867	(564)	2,303	2,875	(539)	2,336	
Communities	1,015	(268)	747	984	(269)	715	
Public Protection Unit	123	(1)	122	130	-	130	
Environmental Health	276	(42)	234	233	(39)	194	
Licensing & Enforcement	263	(143)	120	239	(153)	86	
Housing	1,956	(1,739)	217	2,478	(1,545)	933	
Economic Development Directorate							
Building Control	129	(126)	3	129	(132)	(3)	
Planning	837	(615)	222	850	(476)	374	
Regeneration, Health & Housing	1,025	(546)	479	982	(442)	540	
Property Services	1,780	(288)	1,492	5,490	(344)	5,146	
Corporate Management							
Corporate Management	464	(35)	429	330	(73)	257	
Legal Services	184	(11)	173	171	(32)	139	
Local Land Charges	37	(55)	(18)	39	(54)	(15)	
Democratic Services	584	(39)	545	750	(197)	553	
Financial Services	480	-	480	506	(8)	498	
People & Policy	447	(1)	446	448	(2)	446	
Non-Distributed costs	745	(21)	724	761	(68)	693	
<b>Cost of Services</b>	<b>33,116</b>	<b>(23,271)</b>	<b>9,845</b>	<b>34,578</b>	<b>(20,268)</b>	<b>14,310</b>	1
<b>Other Operating Expenditure</b>							
Whitworth Town Council Precept	61	-	61	60	-	60	
(Gain)/Loss on disposal of fixed assets	26	(16)	10	245	(694)	(449)	13,27,32b
Other Income	-	(2,108)	(2,108)	12	(3,248)	(3,236)	13,32b
<b>Financing and Investments</b>							
Interest payable on debt	138	-	138	143	-	143	20b
Interest and investment income	-	(66)	(66)	-	(88)	(88)	20b
Pensions - interest cost	2,521	-	2,521	2,485	-	2,485	33f
Pensions - past service costs	-	-	-	965	-	965	33f
Pensions - admin expenses	20	-	20	23	-	23	33f
Pensions - interest on assets	-	(1,818)	(1,818)	-	(1,794)	(1,794)	33f
Trading Undertakings	440	(310)	130	483	(320)	163	5
<b>Taxation and Non-Specific Grants</b>							
Collection Fund							
Council Tax	-	(5,437)	(5,437)	-	(5,645)	(5,645)	Coll Fund
Council Tax re prior year deficit	-	-	-	-	-	-	Coll Fund
Retained Business Rates	2,610	(4,875)	(2,265)	4,596	(6,965)	(2,369)	6
Collection Fund (surplus)/deficit							
Council Tax	-	(5)	(5)	-	(66)	(66)	Coll Fund
Retained Business Rates	-	(345)	(345)	-	(203)	(203)	Coll Fund
Revenue Support Grant	-	(172)	(172)	-	-	-	7
Non service related Government Grants	-	(1,668)	(1,668)	-	(2,173)	(2,173)	7
<b>(Surplus)/Deficit on Provision of Services</b>	<b>38,932</b>	<b>(40,091)</b>	<b>(1,159)</b>	<b>43,590</b>	<b>(41,464)</b>	<b>2,126</b>	1, 2
<b>(Surplus)/deficit on revaluations:-</b>							
Property, Plant & Equipment assets	1,318	(1,561)	(243)	304	(1,319)	(1,015)	14,33a,33b
Pension Fund assets	-	(359)	(359)	2,631	(9,561)	(6,930)	34f
<b>Other Comprehensive (Income)/Expend</b>			<b>(602)</b>			<b>(7,945)</b>	
<b>Total Comprehensive (Income)/Expend</b>			<b>(1,761)</b>			<b>(5,819)</b>	

# Core Financial Statements

## Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The 'Surplus/(deficit) on Provision of Services' line shows the true economic cost of providing the Council's services, as shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes and details of the adjustments required can be found at Note 13.

The 'Net increase/(decrease) before transfers to reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. Details of these transfers can be found at Note 31a.

<b>MOVEMENT IN RESERVES STATEMENT</b>	<b>General Fund Balance</b>	<b>Earmarked Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Govt Grants Unapplied</b>	<b>Total Useable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>	<b>Note</b>
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
<b>Balance at 31 March 2018</b>	<b>1,000</b>	<b>6,165</b>	<b>2,480</b>	<b>890</b>	<b>10,535</b>	<b>7,496</b>	<b>18,031</b>	
<b>Movement in Reserves in 2018/19</b>								
Surplus/(Deficit) on Provision of Services	1,159	-	-	-	1,159	-	1,159	
Other Comprehensive Income/(Expend)	-	-	-	-	-	1,442	1,442	
<b>Total Comprehensive Income/(Expend)</b>	<b>1,159</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,159</b>	<b>1,442</b>	<b>2,601</b>	
Adjustments between accounting basis & funding basis under regulations	(1,308)	-	(11)	56	(1,263)	1,263	-	13
<b>Net incr/(decr) before transfers to Earmarked Reserves</b>	<b>(149)</b>	<b>-</b>	<b>(11)</b>	<b>56</b>	<b>(104)</b>	<b>2,705</b>	<b>2,601</b>	
Transfers to/from Earmarked Reserves	149	(149)	-	-	-	-	-	
<b>Increase/(decrease) in year</b>	<b>-</b>	<b>(149)</b>	<b>(11)</b>	<b>56</b>	<b>(104)</b>	<b>2,705</b>	<b>2,601</b>	
<b>Balance at 31 March 2019</b>	<b>1,000</b>	<b>6,016</b>	<b>2,469</b>	<b>946</b>	<b>10,431</b>	<b>10,201</b>	<b>20,632</b>	
<b>Movement in Reserves in 2019/20</b>								
Surplus/(deficit) on Provision of Services	(2,126)	-	-	-	(2,126)	-	(2,126)	
Other Comprehensive Income/(Expend)	-	-	-	-	-	7,945	7,945	
<b>Total Comprehensive Income/(Expend)</b>	<b>(2,126)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,126)</b>	<b>7,945</b>	<b>5,819</b>	
Adjustments between accounting basis & funding basis under regulations	2,600	-	266	299	3,165	(3,165)	-	13
<b>Net incr/(decr) before transfers to Reserves</b>	<b>474</b>	<b>-</b>	<b>266</b>	<b>299</b>	<b>1,039</b>	<b>4,780</b>	<b>5,819</b>	
Transfers to/from Reserves	(474)	474	-	-	-	-	-	
<b>Increase/(decrease) in year</b>	<b>-</b>	<b>474</b>	<b>266</b>	<b>299</b>	<b>1,039</b>	<b>4,780</b>	<b>5,819</b>	
<b>Balance at 31 March 2020</b>	<b>1,000</b>	<b>6,490</b>	<b>2,735</b>	<b>1,245</b>	<b>11,470</b>	<b>14,981</b>	<b>26,451</b>	
<b>Note</b>		31a	31b	31c				



## Core Financial Statements

### Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities at the Balance Sheet date. The net assets are matched by the reserves held by the authority. Reserves are split between, **useable reserves** and **unusable reserves** (see Notes 31 and 32).

BALANCE SHEET	31st March 2019 £000s	31st March 2020 £000s	Note
Property, Plant & Equipment			
Other Land and Buildings	18,453	22,570	14
Vehicles, Plant, Furniture & Equipment	1,418	1,763	14
Infrastructure	104	95	14
Community Assets	669	793	14
Assets under construction	5,545	3,215	14
Surplus Assets	390	655	14
	<b>26,579</b>	<b>29,091</b>	
Heritage Assets	2,151	2,405	14
Investment Property	550	550	15
Intangible Assets	50	28	16
Long-term Investments	2	2	20a, 20c
Long-term Debtors	749	469	19,20a,20c
<b>Long-term Assets</b>	<b>30,081</b>	<b>32,545</b>	
Short-term Investments	6,070	1,070	20a,20c,24
Inventories	40	21	22
Short Term Debtors	4,586	4,542	23
Cash and cash equivalents	3,888	7,595	20a,20c,24
Assets held for sale within one year	2,937	2,740	26
<b>Current Assets</b>	<b>17,521</b>	<b>15,968</b>	
Short-term Borrowing	(184)	(234)	20a,20c,28
Short-term Creditors	(6,173)	(6,033)	27
Short-term Provisions	(575)	(697)	29
Short-term Capital Grant Receipts in Advance	(2,920)	(41)	30
<b>Current Liabilities</b>	<b>(9,852)</b>	<b>(7,005)</b>	
Long Term Borrowing	(2,760)	(4,476)	20a,20c,28
Long-Term Provisions	(747)	(1,040)	29
Net Pensions Liability	(28,601)	(24,533)	33a
<b>Long-term Liabilities</b>	<b>(32,108)</b>	<b>(30,049)</b>	
<b>Net Assets</b>	<b>5,642</b>	<b>11,459</b>	
<b>Represented by:</b>			
General Fund	1,000	1,000	MiR
Earmarked Reserves	6,017	6,490	31a
Capital Receipts Reserve	2,469	2,735	31b
Grants Unapplied	946	1,245	31c
<b>Usable Reserves</b>	<b>10,432</b>	<b>11,470</b>	
Revaluation Reserve	11,415	12,125	32a
Pension Reserve	(30,100)	(24,533)	33a
Capital Adjustment Account	11,493	10,591	32b
Deferred Capital Receipts	1,559	1,385	32c
Collection Fund Adjustment Account	843	421	13,CF2
<b>Unusable Reserves</b>	<b>(4,790)</b>	<b>(11)</b>	
<b>Total Reserves</b>	<b>5,642</b>	<b>11,459</b>	

Karen Spencer, Head of Finance

31<sup>st</sup> August 2020

# Core Financial Statements

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting periods. The Statement shows how the Council 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 Council are funded by way of taxation and grant income or by 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. The cash outflows here relate to capital spend on assets held by the Council, such as buildings, vehicles and equipment, which will be used to provide services in the future. Cash inflows relate to the sale of assets no longer required by the Council to provide its services, or capital grants and contributions received by the Council.

Cash flows arising from financing activities show the net movements in investments and borrowing during the period in accordance with the Council's treasury management strategy. These can be useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Council.

<b>CASH FLOW STATEMENT</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Note</b>
	<b>£000</b>	<b>£000</b>	
<b>Operating Activities</b>			
Net surplus/(deficit) on the provision of services	1,159	(2,126)	CIES
Adjustment for noncash movements	11	673	35a
Adjustment for items that are investing and financing activities	4,797	10,892	35a
<b>Net cash flows from Operating Activities</b>	<b>5,967</b>	<b>9,439</b>	
<b>Investing Activities</b>			
Additions to property, plant and equipment & intangible assets	(3,845)	(7,016)	17a
Proceeds from the sale of property, plant and equipment	150	694	13 & 31b
(Increase)/decrease in Deferred Capital Receipts	211	174	
Increase/(decrease) in long-term debtors	(218)	(280)	19
Other income	(2,108)	(3,236)	13 & 31b
<b>Net Cash Flows from Investing Activities</b>	<b>(5,810)</b>	<b>(9,664)</b>	
<b>Management of Liquid Resources</b>			
Cash inflows - Short-term investments	19,820	23,750	20a,20c,24
Cash outflows - Short-term investments	(19,000)	(20,250)	20a,20c,24
<b>Financing</b>			
Cash Inflows/(Outflows) - agency operations			
National non-domestic rates	1,422	(1,302)	
Council Tax	(416)	(32)	
Cash Inflows - New Borrowing	-	2,000	
Cash Outflows - Repayments of amounts borrowed	(184)	(234)	20a,20c,28
<b>Net Cash Flows from Financing Activities</b>	<b>1,642</b>	<b>3,932</b>	
<b>Net increase/(decrease) in Cash and Cash Equivalents</b>	<b>1,799</b>	<b>3,707</b>	35b
Cash and Cash Equivalents at the beginning of the year	2,089	3,888	24
<b>Cash and Cash Equivalents at the end of the year</b>	<b>3,888</b>	<b>7,595</b>	24

# Core Financial Statements

## Note 1 Reconciliation of General Fund Services to CIES

GENERAL FUND SERVICES 2018/19	Original Budget £000s	Remove Internal Market & Cap Fin £000s	Items not Cost of Services £000s	Adjusted Budget £000s	Technical Changes					CIES Actual £000s	Note
					Reported Out-turn £000s	Items not Cost of Services £000s	Deprec'n Capital, Assets £000s	Pension, Grants, Reserves £000s			
Place Directorate											
Customer Services & IT	1,226	244	984	2,454	1,276	984	(1,133)	-	1,127		
Operations	3,602	(1,501)	-	2,101	2,124	56	135	(12)	2,303		
Community & Partnerships	1,369	(649)	-	720	698	-	(2)	51	747		
Public Protection Unit	-	120	-	120	123	-	-	-	123		
Environmental Health	491	(233)	-	258	193	-	-	41	234		
Licensing & Enforcement	473	(318)	-	155	121	-	-	-	121		
Housing	375	(167)	-	208	155	-	1	61	217		
Business Directorate											
Building Control	70	(102)	-	(32)	(1)	-	3	-	2		
Planning	(50)	(340)	684	294	222	684	(684)	-	222		
Regeneration	561	(214)	20	367	352	-	(39)	166	479		
Property Services	850	(108)	-	742	783	(185)	895	-	1,493		
Corporate Management											
Corporate Management	170	278	-	448	442	-	-	-	442		
Legal Services	95	93	-	188	173	-	-	-	173		
Local Land Charges	2	(29)	-	(27)	(17)	-	-	-	(17)		
Democratic Services	652	(100)	-	552	542	-	-	-	542		
Financial Services	228	261	-	489	482	-	-	-	482		
People and Policy	100	427	(20)	507	467	-	-	(21)	446		
Non-distributed Costs	(32)	1,118	-	1,086	1,179	-	378	(833)	724		
Capital Financing & Interest	(834)	1,220	-	386	370	(72)	(298)	-	-		
<b>Cost of Services</b>	<b>9,348</b>	<b>-</b>	<b>1,668</b>	<b>11,016</b>	<b>9,684</b>	<b>1,467</b>	<b>(744)</b>	<b>(547)</b>	<b>9,860</b>		
Whitworth Town Council Precept	50	-	-	50	61	-	-	-	61		
Other Operating (Income)/Expenditure	-	-	-	-	-	-	(2,098)	-	(2,098)		
Financing, Pensions & Investments	-	-	-	-	-	72	-	723	795		
Trading Undertakings	-	-	-	-	-	129	-	-	129		
Precept on the Collection Fund	(5,435)	-	-	(5,435)	(5,434)	-	-	-	(5,434)	Coll Fund	
Collection Fund - prior yr surplus	-	-	-	-	-	-	-	-	-	Coll Fund	
Collection Fund - current yr surplus	-	-	-	-	-	-	(350)	-	(350)		
Rate Support Grant	(189)	-	-	(189)	(189)	-	-	-	(189)	7	
Non-service Government Grants	-	-	(1,668)	(1,668)	-	(1,668)	-	-	(1,668)	7	
Non-Domestic Rates	(2,179)	-	-	(2,179)	(2,179)	-	(86)	-	(2,265)	6	
<b>(Surplus)/Deficit on Provision of Services</b>	<b>1,595</b>	<b>-</b>	<b>-</b>	<b>1,595</b>	<b>1,943</b>	<b>-</b>	<b>(3,278)</b>	<b>176</b>	<b>(1,159)</b>		

### Adjustments to the Budget

In order to comply with the Code for 2019/20 the format of the General Fund Budget approved in February 2019 needs some adjustments to enable the reader to directly relate the Budget to the Outturn and the monitoring reports presented to Cabinet throughout the year.

- Internal market charges were included in the Original Budget, but are never a part of the financial reports taken to Members to enable management and members to focus on direct costs and income at their source, rather than redistributing any variances across other services. The CIES format now presents direct service costs in the same way and the Council determined that future Budgets will be aligned with this policy as from the 2019/20 Budget. Hence, there are no Internal Market adjustments required in the following 2019/20 table.

### Adjustments to the Outturn

The General Fund Actual shown in the Narrative Statement undergoes some statutory adjustments to meet the accounting regulations required in the presentation of the Comprehensive Income and Expenditure Statement (CIES).

- Interest paid and received is shown in the CIES as Financing and Investments
- Trading accounts are shown in the CIES as Financing and Investments, see Note 5 for details.

## Core Financial Statements

GENERAL FUND SERVICES 2019/20	Original Budget £000s	Remove Service Changes £000s	Remove MRP & CapFin £000s	Adjusted Budget £000s	Technical Changes					Note
					Reported Out-turn £000s	Items not Cost of Services £000s	Deprec'n Capital Assets £000s	Pension, Grants, Reserves £000s	CIES Actual £000s	
Place Directorate										
Customer Services & IT	1,460	(1)	-	1,459	1,457	-	-	(169)	1,288	
Operations	2,117	35	-	2,152	2,286	9	-	41	2,336	
Community & Partnerships	727	(7)	-	720	623	-	92	-	715	
Public Protection Unit	134	(2)	-	132	130	-	-	-	130	
Environmental Health	209	-	-	209	194	-	-	-	194	
Licensing & Enforcement	60	5	-	65	86	-	-	-	86	
Housing	192	200	-	392	372	-	607	(46)	933	
Business Directorate										
Building Control	(10)	-	-	(10)	(3)	-	-	-	(3)	
Planning	297	-	-	297	239	-	-	135	374	
Regeneration	373	3	-	376	339	-	-	201	540	
Property Services	791	(33)	-	758	826	(172)	4,588	(96)	5,146	
Corporate Management										
Corporate Management	452	-	-	452	327	-	-	(70)	257	
Legal Services	194	-	-	194	139	-	-	-	139	
Local Land Charges	(22)	-	-	(22)	(15)	-	-	-	(15)	
Democratic Services	569	-	-	569	575	-	-	(22)	553	
Financial Services	499	-	-	499	498	-	-	-	498	
People and Policy	522	-	-	522	446	-	-	-	446	
Non-distributed Costs	1,017	-	-	1,017	1,009	-	-	(316)	693	
Capital Financing & Interest	351	(200)	-	151	533	(56)	-	(477)	-	
<b>Cost of Services</b>	<b>9,932</b>	<b>-</b>	<b>-</b>	<b>9,932</b>	<b>10,061</b>	<b>(219)</b>	<b>5,287</b>	<b>(819)</b>	<b>14,310</b>	
Whitworth Town Council Precept	60	-	-	60	60	-	-	-	60	
Other Operating (Income)/Expenditure	-	-	-	-	-	-	(3,685)	-	(3,685)	
Financing, Pensions & Investments	-	-	-	-	-	56	-	1,679	1,735	
Trading Undertakings	-	-	-	-	-	163	-	-	163	
Precept on the Collection Fund	(5,651)	-	-	(5,651)	(5,645)	-	-	-	(5,645)	Coll Fund
Collection Fund - prior yr surplus	-	-	-	-	-	-	-	-	-	Coll Fund
Collection Fund - current yr surplus	-	-	-	-	(66)	-	-	-	(66)	
Rate Support Grant	-	-	-	-	-	-	-	-	-	7
Non-service Government Grants	-	-	-	-	(2,173)	-	-	-	(2,173)	7
Non-Domestic Rates	(2,144)	-	-	(2,144)	(2,572)	-	-	-	(2,572)	6
<b>(Surplus)/Deficit on Provision of Services</b>	<b>2,197</b>	<b>-</b>	<b>-</b>	<b>2,197</b>	<b>(335)</b>	<b>-</b>	<b>1,602</b>	<b>860</b>	<b>2,127</b>	

- Depreciation and Capital Charges included in the Budgets are presented differently in the CIES.
  - Depreciation is included within service budgets and the CIES to present a true cost of running services. However, it is removed in the Capital Financing section of the Budget as it is not a cost to the Council Tax payer. The statutory accounts show this removal in the Movement in Reserves (MiRs), not the CIES, see Note 13.
  - Conversely, the MRP charge is included in the budgets as a cost to the tax payers of the borough, but it is excluded from the CIES and then added back in the MiRs at Note 13.
  - Capital costs on non-Council assets, such as Disabled Facilities Grants and the Empty Homes Scheme, are not a part of the revenue General Fund Budget, but have to be included in the CIES, along with their respective grant funding resources. Again, these items are removed through the MiRs.
- Pension Fund accounting entries are explained in further detail at Note 33, but essentially the Budget is set on a cash basis, whereas in the CIES the Cost of Services is reduced to just the cost of staff employed within the year. The other gains and losses on pension fund assets and liabilities are added in as Financing and Investments items. Adjustments in the Movement in Reserves bring the net cost back to the cash basis.

## Core Financial Statements

### Note 2 Expenditure & Funding Statement

In accordance with the 2019/20 Code this Expenditure and Funding Statement shows the nature of the Council's costs and its sources of income. This table is also used to produce the charts in the Narrative Report on page 17.

Expenditure and Funding Statement	2018/19					2019/20				
	Operational Directorates Economic					Operational Directorates Economic				
	Communities £000s	Develop £000s	Corporate £000s	Other £000s	Total £000s	Communities £000s	Develop £000s	Corporate £000s	Other £000s	Total £000s
Employees	3,324	952	1,548	20	5,844	3,351	942	2,489	18	6,800
Pension Adjustments	-	-	632	-	632	-	-	(303)	3,473	3,170
Premises	558	1,045	7	293	1,903	604	679	15	357	1,655
Transport	571	16	7	-	594	592	15	7	-	614
Housing Benefits	17,696	-	-	-	17,696	14,855	-	-	-	14,855
Other Service Expenses	3,714	846	748	21	5,329	4,060	1,116	797	20	5,993
Depreciation, Impairments etc	537	715	-	303	1,555	660	4,699	-	87	5,446
Interest Payments	-	-	-	138	138	-	-	-	144	144
Precepts & Levies	-	-	-	61	61	-	-	-	60	60
<b>Expenditure</b>	<b>26,400</b>	<b>3,574</b>	<b>2,942</b>	<b>836</b>	<b>33,752</b>	<b>24,122</b>	<b>7,451</b>	<b>3,005</b>	<b>4,159</b>	<b>38,737</b>
Government Grants	(19,325)	(46)	(24)	(1,840)	(21,235)	(16,493)	(334)	(107)	(2,173)	(19,107)
Other Grants & Contributions	(164)	(768)	(27)	-	(959)	(68)	(234)	-	-	(302)
Pension Adjustments	-	-	-	723	723	-	-	-	(1,794)	(1,794)
Customer & Client Receipts	(2,045)	(760)	(110)	(309)	(3,224)	(1,879)	(826)	(327)	(320)	(3,352)
Interest Receipts	-	-	-	(66)	(66)	-	-	-	(88)	(88)
Receipts from sale of Assets	-	-	-	(2,098)	(2,098)	-	-	-	(3,685)	(3,685)
Council Tax & Business Rates	-	-	-	(8,052)	(8,052)	-	-	-	(8,283)	(8,283)
<b>Income</b>	<b>(21,534)</b>	<b>(1,574)</b>	<b>(161)</b>	<b>(11,642)</b>	<b>(34,911)</b>	<b>(18,440)</b>	<b>(1,394)</b>	<b>(434)</b>	<b>(16,343)</b>	<b>(36,611)</b>
<b>CIES (Surplus)/Deficit on Provision of Services</b>	<b>4,866</b>	<b>2,000</b>	<b>2,781</b>	<b>(10,806)</b>	<b>(1,159)</b>	<b>5,682</b>	<b>6,057</b>	<b>2,571</b>	<b>(12,184)</b>	<b>2,126</b>

### Note 3 Long-term Contracts

In December 2019 the Council finalised the negotiation of a new 10 Year Contract (November 2019 – October 2029) with Capita Business Services Limited. This was for the provision of Revenues, Benefits and Customer Contact Services. The prior contract finished in October 2019. The total value of the new 10 Year Contract is £8,991,616. In year one November 2019 – October 2020 the contract value will be £1,158,924. In 2019/20 the contract value incurred was £1,184k (£1,151k in 2018/19). This was slightly less than the anticipated for the full-year contract value projected at the end of 2018/19 of £1,213k. However, during 2019/20 there were one-off implementation costs associated with the new contract of £48k, resulting in a total annual cost of £1,232k.

### Note 4 Acquired and Discontinued Operations

The Council has not acquired any operations during either 2019/20 or during the comparator year 2018/19.



## Core Financial Statements

### Note 5 Trading Operations

The Council operates 3 markets in Haslingden, Bacup and Rawtenstall, which between them ensure that there is at least one market open within the borough every day of the week from Tuesday to Saturday.

The Council has 29 industrial trading units, promoting economic regeneration across the borough.

Business Offices include a small number of high-tech managed office spaces as well as conference and meeting facilities at the Business Centre, Futures Park, Bacup. Upon the sale of the shares in Rossendale Transport Ltd in January 2018, the Knowsley Road depot building was added to the Business Office Facilities shown below.

Trading Operations	Net Expend/ (Income) 2018/19 £000s	Gross Expend 2019/20 £000s	Income 2019/20 £000s	Net Expend/ (Income) 2019/20 £000s	Note
Markets	37	152	(68)	84	14b
Industrial Units	(126)	115	(201)	(86)	14b
Business Office Facilities	219	216	(51)	165	14b
<b>Total Trading Accounts</b>	<b>130</b>	<b>483</b>	<b>(320)</b>	<b>163</b>	

### Note 6 Retained Business Rates

In April 2013 Local Government funding changed with the introduction of a system of locally retained business rates. Rossendale Council now has a direct stake in the business rates collected within the borough and at Full Council in February the Council sets a precept based on 40% of the business rates forecast to be collected within the Borough, from which it pays a tariff to Central Government.

The Lancashire Business Rates Pool, of which Rossendale Borough Council is a member, came into effect on 1<sup>st</sup> April 2016. Under the Pool arrangements, the first 50% of business rates continue to go to Central Government, 9% goes to Lancashire County Council and 1% goes to Lancashire Fire Authority, with Rossendale Borough Council taking the remaining 40%. From that 40% Rossendale continues to pay a Tariff to the Pool. As a result, Rossendale Borough Council retains 90% of any and all surplus or deficit arising from increases in the overall business rates which led to a retained surplus of £1,200k in 2018/19. Added to this, Rossendale Borough Council benefits from 100% of the business rates from renewable energy installations, valued at £168k in 2019/20 compared to £163k in 2018/19.

In 2019/20 the Lancashire Pool was allowed to participate in a one-year 75% local retention pilot. This essentially means that the 40% in 2018/19 above became 56% in 2019/20.

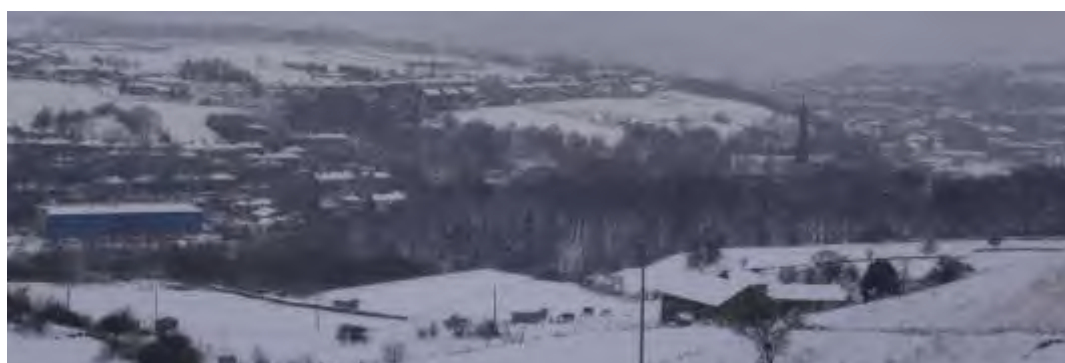
Business Rates Income & Expenditure	2018/19 £000s	2019/20 £000s	Note
Business Rates collected within Rossendale	14,784	12,909	Coll Fund
Less Provision for bad debts & appeals	87	(106)	Coll Fund
Less Cost of Collection	(99)	(97)	Coll Fund
<b>Net Business Rates Collected</b>	<b>14,772</b>	<b>12,706</b>	Coll Fund
Rossendale Borough Council Business Rates Precept	5,909	8,603	
Rossendale Borough Council Renewable Energy Collections	163	168	
Less Lancashire Business Rates Pool Tariff	(2,610)	(4,596)	
<b>Comprehensive Income/Expenditure - Retained Business Rates</b>	<b>3,462</b>	<b>4,175</b>	CIES
Budgeted share of Business Rates after tariff (based on former central government settlement principles)	2,097	2,145	Narr Report
<b>Surplus for Retained Business Rates under the new regime</b>	<b>(1,365)</b>	<b>(2,030)</b>	Narr Report

# Core Financial Statements

## Note 7 Grant Income

The Council recognised the following significant grants, contributions and donations during 2019/20:

Grants and contributions received	2018/19 £000s	2019/20 £000s	Note
Credited to Cost of Services			
DWP - Housing Benefits - paid to claimants	17,502	14,696	
DWP - Housing Benefits - re Council Tenents	-	42	
DWP - Discretionary Housing Payments	120	89	
DWP - Housing Benefits - administration grant	208	189	
DWP - Local Council Tax Support grant	95	92	
DWP - Council Tax PY Clawback	-	13	
DWP - Resource Management - Service Assurance Team	-	92	
DWP - Implementation of Universal Credit	15	-	
MHCLG - Flexible Homeslessness and Prevention Grant	92	90	
MHCLG - New Burdens Grants	83	-	
MHCLG - Custom Build Grant	30	-	
MHCLG - Business Rates Collection Grant	98	97	
MHCLG - Localising Council Tax administration subsidy	95	-	
MHCLG - Flood Relief & Flood Resilience	286	105	
MHCLG - Town centre clean up and playarea improvement	48	68	
MHCLG - Future High Street Fund - Development	-	150	
PCC - Rogue Landlord Grant	18	20	
Cabinet Office - Individual Electoral Registration	27	25	
LCC - Domestic Abuse Grant	50	90	
Heritage Lottery - Bacup Townscape Heritage Initiative	45	55	
Contributions from developers under S106 agreements	13	96	
Other minor grants and contributions	63	251	
	18,888	16,260	
Credited to Cost of Services for REffCUS			
LCC Better Care Fund - Disabled Adaptations Grant	1,064	1,753	31c
Heritage Lottery - Bacup Townscape Heritage Initiative	402	69	
Heritage Lottery - Whitaker Park Museum - Refurb	-	41	
Heritage Lottery - Stubbylee Resilience	-	10	
Heritage Lottery - Whitaker Park Museum - Phase 2	-	30	
Heritage Lottery - Haslingden 2040	-	9	
LEF Grants	-	34	
Misc Contributions	-	12	
	1,466	1,958	
<b>Total in the CIES Cost of Services</b>	<b>20,354</b>	<b>18,218</b>	
Credited to Taxation and Non-Specific Grant Income			
Revenue Support Grant	172	-	
MHCLG - New Homes Bonus	684	485	
MHCLG - Business Rates - Small Business Reliefs	984	1,688	
<b>Non-Specific Grants in the CIES</b>	<b>1,840</b>	<b>2,173</b>	



## Core Financial Statements

### Note 8 Members Allowances

An Independent Remuneration Panel meet at a minimum of every 4 years to review Member's Allowances. This group last met in June 2014, but in light of the Council's Medium Term Financial Strategy position, Council members voted to defer the proposed increase in allowances.

Total Cost of Elected Members	2018/19 £000s	2019/20 £000s
Basic Allowance	119	120
Special Responsibility Allowance	70	70
Employers National Insurance incurred	3	3
Mileage, subsistence & other reimbursements	1	1
	<b>193</b>	<b>194</b>

The Council's committee structure last underwent a full review in 2013/14 year and the basic and special responsibility allowances paid to members were as follows:-

Annual amounts payable for elected roles	2018/19 £s	2019/20 £s
<b>Basic Allowance</b>	3,342	3,342
<b>Special Responsibility Allowances</b>		
Leader of Majority or Largest Group	13,368	13,368
Deputy Leader of Majority or Largest Group	10,026	10,026
Leader of Minority or Second Largest Group	6,684	6,684
Cabinet Members	6,684	6,684
All Committee Chairs (4)	3,342	3,342
One off Payment for Chairing Meetings	-	150

### Note 9 Senior Officers' Remuneration

The table below shows remuneration details for the Chief Executive and the Senior Officers directly responsible to him, along with their respective salary (including fees and allowances), employer's pension contributions and total remuneration during 2019/20, along with prior year comparators.

During 2019/20 the Council's senior management team has been through several changes. The new Senior Management Team, in place at the very end of the year, can be seen in the Narrative Report on page 13. Between January and March 2020 the Council enlisted assistance from Rossendale Leisure Trust to cover the Head of Finance statutory role on an interim basis. The total cost of that support was £21.7k paid to Rossendale Leisure Trust.

Senior Officers			Salary £	Other Allowances & Expenses £	Election Duties £	Pension £	Total £
Chief	To 30/09/19	2019/20	51,421	458	-	8,022	59,901
Executive	From 02/01/20	2019/20	25,434	-	-	3,968	29,402
		2018/19	100,825	694	2,326	15,729	119,573
Director of Economic Development		2019/20	75,642	131	-	12,068	87,841
		2018/19	70,887	-	-	11,058	81,945
Director of Communities	To 05/05/19	2019/20	7,427	179	-	1,182	8,788
	From 23/03/20	2019/20	-	-	-	-	-
		2018/19	75,319	528	-	11,662	87,509
Head of Finance	To 17/01/20	2019/20	55,991	111	-	8,735	64,837
	From 23/03/20	2019/20	-	-	-	-	-
		2018/19	62,169	114	-	9,698	71,981
Legal Services Manager		2019/20	50,408	47	-	7,864	58,318
		2018/19	48,439	59	359	7,557	56,414
HR Manager		2019/20	50,408	615	-	7,864	58,887
		2018/19	48,439	200	-	7,557	56,196



## Core Financial Statements

### Note 10 Other Officers' Remuneration

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more are listed in the table opposite in bands of £5,000.

The Code includes a requirement to disclose the costs of exit packages paid by the Council in bands of £20k. The Council has paid no exit packages, in either 2018/19 or 2019/20.

Officers with remuneration above £50,000 (excl pension)	2018/19 Number	2019/20 Number
£50,000 - £54,999	-	3
£55,000 - £59,999	-	2
£60,000 - £64,999	1	-
£65,000 - £69,999	-	-
£70,000 - £74,999	1	-
£75,000 - £79,999	1	1
£100,000 - £104,999	1	-
	4	6

### Note 11 Related Parties

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. Most transactions involving related parties to the council are disclosed elsewhere within the Financial Statements as follows:

#### Central government

- receipts from Central Government – see Notes 7, 30 and 31c.

#### Other local authorities and precepting bodies

- payments to the Lancashire County Council Pension Fund– see Note 33.
- precepts in relation to Council Tax and Business Rates are paid to Central Government, Lancashire Police Authority, Lancashire Fire Authority, Lancashire County Council and from 1<sup>st</sup> April 2016 the Lancashire Business Rates Pool – see Note 6 and the Collection Fund.
- precept payable to Whitworth Town Council – see the Narrative Statement and the Comprehensive Income & Expenditure Statement.

#### Subsidiary and associated companies

- In January 2018 the Council sold all of its shares in Rossendale Transport Ltd which was, until this point, a wholly owned subsidiary.

#### Other key partners

- In June 2004 the bulk of Rossendale's Leisure Facilities transferred to the management of the newly-formed independent Rossendale Leisure Trust.
  - In previous years the Council has given the Trust an operational grant. However, as explained in the Narrative Report and Note 34, the Council purchased the balance of the Haslingden Gym extension loan in November 2016 at a cost of £1,010k. The Trust now pays a rental charge for using the asset of £60k per annum for its remaining 16 year life. This represents a saving for the Trust which will negated the need for any grant funding from 2017/18 onwards.
  - In 2007/08 the Trust was given a £65k loan, originally for a period of 5 years which is shown as a Long Term Debtor in the Council's Balance Sheet. A further £18k was added to this loan during 2009/10. The value outstanding at the end of 2019/20 was £33k, as shown in Note 19.
  - During 2019/20 the operational inter-company cash balance has been cleared within each calendar month, with the exception of March 2020 when the Covid-19 pandemic led to the facilities being closed. The £55k balance at 31<sup>st</sup> March 2020 has been netted off against the £70k investment deposit held for the Trust and placed in the Council's higher-interest earning bank account. The net £15k credit is shown with the Council's Sundry Trade Creditors in Note 27.

## Core Financial Statements

- Both the cash-flow loan and the £65k 5-years loan to the Trust are considered soft loans because interest payments totalling £5k were waived in each year.
- In previous years the Council provided a guarantee on a lease taken out by the Trust in 2008/09 for the extension to Haslingden Sports Centre. The Council purchased the balance of this lease in November 2016, and this is now included in the Council's assets at Notes 14, 17a and 34.
- To assist the Trust in its efforts to find operational efficiencies, the Council began to provide its professional financial and IT services in April 2013 under a service level agreement. No charge is made for these services.
- During 2019/20 the Council supported the Trust in the refurbishment of the gym facilities and equipment at Haslingden. The cost was £255k and this included capital expenditure in Note 17b and the additions in Note 14a.
- Community Leisure Association of Whitworth (CLAW) is a separate charitable organisation operating Whitworth Swimming Pool and Whitworth Civic Hall, for which they received £56k towards running costs in 2019/20 (£60k in 2018/19).
  - The Council has been providing payroll services for CLAW for some years on an agency basis, with the payments being reimbursed each month to the Council.
  - During 2019/20 the Council also began to provide accountancy services at nil charge to support the organisation. The inter-company cash balance at 31<sup>st</sup> March 2020 stood at £285k, less the value of the grant above. The net £230k is shown within Sundry Trade Debtors on Note 23. This amount is more than covered by the CLAW bank account balances at the year-end.
- The RTB Partnership Ltd was incorporated on the 4<sup>th</sup> February 2013, with equal partners being Rossendale Borough Council, Together Housing and Barnfield Construction Ltd. The Partnership is a vehicle to facilitate a variety of development projects across the borough and the Council contributed £47k during 2018/19 to the partnership as loans, but has not provided anything further during 2019/20.

### Members and Chief Officers

The Council's Standing Orders make provision for a register of Members and Officers interests and also require members who believe they have a prejudicial interest in a matter to be discussed at a Council or Committee meeting to declare that interest at the meeting and, in general, to withdraw from the meeting while that particular matter is being discussed.

Upon review of this register it is considered that any transactions involving Members and Chief Officers with related parties have complied with the above regulations and are not material.

### Note 12 External Audit Costs

The sums due from Rossendale Borough Council to the external auditors for works carried out relating to the year of account 2019/20 were:-

Audit costs	2018/19 £000s	2019/20 £000s
Fees payable in respect of external audit of accounts	32	35
Fees payable for the certification of grant claims and returns	8	9
	<b>40</b>	<b>44</b>

## Core Financial Statements

### Note 13 Adjustments between Accounting Basis and Funding Basis under regulations

This note details the adjustments that are made in the Movement in Reserves Statement to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The table below details the changes in 2019/20 while the financial year 2018/19 can be found on the opposite page.

Adjustments to the Comprehensive Income and Expenditure Statement in the Movement in Reserves Statement	2019/20				Note
	General Fund Balance	Capital Receipts Reserve	Govt Grants Unapplied	Unuseable Reserves	
	£000s	£000s	£000s	£000s	
<b>Capital Adjustment Account adjustments</b>					
Depreciation of Property, Plant & Equipment (PPE)	934	-	-	(934)	14,15,32a,32b
Impairment of Property, Plant & Equipment (PPE)	106	-	-	(106)	14,15,32a,32b
Revaluation gain/loss on Property, Plant and Equipment (PPE)	4,185	-	-	(4,185)	14,15,32a,33b
Deferred Capital Receipts	184	-	-	(184)	32c
Amortisation of Intangible Assets	16	-	-	(16)	14 & 32b
Revenue Expend funded from Capital under Statute (REFFCUS)	1,137	-	-	(1,137)	17a & 32b
REFFCUS for Empty Homes Scheme	(195)	-	-	195	17a & 32b
Net book value of assets sold	245	-	-	(245)	14,15,26,32a,32b
Statutory provisions for financing of capital investment (MRP)	(539)	-	-	539	17a & 32b
Capital Expend charged to General Fund	(528)	-	-	528	17a & 32b
Capital Expend charged to General Fund Empty Homes	109	-	-	(109)	17a & 32b
<b>Capital Receipts Reserve adjustments</b>					
Transfer of cash proceeds of assets sold	(694)	694	-	-	31b
Other Income	(3,061)	3,061	-	-	31b
Use of Capital Receipts Reserve to fund capital spend	-	(3,489)	-	3,489	17a,31b,32b
<b>Capital Grants Unapplied Account adjustments</b>					
Capital grants and contributions credited to the CIES	(299)	-	299	-	17a & 31c
Application of grants to the Capital Adjustment Account (CAA)	(785)	-	-	785	17a & 32b
Application of grants to the CAA Empty Homes Scheme	-	-	-	-	17a & 32b
<b>Pensions Reserve adjustments</b>					
Employer contributions paid to the Pension Fund	(1,673)	-	-	1,673	33f
Net IAS19 charges made for retirement benefits	3,036	-	-	(3,036)	33f
<b>Collection Fund Adjustment Account adjustments</b>					
Difference between the Council Tax and Non-Domestic Rates income credited to the CIES and that calculated in accordance with statutory requirements	422	-	-	(422)	31a & CF2
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>2,600</b>	<b>266</b>	<b>299</b>	<b>(3,165)</b>	

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Adjustments to the Comprehensive Income and Expenditure Statement in the Movement in Reserves Statement	2018/19				Note
	General Fund Balance	Capital Receipts Reserve	Govt Grants Unapplied	Unuseable Reserves	
	£000s	£000s	£000s	£000s	
<b>Capital Adjustment Account adjustments</b>					
Depreciation of Property, Plant & Equipment (PPE)	1,141	-	-	(1,141)	14,15,32a,32b
Impairment of Property, Plant & Equipment (PPE)	168	-	-	(168)	14,15,32a,32b
Revaluation gain/loss on Property, Plant and Equipment (PPE)	608	-	-	(608)	14,15,32a,33b
Deferred Capital Receipts	210	2	-	(212)	32c
Amortisation of Intangible Assets	41	-	-	(41)	14 & 32b
Revenue Expend funded from Capital under Statute (REFFCUS)	1,927	-	-	(1,927)	17a & 32b
REFFCUS for Empty Homes Scheme	(290)	-	-	290	17a & 32b
Net book value of assets sold	26	-	-	(26)	14,15,26,32a,32b
Statutory provisions for financing of capital investment (MRP)	(1,271)	-	-	1,271	17a & 32b
Capital Expend charged to General Fund	(149)	-	-	149	17a & 32b
Capital Expend charged to General Fund Empty Homes	153	-	-	(153)	17a & 32b
<b>Capital Receipts Reserve adjustments</b>					
Transfer of cash proceeds of assets sold	(150)	150	-	-	31b
Other Income	(1,813)	1,813	-	-	31b
Use of Capital Receipts to fund capital spend	-	(1,976)	-	1,976	17a,31b,32b
<b>Capital Grants Unapplied Account adjustments</b>					
Capital grants and contributions credited to the CIES	(56)	-	56	-	17a & 31c
Application of grants to the Capital Adjustment Account	(1,346)	-	-	1,346	17a & 32b
Application of grants to the Capital Adjustment Account	-	-	-	-	17a & 32b
<b>Pensions Reserve adjustments</b>					
Employer contributions to the Pension Fund	(1,708)	-	-	1,708	33f
Net IAS19 charges made for retirement benefits	1,992	-	-	(1,992)	33f
<b>Collection Fund Adjustment Account adjustments</b>					
Difference between the Council Tax and Non-Domestic Rates income credited to the CIES and that calculated in accordance with statutory requirements	(635)	-	-	635	31a & CF2
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(1,152)</b>	<b>(11)</b>	<b>56</b>	<b>1,107</b>	

# Core Financial Statements

## Note 14 Property, Plant and Equipment

### 14a Movements during the year

Movements on property, plant & equipment assets in 2019/20 were as follows:-

Property, Plant & Equipment 2019/20	Land & Buildings £000s	Vehicles, Plant, Furniture & Equip £000s	Infra- structure Assets £000s	Community Assets £000s	Assets under constr'n £000s	Surplus Assets £000s	Total Assets £000s	Heritage Assets £000s	Note
<b>Cost or Valuation 1st April 2019</b>	27,371	6,685	253	999	6,062	519	41,889	2,185	
Additions	3,021	917	13	186	2,879	-	7,016	-	17a
Revaluation increases/(decreases) to Revaluation Reserve	617	-	-	-	-	142	759	255	32a
to Provision of Services	(3,710)	-	-	(6)	-	124	(3,592)	-	13, 32b
Reclassifications- to/from Assets Held for Sale others	-	-	-	-	-	-	-	-	26
	5,263	6	-	-	(5,263)	-	6	-	
Derecognition- on disposal	-	(449)	-	-	-	-	(449)	-	13, 32b
<b>Cost or Valuation 31<sup>st</sup> March 2020</b>	<b>32,562</b>	<b>7,159</b>	<b>266</b>	<b>1,179</b>	<b>3,678</b>	<b>785</b>	<b>45,629</b>	<b>2,440</b>	
<b>Accum Depreciation and Impairments 1st April 2019</b>	(9,617)	(5,267)	(149)	(330)	(516)	(129)	(16,008)	(33)	
Depreciation for the year- to Revaluation Reserve	(72)	-	-	(1)	-	-	(73)	(1)	13, 32a
to Provision of Services	(183)	(519)	(9)	(55)	(6)	(1)	(773)	(1)	13, 32b
Impairment (losses)/reversals to Revaluation Reserve	(68)	-	-	-	-	-	(68)	-	13, 32a
to Provision of Services	-	(11)	(13)	-	7	-	(17)	-	13, 32b
Reclassifications	(52)	-	-	-	52	-	-	-	
Derecognition- on disposal	-	401	-	-	-	-	401	-	13, 32b
<b>Accumulated Depreciation and Impairments 31<sup>st</sup> March 2020</b>	<b>(9,992)</b>	<b>(5,396)</b>	<b>(171)</b>	<b>(386)</b>	<b>(463)</b>	<b>(130)</b>	<b>(16,538)</b>	<b>(35)</b>	
Net Book Value at 31 <sup>st</sup> March 2020	22,570	1,763	95	793	3,215	655	29,091	2,405	
Net Book Value at 31 <sup>st</sup> March 2019	17,754	1,418	104	669	5,546	390	25,881	2,152	

Depreciation, using the straight line method, has been charged according to the estimated life of the assets involved on the following basis.

- Operational buildings generally have a useful life of 40 years, except where expert opinion has reduced this estimate. The land upon which the buildings reside is not subject to depreciation.
- Vehicles are depreciated over a useful life of 3-7 years depending upon their technical or mechanical nature.
- Equipment such as refuse bins, are depreciated over their individual useful life determined at the point of acquisition.
- All other assets under land, assets under construction, community assets, investment and surplus assets are not depreciated.

Component accounting is applied to all revaluation exercises on the following basis.

- For all property assets, land and buildings are valued separately. Only assets with a combined land and buildings value of £500k and over will be subject to component accounting.
- Significant components are items (or groups of items) with a value of at least 25% of the total asset value.

### Fair Value Hierarchy – Surplus Assets

- Surplus assets comprise land from which the Council does not provide services. The Council has determined all of its surplus assets are valued at level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly at 31 March 2019 and 2020. There were no transfers between levels during 2019/20.

## Core Financial Statements

Comparator movements in 2018/19 were as follows:

Property, Plant & Equipment 2018/19	Land & Buildings £000s	Vehicles, Plant, Furniture & Equip £000s	Infra- structure Assets £000s	Community Assets £000s	Assets under constr'n £000s	Surplus Assets £000s	Total Assets £000s	Heritage Assets £000s	Note
<b>Cost or Valuation 1st April 2018</b>	29,632	6,384	253	941	4,591	519	39,719	2,185	
Additions	681	582	-	58	1,471	-	3,845	-	17a
Revaluation increases/(decreases)									
to Revaluation Reserve	1,083	-	-	-	-	-	229	-	32a
to Provision of Services	(1,069)	-	-	-	-	-	(667)	-	13, 32b
Reclassifications-									
to/from Assets Held for Sale	(2,890)	-	-	-	-	-	-	-	26
others	(66)	66	-	-	-	-	-	-	
Derecognition- on disposal	-	(347)	-	-	-	-	(107)	-	13, 32b
<b>Cost or Valuation 31st March 2019</b>	<b>27,371</b>	<b>6,685</b>	<b>253</b>	<b>999</b>	<b>6,062</b>	<b>519</b>	<b>43,019</b>	<b>2,185</b>	
<b>Accum Depreciation and Impairments 1st April 2017</b>	(9,158)	(4,974)	(140)	(267)	(516)	(129)	(13,426)	(31)	
Depreciation for the year-									
to Revaluation Reserve	(157)	-	-	(1)	-	-	(104)	-	13, 32a
to Provision of Services	(227)	(584)	(9)	(3)	-	-	(805)	(2)	13, 32b
Impairment (losses)/reversals									
to Revaluation Reserve	(45)	-	-	-	-	-	(314)	-	13, 32a
to Provision of Services	(60)	-	-	(59)	-	-	(610)	-	13, 32b
Reclassifications	30	(30)	-	-	-	-	-	-	
Derecognition- on disposal	-	321	-	-	-	-	74	-	13, 32b
<b>Accumulated Depreciation and Impairments 31st March 2019</b>	<b>(9,617)</b>	<b>(5,267)</b>	<b>(149)</b>	<b>(330)</b>	<b>(516)</b>	<b>(129)</b>	<b>(15,185)</b>	<b>(33)</b>	
Net Book Value at 31st March 2019	17,754	1,418	104	669	5,546	390	25,881	2,152	

### 14b Breakdown of buildings owned

The operation of the Ski Slope transferred to a community group during 2011/12 but the property is still owned by the Council and therefore still included here.

A summary of Council Assets	31st March 2019 No.	31st March 2020 No.
Administrative Buildings	2	2
Depots and Workshops	5	5
Off-Street Car Parks	51	51
Off-Street Car Parking spaces	1,086	1,090
Sports Centres	1	1
Public Halls	1	1
Swimming Pools	2	2
Museums	1	1
Cemetries	4	4
Parks and recreation grounds	58 hectares	58 hectares
Amenity open spaces	36 hectares	36 hectares
Ski Slope	1	1
Public Conveniences	13	13
Retail & Commercial	3	4
Industrial Units	28	28
Markets	3	3
Community & Youth Centres	3	3
Sheltered accommodation	1	1
Surplus Assets	12	11
Surplus Assets Held for Sale	5	3

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### 14c Revaluation Programme

The authority operates a five-year rolling programme of revaluation on its General Fund properties. During 2019/20 the valuations were carried out by external RICS-qualified officers from Capita Symonds Ltd, PO BOX 212, Faverdale Industrial Estate, Darlington, DL1 9HN. For details of the basis of valuation please refer to the Accounting Policies. The Net Book Value of assets which underwent a revaluation during 2019/20 was £4,844k and this was after revaluation gains of £1,015k as seen in the Revaluation Reserve (Note 33a) and revaluation losses of £4,185 as seen in the Capital Adjustment Account (Note 33b). Assets valued in previous years have not undergone any material changes which would alter their valuations.

The details below show the history of the revaluation programme and the next planned revaluation exercise for each type of asset held. Under the provisions of the Code assets of a similar type should be revalued together.

Revaluation Programme for assets under Property, Plant & Equipment	Historic Cost £000s	Assets revalued in the year ending					Total Net Book Value £000s	Planned Next Valuation
		March 2016 £000s	March 2017 £000s	March 2018 £000s	March 2019 £000s	March 2020 £000s		
Land	111	-	340	-	3,437	569	4,457	2022/23
Administrative Buildings	-	-	-	10	1,362	450	1,822	2022/23
Depots and Workshops	48	-	62	575	-	-	685	2022/23
Garages	-	307	42	-	-	-	349	2020/21
Car Parks	-	22	2	-	-	1,100	1,124	2023/24
Cemeteries	-	-	449	136	-	-	585	2021/22
Sports & Leisure Facilities	241	-	632	-	7,543	1	8,417	2022/23
Parks, & Recreation Grounds	131	83	465	498	-	254	1,431	2021/22
Woodlands & Open Spaces	41	224	511	90	42	175	1,083	2021/22
Industrial Units	-	-	937	-	-	-	937	2021/22
Domestic Housing	-	88	-	80	-	220	388	2020/21
Business Offices	-	-	-	-	-	778	778	2023/24
Public Conveniences	-	-	47	50	-	10	107	2021/22
Bus Shelters	-	-	-	-	6	1,083	1,089	2023/24
Markets	-	-	-	102	-	-	102	2022/23
Sheltered Accommodation	-	-	-	-	290	-	290	2023/24
Plant, Vehicles & Equipment	1,804	-	-	-	-	-	1,804	n/a
Other Assets	89	79	49	-	7	204	428	various
Assets under construction	3,215	-	-	-	-	-	3,215	2020/21
<b>Net Book Value 31<sup>st</sup> March 2020</b>	<b>5,680</b>	<b>803</b>	<b>3,536</b>	<b>1,541</b>	<b>12,687</b>	<b>4,844</b>	<b>29,091</b>	

### Note 15 Investment Properties

The Council has one piece of land classified as an investment property following the agreement of a long-term lease. The value of the land reflects the rental incomes receivable.

#### Fair Value Hierarchy – Investment Properties.

The Council has determined that this asset should be valued as a level 2 inputs. The value of the land reflects the rental incomes receivable from 2013/14 onwards.

Investment Properties	31 <sup>st</sup> March 2019 £000s	31 <sup>st</sup> March 2020 £000s	
Cost or Valuation 1st April	550	550	
<b>Cost or Valuation 31st March</b>	<b>550</b>	<b>550</b>	
Accum Depreciation and impairments 1st April	(11)	-	35b
Impairment losses/(reversals)	11	-	
<b>Accum Depreciation and Impairments 31st March</b>	<b>-</b>	<b>-</b>	
Net Book Value at 31st March	550	550	
Rental income within the year	25	25	

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### Note 16 Intangible Assets

Intangible Assets	31 <sup>st</sup> March 2019 £000s	31 <sup>st</sup> March 2020 £000s	Note
Cost or Valuation 1st April	1056	1,056	
Assets reclassified to/(from) PPE	0	(6)	
<b>Cost or Valuation 31st March</b>	<b>1,056</b>	<b>1,050</b>	
Accum Depreciation 1st April	(968)	(1,006)	
Amortisation for the period	(38)	(16)	15, 32b
<b>Accum Depreciation and Impairments 31st March</b>	<b>(1,006)</b>	<b>(1,022)</b>	
Net Book Value at 31st March	50	28	

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item under Property, Plant and Equipment. At Rossendale Borough Council these intangible assets comprise only purchased licenses as the Council has no internally generated software.

All software is given a finite useful life, based on assessments of the expected benefit to the Council, over which depreciation is calculated on a straight line basis. The default value for the useful life is 5 years and all current assets have been deemed to follow that standard.





## Core Financial Statements

### Note 17 Capital Expenditure, Financing and Capitalisation of Borrowing Costs

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. The Council has not acquired any assets under finance leases or PFI schemes which would have been included below).

#### 17a - Capital Expenditure on Council Assets

The Capital Financing Requirements (CFR) is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. This capital expenditure is charged to future years through Minimum Revenue Provision (MRP) as assets are used by the Council. Rossendale Borough Council now splits the CFR into two distinct elements; those costs pertaining to the East Lancs Empty Homes Scheme and other capital expenditure. The movement in the CFR during the year is analysed in the second part of this note.

Capital Financing Requirement	2018/19 £000s	2019/20 £000s	Note
<b>Opening Capital Financing Requirement</b>	<b>8,751</b>	<b>11,407</b>	
<b>Non-Empty Homes Opening Capital Financing Requirement</b>	<b>8,008</b>	<b>10,801</b>	
Capital investments			
Property, Plant & Equipment	2,792	7,016	14
Intangible Assets	-	(6)	16
Revenue Expenditure funded from Capital under Statute	1	1,246	13, 32b
	2,793	8,256	
Sources of Finance			
Capital Receipts	-	(441)	13, 31b
Government Grants and other contributions	-	(3,833)	13, 32b
Sums set aside from Revenue:-			
Direct revenue contributions	-	(528)	13, 32b
Minimum Revenue Provision (MRP)	657	(539)	13, 32b
Voluntary Revenue Provision (VRP)	(657)	-	
<b>Non Empty Homes Closing Capital Financing Requirement</b>	<b>10,801</b>	<b>13,716</b>	32b
<b>Empty Homes Opening Capital Financing Requirement</b>	<b>743</b>	<b>606</b>	
Empty Homes			
Revenue Expenditure funded from Capital under Statute	153	109	13, 32b
Sources of Finance			
Capital Receipts	(290)	(184)	13, 32b
Government Grants and other contributions	-	-	13, 32b
Sums set aside from Revenue:-			
Direct revenue contributions	-	(184)	13, 32b
<b>Empty Homes Closing Capital Financing Requirement</b>	<b>606</b>	<b>347</b>	32b
<b>Closing Capital Financing Requirement</b>	<b>11,407</b>	<b>14,063</b>	
Explanation of movements in the year -			
Increase in underlying borrowing (net of direct grants and contributions)	2,656	3,195	
Repayments (MRP)	-	(539)	
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>2,656</b>	<b>2,656</b>	

The capital expenditure shown above is split between Council-owned assets and those owned by third parties. The Council incurs capital expenditure on third party assets through schemes like the Disabled Facilities Grants (DFGs), the Bacup Townscape Heritage Initiative and the East Lancs Empty Homes Scheme. The distinction is an important one because capital expenditure on assets not owned by the Council is permitted by Statute, but is accounted for as revenue expenditure, along with its respective funding. Hence, in the table above there are details of 'Revenue Expenditure funded from Capital under Statute' (REffCuS) and funding from grants and other receipts and contributions, not from MRP.

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### 17b - Capital Expenditure on Council Assets

The main items of capital expenditure on the Council's own assets during the year were:-

Capital expenditure on Council assets	2018/19 £000s	2019/20 £000s
Museum Refurbishment Project	-	44
Sports & Leisure Facilities	486	269
Playing fields, playgrounds & parks	142	140
Futures Park building works	-	2,676
Rawtenstall Valley Centre/Spinning Point	1,471	2,879
Refuse Vehicles	464	603
Others	232	405
	<b>2,795</b>	<b>7,016</b>

### 17c - Capital Commitments

The Council operates a rolling 3-year capital programme and in addition to the £7,016k spent on council assets in 2019/20 above, approved capital works of £3,714k were carried forward into 2020/21 onwards, known as slippage. The total amount of slippage carried forwards, including Disabled Facilities Grant REFFCUS items not owned by the Council, was £4,896k.

Contract commitments relating to Council assets	31 <sup>st</sup> March 2019 £000s	31 <sup>st</sup> March 2020 £000s
Parks & Play Areas - finalising ongoing projects	103	276
Museum Refurbishment Project	-	1,855
Infrastructure, including car parks and signage	4,442	1,583
	<b>4,545</b>	<b>3,714</b>

### 17d - Capitalisation of Borrowing Costs

The Council has one 25-year loan from the PWLB which was taken out in March 2010 in order to support the impact upon the Council's need to borrow which resulted from investment recommended by the 2009/10 Leisure Review and regeneration projects. Borrowing costs were capitalized up to the Marl Pits facility opening in autumn 2012.

The Council took out a further loan of £2m from the PWLB in August 2019 to facilitate the cash flow requirements of the work to build on Plot 5 of the Futures Park site.

There have been no capitalised payments or receipts in either 2018/19 or 2019/20.

## Note 18 Leases

### 18a - Authority as Lessee

During 2014/15 the Council became directly responsible for the leases of domestic properties under the East Lancashire Empty Homes Scheme which were to be met from future rental incomes. In October 2016 the Council entered into a contract with Calico Housing Ltd to manage these properties on behalf of the Council. Calico now arranges the contracts with tenants, collects the rent and pays the leases over to the property owners. The lease commitments shown below refer solely to the properties which the Council is in the process of returning to the owners at which point all future lease commitments shown below will be extinguished.

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Authority as a Lessee	2018/19 £000s	2019/20 £000s
<b>Lease Payments within the year</b>	<b>438</b>	<b>276</b>
Future minimum lease commitments		
Amounts falling due within 1 year	46	61
Amounts falling due within 2-5 years	311	188
Amounts falling due within 6-10 years	27	-
<b>Total Minimum Lease Payments</b>	<b>384</b>	<b>249</b>

### 18b - Disclosure by Lessor

The Council has a number of premises that it makes available on an operating lease basis, for lease terms substantially less than the expected lives of the assets. Asset values included within the Balance Sheet and minimum lease income receivable can be seen in Note 5 and were as follows:

Authority as a Lessor	2018/19	2019/20			Total £000s
	Total £000s	Industrial Properties £000s	Leisure Premises £000s	Other Properties £000s	
Gross Value at 31st March	11,355	1,163	10,147	45	11,355
Accumulated Depreciation	(2,326)	(203)	(2,088)	(35)	(2,326)
<b>Net Book Value at 31st March</b>	<b>9,029</b>	<b>960</b>	<b>8,059</b>	<b>10</b>	<b>9,029</b>
<b>Lease Income within the year</b>	<b>(134)</b>	<b>(201)</b>	<b>-</b>	<b>-</b>	<b>(201)</b>

The rental incomes above show a nil return for leisure properties. These are now managed and operated by partners such as Rossendale Leisure Trust and Community Leisure Association Whitworth on a rent-free basis and the Council makes a grant contribution each year to the provision of leisure services across the borough. Grant details can be found in Note 11 on Related Party Transactions.

The assets shown as 'other properties' above have similarly been leased to third parties at peppercorn rents, including the Cherry Crescent Community Centre and the Aged Blind and Disabled Centre.

### Note 19 Long-term Debtors

The analysis of the long-term debt outstanding at the balance sheet date is:

Long Term Debtors	Ross'dale Leisure Trust £000s	Rossendale Transport Cash Loan £000s	Mortgage £000s	Empty Homes Loans £000s	Other loans & mortgages £000s	Total £000s	Note
Debt Outstanding 1st April 2018	35			1,769	104	1,908	20a & 20c
Advances	-		-	81	20	101	
Receipts	(1)			(292)	(26)	(319)	
	34	-	-	1,558	98	1,690	25
Provision for Doubtful Debts	-	-	-	(941)	-	(941)	25
<b>Balance at 31st March 2019</b>	<b>34</b>	<b>-</b>	<b>-</b>	<b>617</b>	<b>98</b>	<b>749</b>	<b>20a &amp; 20c</b>
Debt Outstanding 1st April 2019	34			1,558	98	1,690	20a & 20c
Advances	-		-	10		10	
Receipts	(1)		-	(206)	(13)	(220)	
	33	-	-	1,362	85	1,480	25
Provision for Doubtful Debts	-	-	-	(1,011)	-	(1,011)	25
<b>Balance at 31st March 2020</b>	<b>33</b>	<b>-</b>	<b>-</b>	<b>351</b>	<b>85</b>	<b>469</b>	<b>20a &amp; 20c</b>

The East Lancs Empty Homes Strategy moved into full operation during 2013/14. Funded by the Homes and Communities Agency (HCA) in the first instance, this programme saw long-term empty properties across East Lancashire brought back into use. Any renovation costs, shown above as

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advances, are being recouped from property rentals during the life of the lease, shown above as receipts. At the end of the lease these properties revert to their owners.

There have been no Long Term Debts written off during 2018/19 or 2019/20.

### Note 20 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 on another.

The term 'financial instruments' covers both financial assets and financial liabilities and includes both straight forward trade receivables and trade payables as well as complex money-market assets.

Typical financial instruments and their basis of measurement are shown in the table below:

Financial Instruments	Measurement	Rossendale Note
<b>Liabilities</b>		
Trade and other payables (Creditors)	Held at invoice value	Trade payables excluding government and other non-contract creditors
Borrowings	Included at the face value of the loan or bank account	Borrowing can include fixed term loans and bank overdrafts. Rossendale Borough Council has one loan from the PWLB over a period of 25 years commencing March 2010 and another taken out in August 2019 over a 20 year period.
Financial guarantees	Measurement balances guarantee value with the risk of the guarantee being called	The Council has given one financial guarantee, but considers the risk to be so minimal as to render the liability as not material (Note 11)
<b>Assets</b>		
Bank deposits	Any deposit with 365 days or less to run is held at carrying value of the account	The Council's 'Cash at Bank' figure includes a minimal value of cash in hands of officers as well as bank accounts with instant access.
Trade receivables (Debtors)	Held at invoiced amount less an impairment for uncollectable debts	Trade receivables exclude government and other non-contract debts
Loans receivable	Included at the face value of the loan or bank account	Loan deposits can include investments which have fixed terms and fixed interest rates. The Council has issued two loans to Rossendale Leisure Trust (see Note 9). These are considered soft loans because no interest has been charged to the Trust.
Soft Loans	Where material, soft loans are measured using an effective market rate of interest	The Council has no minor soft loans other than the ones to Rossendale Leisure Trust noted above.
Other receivables and advances	Held at the carrying value on the basis on materiality	These are predominantly arrangements made under the Empty Homes Strategy, being repaid from future rental incomes.
Investments	Held at historic cost value	The Council has no financial investments other than bank deposits..

## Core Financial Statements

The Council has assessed the materiality of all its financial instruments and those considered too small to make an adjustment to the carrying value of the original asset or liability included soft loans and other minor investments. (A soft loan is where the Council has lent money at a lower than market rate). The Rossendale Leisure Trust loans were treated as soft loans because no interest was paid in either 2018/19 or 2019/20. The value of interest forgone in relation to these loans was not material.

### 20a - Categories of Financial Instruments

The categories of financial instruments included within the Balance Sheet and Notes are:-

Categories of Financial Instrument	Long Term		Current		Note
	31 <sup>st</sup> March 2019 £000s	31 <sup>st</sup> March 2020 £000s	31 <sup>st</sup> March 2019 £000s	31 <sup>st</sup> March 2020 £000s	
<b>Cash and cash equivalents</b>					
Receivables	-	-	3,888	7,595	20c, 24
<b>Investments</b>					
Loans and receivables	-	-	6,070	1,070	20c, 24
Unquoted equity investment at cost	2	2	-	-	
<b>Trade Debtors</b>					
Loans and receivables	749	469	952	1,235	19,20c,21b,23
<b>Borrowings</b>					
Financial liabilities at amortised cost	(2,760)	(4,476)	(184)	(234)	20c, 28
<b>Trade Creditors</b>					
Financial liabilities at amortised cost	-	-	(2,182)	(2,404)	20c, 30

Local authorities sometimes give financial guarantees that require them to make specified payments to reimburse the holder of a debt if the debtor fails to make payment when due in accordance with the terms of the contract. The Council provided a financial guarantee in respect of Rossendale Leisure Trust and a gym extension at Haslingden Sports Centre. (see Notes 11 & 34), which has been initially recognised at fair value of nil and noted in the Contingent Assets and Liabilities at Note 34.

As explained in Note 11 above, the Council bought out the balance on the above lease in November 2016 at a cost of £1,010k and this has been treated as an investment in the asset already owned by the Council (see Notes 14 and 17a). The Trust will now pay a rental charge for using the asset of £60k per annum for its remaining 14 year life which will offset the MRP charge.

Fair Value Hierarchy of Investments - The investments above were assessed as level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly at 31 March 2019 and 2020.

### 20b - Financial Instrument Gains/Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

Income & Expenses	2018/19	2019/20		Total £000s
	Total £000s	Financial Liabilities at amortised cost £000s	Loans & Receivables £000s	
Interest payable - revenue	138	143	-	143
Interest income - revenue	(66)	-	(88)	(88)
<b>Net (Gain)/Loss for the year</b>	<b>72</b>	<b>143</b>	<b>(88)</b>	<b>55</b>

## Core Financial Statements

### 20c - Fair value of assets and liabilities carried at amortised cost

Financial liabilities and assets represented by loans and receivables are carried on the balance sheet at amortised cost. The fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions.

- For loans from the PWLB the fair value was calculated by reference to the premature repayment set of rates in force on 31<sup>st</sup> March 2019 and 31<sup>st</sup> March 2020 respectively.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

	31st March 2019		31st March 2020		Note
	Carrying amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s	
Borrowings	(2,944)	(3,556)	(4,710)	(5,058)	20a & 28
Short Term Creditors	(2,182)	(2,182)	(2,404)	(2,404)	20a & 30
<b>Total Financial Liabilities</b>	<b>(5,126)</b>	<b>(5,738)</b>	<b>(7,114)</b>	<b>(7,462)</b>	
Investments <1 year	6,070	6,070	1,070	1,070	20a & 24
Long Term Debtors	749	749	469	469	19 & 20a
Short Term Trade Debtors	952	952	1,235	1,235	20a & 23
Cash and Cash Equivalents	3,888	3,888	7,595	7,595	20a & 24
<b>Total Financial Assets</b>	<b>11,659</b>	<b>11,659</b>	<b>10,369</b>	<b>10,369</b>	

At March 2020 Rossendale Borough Council had two outstanding PWLB loans. One was taken out in March 2010 for 25 years at a fixed rate of 4.49%, the other was taken out in August 2019 for £2m over 20 years at a fixed interest rate of 1.34%. The premature repayment rate applicable on 31<sup>st</sup> March 2020 were 2.02% and 2.14% respectively. The figures for fair value above were £3,239k and £1,819k, as supplied by the Council's treasury management advisor, Link Asset Services. For a sensitivity analysis, Link Asset Services have confirmed that similar new loans on the 31<sup>st</sup> March 2020 at the discount rates above would have reduced the fair value of the loan at the end of 2019/20 by £339k to £4,719k.

The Council's portfolio of treasury management investments does not include any long-term deposits over 365 days. For investments under 365 days the deposit value is taken as a fair approximation of their value.

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

### Note 21 Nature and extent of risks arising from Financial Instruments

#### Key Risks

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

- Credit risk the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risks the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates movements.

## Core Financial Statements

### Overall procedures for Managing Risks

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise potential adverse effects on the resources available to fund services. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
  - the Council's overall borrowing;
  - it's maximum and minimum exposures to fixed and variable rates;
  - it's maximum and minimum exposures of the maturity structure of its debt;
  - it's maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the government guidance.

These requirements are known as Prudential Indicators and are required to be reported and approved alongside the Council's annual Council Tax budget setting in February, along with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported monthly to Members.

These policies are implemented by the Council's Financial Services staff. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed annually.

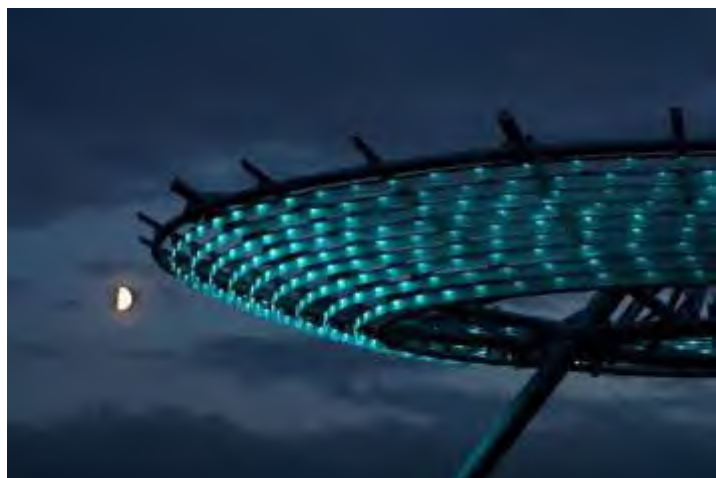
### Credit Risk

Credit risk arises from deposits with banks and financial institutions, and credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria and limits approved by the Council.

The Council maintains strict criteria for investment counterparties and monitors activity against these criteria. As a result of this high credit criteria there has been no experience of defaults. The Council refers to an approved list of organisations for investment purposes, assessed by the rating agencies, consisting of major banks, building societies and other local authorities. Maturity limits apply for each counterparty category and maximum investment limits also exist per counterparty and per sector.

No breaches of these criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any counterparty in relation to financial deposits.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience of its customer collection levels over the last three financial years, adjusted to reflect current market conditions.



## Core Financial Statements

### 21a Credit Risk

Credit Risk	Actual Amount March 2020 £000s	Historical default £000s	Adjusted for market conditions %	Estimated maximum exposure March 2020 £000s	Estimated maximum exposure March 2019 £000s	Note
Cash and Cash Equivalents	7,595	0.00%	0.00%	-	-	20a,20c,24
Investments - Bank Deposits	1,070	0.00%	0.00%	-	-	20a,20c,24
Investments - Others	2	0.00%	0.00%	-	-	19,20a,20c
Long Term Debtors	469	0.00%	0.00%	-	-	19,20a,20c
Short Term Trade Debtors	1,235	6.60%	7.00%	86	67	20a,20c,23
<b>Total Financial Assets</b>	<b>10,371</b>			<b>86</b>	<b>67</b>	

### 21b Trade Debtors

The Council does not generally allow credit for its trade debtors. The Council reports the level of trade debts outstanding each quarter in the financial monitoring report to Cabinet, which is available on the website. The balance of Trade Debtors at 31<sup>st</sup> March 2020 stood at £2,077k (£2,026k at March 2019), of which £1,360k was overdue (£1,387k at March 2019). Against this the Council held a doubtful debt provision of £842k (£841k at March 2019), as shown in the table below.

Short Term Trade Debtors by age	31st March 2019 £000s	31st March 2020 £000s	Note
Not yet past due	406	717	
Less than one month	63	92	
One to Two months	10	6	
Two to three months	9	10	
Three to six months	3	13	
Six months to one year	228	194	
Over one year	1,074	1,045	
Doubtful debts provision	(841)	(842)	
<b>Total Net Trade Debtors</b>	<b>952</b>	<b>1,235</b>	20a,20c,23

### Liquidity Risk

The council has ready access to borrowings from the Public Works Loan Board for long term borrowing and the Money Markets to cover any day-to-day cash flow need. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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 management and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice. The Council's performance in managing its current cash position is reported each month in the financial monitoring reports available on the website.

### Refinancing and Maturity Risk

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments of greater than one year in duration are the key parameters used to address this risk. The approved treasury and investment strategy addresses the main risks and sets the operational parameters should the Council ever need to borrow funds.



# Core Financial Statements

## Market Risk

There are three related risks the Council is aware of: interest rate risk, price risk and foreign exchange risk.

### Interest Rate Risk

The Council has limited exposure to interest rate movements on its borrowings and investments. Borrowings are carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and reflected in the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. The annual Medium Term Financial Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. The aim of the prudential indicators is to contain the activity of the treasury function within certain limits reducing the risk or likelihood of an adverse movement in certain interest rates or borrowing decisions that could impact negatively on the Council's overall financial position.

Within this Strategy prudential indicators are set which provide maximum and minimum limits for fixed and variable interest rate exposure. The Financial Services staff monitor markets and forecast interest rates within the year to adjust exposure appropriately. The indicators in force during 2018/19, which were approved along with the Council's annual budget in February 2018, are shown below.

Limits in interest rate exposure	2017/18	2018/19	2019/20	2020/21
Max principal sums borrowed > 364 days	£4.5m	£9.5m	£9.0m	£9.0m
Borrowing limits on Fixed Interest Rates	100%	100%	100%	100%
Borrowing limits on Variable Interest Rates	0%	0%	0%	0%
Max sums invested > 364 days	£0m	£0m	£0m	£0m
Max sums invested with single body	£5m/50%	£5m/50%	£8m/50%	£8m/50%
Max sums invested with any group	£10m	£10m	£10m	£10m

If all lending interest rates had been 1% higher, with all other variables held constant, the financial effect would only impact on the interest receivable on variable rate investments by an extra £126k. All other interest payable and receivable is fixed.

### Price Risk

The Council, excluding the pension fund, does not generally invest in instruments with this type of risk.

### Foreign exchange risk

Local custom and practice is not to engage in foreign currency trade or deal with foreign financial institutions. The Council, therefore, has no financial assets or liabilities denominated in foreign currencies and has no exposure to loss arising from movements in exchange rates.

## Note 22 Inventories

The total value of stocks at 31 March 2020 was £21k (£40k at 31<sup>st</sup> March 2019), representing fuel, vehicle maintenance spares, trade waste bins and refuse sacks. These are valued at cost due to the high turnover nature of the items concerned providing a very close approximation to the current value at the Balance Sheet date.

## Core Financial Statements

### Note 23 Debtors

The short-term debtors here are net of provisions for bad and doubtful debts - see Note 25 below.

Debtors (net of any provisions for bad or doubtful debts)		31 <sup>st</sup> March 2019 £000s	31 <sup>st</sup> March 2020 £000s	Note
Central Government Bodies		1,313	749	2
Other Local Authorities		1,277	1,708	
Other entities and individuals	Council Tax	318	330	CF6, CF5
	Retained Business Rates	86	183	CF6, CF5
	Advance Payments	640	349	
	Sundry Trade Debtors	952	1,223	23, 25
		1,996	2,085	
<b>Net Balance at 31st March</b>		<b>4,586</b>	<b>4,542</b>	

### Note 24 Short-term Investments, Cash and Cash Equivalents

Short Term Investments and Cash & Cash Equivalents	31 <sup>st</sup> March 2019 £000s	31 <sup>st</sup> March 2020 £000s	Note
Bank Deposits - access under 3 months	4,570	1,070	
Bank Deposits - access 3 to 6 months	-	-	
Bank Deposits - access 6 to 12 months	1,500	-	
Other Local Authorities - access less than 3 months	-	-	
<b>Short-term Investments at 31st March</b>	<b>6,070</b>	<b>1,070</b>	20a & 20c
Bank Deposits - instant access	3,887	7,594	
Cash in Hands of Officers	1	1	
<b>Cash and cash equivalents at 31st March</b>	<b>3,888</b>	<b>7,595</b>	20a,20c,35b

### Note 25 Impairment Losses

Impairment losses/(reversals) on property, plant and equipment, investment properties and intangible assets are disclosed in Note 17 and 18 respectively.

The Council also makes provision for the impairment of long-term and short-term debtors, as shown in Notes 19 and 23, based on historical default experience adjusted for the current market conditions as disclosed in Note 20.

The table below shows a large provision for doubtful long-term debts. This is in relation to the East Lancs Empty Homes Scheme and represents the balance of the renovation loans at 31<sup>st</sup> March 2019 on properties which are expected to be returned to owners early.

Impairment Losses (see Notes 20 & 24)	Long Term Debts £000s	Council Tax £000s	Business Rates £000s	Sundry Debts £000s	Total Current Debts £000s	Note
Balance at 1st April 2018	(941)	(477)	(401)	(1,949)	(2,827)	
Provisions Made	-	(70)	(91)	(132)	(293)	
Provisions Utilised	-	57	46	118	221	
<b>Balance at 31st March 2019</b>	<b>(941)</b>	<b>(490)</b>	<b>(446)</b>	<b>(1,963)</b>	<b>(2,899)</b>	19 & 23
Provisions Made	(70)	-	(215)	(73)	(288)	
Provisions Utilised	-	11	-	65	76	
<b>Balance at 31st March 2020</b>	<b>(1,011)</b>	<b>(479)</b>	<b>(661)</b>	<b>(1,971)</b>	<b>(3,111)</b>	19 & 23
Debt outstanding 31st March 2020	1,480	809	844	3,194	4,847	19 & 23
Debt outstanding 31st March 2019	1,690	808	532	2,915	4,255	19 & 23

## Core Financial Statements

### Note 26 Assets Held for Sale

Current Assets held for sale	2018/19 £000s	2019/20 £000s	Note
Balance at 1st April	48	2,938	
Assets reclassified to/(from) PPE	2,890	-	14
Revaluation gains/(losses) to the Revaluation Reserve	-	-	32b
Depreciation for the year- to Provision of Services	-	(1)	
Write out NBV of Assets sold - from Revaluation Reserve	-	(197)	32a
<b>Balance at 31st March</b>	<b>2,938</b>	<b>2,740</b>	

### Note 27 Creditors

Creditors	31 <sup>st</sup> March 2019 £000s	31 <sup>st</sup> March 2020 £000s	Note
Central Government Bodies	2,002	1,959	
Other Local Authorities	196	457	20a, 20c
Bodies external to government			
Advance Receipts: Council Tax	97	86	
Advance Receipts: Retained Business Rates	119	209	
Advance Receipts: Others	335	1,375	20a, 20c
Employee Benefit Expenses	43	56	20a, 20c
Sundry Trade Creditors	1,943	1,891	20a, 20c
<b>Balance at 31st March</b>	<b>4,735</b>	<b>6,033</b>	

### Note 28 Borrowing

In March 2010 the Council took out a PWLB loan of £4.6m over a life of 25 years at 4.49% to support the Council's capital spending, including the planned investment resulting from the Leisure Services Review. In August 2019 the Council took out a further loan of £2m over 20 years at 1.34%. See the Financial Instruments Note 20. Repayment of both loans is based on equal instalments of principal.

PWLB Borrowing	31 <sup>st</sup> March 2019 £000s	31 <sup>st</sup> March 2020 £000s	Note
Repayable in less than 12 months	184	234	
Repayable between 1 and 2 years	184	234	
between 2 and 5 years	552	702	
between 5 and 10 years	920	1,170	
in 10 years or more	1,104	2,370	
<b>Balance at 31st March</b>	<b>2,944</b>	<b>4,710</b>	20a, 20c

### Note 29 Provisions

Provisions	31st March		31st March		Note
	2019 £000s	Provisions Made £000s	Utilised £000s	2020 £000s	
Stubbylee Park Provision	10	-	-	10	
Facilities Provisions	52	13	(12)	53	
Strategic Housing Provision	149	110	(12)	247	
Corporate Services	307	105	(47)	365	
Other Provisions	61	11	(50)	22	
<b>Short Term Provisions</b>	<b>579</b>	<b>239</b>	<b>(121)</b>	<b>697</b>	
Business Rate Appeals Provision	747	293	-	1,040	CF4
<b>Long Term Provisions</b>	<b>747</b>	<b>293</b>	<b>-</b>	<b>1,040</b>	
<b>Total Provisions</b>	<b>1,326</b>	<b>532</b>	<b>(121)</b>	<b>1,737</b>	

## Core Financial Statements

### Note 30 Short-term Grant Receipts in Advance

This account holds the movements between capital grants received and those recognised through the CIES when the grant conditions have been met.

During 2017/18 a new grant of £3,421k was received in advance from Lancashire County Council towards the construction of the new bus station element of the Spinning Point Phase 1 project. The demolition phase was concluded in 2017/18 and renovation of the old Town Hall finished in December 2018. Construction of a new bus station began in January 2019 and the facility was opened in December 2019. The remaining grant shown below is to be used for ground works still ongoing at March 2020.

Short-term Capital Grant Receipts in Advance	31 <sup>st</sup> March 2019 £000s	31 <sup>st</sup> March 2020 £000s	Note
<b>HCA East Lancs Empty Homes Grant</b>			
Balance Brought forward	200	-	
Grant received/(repaid) in the year	(200)	-	
Amounts recognised into the CIES (conditions met)	-	-	32b
	-	-	
<b>LCC Grant for Spinning Point Phase 1</b>			
Balance Brought forward	3,420	2,920	
Grant received/(repaid) in the year	-	-	
Amounts recognised into the CIES (conditions met)	(500)	(2,879)	32b
	2,920	41	
<b>Balance at 31st March</b>	<b>2,920</b>	<b>41</b>	

### Note 31 Usable Reserves

The overall movements in the Council's Usable Reserves can be seen in the Movement in Reserves Statement. Further details on the movements in the individual Earmarked Reserves and Capital Grants Unapplied accounts can be found below, along with greater explanation of the activity on the Usable Capital Receipts Reserve.

#### Note 31a - Earmarked Reserves

Employment & Transport Reserve – re future investment in transport and employment opportunities.

Pension Fund Reserve – To meet future pension fund liabilities in respect of former housing services.

Economic Regeneration Reserve – Funds such as Local Authority Business Growth Incentive Scheme (LABGIS) grants held for future investment in specific regeneration schemes.

Leisure Reserve – This reserve had been held to meet any potential requirement to underwrite the Balance Sheet of Rossendale Leisure Trust, and the majority was used for this purpose in 2016/17 (see Note 11)

Directorate Investment Reserve – This reserve holds unspent budgets future one-off revenue projects.

Directorate Operational Reserve – This reserve holds funds set aside for ongoing or incomplete revenue projects where there is no contractual obligation but member approval has been granted.

Homelessness Reserve – This reserve holds funds for supporting ongoing and future projects to tackle homelessness within Rossendale.

Vehicle Reserve – To support vehicle maintenance costs and the rolling replacement programme. Contributions were withheld in 2017/18 and 2018/19 when delays in replacing older vehicles meant higher maintenance costs. (see the Narrative Report page 16)

Transitional Reserve – This reserve is to support the Council in its medium-term financial strategy.

## Core Financial Statements

Bacup Townscape Heritage Initiative Reserve – This reserve was established in 2013/14 to hold the Council's £400k matched funding resources for this £2.5m scheme which ended during 2019/20.

Individual Registration Reserve – Individual electoral registration implementation began in summer 2014 and this reserve was established to hold grant funds received during 2013/14 to be matched against costs as they arose over the subsequent years. A further £21k was received in 2018/19.

Business Rates Retention Reserve – Following the localisation of non-domestic rates in April 2013, this reserve was established with the additional grant received for Small Business Rate Relief to support any future volatility of this new resource stream. The balance on this reserve will also be required to support the deficit on the Collection Fund Adjustment Account. Under the timings permitted by the Code each year's surplus or deficit will not impact on the CIES until the following year.

Planning Strategy Reserve – This reserve is to cover the costs of public scrutiny associated with reviews of planning strategy in the future.

Tourism Strategy Reserve – Since the Tourism Officer post was disestablished in 2011/12, monies have been set aside to allow the Council to support various events/ activities.

Haslingden Regeneration Reserve – The Council has previously set aside £100k to provide pump-priming funds for the wider regeneration of Haslingden.

Earmarked Reserves	Balance 31 <sup>st</sup> March 2019	Income & Transfer to Reserves	Transfers between Reserves	Utilised from Reserves	Balance 31 <sup>st</sup> March 2020	Note
	£000s	£000s	£000s	£000s	£000s	
Employment & Transport	1,072	-	(125)	(131)	816	
Leisure Reserve	64	-	-	-	64	
Directorate Investment	21	53	-	-	74	
Directorate Operational Reserves	324	40	-	(9)	355	
Homelessness	168	24	-	-	192	
TCA - Living Well, Living Better	61	-	-	(31)	30	
Vehicle Repairs & Replacement	230	-	-	(41)	189	
Transitional Reserve	2,320	407	-	(997)	1,730	
Bacup THI	25	-	-	(25)	-	
Individual Registration	52	22	-	-	74	
Business Rates Retention	1,340	2,507	-	(1,207)	2,640	
Planning Strategy	243	18	125	(153)	233	
Tourism Strategy	45	6	-	-	51	
Haslingden Regeneration	52	-	-	(9)	43	
	<b>6,017</b>	<b>3,077</b>	<b>-</b>	<b>(2,603)</b>	<b>6,491</b>	MiR



## Core Financial Statements

### Note 31b - Capital Receipts Reserve

These are capital receipts (net of asset values) which have not yet been used to finance capital expenditure or repay debt.

Usable Capital Receipts Reserve	2018/2019	2019/2020	Note
	£000s	£000s	
Balance at 1st April	2,480	2,467	
Capital receipts in year			
Sale of Assets	160	694	13
Other Income	1,813	2,874	13
Capital receipts used to fund capital expend	(1,976)	(3,291)	13,17a,32b
Legal Costs of Sale	(10)	(11)	15
<b>Non Empty Homes sub-total</b>	<b>2,467</b>	<b>2,733</b>	
<b>Empty Homes</b>			
Balance at 1st April	-	2	
Capital receipts in year			
Other income	293	187	13
Capital receipts used to fund capital expend	(291)	(187)	13,17a,32b
<b>Empty Homes sub-total</b>	<b>2</b>	<b>2</b>	
<b>Balance at 31st March</b>	<b>2,469</b>	<b>2,735</b>	

### Note 31c - Capital Grants Unapplied Account

Capital grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with. This account holds the balance of grants unapplied at year-end.

Capital Grants Unapplied Account	Balance 31 <sup>st</sup> March 2019	Grants Received	Grants Applied	Balance 31 <sup>st</sup> March 2020	Note
	£000s	£000s	£000s	£000s	
Disabled Facilities Grants	883	1,030	(731)	1,182	7
Homelessness Grants	53	-	-	53	
Domestic Abuse Grant	7	-	-	7	7
Hoarding Project Grant	3	-	-	3	7
	<b>946</b>	<b>1,030</b>	<b>(731)</b>	<b>1,245</b>	MIR



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### Note 32 Unusable Reserves

#### 32a Revaluation Reserve

In accordance with the Statement of Recommended Practice, from 1st April 2007 the Revaluation Reserve contains unrealised revaluation gains, net of depreciation and disposals on that revaluation amount, on a strict per-asset basis. This Reserve is matched by fixed assets within the Balance Sheet. It does not represent resources available to the authority. Accumulated gains arising before the 1<sup>st</sup> April 2007 were consolidated into the balance on the Capital Adjustment Account.

Revaluation Reserve	2018/2019 £000s	2019/2020 £000s	Note
Balance at 1st April	11,233	11,415	
Surplus/(Deficit) on revaluation of assets in the year			
Property, Plant & Equipment	384	1,015	17
Value of assets disposed of in the year	-	(163)	15, 28, 35b
Depreciation in the year	(158)	(74)	15,17,18,35b
(Impairments)/Impairment Reversals in the year	(44)	(68)	15 & 17
<b>Balance at 31st March</b>	<b>11,415</b>	<b>12,125</b>	

#### 32b Capital Adjustment Account

In accordance with the CIPFA Code of Practice the Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls mechanism.

In the main this account holds the gains on historical revaluations of the assets still held by the Council, depreciated over the life of the assets. It is managed as a total figure, not on a per-asset basis, and does not represent cash resources available to the authority.

Capital Adjustment Account	2018/2019 £000s	2019/2020 £000s	Note
Balance at 1st April	10,910	12,099	
Revenue and Capital Receipts used to finance capital			
Revenue Contributions	149	528	13 & 17
Useable Capital Receipts	1,976	441	13, 17, 31b
Capital Grants and Contributions	1,346	3,833	13 & 17
Losses on Revaluation of assets			
Property, Plant & Equipment	(452)	(4,185)	13, 14a
Write off NBV of disposals (net of Revaluation Reserve)	(26)	(82)	13,14,26,32a
Minimum Revenue Provision for repayment of debt	1,271	539	13 & 17
Depreciation of Property, Plant and Equipment	(983)	(860)	13,14,15,32a
Amortisation of Intangible Assets	(41)	(16)	13 & 16
Impairment of Property, Plant & Equipment assets	(124)	(38)	13 & 14
Revenue Expenditure funded from Capital under statute	(1,927)	(1,137)	13 & 17
<b>Non Empty Homes sub-total</b>	<b>12,099</b>	<b>11,122</b>	
<b>Empty Homes</b>			
Balance at 1st April	(743)	(606)	
Revenue and Capital Receipts used to finance capital			
Revenue Contributions	290	184	13 & 17
Useable Capital Receipts	-	-	13, 17, 31b
Minimum Revenue Provision for repayment of debt	-	-	13 & 17
Revenue Expenditure funded from Capital under statute	(153)	(109)	13 & 17
<b>Empty Homes sub-total</b>	<b>(606)</b>	<b>(531)</b>	
<b>Balance at 31st March</b>	<b>11,493</b>	<b>10,591</b>	

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### 32c Deferred Capital Receipts Account

In the past Deferred Capital Receipts held the amounts of mortgages for former council house tenants falling due in future years. The last such mortgage ended in November 2013.

The balance of £1,385k at 31<sup>st</sup> March 2020 (£1,558k at March 2019) pertains solely to the value of renovation loans on the East Lancs Empty Homes properties and as such it mirrors the loan values shown in the Long Term Debtors at Note 19.

Deferred Capital Receipts Account	31 <sup>st</sup> March 2019 £000s	31 <sup>st</sup> March 2020 £000s	Note
<b>East Lancs Empty Homes Scheme Loans</b>			
Balance at 1st April	1,770	1,558	19
New Deferred Receipts	81	11	19
Amounts received	(293)	(184)	20, 31b
<b>Balance at 31st March</b>	<b>1,558</b>	<b>1,385</b>	19

### Note 33 Local Government Pension Scheme – a defined benefit scheme

The following note explains the terms and conditions of the retirement benefits of the Council officers and other employees. 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 the employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme administered by Lancashire County Council – this is a funded 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. The Narrative Statement explained that, the scheme underwent a full valuation in March 2019 which was reported in December 2019 and first impacted upon the Council's Pension Scheme Liabilities and Pension Reserve in the Consolidated Balance Sheet as at the 31st March 2020.

As explained in the Narrative Report on page 22, following the previous triennial valuation the Council decided to take the opportunity to pre-pay the employer contributions for the 3 years in order to make some savings. That arrangement ended during 2019/20. However, the Council has determined to make a similar 3-year prepayment in April 2020 for the next 3 years.

#### Changes to Scheme Valuation and Presentation

In December 2006 the Accounting Standards Board (ASB) made a number of changes to the FRS 17 accounting standard. In the main these related to the presentation of the figures and disclosures below rather than the underlying calculations themselves. However, they did also include a requirement for most assets to be valued at "realisable values" (i.e. bid values), as opposed to the previous requirement of "fair values" (in effect, mid-market values).

#### Impact of McCloud judgement

The "McCloud judgement" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government announced in 2019 that this needs to be remedied for all pension schemes. This has been included in the Statement of Accounts for 2019/20 as a past service liability of £708k.

#### Impact of Covid-19

The pension actuarial valuation and employer contributions were last assessed by the pension actuary as at 31 March 2019. In March 2020 there have been significant falls in equity markets around the world in relation to the COVID-19 pandemic. This has potentially far reaching consequences in terms



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of funding and risk which will need to be kept under review. The Pension Fund view is that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. The Pension Fund has a risk management framework in place and in particular the investment strategy is reviewed on a regular basis. The Pension Fund view is that employer contributions should not be revisited, but the position should be kept under review by Lancashire County Council as the Administering Authority, who will monitor the development of the situation and keep all stakeholders informed of any potential implications, so that the outcome can be managed effectively.

### 33a - Present Net Value of Scheme

The underlying assets and liabilities attributable to Rossendale Borough Council at 31st March were:-

Scheme History	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	Note
Scheme Liabilities at 31 <sup>st</sup> March	(80,607)	(100,932)	(98,446)	(105,060)	(96,693)	33b
Scheme Assets at 31 <sup>st</sup> March	50,854	67,318	68,271	74,960	72,160	33c
<b>Net Scheme Assets/(Liabilities)</b>	<b>(29,753)</b>	<b>(33,614)</b>	<b>(30,175)</b>	<b>(30,100)</b>	<b>(24,533)</b>	

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total net liability of £24.5m impacts on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

In his budget statement on 22 June 2010, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which had been the practice in the past. As a result, future pension increases under the Lancashire County Pension Fund are expected to be slightly lower, on average, than would have been the case if this change had not been made. The precise financial effect has been taken into account in the IAS19 figures shown in note 33f.

### 33b - Present Value of Scheme Liabilities

The following table reconciles the opening and closing values of the scheme liabilities.

Scheme Liabilities	2018/19 £000s	2019/20 £000s	Note
Scheme Liabilities as at 1 <sup>st</sup> April	98,446	105,060	
Current Service Cost	1,240	1,357	33f
Interest on Pension Liabilities	2,521	2,485	33f
Member Contributions	256	255	
Past Service cost/(gain)	-	965	
Remeasurement of liabilities	5,807	(9,561)	33f
Benefits/transfers paid	(3,210)	(3,868)	
<b>Scheme Liabilities as at 31<sup>st</sup> March</b>	<b>105,060</b>	<b>96,693</b>	33a

Of the above liabilities there is an unfunded element, for which the value at 31<sup>st</sup> March 2020 was £1,504k (£2,282k at 31<sup>st</sup> March 2019).

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### 33c - Present Value of Scheme Assets

The following table reconciles the opening and closing values of the scheme assets.

Scheme Assets	2018/19 £000s	2019/20 £000s	Note
Scheme Assets as at 1 <sup>st</sup> April	68,271	74,960	
Interest on plan assets	1,818	1,794	33f
Remeasurement of assets	6,166	(2,631)	33g
Administration expenses	(20)	(23)	33f
Employer contributions	1,679	1,673	33f
Member contributions	256	255	
Benefits/transfers paid	(3,210)	(3,868)	
<b>Scheme Assets as at 31<sup>st</sup> March</b>	<b>74,960</b>	<b>72,160</b>	33a & 33d

### 33d - Major Categories of Scheme Assets

Scheme Assets	31st March 2019		31st March 2020		Note
	£000s	%	£000s	%	
Bonds	3,514	4.7%	1,806	2.5%	
Property	6,986	9.3%	1,010	1.4%	
Alternatives	64,023	85.5%	68,551	95.1%	
Cash & Cash equivalents	437	0.6%	793	1.1%	
<b>Total Scheme Assets</b>	<b>74,960</b>		<b>72,160</b>		33c

### 33e - Scheme Membership

The membership of the scheme was as follows:-

Scheme Membership	31st March	31 <sup>st</sup> March
	2019	2020
Active Members	153	151
Deferred Members	240	234
Pensioners	429	427
Spouses / dependents	125	108



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### 33f - Comprehensive Income and Expenditure Account

Authorities recognise the cost of retirement benefits in the Comprehensive Income and Expenditure Statement 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 that the real cost of retirement benefits is reversed out of the in the Movement in Reserves Statement and replaced with the cash paid in the year.

The table below shows transactions within the Comprehensive Income and Expenditure Statement and the corresponding adjustments made in the Movement in Reserves Statement.

Reconciliation of the movement in the Pension Fund Reserve	2018/19 £000s	2019/20 £000s	Note
<b>Comprehensive Income and Expenditure Statement</b>			
Net Costs of Services - Current Service Cost	1,240	1,357	33b
Past Service cost/(gain)	-	965	37b
Financing and Investment Income and Expenditure			
Interest cost	2,521	2,485	33b
Expected return on assets in the scheme	(1,818)	(1,794)	33c
Administration expenses	20	23	33c
<b>Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,963</b>	<b>3,036</b>	
<b>Other Comprehensive Income and Expenditure</b>			
Actuarial (gains)/losses	(9,250)	8,438	33g
<b>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(7,287)</b>	<b>11,474</b>	
<b>Movement in Reserves Statement</b>			
Reverse net charges for retirement benefits in accordance with the Code	(1,963)	(3,036)	13 & 33a
<b>Actual charge to the General Fund Balance in the year</b>			
Employer's contributions payable to the scheme	1,679	1,673	13 & 33a

### 33g – Re-measurement impacts in the Other Comprehensive Income & Expenditure Statement

Remeasurement Gains/(Losses)	2018/19 £000s	2019/20 £000s	Note
Experience gains/(losses)	-	-	
Gains/(losses) on financial assumptions	(3,084)	5,807	
Gains/(losses) on demographic assumptions	-	-	
Remeasurement of Liabilities gains/(losses)	(3,084)	5,807	33b
Remeasurement of Assets gains/(losses)	(6,166)	2,631	33c
<b>Net Actuarial gains/(losses) in current year</b>	<b>(9,250)</b>	<b>8,438</b>	

### 33h – Actual gains and losses on plan assets

The actual gains measured against experience gains/(losses) in the year can be seen in the following table, along with the relevant percentages of period-end assets and liabilities which these values represent:

Actual Gains/(Losses)	2018/19		2019/20		Note
	£000s	%	£000s	%	
Actual Return on Plan Assets	7,984	10.7%	643	0.9%	

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### 33i - Actuarial Assumptions

The Borough Council fund liabilities and assets have been assessed by Mercer Human Resource Consulting, an independent firm of actuaries, and their estimates have been based on the latest full valuation of the scheme as at 31st March 2016 which was published in December 2016. The main assumptions used in their calculations at the beginning and end of the year are shown below, with an effective date of 31<sup>st</sup> March 2020.

The 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.

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion with their expected rates of return at the beginning and end of the year:

Actuarial Assumptions	Beginning of Period %	End of Period %
<b>Duration information as at the end of the accounting period</b>		
Estimated Macaulay duration of liabilities	14 yrs	14 yrs
Duration profile used to determine assumptions	Retired	Retired
<b>Financial Assumptions</b>		
Rate of CPI inflation	2.30%	2.10%
Rate of increase in salaries	3.80%	3.60%
Rate of increase in pensions	2.40%	2.20%
Discount rate	2.40%	2.40%
<b>Post retirement mortality assumptions</b>		
Non-retired members (retiring in the future in normal health)	S2PA CMI_2015_1.5% (98% M, 89% F)	S2PA CMI_2018_1.75% (110% M, 94% F)
Current pensioners (retired in normal health)	S2PA CMI_2015_1.5% (99% M, 93% F)	S2PA CMI_2018_1.75% (103% M, 91% F)
<b>Life expectancy</b>		
of a male (female) future pensioner aged 65 in 20 yrs	25.1 (28.2) yrs	23.8 (26.8) yrs
of a male (female) current pensioner aged 65	22.8 (25.5) yrs	22.3 (25) yrs
<b>Takeup of option to convert annual pension into lump sum at retirement</b>	50% take maximum cash, 50% take 3/80ths cash	
<b>Market value of total fund assets</b>		
	£8,410m	£8,410m
Last actuarial valuation	bid value at	bid value at
31st March 2019	31st March 2019	31st December 2019

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### 34j – Sensitivity Analysis of Actuarial Assumptions

Under IFRS the assumptions made by the actuary must be submitted to a sensitivity analysis. Below are the main assumptions used by the actuary and the effects on the pension fund accounts if those assumptions changed.

Sensitivity analysis based on assumptions as at 31st March 2020	Central Estimates for 2020/21 £000s	Sensitivity 1	Sensitivity 2	Sensitivity 3	Sensitivity 4	Sensitivity 5	
		+ 0.1% p.a. discount rate	+ 0.1% p.a. inflation	+ 0.1% p.a. salary inflation	+ 1 yr to member's life expect	change in investment returns	
		£000s	£000s	£000s	£000s	+1% £000s	-1% £000s
Liabilities	96,693	95,338	98,068	96,807	99,402	96,693	96,693
Assets	(72,160)	(72,160)	(72,160)	(72,160)	(72,160)	(72,880)	(71,440)
Deficit/(Surplus)	24,533	23,178	25,908	24,647	27,242	23,813	25,253
Projected current service cost	1,224	1,192	1,258	1,224	1,261	1,224	1,224
Projected net interest cost	577	567	611	581	643	559	594
Projected Employer contributions	(1,009)	(1,009)	(1,009)	(1,009)	(1,740)		(1,009)

### 33k – Budgeting figures used in the Assumptions

Budgets used in assumptions for following year	2018/19 £000s	2019/20 £000s	Note
<b>Projected Pension cost next year</b>			
Estimated Pay	3,911	3,901	
Service Cost (% of pay)	35.0%	31.0%	
Implied Service Cost including interest	1,386	1,224	33j
Net Interest Cost	702	577	33j
Administration Expenses	20	23	
	<b>2,108</b>	<b>1,824</b>	
<b>Projected employer contributions next year</b>			
Normal contributions	(1,595)	(863)	
£ for £ recharges	(157)	(146)	
	<b>(1,752)</b>	<b>(1,009)</b>	33j
<b>Projected deficit/(surplus) for operations next year</b>	356	815	
<b>Projected deficit/(surplus)</b>	30,100	24,533	
<b>Projected deficit/(surplus) at end of next year</b>	<b>30,456</b>	<b>25,348</b>	

### Note 34 Contingent Assets & Liabilities

There are no known contingent assets or liabilities.

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### Note 35 Cash Flow notes

#### Note 35a Reconciliation of Revenue Surplus to Net Cash Flow

Reconciliation of I&E Surplus to Net Cash Flow from revenue activities	RBC		Note
	31st March 2019 £000s	31st March 2020 £000s	
<i>March 2019 Restated *</i>			
<b>Adjustments for non-cash movements</b>			
Depreciation and Impairments *	1,309	1,040	13
Amortisation of Intangible Assets	41	16	13
Revaluation losses charged to Revenue	452	4,185	
Carrying amount of non-current assets sold *	(26)	(245)	13,14,26
Pension Fund Adjustment *	(255)	(1,376)	13 & 33f
<b>Adjustments between accruals and cash accounting</b>			
(Incr)/Decr in Long Term Debtors	218	280	19
(Incr)/Decr in Inventories	(9)	19	22
(Incr)/Decr in Debtors *	(1,780)	857	23
Incr/(Decr) in Creditors *	2,603	(140)	27
Incr/(Decr) in Grant Receipts in Advance	(700)	(2,879)	30
Incr/(Decr) in Short-term Provisions	(198)	122	29
Incr/(Decr) in Long-term Provisions	(80)	293	29
Incr/(Decr) in Pension Fund Prepayment *	(1,564)	(1,499)	
<b>Adjust net surplus or deficit on the provision of services for non-cash movements</b> *	<b>11</b>	<b>673</b>	
<b>Adjustments for investing and financing activities</b>			
Additions to PPE & intangible assets *	3,845	7,016	13 & 32b
Proceeds from the sale of PPE	(150)	(694)	13 & 31b
Other income	2,108	3,236	13 & 32c
Cash (Outflows)/Inflows - agency operations	(1,006)	1,334	
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b> *	<b>4,797</b>	<b>10,892</b>	

#### Note 35b Net Change in Liquid Resources

Net change in liquid resources	31 <sup>st</sup> March 2019 £000s	31 <sup>st</sup> March 2020 £000s	Movement £000s	Note
Cash in Hand	1	1	-	
Cash at Bank	3,887	7,594	3,707	20a,20c,24
<b>Net Book Value at 31st March</b>	<b>3,888</b>	<b>7,595</b>	<b>3,707</b>	24



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## Note 36 Accounting Policies

### Accounting Concepts & Principles

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

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

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

### Revenue Recognition

Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchase 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.

### Accruals of Expenditure & Income

Under the accruals principle the Comprehensive Income & Expenditure Statements matches expenditure relating to the production of goods or delivery of services during the financial period with the income to finance those goods and services, regardless of whether the cash transactions have taken place. Income due at the year-end pertaining to services provided are shown in the Balance Sheet as debtors and payments due for goods and services received but not paid for are shown as creditors. The Cash Flow Statement and its Notes reconcile the expenditure and income on an accruals basis with the true cash inflows and outflows during the financial period.

Further details of the Council's expenditure and income on provision of services for the year can be found in the Narrative Statement.

### Employee Benefit Expenses – Notes 13 and Note 33

The code has interpreted IAS 19 *Employee Benefits* and confirmed that local authorities should account for:

- benefits payable during employment,
- termination benefits
- post-employment benefits
- pension fund accounts

Short-term benefits to be accrued for include:

- wages, salaries and social security contributions
- short-term compensated absences
- bonuses and similar payments
- non-monetary benefits

Full details of Employee Benefits, including exit packages, paid during employment are shown at Note 13. Accruals for short-term compensated absences, calculated per employee at each year-end, are also shown as a separate item within the Creditors at Note 27.



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### Pensions – Note 33

The requirements of IAS 19 in relation to post-employment benefits, ie pensions, have been fully incorporated into the Comprehensive Income & Expenditure Statement with actuarial gains and losses being recognised in Other Comprehensive Income and Expenditure, as Note 33 explains in detail.

Under local government finance legislation local authorities in England are required not to charge to revenue expenditure amounts in respect of liabilities for retirement benefits, but instead to maintain a Pension Reserve to which the pension liabilities are charged.

The amount charged to the General Fund for providing pensions for employees is the amount payable in the year. Where this amount does not match the amount charged to the Surplus or Deficit on the Provision of Service in the Comprehensive Income and Expenditure Statement, the Code stipulates that the difference is taken to the Pension Reserve.

Rossendale Borough Council participates in the Local Government Pension Scheme administered by Lancashire County Council. More details about this scheme and its valuations can be found in Note 33 and the Narrative Statement.

### Interest – Note 20b

Interest paid on external borrowings is accrued in the accounts of the period to which it relates and interest earned on the external investment of surplus funds is credited to the General Fund using the effective interest method as set out in the Code.

### Operations acquired or discontinued - Note 4

There have been no acquired or discontinued operations during either 2019/20 or 2018/19.

### Value Added Tax

VAT incurred by the Council on goods and service it procures is fully recoverable from HM Customs & Revenue, except in certain exceptional cases. Consequently, all expenditure shown in the Comprehensive Income & Expenditure Statement excludes VAT.

Where the Council charges for goods and services which are subject to VAT, the income included in the Comprehensive Income & Expenditure Statement is shown excluding the VAT element which must be passed on to HM Customs and Revenue.

Due to the nature of local government services the net position of VAT payable and recoverable generally results in a debtor in the Balance Sheet.

### Cost of Support Services (Overheads)

Since the amendments in the 2016/17 Code in relation to the presentation of the CIES in a format comparable to the operational management structure, the allocation of central support services have been removed. Note 1 provides a reconciliation for the removal of such internal market charges from the original budgets and the monitoring reports throughout the year.

### Principal and Agent transactions

Where an authority is acting as a principal transactions shall be included in the authority's financial statements. However, where authorities act as agents transactions shall not be reflected in an authority's financial statements, with the exception in respect of cash collected or expenditure incurred by the agent on behalf of the principal, in which case there is a debtor or creditor position and the net cash position is included in financing activities in the Cash flow Statement. This Council acts as an agent for the collection of council tax and non-domestic rating income.

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### Non-domestic Rates - Notes 6 and the Collection Fund

The localisation of non-domestic rates was introduced in April 2013, under which this council collects business rates on behalf of itself, central government and other major preceptors on an agency basis.

Top-up income receivable and tariff expenditure payable, as well as safety net income and levy expenditure payable are recognised by the authority in the Comprehensive Income and Expenditure Statement on an accruals basis in the line item Taxation and Non-Specific Grant income and Expenditure. On 1st April 2016 Rossendale became a part of the Lancashire-wide Business Rates Pool and so no safety net or levy will be applicable from this date. More information is within Notes 23, 27 and 29 and the Collection Fund.



### Landfill Allowances Scheme and Carbon Reduction Commitment

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities to reduce the amount of biodegradable municipal waste disposed of into landfill sites. Rossendale Borough Council, as waste collection authority for the borough, was a partner in a cost-share agreement until 31<sup>st</sup> March 2018 with Lancashire County Council, who are the disposal authority for this area.

Rossendale Borough Council operated within its allocated landfill allowances under the cost-share agreement during the reporting periods covered by these statements. As a result, confirmation was received from Lancashire County Council that no charges would be incurred in the 2018/19 financial year.

Whilst this authority is too small to be subject to the Carbon Reduction Commitment Scheme, members have taken the view that investing in solar panels will reduce both annual energy costs and environmental impacts in the future.

### Property, Plant and Equipment – Note 14

Local authorities now account for tangible fixed assets in accordance with IAS 16 *Property, Plant and Equipment*. Property, plant and equipment are tangible assets (ie assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one accounting period. These assets are further classified as follows:

- Operational land and buildings,
- Operational plant, furniture, equipment, and motor vehicles.
- Infrastructural assets which are the fixed utility systems, and
- Community assets.
- Surplus assets – held for future regeneration opportunities

#### Recognition and Measurement

Under IAS 16 property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses. However, for the public sector the following adaptations have been applied:

- Infrastructure, community assets and assets under construction (excluding investment properties) are measured at historical cost. Historical cost is deemed to be the carrying amount of an asset at 1<sup>st</sup> April 2007 or at the date of acquisition, whichever is the later, and adjusted for subsequent depreciation or impairment (if applicable).
- All other classes of assets are measured at fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length

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transaction. Fair value for land and buildings is interpreted as the amount that would be paid for the asset in its existing use, in accordance with UK Policy Statement (UKPS) 1.3 of the valuation standards issued by The Royal Institution of Chartered Surveyors (RICS)

- Where there is no market-based evidence of fair value because of the specialist nature of an asset, or such assets are rarely sold, the Council may need to estimate fair value using a depreciated replacement cost approach, accounting for all physical deterioration and all relevant forms of obsolescence and optimisation.

Cost is defined as the cash or cash equivalents paid in relation to:-

- the acquisition, reclamation, enhancement or laying out of land;
- the acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures, including insulation works and disabled adaptations;
- the acquisition, installation or replacement of movable or immovable plant, machinery, vehicles, apparatus or vessels;

All expenditure on the acquisition, creation or enhancement of assets is capitalised on an accruals basis in the accounts, provided that the asset yields benefits to the authority and the services it provides for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to provision of services within the Comprehensive Income and Expenditure Statement.

### Revaluation

Revaluations of fixed assets are undertaken by professionally qualified valuers on a five year rolling basis. Any unrealised gains on revaluation are shown in the Comprehensive Income & Expenditure Statement then removed in the Movement in Reserves Statement to the Revaluation Reserve on the Balance Sheet. In accordance with the updated Code the revaluation programme has reviewed £4,844k of the Council's assets during 2019/20 and Note 14c provides an analysis of the current valuation basis for each type of asset held by the Council.

Revaluation gains are depreciated in line with the asset to which they relate. Future revaluation losses are matched against any balance in the Revaluation Reserve in the first instance on a strict per-asset basis, with the remaining balance being transferred to the Capital Adjustment Account.

### Impairment

In accordance with IAS 36 *Impairment of Assets*, an impairment review is undertaken at the end of each accounting period and material changes to asset valuations are adjusted as they occur. Impairment loss on a re-valued asset is recognised in the Revaluation Reserve to the extent that the impairment does not exceed the balance in the Revaluation Reserve for that asset and thereafter as a cost to the provision of services in the Comprehensive Income & Expenditure Statement.

However, the Code stipulates that impairments do not impact on the council tax, hence an adjusting transaction can be found in the Movement in Reserves Statement (see workings at Note 13).

### Depreciation

Depreciation is provided for on all operational assets with a finite useful life (which can be determined at the time of acquisition or revaluation over the useful life of the asset) using the straight-line method calculated on a daily basis.

Charges for depreciation cover buildings, vehicles, plant, furniture and equipment. Infrastructure, community assets and surplus non-operational assets are not depreciated each year but measured at historical cost.

Depreciation is charged to the Comprehensive Income and Expenditure Statement as a cost of the provision of services. As with impairments, the Code stipulates that depreciation does not impact on the council tax, hence an adjusting transaction can be found in the Movement in Reserves Statement (see workings at Note 13).

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### Component Accounting

Where the asset comprises two or more major components with substantially different useful economic lives, each component should be accounted for separately for depreciation purposes and depreciated over its individual useful life. Componentisation was introduced officially from 1<sup>st</sup> April 2010 without retrospective applications, therefore component elements have been considered as assets are professionally revalued within the 5-year rolling programme. However, the major components of land and buildings have already been separated for many years, with no depreciation being applied to the land element.

### Community Assets – Included within Note 14

The Code defines Community Assets are those which an authority intends to hold in perpetuity, that have no determinable useful life and which may, in addition, have restrictions on their disposal. At Rossendale classification of Community Assets includes the 4 cemeteries, the Whitaker Park Museum and some parks and recreation areas which have been gifted to the Council with restrictions on their disposal.

### Heritage Assets – Included within Note 14

Authorities account for heritage assets under the requirements of FRS30 *Heritage Assets*.

A tangible heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. An intangible heritage asset is an intangible asset with cultural, environmental or historical significance, including such items as recordings of significant historical events. For ease of presentation, details are alongside Property, Plant and Equipment at Note 14.

### Recognition and Measurement

For Rossendale Borough Council Heritage Assets include the Panopticon in Haslingden and the war memorials across the borough as well as civic regalia and exhibits at Whittaker Park Museum.

Where heritage assets are purchased or costs capitalised, these assets are now valued on a historic cost basis. This has occurred in examples such as the creation of the Panopticon. However, for historic assets where it is not possible to obtain a cost value commensurate with the benefit to users of the financial statements, the Council is entitled to use any method it deems appropriate and relevant. For the exhibits at Whittaker Park Museum the latest insurance values have been used as an approximation for the asset value. For the Council's Civic Regalia the cost to replace the items have been provided by the Council's jeweller in March 2020, leading to a revaluation gain of £255k, as shown in Note 14.

### Amortisation

Depreciation or amortization is not required on heritage assets which have indefinite lives. However, the carrying amount of such assets is reviewed regularly to ensure that they have not suffered any physical deterioration, which would be treated as an impairment.

### Investment Properties – Note 15

Authorities now account for investment properties in accordance with IAS 40 *Investment Property*, except where the Code has provided definition interpretation for the public sector. Under this definition, an investment property is one that is used solely to earn rentals or for capital appreciation, or both. This Council has one piece of land which meets the definition of an Investment Property.

### Intangible Assets – Note 16

IAS 38 *Intangible assets* defines intangible assets as non-financial assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights, such as software, which are expected to provide future service benefits or be used in the provision of services over several years to come.

## Core Financial Statements

### Recognition and Measurement

This Council does not have any internally-generated intangible assets. Other intangible assets are capitalised at cost incurred to acquire and bring to use, eg the implementation costs of specific software. Costs associated with maintaining computer software are recognised as an expense when incurred.

An intangible asset may be acquired by way of government grant or other contribution, either in full or in part. In such instances both the asset and the grant or contribution are recognised initially at fair value.

### Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Comprehensive Income and Expenditure as a cost of using the asset in the provision of services. The useful lives and associated amortisation rates of computer software have been estimated at 5 years.

### Surplus Assets and Assets Held for Sale – Note 14 and 26

In line with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use.

Assets held for sale are now separated into two categories. Those with specific intentions to be sold in the following accounting period are classified under Current Assets as 'Assets held for sale within one year' – see Note 26. Those held for inclusion in longer-term regeneration plans are classified as Surplus Assets under Property, Plant and Equipment at Note 14.

### Recognition and Measurement

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell, where fair value is the amount for which the asset could be exchanged between knowledgeable, willing parties in an arm's-length transaction. Surplus Assets are re-valued at the point of their transfer to the surplus category, but based upon their existing use value which is an estimate of the asset's remaining useful service potential.

### Amortisation

Depreciation or amortization is not required on surplus assets or those held for sale. However, the carrying amount of such assets is reviewed regularly to ensure that they have not suffered any physical deterioration, which would be treated as an impairment.

### Leases – Note 18

This Council has not entered into any Finance Leases, either as lessee or as lessor.

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Where assets are acquired under operating leases the leasing rentals payable are recognised in the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease. The value of the assets subject to leasing agreements are not shown in the Balance Sheet, but are disclosed in Note 18.

Assets held by the Council for use in operating leases (acting as a lessor) are not recorded in the Balance Sheet as fixed assets. Rental incomes from such assets are recognised on a straight line basis and matched against costs of insurance and maintenance in the Comprehensive Income and Expenditure Statement. Their value and the incomes receivable are disclosed in Note 18.

### Revenue Expenditure funded from Capital under Statute - Notes 13, 17 and 32b

Legislation allows some items of expenditure to be funded from capital resources which under IFRS and normal accounting practice would be charged to Surplus or Deficit on the Provision of Services. Such expenditure termed 'Revenue Expenditure funded from Capital under Statute' within the Code

## Core Financial Statements

and is written off to the Comprehensive Income and Expenditure Statement in the year incurred and matched by the grants received.

The types of expenditure to which this usually refers are disabled access grants and decent homes assistance where the local authority does not receive the economic benefits arising from the expenditure. A reversing entry in the Movement in Reserves Statement ensures there is no impact on the Council Tax or General Fund Balance, see workings at Note 13 and the Capital Adjustment Account at Note 32b.

### Government Grants and Other Contributions – Note 7, 30 and 31c

In line with the Code's adaptation of IAS 20 *Accounting for Government Grants*, grants and contributions for capital purposes should be recognised immediately, unless any conditions have not been met; an authority shall not include grants and contributions deferred on the Balance Sheet. Retrospective application of the change in policy has resulted in all remaining Government Grants Deferred being incorporated into the Capital Adjustment Account as if they had been recognised when the asset was first created.

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the funds will be received. Grants received in advance of these conditions being met are held as Short-term Capital Grant Receipts in Advance until released into the Comprehensive Income & Expenditure Statement as entitlement allows (see Notes 7, 30 and 31c).

### Capital Receipts – Note 31b

Amounts to be treated as capital receipts are defined by statute and usually arise from disposal of an interest in a fixed asset. Any difference between the receipt value and the carrying value of the asset in the balance sheet at the time of disposal is shown in the Comprehensive Income & Expenditure Statement as a gain or loss on disposal.

However, some statutorily defined capital receipts do not arise from the disposal of an interest in a fixed asset and as such are treated separately in the Comprehensive Income and Expenditure Statement as 'Other Income'.

Capital receipts are not attributable to the General Fund Balance and are therefore transferred to the Useable Capital Receipts Reserve in the Movement in Reserves Statement (see workings at Note 13).

### Long-term Investments

Long-term investments are those with a remaining life of more than 1 year at the Balance Sheet date and are shown in the Balance Sheet at fair value.

The largest long-term investment in the past consisted of 100% of the share capital in Rossendale Transport Ltd., a company set up under the Transport Act 1985. Rossendale Borough Council sold the shares in Rossendale Transport Ltd in January 2018.

### Short-term Investments – Note 24

Short-term investments are those with a life of between 30 days and 1 year at the Balance Sheet date and are shown in the Balance Sheet at fair value. These investments follow policies laid down in the Council's Treasury Management Strategy and Treasury Management Practices. Note 24 details the short-term investments held by the Council at the Balance Sheet date, alongside cash and cash equivalents.

### Inventories – Note 22

Stocks of materials or supplies to be consumed in the provision of future services are accounted for under IAS 2 *Inventories*, except for financial instruments and work in progress under construction contracts. Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

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Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the course of operations, less the estimated costs of completion and any estimated costs necessary to make the sale, exchange or distribution.

Work in progress under construction contracts is subject to *IAS 11 Construction Contracts* and an interim valuation is obtained covering the cost of works completed at the end of the reporting period plus any overheads reasonably attributable to those works. This value is then included in the Balance Sheet within property, plant and equipment rather than listed within current inventory assets.

### Short-term Debtors – Note 23

Authorities account for debtors in accordance with *IAS 18 Revenue* and *IAS 39 Financial Instruments: recognition and Measurement*, except where interpretations or adaptations to fit the public sector have been detailed in the Code.

The revenue accounts of the Council are maintained on an accruals, therefore sums due to the Council for services delivered or rendered during the financial year are included whether or not the cash has actually been received. Debtors are then recognised in the Balance Sheet as the full value of the consideration receivable, in most cases in cash or cash equivalents. Note 23 shows the value of outstanding debts net of any provision for impairment losses on doubtful debts. More details of the impairment Provisions can be seen at Note 25.

Debtors also arise where the Council has made payment in advance of receipt of goods or services from suppliers, shown in the analysis in Note 23 as 'Payments in Advance'.

### Cash and Cash Equivalents – Note 24

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Balance Sheet.

### Provision for Impairment Losses– Note 25

The Council prepares its accounts in a prudent manner and as such the value of debtors receivable is subject to a degree of risk. The Council assesses the risk attributable to each individual class of debtors in order to arrive at a realisable value and more information on Financial Instrument Risks can be found in Notes 20 and 21.

The difference between the full value and the realisable value of Financial Instruments is called a Provision for Impairment. Debts written off are charged to this provision and any requirement to make new provisions is charged as an expense to the cost of provision of services within the Comprehensive Income & Expenditure Statement.

### Short-term Creditors – Note 27

Under *IAS 18 Revenue*, the annual provision of services by the Council are accounted for on an accruals basis. That is, sums due from the Council pertaining to the acquisition of goods or services used in the provision of services within the year are included whether or not the cash has actually been paid in the year. An exception to this principle relates to electricity and similar payments which are charged at the date of meter reading rather than being apportioned between financial years. Most of these payments are now monthly and this policy is consistently applied each year, therefore any discrepancy is deemed to be immaterial to the year's accounts.

Creditors also arise where the Council receives income from customers ahead of the provision of goods or services. Such payments are shown separately in the detailed analysis at Note 27 as 'Receipts in Advance'.

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### Provisions – Note 29

Under the Code local authorities now apply IPSAS 19, which interprets IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* for the public sector. Proper provisions are required for any liabilities or losses of uncertain timing or amount. Provisions expected to be called upon within 12 months from the end of the financial period are classed as Short-Term Provisions, while those of a more extended nature are classed as Long-Term Provisions.

Provisions are charged to the (Surplus)/Deficit on Provision of Service in the Comprehensive Income & Expenditure Statement. Provisions are utilised only for the purpose for which they were established, except where a regular review to determine the appropriateness of the level of the charge and the balance of the provision properly requires a change. The provisions held and any change in their use are disclosed in Note 29 along with activity on the provision in the accounting period.

Provision for Impairment has also been made for doubtful debts and known uncollectable debts have been written off during the year. The balance of the Provision for Impairment, used to reduce the overall level of Current Assets outstanding, is disclosed in Note 25.

### Short-term Capital Grants Receipts in Advance – Note 30

When capital grants are received in advance with conditions attached to the application of those grant, they are held in the Short-term Capital Grants Receipts in Advance account and only recognised in the Comprehensive Income and Expenditure Statement when the grant conditions have been met.

### Contingent Liabilities and Contingent Assets– Note 34

A contingent liability is either: (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or (b) a present obligation that arises from past events but is not recognised because: (i) it is not probable that a transfer of economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability.

A material contingent liability is not recognised within the accounts as an item of expenditure. It is, however, disclosed in a note unless the possibility of a transfer of economic benefits in settlement is remote.

A contingent asset is a possible asset that may arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Contingent assets are not recognised in the revenue account or the balance sheet because prudence cautions that the gain might never be realised, instead they are disclosed in the Notes to the Core Statements.

When realisation of the gain is virtually certain, then the item ceases to be a contingent asset and can be accounted for as revenue or capital income as appropriate.

### Reserves - Notes 31 and 32

The Council maintains certain reserves for the purpose of meeting liabilities other than those covered by provisions. A distinction is made in the Balance Sheet between usable reserves, which are cash-backed reserves available for use by the Council in the future provision of services and unusable reserves which are used for statutory accounting purposes and cannot be used directly to finance future service costs.

#### Usable Reserves – Note 31

- The General Fund Balance is the accumulation of surplus or deficit on operational services attributable to council tax payers. Such funds are not held for any specific purpose, but are available to assist with the management of financial risks and to deal with any emergencies which might arise. The Medium Term Financial Strategy sets out the Council's policy for the recommended value of the General Fund Balance in order to provide assurance against the estimates and assumptions used in the annual budgeting process.



## Core Financial Statements

- Earmarked Reserves are resources set aside to meet specific future running costs and investments. The Medium Term Financial Strategy sets out the Council's policy for Earmarked Reserves, including their nature and suggested requirements. Full details of the movements on each reserve can be found at Note 31a.
- The Capital Receipts Reserve holds the proceeds of fixed asset sales available to meet future capital investment (see Note 31b).
- Capital Grants Unapplied – holds the balance of grants received where the conditions of grant entitlement have not yet been met. Grants and other contributions are now accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Grants received in advance of these conditions being met are held as Grants Unapplied until released into the Comprehensive Income & Expenditure Statement as entitlement allows (see Note 31c).

### Unusable Reserves – Note 32

- Revaluation Reserve records unrealised revaluation gains, net of depreciation and disposals on that revaluation amount, on a strict per-asset basis (see Note 32a)
- Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and financed through the capital controls mechanism (see Note 32b).
- Available-for-sale Financial Instruments Reserve stores any gains on revaluation of investments not yet realised through sales. The investment in Rossendale Transport Ltd was not revalued due to the specialised nature of the company and the subjectivity of any such valuation. Instead the investment was carried at the historic value of the shares which were extinguished following the sale of the shares in the company in January 2018.
- Collection Fund Adjustment Account holds the surplus/(deficit) on the Collection Fund which is directly attributable to Rossendale Borough Council (details can be found in the Collection Fund at Section 3).
- Deferred Capital Receipts Account (Note 32c) holds the value of long term debts not receivable until future years under the terms of the debt. In the past this related to mortgages for Council House tenants prior to 1991, but the last of these mortgages ended in November 2013. From 2013/14 the balance relates to the repayment loans due on the Empty Homes Strategy and the corresponding debt can be seen within Long Term Debtors on the Balance Sheet at Note 19.
- Pensions Reserve is a balancing account to allow the inclusion of Pensions Liability in the Balance Sheet. Details of Pension Fund assets/liabilities can be found in Note 33b and 33c.



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### Repurchase of Borrowing

The Code requires gains or losses on the repurchase of borrowing to be recognised in the Comprehensive Income and Expenditure Statement in the year in which they are realised. Where, however, the repurchase is coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect, gains or losses are to be recognised over the life of the replacement borrowing. No such gains or losses were experienced in the current accounting period.

### Minimum Revenue Provision (MRP) - Notes 13, 17 and 32b

In accordance with the requirements of the Local Government and Housing Act 1989, the authority is required to set aside a minimum revenue provision for repayment of debt. Minimum Revenue Provision is a charge to the cost of services in the Comprehensive Income & Expenditure Statement, details of which can be found in Notes 13, 17a, and 32b. In line with Government guidance, the Council calculates MRP to match the life of the asset.

In 2018/19 the Council decided to make a one-off additional Voluntary Revenue Provision (VRP).

### Financial Instruments – Notes 20 and 21

#### Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income & Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest.

Any gains or losses on the repurchase or early settlement of borrowing are charged to the Comprehensive Income & Expenditure Statement. However, where repurchase takes place as part of a restructure the premium or discount is added to the amortised cost and charged over the life of the new or modified loan. Where premiums and discounts are charged directly to the Comprehensive Income & Expenditure Statement regulations permit the impact on the General Fund Balance to be spread over future years. This is achieved by transfer to/from the Financial Instruments Adjustment Account. No such gains or losses arose in the current accounting period, or the comparator year.

#### Financial Assets

These are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market. These are measured at fair value and carried at amortised cost. Annual credits to the Comprehensive Income & Expenditure Statement are based on the carrying amount multiplied by the effective rate of interest. In all cases where the Council has made loans cost has been used as a proxy for fair value.
- Available for Sale Assets – assets that have a quoted market price and/or do not have fixed or determinable payments. These are initially measured, and carried, at fair value. Credits to the Comprehensive Income & Expenditure Statement for interest are based on the amortised cost multiplied by the effective rate of interest. Gains or losses are posted to the Available for sale Reserve. On de-recognition gains/losses are charged to the Comprehensive Income & Expenditure Statement.



# Core Financial Statements

## 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, 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:

- a) in the principal market for the asset or liability, or
- b) 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 using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act 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 valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

## Prior Period Adjustments Note 37

Prior period adjustments are material adjustments applicable to prior years arising from changes in accounting policies or estimates or from the correction of fundamental errors, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Code requires that the financial statements should disclose, where practicable the nature of the change in policy and the impact of any adjustment on the preceding accounting period where practicable. Where this is not practicable, the fact this is so and the reasons for it should be disclosed.

This Statement of Accounts includes at Note 2 to the Core Financial Statements an explanation of any adjustments made to comply with changes in the Code.

## Events after the Balance Sheet date – Note 37

Local authorities are required to account for events, both favourable and unfavourable, which occur between the end of the reporting period and the date when the financial statements are authorised for issue in accordance with IAS 10 *Events after the Reporting Period* and IPSAS 14 *Events after the Reporting Date*. Two types of events can be identified:

- Adjusting Events - where events arising after the balance sheet date provide additional evidence of conditions that existed at the balance sheet date and are of a material nature the amounts should be reflected in the Core Statements.
- Non-adjusting Events – events which arise after the balance sheet date and concern conditions which did not exist at that time should be detailed in Notes to the Core Statements if they are of such materiality that their disclosure is required for the fair presentation of the financial statements, rather than reflected in the Core Statements.

## Core Financial Statements

The date on which the financial statements are authorised for issue is shown in the Statement of Responsibilities.

### Group Accounts

Following the sale of its shares in Rossendale Transport Ltd in January 2018, the Council no longer prepares Group Accounts.

### Other Accounting Policies

Foreign currency transactions do not play a material part in the Council's financial transactions. Rossendale Borough Council has not entered into any PFI schemes.

### Note 37 Restatement of Prior Year Accounts

The Council's accounts for 2019/20 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), which is based on the International Financial Reporting Standards (IFRSs). No adjustments to prior year comparative accounts have been required due to changes in the Code.



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### Note 38 Accounting Standards Issued, but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the 2019/20 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2020/21 code are:

- Amendments to IAS 28 – Investment in Associates and Joint Ventures: Long Term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtail or Settlement.

These changes are not expected to have a material impact on the Council's Financial Statements.

### Note 39 Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 36, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in preparing this Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. The 2020/21 Settlement is for one year only. Beyond that, the outcome of the proposed spending review and the impact of the changes to the Business Rate Retention scheme are unknown, also the impact of the decision to leave the European Union remains unclear. In addition the global coronavirus pandemic has further increased the levels of uncertainty. The Council is recording and forecasting all additional expenditure incurred in its COVID19 response and monitoring the resulting loss of income. Government funding has been provided but, as the pandemic continues to unfold, it is unclear whether this funding will be sufficient to cover all costs and income losses.
- However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired. In line with the Council's Medium Term Financial Strategy, where services are at potential risk the intention would be to realise the value of any assets deemed surplus to requirements before any impairment occur.
- In order to facilitate the speedy closure of the Council's accounts an estimate of the outstanding housing and council tax benefit grant has been included in the Comprehensive Income and Expenditure Statement. The estimated balance of the grant claim included in the Balance Sheet at 31<sup>st</sup> March 2020 is a Short-term Creditor of £355k compared to a Debtor of £719k at March 2019.
- Estimates for depreciation of assets in any one year depend upon the forecast life of the assets. The asset life of buildings is determined by a qualified valuer at each revaluation date and in the case of vehicles, equipment and intangible assets by Council staff. Depreciation charges in 2019/20 amounted to £934k, a decrease of £207k on 2018/19. Depreciation of intangible assets totalled £16k in 2019/2, down from £38k in 2018/19 (see Notes 13, 14 & 16).
- Estimates for impairment of assets are performed by the Council's qualified Property Services Manager at the end of each year to reflect any abnormal changes in property values between full formal reviews within the 5-year rolling revaluation programme. The total value of impairments charged to 2019/20 was £106k, compared to £168k charged to 2018/19 (Note 13 & 14).

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- Provision for the potential cost of Non-Domestic Rating appeal refunds has been based upon appeals lodged with the Valuation Office at the 31<sup>st</sup> March and an assumed level of successful appeals based upon historical data. Officers deemed that the balance on the Provision at the 31<sup>st</sup> March 2020 was sufficient to cover the reduced value of outstanding appeals. The Rossendale Borough Council share of that Provision now stands at £1,041k and more details can be found in Note 29 and Note 4 to the Collection Fund.

### Note 40 Events after the Balance Sheet date

This DRAFT Statement of Accounts was authorised for release by the Head of Finance on 31<sup>st</sup> August 2020. Events taking place after this date are not reflected in the financial statement or notes. Where events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

#### Covid 19

The Council's focus during the period from the commencement of the COVID-19 outbreak has been to ensure that our residents and businesses are protected as much as possible from the impact of COVID-19.

The Government has provided the Council with funding to assist with any additional expenditure or loss of income the Council incurs. The Government has also supported businesses through additional rate reliefs, these reliefs are being fully funded through to Rossendale Borough Council.

The Council has assessed the short term impact of initial measures on its cash flow and at present the Council has sufficient cash balances to fund these. If required temporary borrowing arrangements will be put in place. The Council is also regularly providing feedback to Government on the measures that are being taken and the financial impact on the Council of COVID-19.

Staff availability has remained strong through the home-working and flexible working arrangements that are in place and regular business continuity updates have ensured that core services continue to be delivered effectively.

The Council quickly established a Community Support Hub with partners to ensure the effective working with our communities to assist those most in need.

The Council has some reserves which could be deployed to fund costs not met by Central Government, however the funding supplied so far will be sufficient for the short to medium term. The savings programme for 2019-20 will not be impacted and programmes in place for 2020-21 will be rigorously monitored to assess for any underlying impacts due to COVID-19, though none of these are expected to be material to financial statements.

The global pandemic has resulted in an unprecedented set of circumstances on which to base the various judgements reflected in the 2019/20 accounting statements, including valuations for the Council's property and financial assets, and its share of the Pension Fund assets and liabilities. Although these judgements have been reflected in the 2019/20 accounts, as the pandemic continues, the effects have the potential to impact these judgements further in future years.

## Core Financial Statements

### Note 41 Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Council's Balance Sheet at 31<sup>st</sup> March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.</p> <p>It is estimated that for every year that useful lives were reduced the annual depreciation charge would increase as follows</p> <ul style="list-style-type: none"> <li>• buildings &amp; infrastructure £8k</li> <li>• vehicles &amp; equipment £100k</li> <li>• intangible assets £9k</li> </ul>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns in pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions have been included in detail within Note 33.
Arrears	Each year the Council reviews the significant balances for Council Tax and sundry debtor arrears. Officers estimate the potential impairment of those debts based on historical default experience, and the age of the debts. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, the effects of an additional 1% in the rate of in-year losses on collection would be an increase of £139k in the required provision for council tax doubtful debts, £58k for business rates doubtful debts and £3k for sundry debts

## Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate collection fund. The statement below 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.

COLLECTION FUND	2018/19		2019/20		Note
	Council Tax £000	Business Rates £000	Council Tax £000	Business Rates £000	
<b>Income</b>					
Council Tax	36,974	-	39,475	-	
Non Domestic Rates	-	13,130	-	12,909	
	<b>36,974</b>	<b>13,130</b>	<b>39,475</b>	<b>12,909</b>	
<b>Expenditure</b>					
Precepts paid out					
Lancashire County Council	26,195	1,060	27,465	2,124	
Rossendale Borough Council	5,437	4,712	5,645	6,797	6
Rossendale Borough Council - renewable energy	-	163	-	168	
Lancashire Police Authority	3,590	-	4,109	-	
Lancashire Fire Authority	1,365	118	1,417	182	
Other costs and provisions					
Payment to Central Government	-	200	-	37	
Payment to Lancashire Business Rates Pool	-	5,889	-	3,035	
Provisions for Rating Appeals	-	(200)	-	-	CF4
Provisions for Bad Debts	352	227	390	106	CF5
Cost of Collection Allowance	-	99	-	97	
	<b>36,939</b>	<b>12,268</b>	<b>39,026</b>	<b>12,546</b>	
<b>Surplus / (deficit) Council Tax</b>	<b>35</b>	<b>862</b>	<b>449</b>	<b>363</b>	

Where Note references are preceded by CF they related to the Collection Fund Notes on this and the following pages. Other Note references relate to the Notes to the Core Statements on pages 26 to 80.

### Collection Fund Note 1 Surplus/(deficit) apportionment to the major Preceptors

The table below shows how the surplus/(deficit) on the Collection Fund is distributed across the major preceptors on an agency basis each year.

Apportionment of in-year surplus/(deficit) to major preceptors		2018/19		2019/20		Note
		Council Tax £000	Business Rates £000	Council Tax £000	Business Rates £000	
<b>Preceptor</b>	Lancashire Business Rates Pool	-	431	-	91	
	Lancashire County Council	25	77	320	64	
	Rossendale Borough Council	5	345	65	203	CIES, 13
	Lancashire Police Authority	4	-	48	-	
	Lancashire Fire Authority	1	9	16	5	
	<b>Surplus/(deficit) for the year</b>	<b>35</b>	<b>862</b>	<b>449</b>	<b>363</b>	



## Collection Fund

### Collection Fund Note 2 Collection Fund Adjustment Account

The surplus/(deficit) attributable to Rossendale Borough Council now resides in the Collection Fund Adjustment Account on the Balance Sheet, as shown below.

Rossendale Borough Council - Collection Fund Adjustment Account	2018/19		2019/20		Note
	Council Tax	Business Rates	Council Tax	Business Rates	
	£000	£000	£000	£000	
Accumulated surplus/(deficit) at 1st April	82	126	5	838	
Prior year (surplus)/deficit transferred to/from revenue	(82)	367	(39)	(651)	13
Apportioned Estimated Surplus/(Deficit) for the year	5	284	69	184	13
Apportioned Final Surplus/(Deficit) for the year	-	61	(4)	19	13
<b>Accumulated Surplus/(Deficit) at 31st March</b>	<b>5</b>	<b>838</b>	<b>31</b>	<b>390</b>	

### Collection Fund Note 3 Council Tax Base

Council tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities and the Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts). The Council Tax base for 2019/20 was 20,396 compared to 20,229 for 2018/19.

The basic amount of Council Tax for a Band D property rose in 2019/20 from £1,891.64 to £1,806.00 following increases of around 3% by all preceptors except the Lancashire Police Authority, which increased their precept by 13.52%. Rossendale Borough Council and Whitworth Town Council increased their Council Tax charges by 2.99% for the third time since March 2009 – see Collection Fund Note 7 for details of the Council Tax bands charges.

The council tax base has been calculated as follows:-

Band	Ratio to Band D	Total No. Properties	Total equiv No. after Discounts & Exemptions	2018/19 Band D Equivalent	2018/19 Band D Equivalent
Special	5/9		45.4	25.2	22.4
A	6/9	16,223	10,977.8	7,318.6	7,264.2
B	7/9	5,011	4,084.1	3,176.5	3,170.0
C	8/9	4,187	3,698.4	3,287.5	3,227.4
D	1	3,363	3,069.2	3,069.2	3,056.2
E	11/9	1,950	1,830.3	2,237.0	2,222.6
F	13/9	654	622.7	899.5	888.8
G	15/9	446	405.4	675.7	685.7
H	2	36	24.8	49.5	47.5
		<b>31,870</b>	<b>24,758.1</b>	<b>20,738.7</b>	<b>20,584.8</b>
Less adjustments for anticipated changes to the base and losses on collection				-342.7	-355.8
<b>Band D equivalent number of properties</b>				<b>20,396.0</b>	<b>20,229.0</b>

## Collection Fund

### Collection Fund Note 4 Provision for Rating Appeals

Provision for Rating Appeals	2018/19		2019/20		Note
	Council Tax £000s	Business Rates £000s	Council Tax £000s	Business Rates £000s	
Balance as 1st April	-	2,058	-	1,859	
Provision made in year	-	-	-	-	
Provision utilised in year	-	(199)	-	-	
<b>Balance at 31st March</b>	<b>-</b>	<b>1,859</b>	<b>-</b>	<b>1,859</b>	
<b>Balance at 31st March - Rossendale only</b>	<b>-</b>	<b>744</b>	<b>-</b>	<b>1,041</b>	30

The Council has made provision for the anticipated impact on the Collection Fund in respect of business valuation appeals lodged with the Valuation Office. In quarter 4 of 2018/19 the Valuation Office decided several key appeals cases which led officers to utilize £199k of the provision in 2018/19. The balance of £1,859k on the provision was still deemed sufficient to cover the balance of claims outstanding at the 31<sup>st</sup> of March 2020, therefore no further provision was made during 2019/20.

### Collection Fund Note 5 Provision for Bad Debts

Bad Debts Provision	2018/19		2019/20		Note
	Council Tax £000s	Business Rates £000s	Council Tax £000s	Business Rates £000s	
Balance as 1st April	3,329	1,001	3,297	1,114	
Provision made in year	352	227	390	106	
Debts written off	(384)	(114)	(356)	(39)	
<b>Balance at 31st March</b>	<b>3,297</b>	<b>1,114</b>	<b>3,331</b>	<b>1,181</b>	
<b>Balance at 31st March - Rossendale only</b>	<b>490</b>	<b>447</b>	<b>479</b>	<b>661</b>	26

For the year 2019/20, under the under the Lancashire Pool 75% Retained Business Rates Pilot scheme, Rossendale Borough Council accounts for 56% of the arrears and the provision against those arrears, compared to 40% under the 50% Local Retention Scheme. Given the level of 2019/20 collections for business rates, as noted below, the provision for bad debts at the end of 2019/20 was deemed to be £1,181k of which £661k was attributable to Rossendale.

### Collection Fund Note 6 Arrears

Arrears	2018/19		2019/20		Note
	Council Tax £000s	Business Rates £000s	Council Tax £000s	Business Rates £000s	
Balance as 1st April	5,422	1,279	5,438	1,323	
Change in year	16	44	191	180	
<b>Balance at 31st March</b>	<b>5,438</b>	<b>1,323</b>	<b>5,629</b>	<b>1,503</b>	
<b>Balance at 31st March - Rossendale only</b>	<b>808</b>	<b>512</b>	<b>809</b>	<b>842</b>	24

The in-year collection rate for 2019/20 Council Tax was 96.32% compared to a target performance of 97.8%. The collection rate for NNDR in 2019/20 was 97.78% compared to a target performance of 97.1%. Note 23 to the Core Statements shows the Rossendale Borough Council portion of the Council Tax and Business Rates arrears, net of the provision for bad debts shown in Note 5 above.

Part of the Collection Fund surplus is due to the collection of prior year arrears, when the total collection rate rises to over 99%.

## Collection Fund

### Collection Fund Note 7 Non-Domestic Rates (NDR)

April 2013 saw the introduction of new system of local business rates retention. Under the new model Rossendale Borough Council retained 40% of the business rates collected locally. At the 1<sup>st</sup> April 2016 the new Lancashire Pooling arrangement came into effect and Rossendale Borough Council is a partner in that Pool. For 2019/20 the Lancashire Pool participated in a 75% local retention pilot scheme which saw the Rossendale element rise to 56%. The tariff payment into the Pool for 2018/19 was £3,035k (in 2018/19 this was £5,889k) and this can be seen in Note 6 to the Core Statements.

Non-domestic rates are organized on a national basis. Central Government specifies an amount (50.4p in 2019/20 and 49.3p in 2018/19) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying the rateable value of their property by that amount. The rateable value for business premises in Rossendale increased to £36,335k by March 2020, up from £36,306k in March 2019.

Since 2016/17 Rossendale Borough Council is entitled to keep 100% of the business rates from renewable energy installations. In 2019/20 Rossendale's element of the business rates scheme as shown in the CIES and Note 6 to the Core Statements was £168k, compared to £163k in 2018/19.

The net business rates collected within Rossendale in cash terms (before provision for bad debts and appeals) were £13,172k compared with £13,826k in 2018/19.

### Collection Fund Note 8 Council Tax for all Precepting Bodies 2019/20

Precepting Bodies	2018/19	Change	2019/20							
	Band D £		Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
Rossendale	266.17	2.99%	182.75	213.20	243.66	274.12	335.04	395.95	456.87	548.24
LCC	1,212.17	2.99%	833.93	972.92	1,111.90	1,250.89	1,528.86	1,806.84	2,084.82	2,501.78
LCC - Adult Social C	82.75	1.00%	63.80	74.43	85.07	95.70	116.97	138.23	159.50	191.40
Fire	67.46	2.99%	46.32	54.04	61.76	69.48	84.92	100.36	115.80	138.96
Police	177.45	13.52%	134.30	156.68	179.07	201.45	246.22	290.98	335.75	402.90
<b>Total (excl parish)</b>	<b>1,806.00</b>	<b>4.74%</b>	<b>1,261.10</b>	<b>1,471.27</b>	<b>1,681.46</b>	<b>1,891.64</b>	<b>2,312.01</b>	<b>2,732.36</b>	<b>3,152.74</b>	<b>3,783.28</b>
Whitworth Parish	24.10	2.99%	16.55	19.30	22.06	24.82	30.34	35.85	41.37	49.64
<b>Total (incl parish)</b>	<b>1,830.10</b>	<b>4.72%</b>	<b>1,277.65</b>	<b>1,490.57</b>	<b>1,703.52</b>	<b>1,916.46</b>	<b>2,342.35</b>	<b>2,768.21</b>	<b>3,194.11</b>	<b>3,832.92</b>



## Glossary

### Accounting Standards Board

The role of the Accounting Standards Board (ASB) is to issue accounting standards. Accounting standards developed by the ASB are contained in 'Financial Reporting Standards' (FRSs). Soon after it started its activities in 1990, the ASB adopted the standards issued by the Accounting Standards Committee (ASC), so that they also fall within the legal definition of accounting standards.

These are designated 'Statements of Standard Accounting Practice' (SSAPs). Whilst some of the SSAPs have been superseded by FRSs, some remain in force. Accounting standards apply to all companies, and other kinds of entities that prepare accounts that are intended to provide a true and fair view.

### Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

### Agency Services

Services provided by the Council, as an agent on behalf of the responsible body, where the principal reimburses the Council for the cost of the work carried out.

### Auditor's Opinion

The opinion required by statute from the Council's external auditors, indicating whether the statement of accounts presents a true and fair view of the financial position of the authority.

### Budget

A statement of the Council's spending plans for revenue and capital expenditure over a specified period of time.

### Business Rates

From the 1<sup>st</sup> April 2013 non-domestic rates, or Business Rates, were localised. In the past all business rates were collected locally but then paid over to central government and each authority was paid a share of the national pool based upon their population and circumstances.

Rossendale Borough Council now collects these rates and pays 50% direct to central government, 9% to Lancashire County Council and 1% to Lancashire Fire Authority. This means that 40% should be kept locally.

Note 9 to the core statements explains how the tariff system provides a national balancing adjustment between the 40% local share and the amount received previously from the national pool. After the tariff the actual amount kept by Rosendale Borough Council in 2013/14 was 15%.

### Capital expenditure

Spending on the acquisition or maintenance of assets either directly by the Council or indirectly in the form of grants to other persons or bodies. Section 40 of the Local Government and Housing Act 1989 defines 'expenditure for capital purposes'. Expenditure that does not fall within the definition must be charged to a revenue account.



## Capital Receipts

Proceeds from the sale of fixed assets, such as land or buildings, or the repayment of capital grants or advances.

## Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is one of the leading professional accountancy bodies in the UK and the only one which specialises in the public sector. It is responsible for the education and training of professional accountants and for their regulation through the setting and monitoring of professional standards. Uniquely among the professional accountancy bodies in the UK, CIPFA has responsibility for setting accounting standards for a significant part of the economy, namely local government.

## Code of Practice on Local Authority Accounting (the CODE)

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2010 (the Code) stipulates that the preparation of the Statement of Accounts. This Code replaces CIPFA's Statement of Recommended Practice 2009 (SORP) and is now based on the International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) adapted as interpreted for the public sector by the International Public Sector Accountancy Standards (IPSASs).

## Collection Fund

The account which shows the transactions of the Council in relation to non-domestic rates and Council Tax, and the distribution of these to other precepting bodies and to Rossendale Borough Council's General Fund for the year.

Following the SORP 2009, the Collection Fund is now operated on an agency basis. That means that the accumulated balances at the year end, including arrears and accounts in credit are apportioned over the main precepting bodies. Rossendale Borough Council's proportion of the debtors and accounts in credit can be directly on the Balance Sheet and at Note 19 and 22 to the Core Statements and the Council's proportion of the overall surplus/(deficit) on the account is now held in the Collection Fund Adjustment Account. Those amounts attributable to each of the other preceptors are included as a net position within the Other Public Bodies sections of Note 19 and Note 22 respectively.

## Collection Fund Adjustment Account

A new account created following the SORP 2009, which holds that portion of the Collection Fund cumulative balance attributable solely to Rossendale Borough Council.

## Community Assets

Assets that the Council 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.

## The Department for Communities and Local Government (CLG)

The central government department for Communities and Local Government (CLG) has a powerful remit to promote community cohesion and equality, as well as responsibility for housing, urban regeneration, planning and local government. The CLG is responsible for national policy on local government in England, examining the future of local government and local democracy; reviewing performance and measurement through inspection and audit; driving

## Glossary

through the modernisation agenda of efficiency and improvement of service delivery; and maintaining and developing a framework for local government finance.

### Consolidated Balance Sheet

The combined balance sheets of the Council's services.

### Contingency Sum

A sum set aside to provide for foreseen but unquantifiable future commitments or for unforeseen expenditure that may become necessary during the year.

### Cost of Management and Administration

An allocation to service accounts of the net cost of the administrative and professional departments which support all of the Council's services.

### Creditor

An amount owed by the Council for goods received, or services rendered to it within the accounting period, but for which payment has not been made.

### Current Costs Accounting (CCA)

The presentation of the accounts in a form that aims to reflect the consequences of price and value charges.

### Debt redemption

The repayment of external loans previously raised to finance capital expenditure.



### Debtor

An amount of income due to the Council within the accounting period but not received at the balance sheet date.

### Deferred capital receipts

Capital receipts to be received by instalments over agreed periods of time.

### Deferred charges

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. An example of a deferred charge is expenditure on items such as improvement grants.

### D.E.F.R.A.

The Department for the Environment, Food and Rural Affairs supports the Council in its recycling projects.

# Glossary

## Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset.

## D.W.P.

The Department of Work and Pensions funds the Housing and Council Tax Benefits payable to borough residents and also funds the administration of those benefits.

## E.R.D.F.

The European Regional Development Fund which supports regeneration projects such as Futures Park managed office units.

## Fair Value

In accounting, fair value is used as an estimate of the market value of an asset (or liability) for which a market price cannot be determined (usually because there is no established market for the asset). Where a reasonable estimation of fair value cannot be calculated assets are carried at historical cost.

## Financial instruments

Financial instruments are cash, evidence of an ownership interest in an entity, or a contractual right to receive, or deliver, cash or another financial instrument. Financial instruments can refer to both receivables (including debtors and other investments) and payables (including creditors and other liabilities or borrowings).

## Financial Reporting Standard 17 (FRS17)

FRS17, issued by the Accounting Standards Board in November, 2000 and amended November, 2002, set out the accounting treatment for retirement benefits such as pensions and medical care during retirement.

## General Fund

The main revenue fund of the Council. Day-to-day spending on services is met from the General Fund. Spending on the provision of housing, however, must be charged to a separate Housing Revenue Account.

## Governance Framework

Authorities have a responsibility to ensure that their 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 governance framework comprises the systems and processes, and culture and values by which the Council is directed and controlled and its activities through which it accounts to and engages with and leads the community. The principles of this framework were laid down by the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government.

## Housing General Fund

Strategy and support for domestic properties across the borough, as opposed to the operation of council-owned housing which is kept separate in the Housing Revenue Account, or strategy and support for commercial properties.

## Housing Revenue Account (HRA)

A separate account for the operation of the direct provision of housing by the Council, which is now closed following the LSVT to Green Vale Homes in March 2006.

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## Impairment

A measure of abnormal consumption of the economic benefit of an asset over and above the normal annual depreciation.

## Infrastructure assets

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

Intangible assets are non-financial assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights, such as software. Intangible assets are capitalised at cost and depreciated to the revenue account over their useful economic life.

## Internal Borrowing

Whilst capital resources cannot be used to fund revenue works, revenue reserves can be used to support the costs of capital projects, either permanently, or temporarily. Temporary revenue funding is known as Internal Borrowing and these funds are repaid over the life of the asset in a process called the Minimum Revenue Provision. When the Council has the revenue reserves to do this it is usually a cheaper option than external borrowing.

## Large scale voluntary transfer (LSVT)

This relates to the transfer of the housing stock, as voted by the tenants, and is generally referred to as a large scale voluntary transfer due to its size.

## Leasing

A method of utilising assets where a rental charge is paid for a specified period of time, instead of outright purchase.

## Loans outstanding

The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the balance sheet date.

## Local Authority Business Growth Incentive Scheme (LABGIS)

This is a means to reward Councils for increases in the rateable value of business properties above a certain threshold. Rossendale has received this for the first time in 2006/07 and used the extra income to create a Reserve for future Economic Development activity.

## Materiality

Materiality is a concept within auditing and accounting relating to the importance of an amount, transaction, or discrepancy. Information is material if its omission or misstatement could influence the economic decision of users taken on the basis of the financial statements and depends on the size of the item or the particular circumstances of its omission or misstatement.





# Glossary

## Minimum Revenue Provision (MRP)

The Minimum Revenue Provision is the minimum amount which must be charged to the Council's revenue account each year to repay the revenue reserves for amounts used to support the capital programme – known as Internal Borrowing.

## Ministry for Housing, Communities and Local Government (MHCLG)

The Ministry of Housing, Communities and Local Government's (formerly the Department for Communities and Local Government) job is to create great places to live and work, and to give more power to local people to shape what happens in their area.

## National non-domestic rates (NNDR) – see Business Rates from 1<sup>st</sup> April 2013

A national non-domestic rate poundage for commercial premises is set annually by the government and collected by all local authorities. The proceeds are redistributed between local authorities in proportion to their adult populations.

## Net book value

The amount at which assets are included in the balance sheet, i.e. their historical cost of current value, less the cumulative amounts provided for depreciation.

## Non-operational assets

Assets held by the Council, but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

## Operational assets

Assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

## Precept

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council Tax payers on their behalf, for example Lancashire County Council is a precepting authority which requires Rossendale Borough Council to collect an amount from each householder within the borough. Details of these charges made and the amounts collected and owing are kept separate from the day-to-day running of Rossendale Borough Council in the Collection Fund.

## Prior Period Adjustment

Prior period adjustments are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

## Post Balance Sheet Events

Events arising after the balance sheet date which provide additional evidence of conditions that existed at the balance sheet date and are of a material nature.

## Primacy of Legislative Requirements

The non-cash effects of transactions and other events should be reflected, as far as is possible, in the financial statements for the accounting period in which they occur and not in the period in which any cash involved is received or paid. (This replaces the principle of matching that underlies the accruals concept.)

## Glossary

### Provision

An amount set aside in the accounts for liabilities that are certain to be incurred in the future, but which cannot be quantified accurately at the balance sheet date.

### Public Works Loan Board (PWLB)

A Government agency that provides longer term loans to local authorities.

### Reserve

Amounts included in one financial year's accounts to provide for payment for goods or services, whether revenue or capital, in a future financial year.

### Revenue Account

The Revenue Account records the authority's day-to-day expenditure and income on such items as salaries and wages and other running costs of services. The is sometimes also referred to as the General Fund.

### Service Reporting Code of Practice for Local Authorities (SeRCOP)

Local authorities in England prepare their Comprehensive Income & Expenditure Statement in accordance with the Service Reporting Code of Practice for Local Authorities (SeRCOP). The SeRCOP stipulates the service divisions to be used in the Comprehensive Income & Expenditure Statement, including the collection of central managerial costs under 'Other Central Services'.

### SOLACE

The Society of Local Authority Chief Executives and Senior Managers was formed in 1974. SOLACE is the representative body for senior strategic managers working in the public sector. Its aim is to promote excellence in public service.

### Tangible Assets

Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

### Useable and Unuseable Reserves

The Reserves in the Balance Sheet are reported in two categories:-

**Useable Reserves** are those 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 to repay debt).

**Unuseable reserves**, are those that the authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.'



آپنی یف اسیب تہوےر سار سٹفےپ بڈ ہرےفےر ھاپای، اڈیو کآاسےٹے اٹھا یا ہٹےرےجی ھاڈا  
انے کون ڈاےای پےتے ھان تاهلے انؤرھ کےرے آماہےرےکے جانالے آماہرا اتےسٹ ھوہی مہے  
تار باہسٹھ کرب۔

انؤرھ کےرے ۰۱۹۰۷ ۲۱۹۹۹۹ اےہ ناٹھارے اٹھا یا کمیڈنیکیشن سیکشن، ٹاڈن سہنٹار  
افیس، رٹےسٹل بی.بی.۵ ۹ اےل.جےڈ. اےہ ٹیکانای ھوگاھوگا کرل۔

اگر آپ کو ان معلومات کا خلاصہ بڑے حروف میں، آڈیو کیسٹ پر، یا انگریزی کے علاوہ کسی اور زبان میں درکار ہے تو برائے  
مہربانی ہمیں بتائیں، ہم بخوشی آپ کے لیے اس کا انتظام کریں گے۔

برائے مہربانی 01706217777 پر ٹیلیفون کریں یا پھر کمیونیکیشن سیکشن سے اس پتے پر رابطہ قائم کریں:

Communications Section, Town Centres, Rawtenstall, BB4 7LZ

Rossendale Borough Council

PO BOX 74

Bacup

OL13 0WU

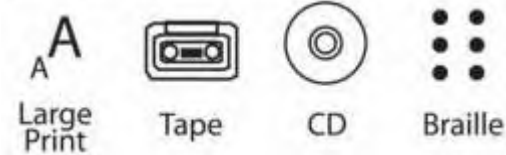
Telephone: 01706 217777

Email: [generalenquiries@rossendalebc.gov.uk](mailto:generalenquiries@rossendalebc.gov.uk)

If you would like a summary of this information in large print,  
on audio cassette or language other than English,  
please let us know and we will be happy to arrange it.

Tel: 01706 217777 or contact:  
Rossendale Borough Council  
PO BOX 74, Bacup, OL13 0WU

اروڈ باڈلا





# **Unaudited**

## **Statement of Accounts 2020/21**

As at 20<sup>th</sup> June 2023



## Preface to the 2020/21 Statement of Accounts

The Council started the 2020/21 financial year in the midst of a global pandemic which has continued throughout the whole year. These accounts reflect the financial implications the pandemic has had on the Council.

Throughout 2020/21 the global pandemic continued to have a huge impact on the activities of the Council with several staff being redeployed to Covid related activities e.g. running the Community Hub, delivering business grant schemes, the track and trace scheme and testing facilities. The Council has continued to support our residents, communities and businesses throughout the pandemic, however the full extent of the likely ongoing social, economic and health impacts are still largely unknown.

COVID has had a widespread impact on the workforce of the Council and the way in which the Council delivered services. The Council utilised technology to allow office based staff to work seamlessly from home to minimise disruption to services. For those officers who could not work from home, such as those engaged in refuse collection, working practices were adapted to ensure their safety, health and wellbeing.

The 2020/21 budget was set before the pandemic had impacted the UK, therefore there was no consideration of the implications of Covid 19 included within the budget. In setting the budget members continued to give due regard to the existing financial challenges facing the Council over the medium term. For a number of years the Council has continued to reduce its net revenue expenditure in line with its own efficiency agenda and the impact of the Government's 2015 Comprehensive Spending Review.

Alongside this, the Council has continued to pursue its ambitious agenda, of delivering the Spinning Point & Futures Park Plot developments, progressing our Bacup Historic England project, the Whitaker National Lottery Heritage project along with the Haslingden 2040 funding bid and other key areas of work such as progressing the Climate Change agenda.

Despite the difficult budget decisions Members have had to make in recent years, the Council is still delivering high-quality frontline services to Rosendale's residents. Ambitions remain high and we are proud to serve the borough, and of the services we, alongside partners, continue to deliver.

Despite the financial challenges ahead, members approved a net services budget for 2021/22 of £8,903k including a contribution of £100k towards capital projects. The Council continues to seek savings where possible through efficiencies and generating additional income.

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## Introduction

This Statement of Accounts for the year ended 31st March 2021 has been prepared and published in accordance with the Code of Practice on Local Authority Accounting 2020/21, issued by the Chartered Institute of Public Finance and Accountancy and the Accounts and Audit Regulations 2015.

The accounting policies adopted by the Council comply with the relevant recommended accounting practices and the latest revisions to these from 1 April 2020. There have been no major changes in the Council's statutory functions during the year.





# Audit Report



# Audit Report



# Audit Report



# Audit Report



# Narrative Report

## Introduction by the Head of Finance

As outlined in the Preface to the Accounts 2020/21 has been unlike any other financial year. The accounts for 2020/21 reflect the impact the pandemic has had on the activities the Council has undertaken during the year and the impact on its finances. The financial pressures of the increased and new activity were supported by substantial extra Government grant funding and this has had an impact on the outturn for the year. The administration of the grants presented new challenges for the finance section and the extent of the resources received is highlighted later in this document.

### Rosendale – geography, economy and our priorities for 2020/21

Rosendale is an authority in East Lancashire that covers 138 square kilometres and has 14 electoral wards.

Rosendale is a proud valley area with a rich industrial heritage, filled with friendly and welcoming communities in a number of vibrant market towns and villages.

Rosendale is a distinctive part of East Lancashire with its dramatic scenery, rich heritage and characterful features.

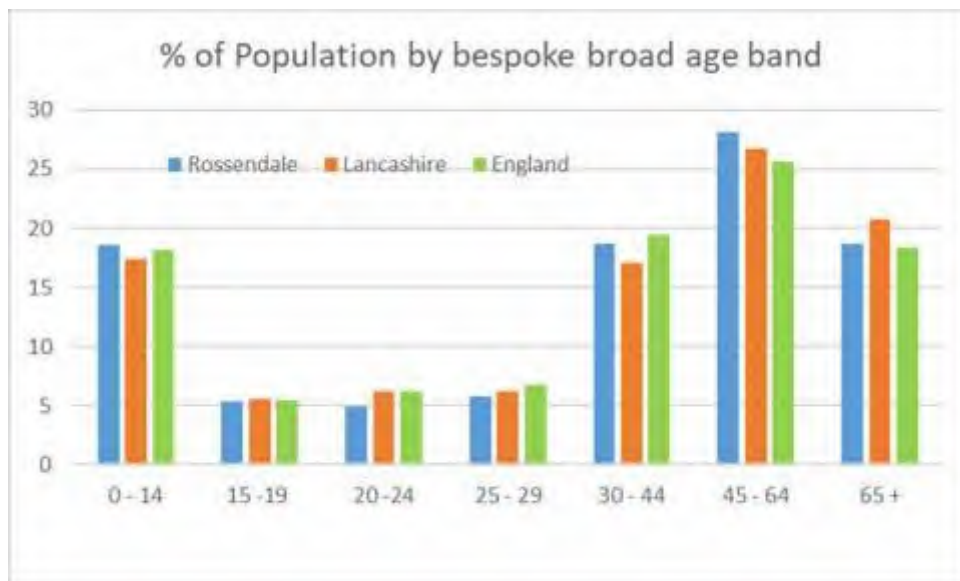
Sitting on the western slopes of the Pennines Rosendale is well connected to Lancashire, Greater Manchester and West Yorkshire.



### Our Vision: Rosendale, a place where people want to live, visit, work and invest

#### Our people:

The latest population estimate for the Rosendale area is c71,500. The age demographic make-up of the population compared with Lancashire and England is shown in the table below:-



The population of Rosendale is growing and it is estimated that between 2016 and 2041 the population will increase by 5.7%.

# Narrative Report

## Housing:

There were c32,200 dwellings in the borough at the beginning of 2020/21, 85% of which were owner occupied or private rented. In common with other East Lancashire authorities, Rossendale has a high proportion of its housing stock in the lowest category 'A' council tax band, almost 51% and in 2019 around 3.6% of dwellings were vacant.

A total of 11.3% of Rossendale households were in fuel poverty in 2018 compared to the England average of 10.3%. The main factors that determine this are the energy efficiency status of the property, the cost of energy, and household income. The 2019 national indices of deprivation revealed that Rossendale was the 91<sup>st</sup> most deprived area out of the 317 districts and unitary authorities in England.

## Our businesses:

As in most places, the manufacturing sector has shed jobs over the years whilst the service sector has grown to become a far greater source of employee jobs. However there still continues to be a bias towards a larger proportion of employees in the manufacturing sector in Lancashire and Rossendale, than is the national norm and a lower proportion of jobs in the service sector. Rossendale does, however, maintain a relatively high percentage of private-sector jobs. In 2020 there were 2,480 active enterprises in Rossendale, 230 fewer than in 2019, the reason for this is unrecorded, however it is thought the Covid 19 pandemic is a major factor. The most recent local companies to win a Queen's Award for Enterprise, namely Slingco Ltd in Bacup and Orthoplastics Ltd in Bacup.

## Our area:

Though Rossendale is not served by the main railway network it does have excellent road links with the M66 heading south to Greater Manchester and the M62 corridor over the Pennines and the M65 heading west to link up with the M6. The 2011 census figures on commuter flows revealed that only 40.3% of Rossendale residents work within the borough and over 10% of working residents commute between 20 and 30 kilometres, the highest percentage in Lancashire and well above regional and national averages.

Lancashire has over 8,000 hectares of common land (1.5% of the nation's total) and Rossendale is one of the three boroughs which account for a significant proportion of this total. Rossendale has 23.0% of its land designated as green belt, safeguarding our countryside and preserving the character of our historic towns. This also contributes to maintaining our air quality, which is better than the county and national averages.

## Priority 1: A clean and green Rossendale

Our priority is to keep Rossendale clean and green for all of Rossendale's residents and visitors, and to take available opportunities to recycle and use energy from renewable sources more efficiently.

### Key Actions: Clean

- Be tough with those who blight our communities with fly-tipping, litter and dog fouling through more enforcement
- Deliver a waste and recycling awareness and engagement campaign to support us in keeping our streets clean and reducing litter
- Reduce waste costs and increase recycling rates in the Borough
- Continue to work proactively with our partners to improve the quality of roads in the Borough

1,032 littering and 24 dog-fouling cases pursued in 2020/21
54 fly tipping cases pursued in 2020/21
1,924 likes on our environmental face-book page

# Narrative Report

- In an average month we collect 1,200 tonnes of general waste, whilst 260 tonnes of glass, cans and plastic and 170 tonnes of paper get recycled

## Key Actions: Green

- Work with our communities to celebrate our environment, promote pride in our area and enhance our parks, playgrounds and open spaces
- Work with partners on ensuring Rossendale is robustly prepared for another flooding incident
- Promote our green spaces and countryside for all to enjoy

The Covid pandemic resulted in service provision being increased during 2020/21. For example, the Council collected over a third more waste during the lock down periods, there was increased footfall across all the parks and open spaces.

54 fly tipping cases pursued in 2020/21

54 fly tipping cases pursued in 2020/21

## Priority 2: A connected and successful Rossendale that welcomes sustainable growth

Our priority is to ensure that we are well connected to our residents, key partners and stakeholders. We want to make the most of every pound we spend and we are always looking for new and innovative ways to make the resources we do have, work harder for us. A key part of this involves developing new and existing economic and commercial opportunities in the Borough. This will eventually help us become a more dynamic and sustainable Council that is able to deliver successful, quality services for our residents and visitors.

## Key Actions: Connected

- Make it easier for customers to interact with the Council online when it suits them, by making more of our services digital
- Continue to work with partners and other agencies on better transport links in Rossendale and with our neighbours
- Make sure we get the best outcomes for Rossendale by working with public sector and other partners to make sure every pound gets the best results
- Make the most of our location; bordering Greater Manchester and West Yorkshire but also being committed to being part of a strong, confident Lancashire County

55 of our services are now available on-line 24/7

Our conditions test for taxis & driver knowledge tests now acknowledged as best practice

We are active participants in the regional transport committee

## Key Actions: Growing

- Identify development sites to enable inclusive and sustainable growth (overnight visitor accommodation, housing, businesses, jobs and tourist destinations)
- Develop plans to ensure we have strong town centres and communities
- Invest in our staff to champion our more commercial and digital approach

Committed to fully Developing Futures Park for Businesses

Developing Plot 1 Futures Park for creation of a new day nursery.

Secured development funding for Haslingden 2040 from National Heritage Lottery

## Key Actions: Successful

- Continue to celebrate and grow our sport, leisure and culture offer through Rossendale Leisure Trust, Whitaker Museum, Community Leisure Association Whitworth and other organisations
- Develop new relationships in the community and strengthen existing ones
- Focus on tourism, particularly around our Adrenaline Offer, bringing people, business and attractions to Rossendale

Worked on delivering the Whitaker National Heritage Lottery project

# Narrative Report

## Priority 3: A proud, healthy and vibrant Rossendale

Our priority is to ensure that we are creating and maintaining a healthy and vibrant place for people to live and visit. We celebrate the health, vitality and enterprise of the people who live in, do business in and visit Rossendale. We are proud of our Borough and the success that happens here.

### Key Actions: Proud

- Celebrating Rossendale, the success of our residents, business and the Council’s work through publicity and awards, raising awareness of the great things they do
- Work with local schools to support career pathways and make sure that our children and young people flourish
- Building strong, resilient communities with volunteers and active citizens, creating neighbourhoods where people feel proud and safe to live
- Work closely with residents, communities and the police to maintain low crime levels and reduce Anti-Social Behaviour



Promoting Rossendale Board has produced a borough Food & Drink Guide
Our Facebook & Twitter feeds reach over 1 million people
Operated the Covid Community Hub to assist our residents during the pandemic
Provided support and assistance to residents shielding throughout the Covid Pandemic
Issued c£27m in Covid grants to c1,500 Rossendale businesses



# Narrative Report

## Rosendale folk - the people behind the borough

### Our councillors

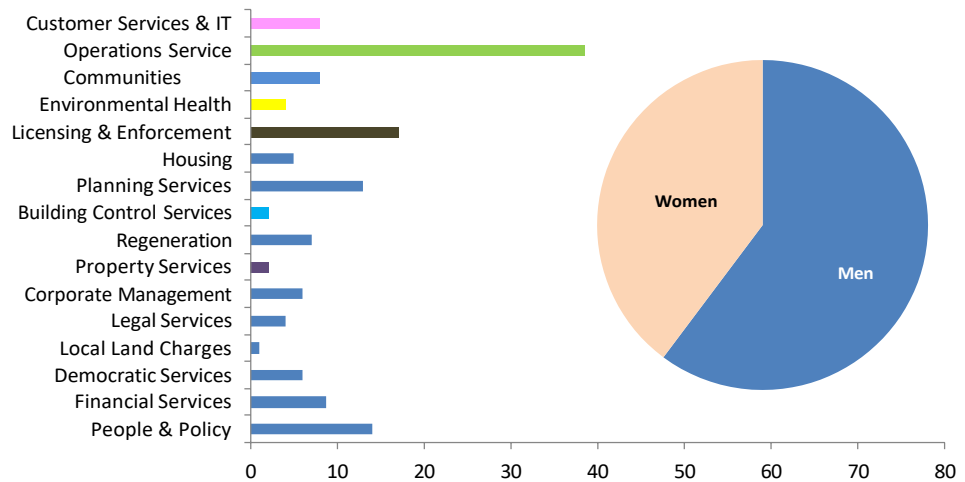
We have 36 councillors in Rosendale serving 14 wards across the borough. Due to the Covid pandemic there were no local elections in 2020, therefore during the 2020/21 Municipal year the political balance remained unchanged as follows

- 19 Labour
- 13 Conservative
- 2 Community First
- 2 Independent

### Our staff

During 2020/21 the Council employed 181 people across its services, this included additional staff engaged to assist with combating the Covid pandemic. 44% of whom provide front-line services within the Operations Team collecting refuse, maintaining our parks and cemeteries and keeping the roads around the borough clean. Of our 181 employees 40% are women and 46% are over 50.

### Staff employed across services in 2020/21



### The Senior Management Team in 2020/21



**Neil Shaw**  
Chief Executive

Since 2020/21 there have been several changes to the senior Management Team, David Smurthwaite joined in February 2023 as Director of Economic Development, Rob Huntington joined in April 2023 as Chief Executive and Adam Allen left the Council in May 2023



**Adam Allen**  
Director of Communities



**Cath Burns**  
Director of Economic Development



**Karen Spencer**  
Head of Finance



**Clare Birtwistle**  
Legal Services Manager



**Clare Law**  
HR Manager

# Narrative Report

Our partners, community groups and the volunteers that we work with

**CAPITA** Capita provide our revenues, benefits and customer services.

**Civic Pride** groups support the borough by providing a gardening and litter clearance service, building upon the work done by the Council's workforce.



Voluntary Community Sector organisations work with us on a range of initiatives, a comprehensive list can be found on the **REAL Directory**.



**Calico Homes** now manage the East Lancashire Empty Homes project.

**Together Housing** manage social housing across the borough



**RTB Partnership Ltd** is an equal partnership development vehicle set up in February 2013 to facilitate a number of development projects across the borough.



**Rosendale Leisure Trust** provides the sports facilities provision in the Borough, with responsibility for providing sports facilities in Whitworth transferring



from **Community Leisure Association Whitworth** during 2020/21.

The NHS and **East Lancashire Clinical Commissioning Group** are the health providers for Rosendale. Main hospital services are provided by **East Lancashire Hospitals NHS Trust**. Some other facilities are run by the **Lancashire Care NHS Foundation Trust**.



**Lancashire Constabulary** is the local police force.

**Lancashire Fire and Rescue** provide our fire service.

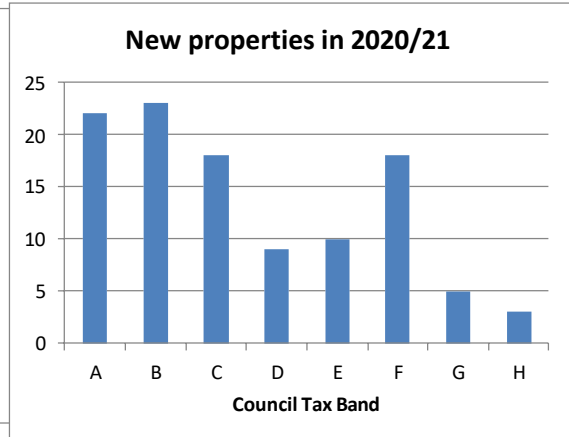
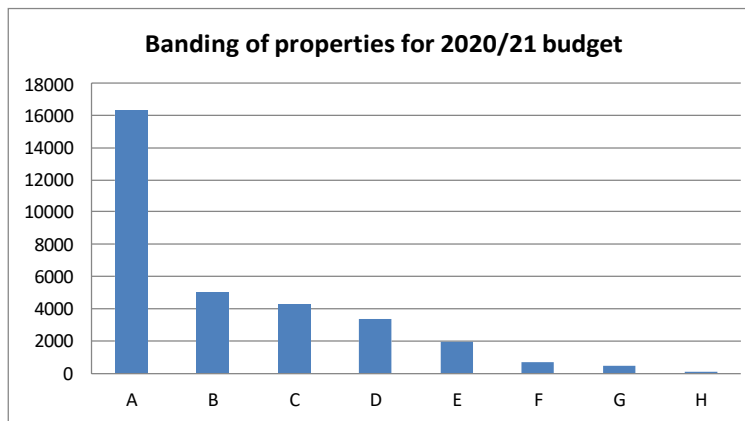
**Lancashire County Council** upper tier responsibilities



# Narrative Report

## Council Tax in Rossendale

Almost 51% of all the domestic properties in Rossendale fall into Band A, the lowest band for Council Tax purposes. Though the Band D is taken nationally as the average for the purposes of collecting Council Tax, only 10.5% of properties in Rossendale fall into this band. The total number of properties when the 2020/21 Council Tax was set was 32,107, up by 108 from 2019/20.

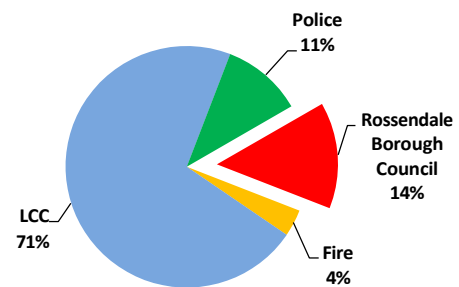


Rosendale Borough Council collects Council Tax on behalf of each of the major preceptors, Lancashire County Council, Lancashire Combined Fire Authority and Lancashire Constabulary. In 2020/21, we also collected a precept for Whitworth Town Council from 3,626 properties.

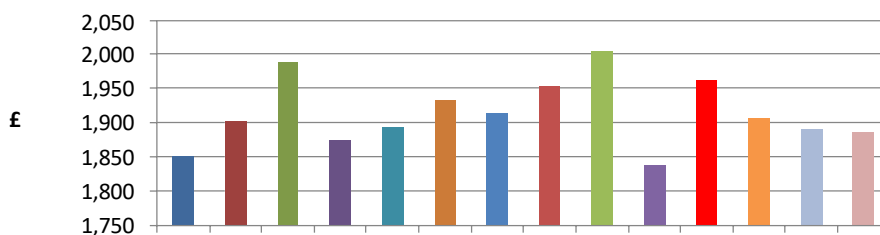
Back in 2017/18 Rosendale Borough Council increased its element of the Council Tax for the first time since March 2009. In 2018/19 and 2019/20 the charge went up by 2.99%, however in 2020/21 the increase was 1.99% which made the 2020/21 charge for a band D property £279.57. The Council retained £5.826m in Council Tax in 2020/21.

Precepting Body	% Increase	2019/20	2020/21	% Share
		Band D £	Band D £	
<b>Rosendale BC</b>	1.99%	<b>274.12</b>	<b>279.57</b>	14.2%
Lancashire County Council *	1.99%	<b>1,250.89</b>	<b>1,277.69</b>	65.1%
LCC Adult Social Care *	2.00%	<b>95.70</b>	<b>122.63</b>	6.2%
Combined Fire Authority	1.99%	<b>69.48</b>	<b>70.86</b>	3.6%
Police & Crime Commissioner	4.96%	<b>201.45</b>	<b>211.45</b>	10.8%
<b>Total (Excl' Whitworth)</b>	<b>3.73%</b>	1,891.64	<b>1,962.20</b>	100.0%
Whitworth Parish Council	3.99%	24.82	<b>25.81</b>	
<b>Total Whitworth Parish</b>	<b>3.73%</b>	1,916.46	<b>1,988.01</b>	

Each £1 of Council Tax was split



## Council Tax Band D across Lancashire



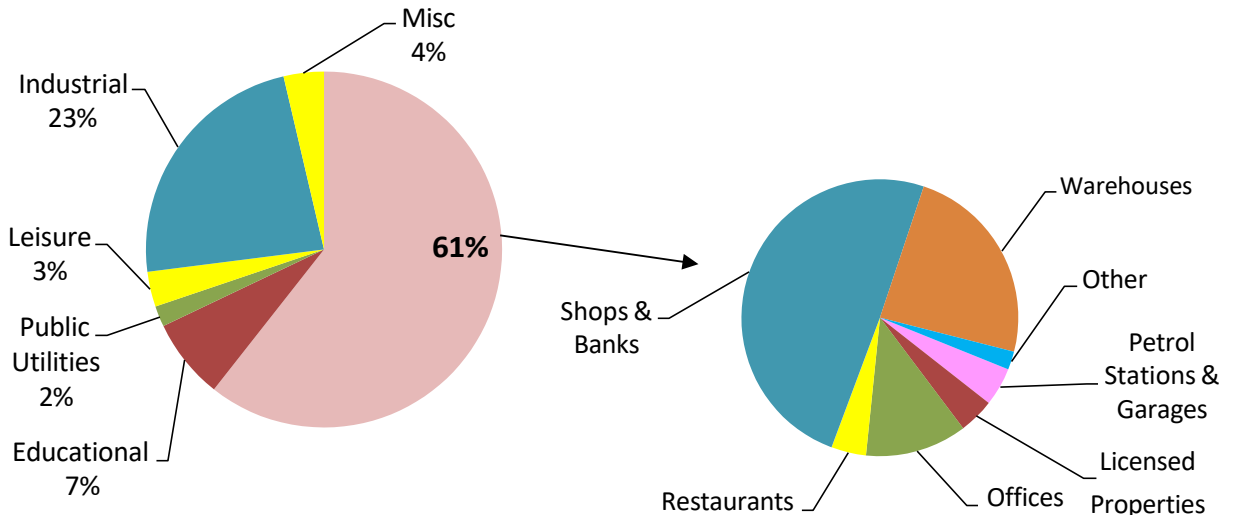
In comparison with our neighbouring authorities across Lancashire, Rossendale has the third highest total Band D charge.

# Narrative Report

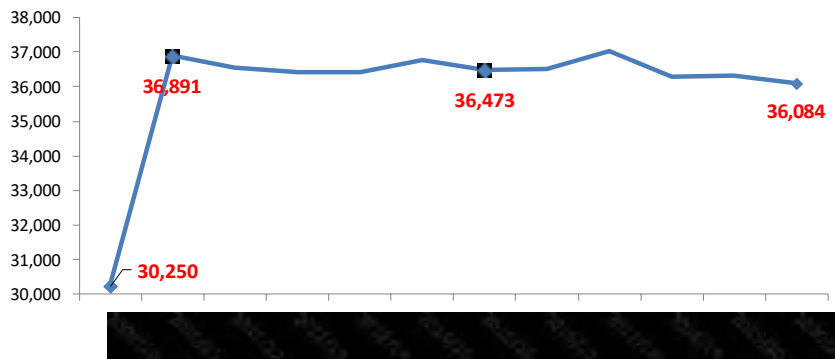
## Business Rates in Rosendale

Business Rates are payable based upon a rateable value set by the national Valuation Office. The total rateable value of business premises in Rosendale at the 31<sup>st</sup> March 2021 was £36,084k, down slightly from £36,335k in March 2020. Covid had a significant impact on the level of business rates collected in 2020/21, this was mainly due to the level of extended rate relief awarded to help businesses survive the pandemic. The Council has received s31 grants from Central Government to cover this loss of income. Full details can be found in the Collection Fund statements.

### Rateable Values as at 31st March 2021

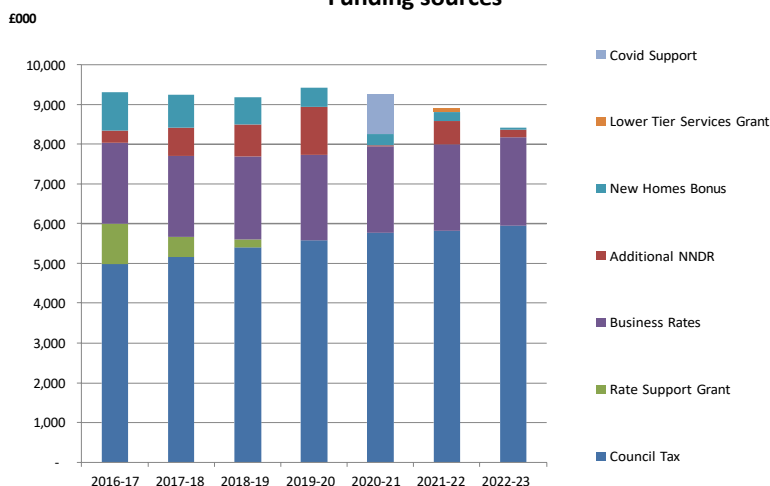


### Rateable Values in recent years



Rateable values underwent a national revaluation exercise in 2010/11 and a revision during 2015/16.

### Funding sources



Since 2010/11 the Council has seen significant reductions in core Government funding and an increase in reliance on Council Tax income to fund services. The sources of funding available for Council Services can be seen in the table opposite, along with future predictions over the Medium Term Financial Strategy. In 2020/21 the Council received various Covid grants to support the Council's Covid related activities.

# Narrative Report

## Revenue Outturn

As part of Central Government's response to the COVID-19 pandemic, the Council received additional grants and payments in advance, over and above budgeted receipts, to aid with cashflow and to allow the Council to help the residents and businesses of Rosendale. This impacted on the outturn as some grants were not used in full in the 2020/21 financial year (thus held in reserves).

2020/21 was an exceptional year due to the Covid Pandemic. The outturn and indeed the monitoring reports all year were presented with the unringfenced grant received from Central Government offsetting Covid related expenditure outside of the service areas. This approach was chosen so the actual service impact could be seen compared to the original budget. In total three tranches of unringfenced grant totalling £1,181k was received and three tranches of Sales, Fees and Charges compensation grant totalling £219k. The balance of this funding, although received in 2020/21 as an unringfenced grant, is being carried forward in reserves. In addition the Council received Covid related ringfenced grants totaling £1,550k. The Council also received c£30m for Covid related grants to businesses for which the Council acted as agent.

At the time of setting the 2020/21 original budget in February 2020, the Council was unaware of the covid pandemic. At that time the medium term financial strategy (MTFS) indicated a balanced budget of £9.006m for 2020/21, including a contribution of £100k towards capital projects. The Council reviews its MTFS at regular intervals.

With the continued drop in external funding, local taxation has to contribute towards the MTFS challenge and in the 2020/21 budget, members again made the difficult decision to increase the Council Tax by the maximum allowed, 1.99%, resulting in a Collection Fund Precept of £5,769k plus £57k. Local business rates were also expected to provide £2,180k of funding in 2020/21 and members approved the use of £686k from prior year surpluses held in the Retained Business Rates Reserve. However Covid related grants received during the year enabled the Council to reduce the call on the Retained Business Rate Reserve.

The following table and charts show the General Fund figures before the technical accounting adjustments required by the Code in the CIES. These follow the operational basis shown in the financial monitoring reports presented to members at each Cabinet meeting.



# Narrative Report

GENERAL FUND SERVICES	2020/21		Variance (adv)/ fav £000s
	Adjusted Budget £000s	Operational Out-turn £000s	
Communities Directorate			
Customer Services & IT	1,425	1,842	(417)
Operations	2,219	2,258	(39)
Community & Partnerships	708	577	130
Public Protection Unit	158	149	9
Environmental Health	221	165	55
Licensing & Enforcement	123	116	7
Housing	203	131	71
Economic Directorate			
Building Control	309	330	(21)
Planning	(9)	(20)	11
Regeneration	326	350	(24)
Property Services	494	501	(7)
Corporate Management			
Corporate Management	467	448	19
Legal Services	176	164	12
Local Land Charges	(20)	(13)	(7)
Democratic Services	583	553	30
Financial Services	504	450	54
People and Policy	590	544	46
Non-distributed Costs	114	238	(124)
Capital Financing & Interest	417	538	(121)
<b>Total cost of General Fund Services</b>	<b>9,006</b>	<b>9,321</b>	<b>(315)</b>
Contrib to/(from) Earmarked Reserves	(686)	(14)	(672)
<b>Amount to be met from government grants &amp; local tax payers</b>	<b>8,320</b>	<b>9,307</b>	<b>(987)</b>
Precept on the Collection Fund	5,769	5,769	-
Collection Fund - prior year surplus	69	69	-
Non-Domestic Rates	2,180	2,180	-
New Homes Bonus	302	302	-
Covid related grants	-	987	(987)
<b>Amounts received from government grants &amp; local tax payers</b>	<b>8,320</b>	<b>9,307</b>	<b>(987)</b>

## Other financial factors

This Council signed up to the Lancashire Business Rates Pool which came into effect on the 1<sup>st</sup> April 2016. Under these arrangements Rosendale retains more of its local business rates. In 2020/21 the Lancashire Business Rates Pool reverted from the 2019/20 75% pilot pool back to the original pool. Which means the Council retains 40% of the business rates it collects, less the Governments tariff.

The Council continues to be the accountable body for the East Lancs Empty Homes Scheme, which has brought back into use almost 200 long-term empty domestic properties across East Lancashire, funded through a combination of Homes and Communities Grant, owner contributions, local housing associations and contributions from the other neighbouring local councils. The properties are managed by management agents with the majority of the properties being managed by Calico homes Ltd, under a self-financing contract. 2020/21 was another significant year for the project as the scale of renovations required was unusually high. Unfortunately, this has meant increased costs to the council of c£335k revenue and £550k capital in the 2020/21 financial year.

There are c113 properties remaining on the scheme. These properties will continue to be let for the remainder of their leases, details of which can be seen at Note 18a.

# Narrative Report

## Capital Strategy and the Capital Programme 2020/21 to 2024/23

In February 2020 the Council set an affordable capital budget for new projects of £1,526k, funded from £1,000k of grants, £313k of internal borrowing, £100k from revenue resources and £113k from capital receipts. The programme included £352k for new vehicles, £144k on maintaining the Council's operational assets and £1,000k on Disabled Facilities Grants (DFGs) for domestic properties across the borough.

This was added to £11,841k of ongoing capital works anticipated at the end of 2019/20, which included key projects such as the Whitaker Park Museum National Lottery Heritage Fund Refurbishment at £1,800k, Plot 5 Futures Park at £1,240k and the £7,800k Spinning Point Phase 2 project which was later withdrawn. At the end of 2019/20 the actual value of slippage brought into 2020/21 was £5,573k.

Major capital projects added during 2020/21 also included £2,315k on the Bacup Historic England project, funded by external grant, and £1,466k for developing Plot 1 at Futures Park funded by a combination of LEP grant, capital receipts and internal borrowing. This brought the final capital programme for 2020/21 to £12,565k.

More information on the capital costs and funding sources can be found in Note 17.

The sale of the Knowsley Road depot brought in £2,500k of capital receipts during 2020/21.

At the end of 2020/21 the Bacup Historic England project was on-going with £2,220k being carried forward into 2021/22. The construction of the Plot 1 building was well under way with £228k carried forward and the Whitaker Park Museum project had just £381k of works still to complete. With an unspent balance of £1,848k in Disabled Facilities Grants, the Council carried £6,282k of ongoing capital projects forward into 2021/22.

## The Collection Fund

Billing authorities in England, such as Rossendale, are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (Business Rates). The key features relevant to accounting for council tax and business rates in the Core Financial Statements are:

- In its capacity as a billing authority the Council acts as agent; it collects and distributes council tax income on behalf of the major preceptors and itself; under the scheme of Business Rates Retention introduced from 2013/14, business rates are also collected on behalf of Central Government and the major preceptors;
- While the council tax and business rate income credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors.

The council tax and business rate income included in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the Collection Fund has been taken to the Collection Fund Adjustment Account and is included as a reconciling item in the Movement in Reserves Statement.

Since the collection of council tax and business rates income is in substance an agency arrangement, cash collected by the billing authority from council tax and business rates debtors belongs proportionately to the billing authority and the major preceptors. There is therefore a debtor/creditor position between the billing authority and each major preceptor which is recognised

## Narrative Report

since the net cash paid to each major preceptor in the year will not be its share of the cash collected from taxpayers.

The deficit on the Collection Fund for Council tax as at 31<sup>st</sup> March 2021 was £439k and will be shared between the Council (billing authority), the County Council, the Police Authority and the Fire Authority in following years. The Council's share of the deficit is £63k. The actual rate of in year collection of Council Tax for 2020/21 was 95.72% (96.32% for 2019/20).

In the year ended 31<sup>st</sup> March 2021 the collection fund position for NNDR was a deficit of £7.638m which will be carried forward and recovered in subsequent years' budgets. Rossendale Borough Council's share of this is £2.967m with the balance due to the Government and major preceptors.

It must be noted that most of the Collection Fund deficit is due to the introduction by the Government (after the 2020/21 budget had been set) of retail, leisure, hospitality and nursery business rate reliefs. Instead of collecting Business Rates, the Council received compensating Government grant. In total the Council received £3.461m for business rate reliefs.

In 2020/21 the council was a member of the Lancashire Business Rates Pool on a 50% business rates retention basis and this has continued in to 2021/22. In 2020/21 the Council made a pooling gain of £92k.

Further details in relation to the Collection Fund can be found in the Supplementary Statements.

### Treasury Management

Treasury Management is conducted in-house with advice provided by an external organisation, Link Asset Services. Investment performance has struggled to meet the budget target as interest rates on the Council's bank accounts continued to be below bank base rates during the year. By the end of the year the council was earning 0.07% on balances, down from 0.24% at the end of 2019/21. Whilst the level of balances held during 2020/21 was above that predicted when setting the original budget, due to the low interest rates the interest income earned was £67.5k below budget.

Treasury management during the year was conducted within the borrowing limits and investment criteria approved in the Treasury Management Strategy and Treasury Management Practices approved at Full Council in February 2020.

The Council is able to borrow money from PWLB (an agency of HM Treasury), banks and building societies, or from other public bodies. The Council's borrowing need as at 31 March 2021 was met by a combination of long term actual debt of £4.476m and internal cash balances. The use of internal cash balances in lieu of borrowing has continued to be the most cost effective means of funding capital expenditure. These amounts are analysed in the notes to the Balance Sheet. The interest payable in relation to the Council's borrowing totalled £28.9k in 2020/21. As the value of useable reserves drops over the life of the Council's MTFs, greater consideration will need to be made of the need for additional PWLB borrowing to fund future capital investments.

The **Capital Financing Requirement (CFR)**, a key Prudential Indicator, determines the amount that the Council needs to borrow for a capital purpose and is the total of the Council's capital assets less all of the Council's capital reserves. The CFR for the year ending 31 March 2021 was £14.3m.

The **Authorised Limit for External Debt** is a 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 2020/21 was £22.75m. The Council's actual total long term debt of £4.476m is well below the Authorised Limit.



# Narrative Report

## Pensions Fund Liabilities

The Council has net pension liabilities of £28.384m in the Balance Sheet as at 31 March 2021 (£24.533m as at 31 March 2020). This reflects the value of pension liabilities which the Council is required to pay in the future (as they fall due), offset by the value of assets invested in the Pension Fund. The Pension Fund has to be reviewed every three years as part of the comprehensive actuarial review of the pension fund. A triennial review was carried out at 31 March 2019 with changes to the pension fund being effective from 1 April 2020. The next review is due to be carried out on 31 March 2023.

In April 2020 the Council paid £2.6m to the Lancashire County Pension Fund as an advance payment of three years employer's future service contributions and deficit contributions for the period 2020/21 to 2022/23. For 2020/21 there is a difference between the net Pensions Liability on the

Lancashire County Pension Fund- Rosendale Borough Council	March 2014 £000	March 2017 £000	March 2020 £000
Pension (Surplus)/Deficit	£22m	£15m	£2.7m
Funding Level	68%	77%	96%
Employer Future Service Rate (%ge of pensionable pay p.a.)	14.0%	15.5%	17.6%
Remaining recovery period	16 yrs	16 yrs	16 yrs

Balance Sheet and the Pensions Reserve. The difference reflects the early payment of employer's future service contributions and deficit contributions for 2021/22 and 2022/23 of £1.76m paid by the Council to the Lancashire County Pension Fund in April 2020. The net Pensions Liability is £1.76m lower than the value reported in the Pensions Reserve reflecting the accounting requirement to account for the value of the advance payment in 2020/21. By paying in advance monies to the Pension Fund the Council has reduced the overall cost of repaying the employer's future service contributions and deficit contributions to the Pension Fund by £151k over three years. This saving has been reflected in the Council's revenue budget and financial forecast.

## Principal Risk & Uncertainties

The Council has a risk management strategy in place to identify and evaluate risks. All risks are identified, potential impacts are highlighted and controls and mitigations are set in place. The Corporate Management Team (CMT) identified a number of key corporate risks which the Council monitors and reports to Cabinet Members and Audit & Accounts Committee during the year, a selection of the risks have been highlighted below:

Corporate Risks
Sustainability of the Medium Term Financial Strategy
Major disaster affecting the delivery of Council services
Incident resulting in death or serious injury or HSE investigation
Sustainable Workforce
Insufficient data and cyber security
Response and Recovery to Covid Pandemic
Impact of Covid on the financial sustainability of the Council owned leisure assets

Key Future Financial Risks – Along with the corporate risk there are a number of key financial risks identified within the Medium Term Financial Strategy which potentially could have a significant impact on the financial forecast, these are:

# Narrative Report

Key Financial Risks
The ongoing financial impact of Covid
Resources – Inc future Government funding, any change to the Business Rate retention scheme and level of reserves
Bridging the funding gap
Council Tax – impact of a council tax freeze
Pay inflation
The Empty Homes Scheme
Rosendale Leisure Trust

## The Economic Climate and Financial Outlook for the Future

The latest MTFS reported to Budget Council in February 2021 sets out the Council's spending plans and available capital and revenue resources for the period 2020/21 to 2024/25. The MTFS set out the funds required to deliver the Council's essential services and the objectives in our priority areas. It also highlighted the key areas/issues facing the Council in the current year and future years. For 2020/21 onwards a major concern is the impact of Covid-19, future Government funding and potential impact of a no deal Brexit.

As a result of the Covid Pandemic the Government has further delayed the implementation of the outcome of the Fair Funding Review and the Business Rate reforms. Until this announcement is made and the local government finance settlement figures are published we have no indication of the level of funding the Council will receive from 2022/23 onwards.

The long-term impact of the pandemic on the global, national, and local economy is currently unknown. The collection rates for both council tax and NNDR have been affected and this is an area we will closely monitor.

In light of the current risks and uncertainties the Council will aim to continue to maintain a healthy and robust level of reserves. The Council's strategic budget plan has been to use reserves to fund the gap between income and expenditure over the life of the forecast, whilst looking to identify savings and income generating opportunities.

# Narrative Report

## Explanation of the Statement of Accounts

The Statement of Accounts for the year ended 31st March 2021 has been prepared and published in accordance with the Code of Practice on Local Authority Accounting 2020/21 (the Code), issued by the Chartered Institute of Public Finance and Accountancy and the Service Reporting Code of Practice 2020/21 (SeRCOP).

The layout and purpose of each statement is as follows:-

### Introductory Statements

- Narrative Report - provides information about Rosendale, including key issues affecting the Council and its accounts. It also provides a summary of the financial position as at 31 March 2021. It should be fair, balanced and understandable for the users of the financial statements, containing a commentary on the major influences affecting the authority's income and expenditure and cash flow, as well as information on the financial needs and resources of the authority.
- Annual Governance Statement – explains the way the Council ensures responsible stewardship of its assets.
- Statement of Responsibilities - explains the responsibilities of the Council and its Chief Financial Officer in relation to the Council's financial affairs and the Statement of Accounts.

### Core Statements

- Comprehensive Income and Expenditure Statement (CIES) - a summary of the resources generated and consumed by the authority in the year in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Cost of Services section is now presented in the same format as the authority's operational reports. Note 1 presents a reconciliation between the General Fund Summary in the Narrative Report and the CIES figures produced here under statutory accounting practices.
- Movement in Reserves Statement – this statement shows the movement in year on the reserves held by the Council, analysed into 'useable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. It reverses the statutory accounting adjustments in the CIES to get back to the General Fund Balance Sheet Reserve.
- Balance Sheet - this shows the value of the assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the value of reserves held, split between Useable and Unusable reserves.
- Cash Flow Statement - summarises changes in cash and cash equivalents during the year, and how the Council generates and uses cash through operating, investing and financing activities.

### Notes to the core financial statements

All the notes to the core statements above are now collected in one place. Notes on the policies used in the preparation of the figures in these accounts, including judgements and assumptions, have been moved to the end of the notes area.

### Other Statements

- The Collection Fund – this agency statement reflects the Council's statutory obligation to maintain a separate Collection Fund for its transactions as a billing authority in relation to council tax and non-domestic rates.

**Glossary** - an explanation of some of the key technical terms used in these accounts.

## Annual Governance Statement: Year Ended 31<sup>st</sup> March 2021

### 1) Scope of responsibility

Rosendale Borough 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. Rosendale Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. That duty has grown in importance with the reduction in resources being made available for Local Authorities as part of the Government’s austerity programme and the uncertainty arising from the COVID-19 pandemic.

In discharging this overall responsibility, Rosendale Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Rosendale Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government – 2016 Edition. This statement explains how Rosendale Borough Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1), which requires all relevant bodies to prepare an annual governance statement.

Delivering Good Governance (2016 Edition) defines the principles against which the Annual Governance Statement reports:

Principles
Principle A: Behave with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
Principle B: Ensure openness and comprehensive stakeholder engagement
Principle C: Define outcomes in terms of sustainable economic, social, and environmental benefits
Principle D: Determine the interventions necessary to optimise the achievement of the intended outcomes
Principle E: Develop the entity’s capacity, including the capability of its leadership and the individuals within it
Principle F: Managing risks and performance through robust internal control and strong public financial management
Principle G: Implement good practices in transparency, reporting, and audit to deliver effective accountability

Pre pandemic, the Council planned to work to address any issues required to support full implementation of the CIPFA Financial Management Code which outlines the principles of good financial management. This work was not progressed in the financial year 2020/21 due to extra pressure on the Finance Service as it supported the corporate response to the pandemic. This was

# Annual Governance Statement

recognised nationally as an issue and the expected implementation date was deferred by a year. The compliance is being reviewed in 2021. This will support the implementation during 2021/22 of any additional action required.

## 2) The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. 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 services and value for money.

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 authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Rosendale Borough Council for the year ended 31 March 2021 and up to the date of approval of the annual report and statement of accounts.

During this period the Council has been dealing with the COVID-19 pandemic. This has resulted in changes to the Council's governance arrangements and the impact on these arrangements in relation to decision-making and the holding of council meetings. These are considered in this Annual Governance Statement.

## 3) The Governance Framework

Key elements of the systems and processes that comprise the authority's governance include arrangements for:

**Principle A:** *Behave with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law*

The Council has a formal Constitution which is reviewed annually, amended as required and made publicly available on our website at [www.Rosendale.gov.uk](http://www.Rosendale.gov.uk). The Constitution sets out how we operate, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by the law, while others are a matter for us to choose.

The Constitution includes the following documents which provide guidance for officers and Councillors on the standards of behaviour expected to ensure integrity:

- Code of Conduct for Members (Councillors)
- Code of Conduct for Employees
- Roles & Functions of all Councillors

The Council's Monitoring Officer maintains the Codes of Conduct up to date and investigates any suspected breaches. Alleged breaches of the Members Code of Conduct are conducted in accordance with an agreed protocol. Councillors sign a formal declaration agreeing to abide by the Code of Conduct. For staff, the Employee Handbook sets out the requirements and standards expected and this forms part of the staff induction process.

The Council also has established a set of core values which are intended to underpin all that we do. These are published as part of our Strategic Plan and include the following ethical values:-

- Customers Matter

- Listening & Communicating
- Management of Performance
- Celebrating success

Underpinning everything we do is our commitment to equality, diversity, transparency, inclusion, sustainability and value for money.

Staff and Councillors are made aware of other policies relevant to this principle of the framework including the Council's Anti-Fraud and Corruption, Bribery and Whistleblowing Policies. These arrangements are reviewed and reported on via the Council's Audit and Accounts Committee being the Committee charged with oversight of the governance arrangements at the Council. At the heart of these policies is the requirement for all relevant parties to act with integrity.

All Councillors have to register and declare certain pecuniary interests such as employment, land holdings and contracts with the Council. The register of interests is available on our website at [www.rossendale.gov.uk](http://www.rossendale.gov.uk). Councillors must declare such interests at meetings which they attend. There are also procedures laid down for staff and councillors relating to the receipt of gifts and hospitality.

All Council decisions have to consider legal implications. These are set out in reports to Councillors which are published on the Council's website. The Council's Constitution sets out the responsibility for decision-making. Certain decisions are reserved to the full Council with others delegated to the Cabinet or other Committees each acting in accordance with parameters set out in the Constitution.

A number of areas are delegated to officers for the purposes of decision-making; however, limits on the exercise of delegation are laid down in an approved Scheme of Delegation to Officers within the Constitution. The Council's legal team will advise on the legal implications of proposed decisions and where necessary will engage external legal advisors. The Council's Monitoring Officer and Section 151 Officer have specific responsibility for ensuring legality, for investigating any suspected instances of failure to comply with legal requirements, and for reporting any such instances to councillors.

### **Principle B: *Ensure openness and comprehensive stakeholder engagement***

Our Corporate strategy identifies and reiterates our commitment to working with partners, volunteers and our residents. Performance management against key actions, performance measures and risks represents an essential part of our assurance and accountability process to our residents and our partners.

All decisions of the Council are made in accordance with principles laid down in the Constitution and include the following:-

- a presumption in favour of openness
- explanation of the options considered and the reasons for decisions.

All meetings of the Council, Cabinet and other Committees are open to the public.

Agenda papers and reports together with the Minutes of all meetings are publicly available on the Council's website unless they are exempt from publication.

The Council's guidance on, the role of a Councillor' contains the following which reinforces the importance of openness requiring Councillors to:

- Contribute to the governance of the area and actively encourage community participation and citizen involvement in decision making

The Code of Conduct for Councillors also outlines the following requirements:-

You must take decisions solely in terms of the public interest. You must not do so in order to gain financial or other material benefits for yourself, your family, or your friends.

# Annual Governance Statement

You are accountable for your decisions and actions to the public and must be available for scrutiny as appropriate to your office.

You must be as open as possible about all the decisions and actions that you take. You should give reasons for your decisions and restrict information only when the wider public interest clearly demands.

The Council undertakes consultation on specific topics. The Council also makes use of social media via Facebook and Twitter.

The Council is committed to publishing information freely and to develop further our culture of openness and transparency and publishes information in accordance with the Local Government Transparency Code. The Council's Freedom of Information Publication Scheme provides a general guide for the public in terms of what information should routinely be available to them by either accessing our website or upon request.

Partnership working is important and the Council has in place a wide range of arrangements ranging from small scale local groups (e.g. Civic Pride groups) to larger and more formal partnerships (e.g. public/private partnership with Rosendale Leisure Trust and Capita).

## **Principles C & D – *Defining outcomes in terms of sustainable benefits (economic, social and environmental) and determining the interventions necessary to achieve them.***

The Council's strategic vision for the Borough is set out in our Strategic Plan. Our vision is to work with our partners to ensure that Rosendale is a place where people want to live, visit, work and invest. We aim to achieve this by working on our three priority areas:

- A clean green Rosendale
- A connected and successful Rosendale that welcomes sustainable growth
- A proud, healthy and vibrant Rosendale

Underpinning our Corporate Strategy are robust business plans for each of our service areas. These detail how we will deliver the strategy, our vision and priorities. They also detail how we will continue to deliver services to our residents and meet our financial challenges.

Service areas are required to set and monitor agreed targets for performance. Performance against and achievement of expected outcomes is monitored regularly via the Council's corporate performance management system and reported quarterly to Councillors and the Management Team. Where the expected performance is not being met then potential intervention measures are considered and implemented where appropriate.

In relation to the buying of goods and services, staff must comply with the Council's Contract Procedure Rules. These set out relevant considerations when reaching decisions on award of contracts and include relevant environmental and sustainability aspects including the achievement of 'social value' in addition to cost.

Decisions on the overall level of resources allocated are taken by the Council following recommendations from the Cabinet. Resources and spending plans are critically reviewed to optimise their use and level of fit with the Council's objectives. Financial planning arrangements are well established and underpinned by a four year forward projection as part of the Council's medium term financial planning arrangements. This includes both capital and revenue budgets.

## **Principle E - *Develop the entity's capacity, including the capability of its leadership and the individuals within it***

At the heart of this principle is the Council's commitment to '*Invest in our staff to champion our more commercial and digital approach*'. The aim is to ensure that, as an organisation, we are suitably placed to deliver the priorities identified for Rosendale and its residents. To do this we will

employ the right people with the right skills in the right job. We will maintain robust financial processes, standards and systems optimising the technology and resources we have available to us, making us more efficient and effective in our service delivery and becoming digital by default.

In recent years the Council has invested in training programmes to enhance organisational development, develop leadership skills and promote a coaching culture with staff at all levels encouraged to be innovative and challenge the normal way of doing things. All staff take part in annual performance management reviews which include consideration of their individual training and development needs. A range of training methods and resources are applied and feedback is actively encouraged to assess the benefit of investment in training. The Council has developed a workforce plan, organisational development strategy and a learning and development strategy. Training is available for Councillors including induction and topic specific matters in addition to what is available from organisations such as the Local Government Association.

Capacity is enhanced via a range of partnerships and collaborative arrangements, as well as our commissioning and procurement processes through which the Council operates a mixed economy approach to delivering services in the most effective and efficient way. Service delivery models include, in-house, external outsourced, transfers to external partners. On a regional and sub-regional basis the Council works closely with the Lancashire Enterprise Partnership and Pennine Lancashire bodies notably in areas such as economic development, regeneration and skills/training. It also works closely with Burnley College on training provision.

Wider partnership working and engagement across Lancashire has also been evident during the COVID-19 pandemic via the Councils collaboration with the Lancashire Resilience Forum (LRF) and the creation of the Rosendale Community Support Hub.

Leadership roles are well defined at the Council for staff and Councillors, distinguishing for example the role of Council Leader and the officer being the Head of Paid Service (i.e. the Chief Executive). A protocol is included in the Council's Constitution which reflects the principles underlying the respective Codes of Conduct which apply to Members and Employees. The shared object of these codes is to enhance and maintain the integrity of local government and therefore, demands high standards of personal conduct.

The Council is committed to a culture of continuous improvement and has a focus on service delivery and effective performance management. Peer learning is encouraged and the Council was due to undertake a Peer Challenge review led by the Local Government Association to provide an assessment and feedback on, amongst other things, our organisational capacity and capability from best practice in the local government sector. Unfortunately as a result of the Covid pandemic the Peer Challenge review had to be postponed, but is expected to be rearranged in the near future.

The Workforce Strategy acknowledges the essential role staff play in the Council's ability to deliver effective services; thus wanting to ensure that every employee fulfils their potential and takes advantage of the development opportunities available to them.

Sustaining organisational resilience is increasingly challenging at a time when headcount is reducing in response to ongoing resource constraints. Set against this, the importance of supporting staff health and well-being is acknowledged and a suite of policies and procedures are in place to help staff maintain their own physical and mental well-being. Examples include the work/life balance policy and the operation of flexible working for most staff.

### **Principle F - *Managing risks and performance through robust internal control and strong public financial management***

The maintenance of systems and processes to identify and manage the key strategic and operational risks is integral to the achievement of the Council's objectives. The Council's **risk management framework** continues to evolve and presently includes the following arrangements:-



## Annual Governance Statement

- Risk Management Policy and Strategy
- Arrangements for the Strategic Risk Register comprising corporate risks assigned to designated officers, with appropriate counter-measures and an action plan established for each key risk
- frequent review of risks in-year with reports to the Council's Management Team, Cabinet and the Audit and Accounts Committee
- the use by Internal Audit of a risk based approach in the preparation and delivery of the internal audit plan
- the requirement for Officers of the Council to consider risk management issues when submitting reports to Committee for consideration by Councillors
- a suite of policies and procedures in relation to Whistleblowing, Anti-Fraud Theft and Corruption, Bribery and Anti-Money Laundering
- a suite of Business Continuity Plans are in place, i.e. Business Continuity Policy and Strategy, Strategic Crisis Management Plan, a Local Crisis Management Plan and a Business Recovery Plan for critical services
- Councillors and officers have previously been trained in risk management and the Leader of the Council is briefed on the strategic risks faced by the Council. Managers have the responsibility for the effective control of risk, and all service plans have a section on risk management.
- Corporate Governance including risk management, incorporating the key strategic risks for the Council, are the subject of periodic reports to Cabinet and the Audit and Accounts Committee.
- The Corporate Management Team review the Corporate Risk Register to ensure that risks are being actively monitored and managed and target risk scores have been introduced for all identified strategic risks as a means of providing much greater focus on those areas where risk management can be effective. Details of changes are reported to the Audit and Accounts Committee.
- The Chief Executive, as the Council's Head of Paid Service, is responsible for the corporate management of the Council, taking an active role in the corporate governance arrangements, including the organisation of the Council's staff and ensuring that appropriate internal control mechanisms are in place to achieve the Council's objectives in the most economical, efficient and effective way.
- The Head of Legal is appointed the Council's Monitoring Officer. The appointment of a Monitoring Officer is required in accordance with Section 5 of the Local Government and Housing Act 1989. It is the function of the Monitoring Officer to report to Members upon any contravention of any enactment or rule of law or any maladministration by the Authority. The Monitoring Officer also has responsibilities under the Council's Ethical Framework relating to the Members' Code of Conduct and the Standards Regime.
- The Chief Financial Officer is designated as the officer with statutory responsibility for the proper administration of the Council's financial affairs, in accordance with Section 151 of the Local Government Act 1972.
- The three statutory officers referred to above have unfettered access to information and to Councillors on the Council so that 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 at the Council accords with the principles set out in CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

An established **financial management framework** comprising the following:-

- Financial and Contract Procedure Rules as part of the Constitution
- Medium term financial planning using a four-year cycle, updated annually, to align resources to corporate priorities
- Service and financial planning integrated within the corporate performance management cycle

- Annual budget process involving scrutiny, challenge and consultation
- Annual review of the adequacy of the level of financial reserves
- Regular monitoring by management of revenue and capital budgets with reports to Management Team and Cabinet
- Annual reports to councillors on both the final revenue and capital out-turns compared to the approved budget
- Continuous challenge of the scope for securing efficiencies and service improvements
- Production of an annual Statement of Accounts compliant with the requirements of local authority accounting practice
- Compliance with the requirements established by CIPFA, the public sector accountancy body
- A regular review of the Council's Financial Management arrangements.

A **performance management framework** which provides an explicit link between the corporate priorities and personal objectives of staff and their training and development needs. Performance is reported to Councillors and the Management Team on a systematic basis with areas of poor performance investigated proactively. Key features of the Performance Management Framework include:-

- A regular review of the Corporate Strategy to ensure that priorities are reviewed, remain relevant and reflect the aims of the Council
- Service Plans produced with explicit goals and associated performance targets in order to ensure that achievement of performance is measurable
- The Council's staff appraisal system – Performance Management Reviews against a competency framework - links personal objectives directly to Service Plans
- Regular reports on the performance of key indicators which are presented to Councillors and Officers

An **Information Governance Framework** which sets out the way we handle and process information, in particular, the personal and sensitive data relating to residents, suppliers and employees. Key features of the information governance framework include:-

- A suite of policies and procedures on the Council's Information Security which are available on the Intranet for all staff to review
- Arrangements for document management and retention
- A Data Protection Policy and Procedure with nominated staff responsible for providing advice and guidance on Data Protection matters
- Compliance with the Local Government Transparency Code and provision of Open Data on Council website
- A system for dealing with requests for information submitted to the Council under the Freedom of Information Act 2000 (including a regular review of the Council's Publication Scheme)
- Regular reviews of the Council's Information Governance and Security arrangements by Internal Audit and external assessors.

The Internal Audit function operates in accordance with the statements, standards and guidelines published by the Auditing Practices Board, CIPFA (particularly the Public Sector Internal Audit Standards) and the Institute of Internal Auditors. The Internal Audit function examines and evaluates the adequacy of the Council's system of internal control.

The Council has partnered with Lancashire County Council (LCC) for the delivery of the Internal Audit function. LCC provide an independent and objective appraisal function for reviewing the system of internal control. This is in compliance with Regulation 5 of the Accounts and Audit Regulations 2015 that specifically requires a local authority to undertake an adequate and effective system of internal audit. This work is delivered by way of a Strategic Audit Plan developed using a risk-based approach. The Internal Audit plan is agreed and monitored by the Audit and Accounts

# Annual Governance Statement

Committee. The Audit Manager is required to give an opinion on the adequacy of the Council's system of internal control each year and report to the Audit and Accounts Committee. This Committee can make recommendations or highlight any matters requiring attention to the Cabinet and Council.

Significant projects are controlled by project management techniques and overseen by a Programme Board.

Lastly, each member of Management Team is required to sign an Assurance Statement in relation to a range of key controls operating in their area of work. This specifically seeks assurance from Senior Managers that, other than those identified during the course of their normal work or by Internal Audit, they are not aware of any weaknesses in the Council's systems of internal control.

## **Principle G - *Implement good practices in transparency, reporting, and audit to deliver effective accountability***

Reports to meetings of Council, Cabinet and other committees are publicly available on our website with the Minutes also published showing what decisions have been taken and the reason(s) why. Other forms of public accountability reporting include the annual Statement of Accounts, the Council's Annual Report and in year financial and performance monitoring reports. Reports from external audit are also published online including their annual report setting out the findings resulting from their audit of the accounts.

The Council reports performance against targets and financial targets on a regular basis. Progress updates on the implementation status of audit recommendations are also reported quarterly to the Audit and Accounts Committee. The Internal Audit service complies with the requirements of the Public Sector Internal Audit Standards and has direct access to Councillors and all staff in order to discharge its responsibilities.

The Council publishes information in accordance with the Local Government Transparency Code. The Council's website includes a section on Access to Information, which is about being transparent, sharing our information with the wider community, and giving them the opportunity to use that data to build useful applications.

The Council welcomes peer challenge reviews and inspections from regulatory bodies and will act on any recommendations arising as appropriate.

## **4) How the Council Gains Assurance/Review of Effectiveness**

The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control. This review of effectiveness is informed by the work of the Council's Management Team who have a responsibility for the development and maintenance of the governance environment, the Audit Manager's Annual Report on Internal Audit also reports from the external auditor and any other review agencies and inspectorates.

The purpose of a review is to identify and evaluate the key controls in place to manage principal risks. It also requires an evaluation of the assurances received, identifies gaps in controls and assurances and should result in an action plan to address significant internal control issues.

### **Impact of Covid 19 on the Council's Governance Arrangements**

Just prior to the end of the 2019/20 financial year, the Government's response to the COVID-19 outbreak led to changes in our governance arrangements, these changes continued throughout 2020/21. These are discussed in more detail below, along with details of our other governance arrangements.

In March 2020 the Government implemented stringent lockdown measures in response to the evolving Covid-19 crisis. The Council as a local authority has a range of duties under the Civil

Contingences Act 2004. Part 1 of the Act outlines local arrangements for civil protection and establishes a clear set of roles and responsibilities for those involved in emergency preparation and response at the local level. The Act divides local responders into two categories, imposing a different set of duties on each. Those in Category 1 are organisations at the core of the response to most emergencies (e.g. emergency services, local authorities, NHS bodies). Category 1 responders are subject to the full set of civil protection duties.

As a local authority, the Council is a Category 1 responder and amongst other duties is required to:

- assess the risk of emergencies occurring and use this to inform contingency planning;
- put in place emergency plans
- put in place Business Continuity Management (BCM) arrangements
- put in place arrangements to make information available to the public about civil protection matters and maintain arrangements to warn, inform and advise the public in the event of an emergency
- share information with other local responders to enhance co-ordination
- co-operate with other local responders to enhance co-ordination and efficiency
- provide advice and assistance to businesses and voluntary organisations about business continuity management.

As part of its response to the evolving Pandemic and the Government's lockdown measures, in mid-March 2020 the Council invoked its Emergency Planning and Business Continuity arrangements. The Council's initial response was mainly focused on ensuring the continued delivery of critical services on behalf of the local community. These included Refuse Collection, Bereavement Services, Benefits and Payments (including hardship payments and the provision of business grants), Homelessness, Communications and Environmental Health.

The Business Continuity plan was refreshed to reflect the Covid emergency. At the height of the pandemic twice weekly meetings of CMT were held along with representation of CMT members on the relevant response and recovery groups of the Lancashire Resilience Forum.

In support of this, the Chief Executive convened the Rosendale Covid Task Force which met regularly throughout the year to coordinate the Council's response activities, and also represented Rosendale on the relevant response and recovery groups of the Lancashire Resilience Forum.

The Council's normal governance arrangements were also affected during 2020/21. Key matters arising from the impact of the Pandemic were:-

- The cancellation of face-to-face Committee and Council meetings in line with Government regulation and guidance on gatherings/meetings
- The introduction of virtual Committee and Council meetings using Zoom in line with emergency legal powers made by the Secretary of State for the Ministry of Housing, Communities and Local Government
- The use of the Exercise of Urgent Powers Protocol, as set out in the Council's Constitution, so that urgent decisions could be taken thereby ensuring the Council's business continued. Details of decisions taken under this Protocol were published on the Council's website as required.

In accordance with Government guidance, the majority of the Council's staff were asked to work from home. Some staff, particularly those in front-line services, continued to attend work to ensure that critical service delivery were being maintained. Regular Covid briefings and guidance for staff were issued. A range of Human Resources Policies were amended to reflect these arrangements, not least the suspension of the Flexitime Scheme and, latterly, the update of the Flexible Working Policy.

As the pandemic evolved Risk Assessments were updated and additional control measures were put in place such as social distancing in offices, extra PPE, hand sanitisers and screens.

# Annual Governance Statement

The Business Recovery Plan continues to be regularly reviewed with updates being reported to Corporate Management Team and Cabinet and amendments being made in response to the ever evolving situation.

In summary, the Council's COVID Response effort comprises work on the following matters:-

- providing business grants to eligible business under the various business grant programmes funded by the Government
- processing Track and Trace payments to those who are required to self-isolate
- localised tracking and tracing of positive cases and their contacts
- ensuring business compliance with COVID regulations through a business inspection programme.
- working with partners and Local Resilience Forum colleagues to identify and prepare secure sites for storing and administering the COVID vaccines as they became available
- working to identify and set-up additional localized community testing sites and lateral flow testing.

Other consequences of the pandemic include the following, and whilst the effects in some cases were mainly felt during the 2020/21 financial year there will likely be longer lasting consequences depending on the scale and pace of the wider economic and social recovery:

- Financial impacts for the Council include:
  - additional costs for delivery of services
  - reduced income from certain sales, fees, charges, rents
  - reduced collection of council tax and business rates
  - increased housing benefit and council tax support payments
  - increased levels of bad debts and associated provisions.
- The Council adapted quickly to the revised ways of working necessitated by the pandemic and this presents an opportunity moving forward to re-assess ways of working, the use made of office accommodation; the use of technology particularly as a way of replacing some face to face meetings with the benefit of reduced travel time/costs and increased productivity.
- Recovery of debt – the Council adopted a passive rather than an active approach to debt recovery, recognising the difficulties for both businesses and residents as a result of the crisis.
- Legal Processes – during the year the Courts were only dealing with the most urgent and serious cases. The Council has conducted no business at all with the Magistrates Court. This has an impact on enforcement proceedings, including the recovery of debt and other enforcement activity.
- Site Visits/Visits to properties – we stopped property visits for matters such as private rented disrepair complaints and domestic nuisance because of restrictions on entering private households. We continued to do visits for Disabled Facilities Grants for some properties, where these were necessary for emergency inspections. Site visits in planning have taken place but can take longer due to social distancing and the need for risk assessments.
- Face-to-face meetings/visits – these were discouraged due to social distancing requirements. Zoom and latterly Microsoft Teams is now widely used across the Council and provides an effective internal means of communication as well as facilitating meetings externally. The Customer Contact Centre which closed initially, reopened on an appointment only basis in June 2020.

- Food Inspections – these recommenced in June 2020 having been suspended by the Food Standard Agency at the start of lockdown (given the closure of most hospitality food businesses). This activity coincides with our role in the Test, Track and Trace process at a local level and requires careful resource management working with our partners, Public Health England and Lancashire County Council.
- Planning Enforcement – This was largely suspended during the lockdown to provide some additional resource capacity to the Development Management Service.
- Internal Audit - of 11 planned audits seven were completed, one is in progress and three were deferred to 2021/22. The deferrals were due to the redeployment of Internal Audit staff in the early part of the year and council managers' reduced capacity to support audits due to their additional Covid-related work.

The information above outlines how the Council's governance arrangements were impacted by the Covid-19 Pandemic. Despite the impact of the Pandemic, and its effect on the overall operation of the Council, work has been undertaken to maintain and review the effectiveness of the Council's Governance Framework. This includes the followings:-

- The Council's Monitoring Officer and the Council in general oversee the operation of the Constitution to ensure its aims and principles are given full effect. The Constitution was most recently reviewed in May 2021 at the Annual General Meeting of Council.
- The Council's decision making arrangements operated according to the Constitution, either through the Council, Committees or the Scheme of Delegation. Decisions arising from these arrangements have been published on the Council's website as required. As indicated above, some decisions were taken under the Exercise of Urgent Business Protocol due to the Covid-19 Pandemic and these are documented as appropriate.
- As it was not possible to hold public meetings in person due to Covid-19 regulations and guidance, the Council made arrangements for those wishing to speak at Council meetings (where such provisions exist in the Council's Constitution) to join meetings virtually and participate as required. Following the expiry of the legislation supporting virtual meetings, the Council has returned for formal socially distanced face-to-face Council meetings. The meetings continue to be available on Zoom for members of the public.
- Despite the impact of Covid-19 on the capacity of the Council and its ability to respond to Freedom of Information requests, the Council continues to respond where possible in a timely manner to FOI requests as required.
- As a result of the cancellation of the elections in 2020, all Councillor appointments were rolled forward for one year until May 2021. As with any other Municipal Year, Councillors were required to register and declare certain pecuniary interests and, where this was the case, details of these were published on the Council's website
- The arrangements for scrutiny operate via the Overview and Scrutiny Committee as required, allowing for the review of key policy areas and providing opportunities for public involvement in specific matters of business. This committee receives reports from the Task & Finish group. Given the impact of Covid, during 2020/21 no Task & Finish Reviews were requested.
- Further scrutiny of Cabinets decisions is also provided by the Council's Call-In procedures. However where possible Overview and Scrutiny Committee are given the opportunity to input into policies and procedures prior to presentation to Cabinet.
- The Council has operated a Standards regime consistent with the requirements of the Localism Act 2011 during the year.
- The Audit and Accounts Committee met throughout the year and received various reports on the progress by External and Internal Audit against their respective work plans. In 2020 the Chief Executive asked the Internal Auditors to revisit the Rosendale Improvement Plan to ensure the improvements were still in place. The plan was originally developed by the Council to address issues arising from the Empty Homes Programme. It identified four key themes and related improvement actions, implementation of which was monitored and

# Annual Governance Statement

reported to members. This ended in 2018 when the Plan was considered to have been implemented. The review was incorporated into the Internal Audit work plan and formed part of the annual report presented to the Committee in July 2021, for which the Council received **Moderate** Assurance. (for 2019/20 the equivalent report was submitted to the Accounts and Audit Committee in July 2020, also receiving **Moderate** Assurance).

- The Audit and Accounts Committee and Council were previously appraised of developments arising from the Local Audit and Accountability Act 2014. This includes provisions for the appointment of local auditors. The Council previously agreed to opt-in to the national scheme for auditor appointments and during the year under review the appointment of Mazars as auditor to the Council was confirmed for a term of five years commencing from 1st April 2018.
- There have been no formal reports during the year from either the Council’s Monitoring Officer or Section 151 Officer on matters of legality or financial related concerns. There were also no objections from local electors in respect of the financial statements and supporting information for the previous financial year.

## 5) Dealing with Last Year’s Key Improvement Areas

Last year’s Annual Governance Statement highlighted the following areas for improvement. The narrative below sets out the action has been taken to address these issues in the current year:

Area of Concern	Progress Update
A review of the Constitution has been commissioned, this will be lead by the Head of Legal and is due for completion at the end of October 2020	The review of the Constitution was concluded and signed off at the Councils AGM in May 2021.
The Council has recognised current and future financial challenges in its strategic risk register and MTFS. The scale of the savings required represents a significant challenge. The situation is further complicated by the currently unknown outcome of the Government’s Comprehensive Spending Review and the delayed Fair Funding Review. The Council will continue to meet these challenges as it has done in the past, taking steps to manage this by considering commercialisation, modernisation and rationalisation.	For 2021/22 the Council agreed a balanced budget. There remains uncertainty of the forward estimates of core funding within the MTFS beyond 2021/22 pending the outcome of the Government’s Comprehensive Spending Review and the delayed Fair Funding Review. In light of the reductions in core funding since 2010 this matter continues to represent a significant challenge for the Council. In 2021/22 the Council implemented a 4 year savings plan in an attempt to address the funding gap in future years, however further savings will be required in order to achieve a balanced budget. The Empty Homes Scheme also continues to add to the Councils financial pressures. The progress of the savings plan and the Empty Homes scheme are tightly monitored as part of the Councils embedded financial monitoring process and reported to Cabinet quarterly. The further savings requirements will be reviewed as part of the development of the Council’s next MTFS
The introduction of tighter project	The Programme Board receives project update

management controls which will be overseen by the Programme Board.	reports on a quarterly basis, which include details on issues, risks and financials. These are subject to rigorous challenge by the board.
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## 6) Key Areas for Further Improvement

Building on the improvements in 2020/21 the Council has reviewed the governance arrangements and identified the following areas where it wishes to see improvements in 2021/22:

- A review of the Councils Financial Procedure Rules is underway, this will be lead by the Chief Finance Officer and is due for completion at the end of October 2021 – The review was completed in June 2022.
- The Council continues to recognise the current and future financial challenges in its strategic risk register and MTFS. The Council has implemented a savings plan however the scale of the savings required represents a significant challenge. The situation is further complicated by the currently unknown outcome of the Government’s Comprehensive Spending Review and the delayed Fair Funding Review. The ongoing Empty Homes scheme also continues to place additional pressure on the MTFS. There is a need to prioritise resources effectively and identify further efficiency options for the Council to consider as part of the next MTFS to achieve a balanced budget over the medium term. The Council will continue to meet these challenges as it has done in the past, taking steps to manage this by considering modernisation and rationalisation.
- In carrying out its review of the Rosendale Improvement Plan Internal Audit identified a need for improvement in the training and induction process particularly in respect of Fraud training, this is due to be implemented during 2021/22 – The induction process was improved in 2021/22 and fraud training was carried out for Members and Officers during 2021/22 and 2022/23.
- In order to support the procurement strategy the Council is investigating options to obtain specialist procurement support from another organisation, this is being lead by the Chief Finance Officer – In June 2022 the Council engaged with Star Procurement to provide specialist procurement support.

## 7) Conclusion

On the basis of the work carried out, we are satisfied that the Council is will be able to fully implement the Governance Framework during 2021/22. We will continue to progress, implementing improvements to further enhance our governance arrangements. We will monitor any further implementations as part of our next annual review.

The Covid-19 pandemic is having a significant impact and it is paramount that the Council’s governance arrangements remain robust and effective. The impact of Covid-19 will be considered in all governance arrangements. All risks reviews will be reviewed taking into account the impact of Covid-19 on services and processes. Both Members and officers will need to be vigilant to ensure that our governance arrangements remain robust and sustainable and remain effective during this period of uncertainty and high risk.

### Footnote

Subsequent to the draft financial statements being published and prior to the directed adoption of these on 13th December 2024 as directed by the backstop regulations ( introduced by the Minister of State for Local Government, on July 31, 2024 in response to the national local authority audit backlog) the council’s external auditors referred in March 2024, to areas of significant weakness as part of their Value for Money Reports concerning the preparation of and evidence to support the Statement of Accounts for 2020/21 through 2022/23 with implications extending to this financial year. The matters noted were the non-





## Annual Governance Statement

completion of a bank reconciliation and the draft accounts having material inconsistencies within the comparative figures. These matters were compounded by the lack of finance capacity available to produce the accounts in years 2020/21 through 2022/23.

There are no other matters arising that indicate any wider or other concerns with the governance framework which would lead to a conclusion that there wasn't an effective governance framework in place, except for these significant matters.

We are aware that the council has already made headway in resolving the weaknesses and in particularly the key financial controls and the resourcing of the finance team.

Signed:

On behalf of Rosendale Borough Council

Alyson Barnes

Leader of Council

Rob Huntington

Chief Executive

# Statement of Responsibilities

The following responsibilities are placed upon the authority and the Head of Finance in relation to the Council's financial affairs.

## 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 Head of Finance.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

## The Director of Resources as Chief Finance Officer Responsibilities

As the Chief Finance Officer, I am responsible for the preparation of the authority's Statement of Accounts in accordance with the proper practices as set out in the CIPFA/LASAAC 2018/19 Code of Practice on Local Authority Accounting in Great Britain (referred to as "the Code").

In preparing this Statement of Accounts, I have:-

- 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.

I was appointed Chief Finance Office and s.151 Officer on 2 September 2024. I am aware that in March 2024 the Council's external auditor's Value for Money report identified significant systemic weaknesses in the preparation of Statements of Account for the years ending 31 March 2021 to 31 March 2023. Accordingly, I cannot certify the adequacy of the systems that were used to prepare the accounts for the year ending 31 March 2021. Nor can I provide an assurance that weaknesses in the council's financial controls and other systemic weaknesses did not have a material impact on the accounts.

The Backstop Regulations were introduced by the Secretary of State for Housing, Communities and Local Government on 31 July 2024. The object of the Regulations is to secure published audited accounts for every financial year up to and including the year ending 31 March 2023 by 13 December 2024. Unfortunately, there is neither the time nor the resources to complete and evaluate the audit work that would be required to make a full assessment of the impact of the control and other weaknesses identified by the external auditors for the year ending 31 March 2021 by the backstop.

## Certificate of Director of Resources as Chief Finance Officer

This Statement of Responsibilities is signed by me subject to the aforementioned caveat. I certify that this Statement of Accounts gives a true and fair view of the financial position of Rosendale Borough Council at 31st March 2021, and its income and expenditure for the year ended 31<sup>st</sup> March 2021, including any known post balance sheet events as at 20<sup>th</sup> June 2023.

Signed:

**Chris Warren**  
Director of Resources

## Approval of Accounts

These unaudited Statement of Accounts for 2020/21 were submitted for public inspection and external audit on the 20<sup>th</sup> June 2023.

Signed:

**Councillor M Smith**  
Chair of the Audit and Accounts Committee

# Core Financial Statements

## Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) shows the cost of providing services in the year in accordance International Financial Reporting Standards, rather than the amount to be funded from Council Tax and other Government grants. The amount funded from Council Tax and Government grants differ from this by a series of adjustments made in accordance with regulations, these adjustments are reversed in the Movement in Reserves Statement.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	2019/20			2020/21			Note
	Gross Expend £000s	Income £000s	Net Expend £000s	Gross Expend £000s	Income £000s	Net Expend £000s	
<b>Communities Directorate</b>	24,122	(18,440)	5,682	22,583	(17,440)	5,143	
<b>Economic Development Directorate</b>	7,451	(1,394)	6,057	6,587	(2,234)	4,353	
<b>Corporate Management</b>	3,005	(434)	2,571	4,377	(3,578)	799	
<b>Cost of Services</b>	<b>34,578</b>	<b>(20,268)</b>	<b>14,310</b>	<b>33,547</b>	<b>(23,252)</b>	<b>10,295</b>	
<b>Other Operating Expenditure</b>							
Whitworth Town Council Precept			60			61	
(Gain)/Loss on disposal of fixed assets			(449)			591	
Other Income			(3,236)			(1,508)	
<b>Finance and Investment Income and Expenditure</b>			1,897			1,663	2
<b>Taxation and Non-Specific Grants</b>			(10,456)			(8,885)	3
<b>(Surplus)/Deficit on Provision of Services</b>	<b>34,578</b>	<b>(20,268)</b>	<b>2,126</b>	<b>33,547</b>	<b>(23,252)</b>	<b>2,217</b>	
<b>(Surplus)/deficit on revaluation of non-current assets</b>			(1,015)			434	
<b>Remeasurement of the net defined pension liability</b>			(6,930)			4,767	31f
<b>Other Comprehensive (Income)/Expenditure</b>			(7,945)			5,201	
<b>Total Comprehensive (Income)/Expenditure</b>			<b>(5,819)</b>			<b>7,418</b>	

# Core Financial Statements

## Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The Movement in Reserves Statement shows how the movements in year of the Council'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 in the year following those adjustments.

MOVEMENT IN RESERVES STATEMENT	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Govt Grants Unapplied	Total Useable Reserves	Unusable Reserves	Total Authority Reserves	Note
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Balance at 31 March 2019	892	5,372	3,222	946	10,432	(4,790)	5,642	
<b>Movement in Reserves in 2019/20</b>								
Total Comprehensive Income/(Expenditure)	(2,128)	-	-	-	(2,128)	7,945	5,817	
Adjustments between accounting basis & funding basis under regulations	2,709	-	160	299	3,168	(3,166)	2	12
<b>Net increase/(decrease) before transfers to Earmarked Reserves</b>	<b>581</b>	<b>-</b>	<b>160</b>	<b>299</b>	<b>1,040</b>	<b>4,779</b>	<b>5,819</b>	
Transfers to/from Earmarked Reserves	(473)	473	-	-	-	-	-	
<b>Increase/(decrease) in Year</b>	<b>108</b>	<b>473</b>	<b>160</b>	<b>299</b>	<b>1,040</b>	<b>4,779</b>	<b>5,819</b>	
Balance at 31 March 2020	1,000	5,845	3,382	1,245	11,472	(11)	11,461	
<b>Movement in Reserves in 2020/21</b>								
Total Comprehensive Income/(Expenditure)	(2,217)	-	-	-	(2,217)	(5,201)	(7,418)	
Adjustments between accounting basis & funding basis under regulations	5,568	-	(294)	675	5,949	(5,949)	-	12
<b>Net increase/(decrease) before transfers to Earmarked Reserves</b>	<b>3,351</b>	<b>-</b>	<b>(294)</b>	<b>675</b>	<b>3,732</b>	<b>(11,150)</b>	<b>(7,418)</b>	
Transfers to/from Earmarked Reserves	(3,351)	3,351	-	-	-	-	-	
<b>Increase/(decrease) in Year</b>	<b>-</b>	<b>3,351</b>	<b>(294)</b>	<b>675</b>	<b>3,732</b>	<b>(11,150)</b>	<b>(7,418)</b>	
Balance at 31 March 2021	1,000	9,196	3,088	1,920	15,204	(11,161)	4,043	
	Note	30a	30b	30c				

# Core Financial Statements

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council 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 are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement of Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

BALANCE SHEET	31st March 2020	31st March 2021	Note
	£000s	£000s	
Property, Plant & Equipment	29,035	27,390	13
Heritage Assets	2,405	2,403	14
Investment Property	550	550	15
Intangible Assets	28	12	16
Long-term Investments	2	2	
Long-term Debtors	469	322	19
<b>Long-term Assets</b>	<b>32,489</b>	<b>30,679</b>	
Short-term Investments	2,570	5,070	23
Inventories	21	21	
Short Term Debtors	4,542	6,926	22
Cash and cash equivalents	6,104	7,950	23
Assets held for sale within one year	2,796	39	24
<b>Current Assets</b>	<b>16,033</b>	<b>20,006</b>	
Short-term Borrowing	(234)	(234)	26
Short-term Creditors	(6,042)	(11,366)	25
Short-term Capital Grant Receipts in Advance	(41)	(41)	28
<b>Current Liabilities</b>	<b>(6,317)</b>	<b>(11,641)</b>	
Long Term Borrowing	(4,476)	(4,192)	26
Provisions	(1,737)	(2,427)	27
Pensions Liability	(24,533)	(28,384)	31
<b>Long- term Liabilities</b>	<b>(30,746)</b>	<b>(35,003)</b>	
<b>Net Assets</b>	<b>11,459</b>	<b>4,041</b>	
<b>Represented by:</b>			
General Fund	1,000	1,000	
Earmarked Reserves	5,845	9,196	29
Capital Receipts Reserve	3,380	3,086	29b
Capital Grants Unapplied	1,245	1,920	29c
<b>Usable Reserves</b>	<b>11,470</b>	<b>15,202</b>	
Revaluation Reserve	11,439	10,189	30a
Pension Reserve	(24,533)	(30,148)	33a
Capital Adjustment Account	11,277	10,388	30b
Deferred Capital Receipts	1,385	1,324	30c
Collection Fund Adjustment Account	421	(2,914)	30d
<b>Unusable Reserves</b>	<b>(11)</b>	<b>(11,161)</b>	
<b>Total Reserves</b>	<b>11,459</b>	<b>4,041</b>	

Karen Spencer, Chief Finance Officer

20<sup>th</sup> June 2023

# Core Financial Statements

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting periods. The Statement shows how the Council 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 Council are funded by way of taxation and grant income or by 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. The cash outflows here relate to capital spend on assets held by the Council, such as buildings, vehicles and equipment, which will be used to provide services in the future. Cash inflows relate to the sale of assets no longer required by the Council to provide its services, or capital grants and contributions received by the Council.

Cash flows arising from financing activities show the net movements in investments and borrowing during the period in accordance with the Council's treasury management strategy. These can be useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Council.

<b>CASH FLOW STATEMENT</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Note</b>
<i>restated</i> *	<b>£000</b>	<b>£000</b>	
<b>Operating Activities</b>			
Net surplus/(deficit) on the provision of services	(2,128)	(2,217)	
Adjustment for noncash movements *	3,048	5,773	
Adjustment for items that are investing and financing activities	(1,274)	3,104	
<b>Net cash flows from Operating Activities</b>	<b>(354)</b>	<b>6,660</b>	
<b>Investing Activities</b>			
Additions to property, plant and equipment & intangible assets	(6,370)	(3,994)	
Proceeds from the sale of property, plant and equipment	694	2,482	
(Increase)/decrease in Deferred Capital Receipts	174	61	
Increase/(decrease) in long-term debtors	(280)	(147)	
Other income	3,236	(1,508)	
Cash inflows - Short-term investments	23,750	(70,000)	
Cash outflows - Short-term investments	(20,250)	72,500	
<b>Net Cash Flows from Investing Activities</b>	<b>954</b>	<b>(606)</b>	
<b>Financing</b>			
Cash Inflows/(Outflows) - agency operations	-	-	
National non-domestic rates	(118)	2,341	
Council Tax	(32)	(1,265)	
Cash Inflows - New Borrowing	2,000	-	
Cash Outflows - Repayments of amounts borrowed	(234)	(284)	
Cash Inflows/(Outflows) - New long-term loans	-	-	
Cash Inflows/(Outflows) - New short-term loans	-	-	
<b>Net Cash Flows from Financing Activities</b>	<b>1,616</b>	<b>792</b>	
<b>Net increase/(decrease) in Cash and Cash Equivalents</b>	<b>2,216</b>	<b>1,846</b>	
Cash and Cash Equivalents at the beginning of the year	3,888	6,104	
<b>Cash and Cash Equivalents at the end of the year</b>	<b>6,104</b>	<b>7,950</b>	33b

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## Note 1 Expenditure Funding Analysis

2019/20				2020/21				
Net Expenditure Chargeable to the General Fund	transfers (to)/from Earmarked Reserves	Adjustments between the Funding & Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement	Service Segments	Net Expenditure Chargeable to the General Fund	transfers (to)/from Earmarked Reserves	Adjustments between the Funding & Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s
5,287	40	355	5,682	Communities Directorate	4,802	(79)	420	5,143
5,018	271	768	6,057	Economic Development Directorate	2,488	492	1,373	4,353
1,895	516	160	2,571	Corporate Management	1,762	(1,174)	211	799
<b>12,200</b>	<b>827</b>	<b>1,283</b>	<b>14,310</b>	<b>Net Cost of Services</b>	<b>9,052</b>	<b>(761)</b>	<b>2,004</b>	<b>10,295</b>
(12,308)	(1,300)	1,426	(12,182)	Other Income & Expenditure	(9,052)	(2,590)	3,564	(8,078)
(108)	(473)	2,709	2,128	(Surplus)/Deficit on Provision of Services	-	(3,351)	5,568	2,217
892	5,372			Opening General Fund/Earmarked Reserve Balance	1,000	5,845		
(108)	(473)			(Surplus)/Deficit on General Fund/Earmarked Reserve Balance as	0	(3,351)		
<b>1,000</b>	<b>5,845</b>			<b>Closing General Fund/Earmarked Reserve Balance in Year</b>	<b>1,000</b>	<b>9,196</b>		

### Notes to the Expenditure Funding Analysis

#### 1a Adjustments between Funding and Accounting Basis

Adjustments between Funding and Accounting basis Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for capital purposes	Net change for pensions adjustments	Other statutory differences	Total Statutory adjustments	Other (non-statutory) adjustments	Total adjustments
	£000s	£000s	£000s	£000s	£000s	£000s
Communities Directorate	-	420	-	420	-	420
Economic Development Directorate	1,247	126	-	1,373	-	1,373
Corporate Management	-	211	-	211	-	211
<b>Net cost of services</b>	<b>1,247</b>	<b>757</b>	<b>-</b>	<b>2,004</b>	<b>-</b>	<b>2,004</b>
Other income and expenditure from expenditure funding analysis	138	91	3,335	3,564	-	3,564
<b>Difference between General Fund/reserves surplus or deficit and Comprehensive Income and Expenditure</b>	<b>1,385</b>	<b>848</b>	<b>3,335</b>	<b>5,568</b>	<b>-</b>	<b>5,568</b>

Comparator information for 2019/20 is shown below:-

Adjustments between Funding and Accounting basis Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for capital purposes	Net change for pensions adjustments	Other statutory differences	Total Statutory adjustments	Other (non-statutory) adjustments	Total adjustments
	£000s	£000s	£000s	£000s	£000s	£000s
Communities Directorate	-	355	-	355	-	355
Economic Development Directorate	665	103	-	768	-	768
Corporate Management	-	160	-	160	-	160
<b>Net cost of services</b>	<b>665</b>	<b>618</b>	<b>-</b>	<b>1,283</b>	<b>-</b>	<b>1,283</b>
Other income and expenditure from expenditure funding analysis	259	745	422	1,426	-	1,426
<b>Difference between General Fund/reserves surplus or deficit and Comprehensive Income and Expenditure</b>	<b>924</b>	<b>1,363</b>	<b>422</b>	<b>2,709</b>	<b>-</b>	<b>2,709</b>

1) Adjustments for capital purposes – this column adds in depreciation and impairment and

# Core Financial Statements

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 ie minimum revenue provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted 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.

## 2) 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.

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

- For financing and investment income and expenditure the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NNDR that was projected to be received at the start of the year and the income recognized 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.

### 1b Expenditure and Income Analysed by Nature

Expenditure & Income Analysed by Nature	2019/20	2020/21
<b>Expenditure</b>		
Employee benefits expenses	9,664	8,807
Other service expenses	20,298	14,912
Depreciation, amortisation, impairment	6,295	10,378
Interest payments	143	151
Prescripts and levies	60	61
(Gain)/loss on disposal of assets	(449)	591
<b>Total Expenditure</b>	<b>36,011</b>	<b>34,900</b>
<b>Income</b>		
Fees, charges and other service income	(23,504)	(24,760)
Interest and investment income	75	962
Income from council tax, non-domestic rates, district rate income	(8,283)	(5,089)
Government grants and contributions	(2,173)	(3,796)
<b>Total Income</b>	<b>(33,885)</b>	<b>(32,683)</b>
<b>(Surplus) or deficit on provision of services</b>	<b>2,126</b>	<b>2,217</b>



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## Note 2 Finance and Investment Income and Expenditure

Financing and Investment Income and Expenditure	2019/20 £000s	2020/21 £000s
Interest Payable on Debt	143	151
Interest and Investment Income	(88)	(17)
Pensions - Interest Cost	2,485	2,284
Pensions - Past Service Cost	965	-
Pensions - Admin Expenses	23	25
Pensions - Interest on Assets	(1,794)	(1,759)
Trading Undertakings	163	979
	<b>1,897</b>	<b>1,663</b>

## Note 3 Taxation and Non-Specific Grant Income

Financing and Investment Income and Expenditure	2019/20 £000s	2020/21 £000s
Collection Fund		
Council Tax	(5,645)	(5,826)
Council Tax re prior year deficit	-	-
Retained Business Rates	(2,369)	(2,381)
Collection Fund (surplus)/deficit		
Council Tax	(66)	63
Retained Business Rates	(203)	3,055
Revenue Support Grant	-	-
Donsted Assets	-	(34)
Non service related Government Grants	(2,173)	(3,762)
	<b>(10,456)</b>	<b>(8,885)</b>

## Note 4 Trading Operations

The Council operates 3 markets in Haslingden, Bacup and Rawtenstall, which between them ensure that there is at least one market open within the borough every day of the week from Tuesday to Saturday.

The Council has 30 industrial trading units, promoting economic regeneration across the borough.

Business Offices include a small number of high-tech managed office spaces as well as conference and meeting facilities at the Business Centre, Futures Park, Bacup.

Trading Operations	Net Expend/ (Income) 2019/20 £000s	Gross Expend 2020/21 £000s	Income 2020/21 £000s	Net Expend/ (Income) 2020/21 £000s
Markets	84	106	(109)	(3)
Industrial Units	(86)	45	(482)	(437)
Business Office Facilities	165	1,461	(42)	1,419
<b>Total Trading Accounts</b>	<b>163</b>	<b>1,612</b>	<b>(633)</b>	<b>979</b>

## Note 5 Retained Business Rates

In April 2013 Local Government funding changed with the introduction of a system of locally retained business rates. Rossendale Council now has a direct stake in the business rates collected within the

## Core Financial Statements

borough and at Full Council in February the Council sets a precept based on 40% of the business rates forecast to be collected within the Borough, from which it pays a tariff to Central Government.

The Lancashire Business Rates Pool, of which Rossendale Borough Council is a member, came into effect on 1<sup>st</sup> April 2016. Under the Pool arrangements, the first 50% of business rates continue to go to Central Government, 9% goes to Lancashire County Council and 1% goes to Lancashire Fire Authority, with Rossendale Borough Council taking the remaining 40%. From that 40% Rossendale continues to pay a Tariff to the Pool. As a result, Rossendale Borough Council retains 90% of any and all surplus or deficit arising from increases in the overall business rates. Added to this, Rossendale Borough Council benefits from 100% of the business rates from renewable energy installations.

Business Rates Income & Expenditure	2019/20 £000s	2020/21 £000s
Business Rates collected within Rossendale	12,909	12,236
Less Provision for bad debts & appeals	(106)	(2,573)
Less Cost of Collection	(97)	(97)
<b>Net Business Rates Collected</b>	<b>12,706</b>	<b>9,566</b>
Rossendale Borough Council Business Rates Precept	8,603	4,894
Rossendale Borough Council Renewable Energy Collections	168	173
Less Lancashire Business Rates Pool Tariff	(4,596)	(2,686)
<b>Comprehensive Income/Expenditure - Retained Business Rates</b>	<b>4,175</b>	<b>2,381</b>
Budgeted share of Business Rates after tariff	2,145	2,180
<b>Surplus for Retained Business Rates</b>	<b>(2,030)</b>	<b>(201)</b>



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## Note 6 Grant Income

The Council recognised the following significant grants, contributions and donations during 2020/21:

Grants and contributions received	2019/20 £000s	2020/21 £000s
Credited to Cost of Services		
<i>Grants received for Revenue Purposes</i>		
DWP - Housing Benefits - paid to claimants	14,696	13,519
DWP - Housing Benefits - re Council Tenants	42	76
DWP - Discretionary Housing Payments	89	85
DWP - Housing Benefits - administration grant	189	184
DWP - Resource Management - Service Assurance Team	92	102
MHCLG - Flexible Homeslessness and Prevention Grant	90	96
MHCLG - Rough Sleeping Initiative	-	215
MHCLG - Business Rates Collection Grant	97	97
MHCLG - Localising Council Tax administration subsidy	92	89
MHCLG - Flood Relief & Flood Resilience	105	292
MHCLG - Town centre clean up and play area improvement	68	-
MHCLG - Future High Street Fund - Development	150	-
Covid related grants	-	4,016
Cabinet Office - Individual Electoral Registration	25	-
LCC - Domestic Abuse Grant	90	76
Historic England - Heritage Action Zone	-	28
National Lottery Heritage Fund	55	334
Contributions from developers under S106 agreements	96	-
Other minor grants and contributions	284	97
	16,260	19,306
<i>Grants received for Capital Purposes</i>		
LCC Better Care Fund - Disabled Adaptations Grant	1,753	1,161
Lancashire County Council	-	70
Lancashire Environmental Fund	34	126
Historic England - Heritage Action Zone	-	95
Lancashire Enterprise Partnership	-	1,127
National Lottery Heritage Fund	69	1,007
Misc Contributions	12	103
	1,868	3,689
<b>Total in the CIES Cost of Services</b>	<b>18,128</b>	<b>22,995</b>
Credited to Taxation and Non-Specific Grant Income		
MHCLG - New Homes Bonus	485	302
MHCLG - Business Rates Reliefs	1,688	3,461
<b>Non-Specific Grants in the CIES</b>	<b>2,173</b>	<b>3,763</b>



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## Note 7 Members Allowances

An Independent Remuneration Panel meet at a minimum of every 4 years to review Member's Allowances. This group last met in June 2014, but in light of the Council's Medium Term Financial Strategy position, Council members voted to defer the proposed increase in allowances.

NB – Growth includes mobile phone expenses (as per Code) not incl in 2019/20.

Total Cost of Elected Members	2019/20 £000s	2020/21 £000s
Basic Allowance	120	120
Special Responsibility Allowance	70	70
Employers National Insurance incurred	3	3
Mileage, subsistence & other reimbursements	1	11
	<b>194</b>	<b>204</b>

## Note 8 Senior Officers' Remuneration

The table below shows remuneration details for the Chief Executive and the Senior Officers directly responsible to him, along with their respective salary (including fees and allowances), employer's pension contributions and total remuneration during 2020/21, along with prior year comparators.

The Council's current Senior Management Team was established in quarter 4 of 2019/20. Prior to this, the Senior Management Team had undergone membership changes, with periods of non-occupation in Chief Executive and Director roles. During 2019/20 the Council engaged the support of the Rosendale Leisure Trust to fulfil the vacant role of Head of Finance. The cost of this support was £21.7k. No similar support was commissioned during 2020/21. This is the cause of significant variations between 2020/21 and comparator figures for 2019/20.

Senior Officers		Other		Election Duties £	Pension £	Total £
		Salary £	Allowances & Expenses £			
Chief Executive	2020/21	105,670	433	-	8,022	114,124
	2019/20	76,855	458	-	11,990	89,303
Director of Economic Development	2020/21	75,680	383	-	12,068	88,131
	2019/20	75,642	131	-	12,068	87,841
Director of Communities	2020/21	77,475	179	-	1,182	78,836
	2019/20	7,427	179	-	1,182	8,788
Head of Finance	2020/21	54,452	332	-	8,735	63,519
	2019/20	55,991	111	-	8,735	64,837
Legal Services Manager	2020/21	50,766	47	-	7,864	58,677
	2019/20	50,408	47	-	7,864	58,319
HR Manager	2020/21	50,538	106	-	7,864	58,508
	2019/20	50,408	615	-	7,864	58,887

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## Note 9 Other Officers' Remuneration

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more are listed in the table opposite in bands of £5,000.

The Code includes a requirement to disclose the costs of exit packages paid by the Council in bands of £20k. The Council has paid no exit packages, in either 2019/20 or 2020/21.

Officers with remuneration above £50,000 (excl pension)	2019/20 Number	2020/21 Number
£50,000 - £54,999	3	3
£55,000 - £59,999	2	1
£60,000 - £64,999	-	-
£65,000 - £69,999	-	-
£70,000 - £74,999	-	-
£75,000 - £79,999	1	2
£105,000 - £109,999	-	1
	<b>6</b>	<b>7</b>

## Note 10 Related Parties

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

### Central government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides a large proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg council tax bills, housing benefits).

### Other local authorities and precepting bodies

- payments to the Lancashire County Council Pension Fund.
- precepts in relation to Council Tax and Business Rates are paid to Central Government, Lancashire Police Authority, Lancashire Fire Authority, Lancashire County Council.
- The Lancashire Business Rates Pool.
- precept payable to Whitworth Town Council – see the Narrative Statement and the Comprehensive Income & Expenditure Statement.

### Other key partners

- In June 2004 the bulk of Rossendale's Leisure Facilities transferred to the management of the newly-formed independent Rossendale Leisure Trust.
  - In previous years the Council has given the Trust an operational grant. However, the Council purchased the balance of the Haslingden Gym extension loan in November 2016 at a cost of £1,010k. The Trust now pays a rental charge for using the asset of £60k per annum for its remaining 14 year life. This represents a saving for the Trust which negated the need for any grant funding from 2017/18 onwards.
  - Since 2015/16 the Council has made three loan to the Trust
    - 2015/16 a loan of £266k was made for Grip & Go. As at 31<sup>st</sup> March 2021 that balance owed on this loan is £52k.
    - 2016/17 a loan of £41k was made for Solar Panels. As at 31<sup>st</sup> March 2021 the balance owed on this loan was £16k.
    - 2019/20 an interest bearing loan of £256k was made for gym equipment refresh at the Adrenalin Centre. As at 31<sup>st</sup> March 2021 that balance owed on this loan was £235k.

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The Council deferred payment on all the above loans for 2019/20 and 2020/21 due to Covid.

- During 2020/21 the Trust transferred monies at the end of each month. The agreement was to pay the salary costs and creditor payments within the month plus £50k to reduce the outstanding debt brought forward from previous years. This was on the understanding that £200k would be retained in the RLT bank account. The balance brought forward from 2019/20 was £55k, however due to the impact of Covid 19 the balance increased to £383k by the end of March 2021
- The £383k debt is included within Council’s Sundry Debtors.
- The grip and go loan and the solar panel loans to the Trust are considered soft loans because interest payments have not been charged and are not material in 2020/21.
- To assist the Trust in its efforts to find operational efficiencies, the Council began to provide its professional financial and IT services in April 2013 under a service level agreement. No charge is made for these services.
- Community Leisure Association of Whitworth (CLAW) is a separate charitable organisation operating Whitworth Swimming Pool and Whitworth Civic Hall, for which they received £56k towards running costs in 2020/21 (£56k in 2019/20).
  - The Council has been providing payroll services for CLAW for some years on an agency basis, with the payments being reimbursed each month to the Council.
  - During 2019/20 the Council also began to provide accountancy services at nil charge to support the organisation. The inter-company cash balance at 31<sup>st</sup> March 2021 stood at £73k (£230k in 2019/20). The £73k debt is included within Sundry Trade Debtors. This amount is more than covered by the CLAW bank account balances at the year-end.
- The RTB Partnership Ltd was incorporated on the 4<sup>th</sup> February 2013, with equal partners being Rosendale Borough Council, Together Housing and Barnfield Construction Ltd. The Partnership is a vehicle to facilitate a variety of development projects across the borough and the Council contributed £74k during 2020/21 to the partnership for services provided.

### Members and Chief Officers

The Council’s Standing Orders make provision for a register of Members and Officers interests.

Upon review of this register it is considered that any transactions involving Members and Chief Officers with related parties have complied with the above regulations and are not material.

### Note 11 External Audit Costs

The sums due from Rosendale Borough Council to the external auditors for works carried out relating to the year of account 2020/21 were:-

Audit costs	2019/20 £000s	2020/21 £000s
Fees payable in respect of external audit of accounts	35	35
Share of redistribution of surplus funds on national PSAA Account	-	(4)
Fees payable for non-audit assurance work	9	21
	<b>44</b>	<b>52</b>

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## Note 12 Adjustments between Accounting Basis and Funding Basis under regulations

This note details the adjustments that are made in the Movement in Reserves Statement to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The table below details the changes in 2020/21 while the financial year 2019/20 can be found on the opposite page.

Adjustments to the Comprehensive Income and Expenditure Statement in the Movement in Reserves Statement	2020/21			
	General Fund Balance	Capital Receipts Reserve	Govt Grants Unapplied	Unuseable Reserves
	£000s	£000s	£000s	£000s
<b>Capital Adjustment Account adjustments</b>				
Depreciation of Property, Plant & Equipment (PPE)	751	-	-	(751)
Impairment of Property, Plant & Equipment (PPE)	559	-	-	(559)
Revaluation gain/loss on Property, Plant and Equipment (PPE)	3,302	-	-	(3,302)
Deferred Capital Receipts	67	-	-	(67)
Amortisation of Intangible Assets	16	-	-	(16)
Revenue Expend funded from Capital under Statute (REFCUS)	1,148	-	-	(1,148)
REFCUS for Empty Homes Scheme	(73)	-	-	73
Net book value of assets sold	3,073	-	-	(3,073)
Donated Assets	(34)	-	-	34
Statutory provisions for financing of capital investment (MRP)	(465)	-	-	465
Capital Expend charged to General Fund	(241)	-	-	241
Capital Expend charged to General Fund Empty Homes	553	-	-	(553)
<b>Capital Receipts Reserve adjustments</b>				
Transfer of cash proceeds of assets sold	(2,482)	2,482	-	-
Other Income	(1,508)	1,508	-	-
Use of Capital Receipts Reserve to fund capital spend	-	(1,617)	-	1,617
<b>Capital Grants Unapplied Account adjustments</b>				
Capital grants and contributions credited to the CIES	(675)	-	675	-
Application of grants to the Capital Adjustment Account (CAA)	(2,606)	-	-	2,606
Application of grants to the CAA Empty Homes Scheme	-	-	-	-
<b>Pensions Reserve adjustments</b>				
Employer contributions paid to the Pension Fund	(1,005)	-	-	1,005
Net IAS19 charges made for retirement benefits	1,853	-	-	(1,853)
<b>Collection Fund Adjustment Account adjustments</b>				
Difference between the Council Tax and Non-Domestic Rates income credited to the CIES and that calculated in accordance with statutory requirements	3,335	-	-	(3,335)
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>5,568</b>	<b>2,373</b>	<b>675</b>	<b>(8,616)</b>

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Adjustments to the Comprehensive Income and Expenditure Statement in the Movement in Reserves Statement	2019/20			
	General Fund Balance	Capital Receipts Reserve	Govt Grants Unapplied	Unuseable Reserves
	£000s	£000s	£000s	£000s
<b>Capital Adjustment Account adjustments</b>				
Depreciation of Property, Plant & Equipment (PPE)	934	-	-	(934)
Impairment of Property, Plant & Equipment (PPE)	106	-	-	(106)
Revaluation gain/loss on Property, Plant and Equipment (PPE)	4,185	-	-	(4,185)
Deferred Capital Receipts	185	-	-	(185)
Amortisation of Intangible Assets	16	-	-	(16)
Revenue Expend funded from Capital under Statute (REFCUS)	1,137	-	-	(1,137)
REFCUS for Empty Homes Scheme	(195)	-	-	195
Net book value of assets sold	245	-	-	(245)
Statutory provisions for financing of capital investment (MRP)	(539)	-	-	539
Capital Expend charged to General Fund	(421)	-	-	421
Capital Expend charged to General Fund Empty Homes	110	-	-	(110)
<b>Capital Receipts Reserve adjustments</b>				
Transfer of cash proceeds of assets sold	(694)	694	-	-
Other Income	(3,061)	3,061	-	-
Use of Capital Receipts to fund capital spend	-	(3,597)	-	3,597
<b>Capital Grants Unapplied Account adjustments</b>				
Capital grants and contributions credited to the CIES	(299)	-	299	-
Application of grants to the Capital Adjustment Account	(785)	-	-	785
Application of grants to the Capital Adjustment Account	-	-	-	-
<b>Pensions Reserve adjustments</b>				
Employer contributions to the Pension Fund	(1,673)	-	-	1,673
Net IAS19 charges made for retirement benefits	3,036	-	-	(3,036)
<b>Collection Fund Adjustment Account adjustments</b>				
Difference between the Council Tax and Non-Domestic Rates income credited to the CIES and that calculated in accordance with statutory requirements	422	-	-	(422)
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>2,709</b>	<b>158</b>	<b>299</b>	<b>(3,166)</b>



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## Note 13 Property, Plant and Equipment

### 13a Movements during the year

Movements on property, plant & equipment assets in 2020/21 were as follows:-

Property, Plant & Equipment 2020/21	Land & Buildings £000s	Vehicles, Plant, Furniture & Equip £000s	Infra- structure Assets £000s	Community Assets £000s	Assets under constr'n £000s	Surplus Assets £000s	Total Assets £000s
<b>Cost or Valuation 1st April 2020</b>	29,222	7,159	266	1,179	6,354	785	44,965
Additions	1,026	263	44	1,161	1,517	-	4,011
Donated Assets	-	34	-	-	-	-	34
Revaluation increases/(decreases)							
to Revaluation Reserve	182	-	-	-	-	12	194
to Provision of Services	(4,223)	-	-	-	-	-	(4,223)
Reclassifications-							
to/from Assets Held for Sale	-	-	-	-	-	-	-
others	3,396	-	-	-	(3,396)	-	-
Derecognition-							
on disposal	(11)	-	-	-	(223)	-	(234)
<b>Cost or Valuation 31<sup>st</sup> March 2021</b>	<b>29,592</b>	<b>7,456</b>	<b>310</b>	<b>2,340</b>	<b>4,252</b>	<b>797</b>	<b>44,747</b>
<b>Accum Depreciation and Impairments 1st April 2020</b>	(9,383)	(5,396)	(171)	(386)	(463)	(130)	(15,929)
Depreciation for the year-							
to Revaluation Reserve	(144)	-	-	(2)	(147)	-	(293)
to Provision of Services	(235)	(346)	(9)	(5)	(6)	-	(601)
Impairment (losses)/reversals							
to Revaluation Reserve	(124)	-	-	-	-	-	(124)
to Provision of Services	(502)	-	(44)	(17)	-	-	(563)
Reclassifications	-	-	-	-	-	-	-
Derecognition-							
on disposal	-	-	-	-	161	-	161
<b>Accumulated Depreciation and Impairments 31<sup>st</sup> March 2021</b>	<b>(10,388)</b>	<b>(5,742)</b>	<b>(224)</b>	<b>(410)</b>	<b>(455)</b>	<b>(130)</b>	<b>(17,349)</b>
Net Book Value at 31 <sup>st</sup> March 2021	19,204	1,714	86	1,930	3,797	667	27,398
Net Book Value at 31 <sup>st</sup> March 2020	19,839	1,763	95	793	5,891	655	29,036

Depreciation, using the straight line method, has been charged according to the estimated life of the assets involved on the following basis.

- Operational buildings generally have a useful life of 50 years, except where expert opinion has reduced this estimate. The land upon which the buildings reside is not subject to depreciation.
- Vehicles are depreciated over a useful life of 3-7 years depending upon their technical or mechanical nature.
- Equipment such as refuse bins, are depreciated over their individual useful life determined at the point of acquisition.
- All other assets under land, assets under construction, community assets, investment and surplus assets are not depreciated.

Component accounting is applied to all revaluation exercises on the following basis.

- For all property assets, land and buildings are valued separately. Only assets with a combined land and buildings value of £500k and over will be subject to component accounting.
- Significant components are items (or groups of items) with a value of at least 25% of the total asset value.

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## Fair Value Hierarchy – Surplus Assets

- Surplus assets comprise land from which the Council does not provide services. The Council has determined all of its surplus assets are valued at level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly at 31 March 2020 and 2021. There were no transfers between levels during 2020/21.

Comparator movements in 2019/20 were as follows:

Property, Plant & Equipment 2019/20	Land & Buildings £000s	Vehicles, Plant, Furniture & Equip £000s	Infra-structure Assets £000s	Community Assets £000s	Assets under constr'n £000s	Surplus Assets £000s	Total Assets £000s
<b>Cost or Valuation 1st April 2019</b>	27,405	6,685	253	999	6,062	519	41,923
Additions	345	917	13	186	5,555	-	7,016
Revaluation increases/(decreases)							
to Revaluation Reserve	618	-	-	-	-	142	760
to Provision of Services	(4,409)	-	-	(6)	-	124	(4,291)
Reclassifications-							
to/from Assets Held for Sale	-	-	-	-	-	-	-
others	5,263	6	-	-	(5,263)	-	6
Derecognition- on disposal	-	(449)	-	-	-	-	(449)
<b>Cost or Valuation 31<sup>st</sup> March 2020</b>	<b>29,222</b>	<b>7,159</b>	<b>266</b>	<b>1,179</b>	<b>6,354</b>	<b>785</b>	<b>44,965</b>
<b>Accum Depreciation and Impairments 1st April 2019</b>	(9,008)	(5,267)	(149)	(330)	(516)	(129)	(15,399)
Depreciation for the year-							
to Revaluation Reserve	(72)	-	-	(1)	-	-	(73)
to Provision of Services	(183)	(519)	(9)	(55)	(6)	(1)	(773)
Impairment (losses)/reversals							
to Revaluation Reserve	(68)	-	-	-	-	-	(68)
to Provision of Services	-	(11)	(13)	-	7	-	(17)
Reclassifications	(52)	-	-	-	52	-	-
Derecognition- on disposal	-	401	-	-	-	-	401
<b>Accumulated Depreciation and Impairments 31<sup>st</sup> March 2020</b>	<b>(9,383)</b>	<b>(5,396)</b>	<b>(171)</b>	<b>(386)</b>	<b>(463)</b>	<b>(130)</b>	<b>(15,929)</b>
<b>Net Book Value at 31st March 2020</b>	<b>19,839</b>	<b>1,763</b>	<b>95</b>	<b>793</b>	<b>5,891</b>	<b>655</b>	<b>29,036</b>

## 13b Revaluation Programme

During 2020/21 the Councils property portfolio was valued by external RICS-qualified officers from Capita Symonds Ltd, PO BOX 212, Faverdale Industrial Estate, Darlington, DL1 9HN, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The Council carries out a revaluation programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years.

Assets valued in previous years have not undergone any material changes which would alter their valuations.

Properties regarded by the Council as operational are to be valued on the basis of existing use value or, where this cannot be assessed because there is no market for the subject asset, the depreciated replacement cost. Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost.

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The details below show the history of the revaluation programme and the next planned revaluation exercise for each type of asset held. Under the provisions of the Code assets of a similar type should be revalued together.

Revaluation Programme for assets under Property, Plant & Equipment	Carried at Historic Cost £000s	Assets valued at Fair Value in the year ending					Total Net Book Value £000s	Planned Next Valuation
		March 2017 £000s	March 2018 £000s	March 2019 £000s	March 2020 £000s	March 2021 £000s		
Land	104	103	-	717	75	6	1,005	2022/23
Administrative Buildings	-	-	10	1,393	-	-	1,403	2022/23
Depots and Workshops	-	62	759	-	-	-	821	2022/23
Garages	-	58	-	-	-	195	253	2025/26
Car Parks	-	29	-	-	1,086	8	1,123	2023/24
Cemeteries	-	443	136	-	-	-	579	2021/22
Sports & Leisure Facilities	113	637	1,382	7,519	2	-	9,653	2022/23
Parks, & Recreation Grounds	92	695	573	-	254	4	1,618	2021/22
Woodlands & Open Spaces	33	650	90	39	186	158	1,156	2021/22
Industrial Units	-	933	-	-	-	-	933	2021/22
Domestic Housing	-	-	80	-	106	321	507	2025/26
Business Offices/Premises	-	-	-	-	898	3,456	4,354	2023/24
Public Conveniences	-	46	46	-	10	-	102	2021/22
Bus Shelters	-	-	-	6	-	339	345	2023/24
Markets	-	-	100	-	-	-	100	2022/23
Sheltered Accommodation	-	-	-	284	-	-	284	2023/24
Plant, Vehicles & Equipment	1,618	-	-	-	-	-	1,618	n/a
Other Assets	85	269	-	8	368	79	809	various
Assets under construction	735	-	-	-	-	-	735	2021/22
<b>Net Book Value 31<sup>st</sup> March 2021</b>	<b>2,780</b>	<b>3,925</b>	<b>3,176</b>	<b>9,966</b>	<b>2,985</b>	<b>4,566</b>	<b>27,398</b>	

### Note 14 Heritage Assets

Heritage Assets	Whitaker Museum Collection	War Memorials	Panoptican	Civic Regalia	Total
	£000s	£000s	£000s	£000s	£000s
<b>Cost or Valuation 1st April 2019</b>	1,507	109	24	545	2,185
Additions	-	-	-	-	-
Revaluation Gains	-	-	-	255	255
Revaluation Losses recognised in the Revaluation Reserve	-	-	-	-	-
<b>Cost or Valuation 31<sup>st</sup> March 2020</b>	<b>1,507</b>	<b>109</b>	<b>24</b>	<b>800</b>	<b>2,440</b>
Additions	-	-	-	-	-
Revaluation Gains	-	-	-	-	-
Revaluation Losses recognised in the Revaluation Reserve	-	(27)	(3)	-	(30)
<b>Cost or Valuation 31<sup>st</sup> March 2021</b>	<b>1,507</b>	<b>82</b>	<b>21</b>	<b>800</b>	<b>2,410</b>

The Heritage Assets held by the Council fall into four categories: Whitaker Museum Collection, War Memorials, Panoptican and Civic Regalia. All these categories have been in the Council's ownership for a number of years and are held for their intrinsic worth as opposed to potential financial gain. As such, they are unlikely to be sold.

The War Memorials and Panoptican are reported at historic cost and the Museum Collection and Civic Regalia are reported at insurance valuation. According to the Code there is no prescribed minimum period between valuations and so the Council does not intend to revalue its Heritage Assets in the near future.

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## Note 15 Investment Properties

The Council has one piece of land classified as an investment property following the agreement of a long-term lease.

### Fair Value Hierarchy – Investment Properties.

The Council has determined that this asset should be valued as a level 2 input, therefore, the level of rental income receivable is factored into the calculation to determine the fair value of the asset.

Investment Properties	2019/20 £000s	2020/21 £000s
Fair Value 1st April	550	550
<b>Cost or Valuation 31st March</b>	<b>550</b>	<b>550</b>
Gains/Losses in Fair Value	-	-
<b>Accum Depreciation and Impairments 31st March</b>	<b>-</b>	<b>-</b>
Fair Value at 31st March	550	550
Rental income within the year	25	25

## Note 16 Intangible Assets

Intangible Assets	2019/20 £000s	2020/21 £000s
Cost or Valuation 1st April	1056	1,050
Assets reclassified to/(from) PPE	(6)	-
<b>Cost or Valuation 31st March</b>	<b>1,050</b>	<b>1,050</b>
Accum Depreciation 1st April	(1,006)	(1,022)
Amortisation for the period	(16)	(16)
<b>Accum Depreciation and Impairments 31st March</b>	<b>(1,022)</b>	<b>(1,038)</b>
Net Book Value at 31st March	28	12

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item under Property, Plant and Equipment. At Rosendale Borough Council these intangible assets comprise only purchased licenses as the Council has no internally generated software.

All software is given a finite useful life, based on assessments of the expected benefit to the Council, over which depreciation is calculated on a straight line basis. The default value for the useful life is 5 years and all current assets have been deemed to follow that standard.

## Note 17 Capital Expenditure, Financing and Capitalisation of Borrowing Costs

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

### 17a - Capital Expenditure on Council Assets

The Capital Financing Requirements (CFR) is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. This capital expenditure is charged to future

## Core Financial Statements

years through Minimum Revenue Provision (MRP) as assets are used by the Council. Rosendale Borough Council now splits the CFR into two distinct elements; those costs pertaining to the East Lancs Empty Homes Scheme and other capital expenditure. The movement in the CFR during the year is analysed in the second part of this note.

Capital Financing Requirement	2019/20 £000s	2020/21 £000s
<b>Opening Capital Financing Requirement</b>	<b>11,401</b>	<b>14,063</b>
<b>Non-Empty Homes Opening Capital Financing Requirement</b>	<b>10,795</b>	<b>13,716</b>
Capital investments		
Property, Plant & Equipment	7,016	4,011
Intangible Assets	-	-
Revenue Expenditure funded from Capital under Statute	1,246	656
	8,262	4,667
Sources of Finance		
Capital Receipts	(441)	(2,703)
Government Grants and other contributions	(3,833)	(1,603)
Sums set aside from Revenue:-		
Direct revenue contributions	(528)	(237)
Minimum Revenue Provision (MRP)	(539)	(465)
<b>Non Empty Homes Closing Capital Financing Requirement</b>	<b>13,716</b>	<b>13,375</b>
<b>Empty Homes Opening Capital Financing Requirement</b>	<b>606</b>	<b>347</b>
Empty Homes		
Revenue Expenditure funded from Capital under Statute	109	550
Sources of Finance		
Capital Receipts	(184)	-
Sums set aside from Revenue:-		
Direct revenue contributions	(184)	-
<b>Empty Homes Closing Capital Financing Requirement</b>	<b>347</b>	<b>897</b>
<b>Closing Capital Financing Requirement</b>	<b>14,063</b>	<b>14,272</b>
Explanation of movements in the year -		
Increase in underlying borrowing (net of direct grants and contributions)	3,201	674
Repayments (MRP)	(539)	(465)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>2,662</b>	<b>209</b>

The capital expenditure shown above is split between Council-owned assets and those owned by third parties. The Council incurs capital expenditure on third party assets through schemes like the Disabled Facilities Grants (DFGs), the Bacup Townscape Heritage Initiative and the East Lancs Empty Homes Scheme. The distinction is an important one because capital expenditure on assets not owned by the Council is permitted by Statute, but is accounted for as revenue expenditure, along with its respective funding. Hence, in the table above there are details of 'Revenue Expenditure funded from Capital under Statute' (REFCUS) and funding from grants and other receipts and contributions, not from MRP.

### 17b – Capital Commitments

As at 31st March 2021, the Council was contractually committed to a total of £3.587m (£3.720m 2019/20). The individual capital schemes are listed below:-

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Contractual commitments	31 <sup>st</sup> March 2021 £000s
Rising Bridge Play Area	40
Futures Park Plot 1	228
Futures Park Plot 2	191
Whitaker Museum Refurbishment	381
Town Square Public Realm	500
Bacup Historic England	2,220
Variou small projects	27
	<b>3,587</b>

## Note 18 Leases

### 18a - Authority as Lessee

During 2014/15 the Council became directly responsible for the leases of domestic properties under the East Lancashire Empty Homes Scheme which were to be met from future rental incomes. The Council has contracted with managing agents to manage the properties on its behalf, with the majority of properties being managed by Calico Housing Ltd. The managing agents arrange the contracts with tenants, collect the rent and pay the leases over to the property owners. The lease commitments shown below refer solely to the properties which the Council is in the process of returning to the owners at which point all future lease commitments shown below will be extinguished.

Authority as a Lessee	<i>restated</i>	2019/20 £000s	2020/21 £000s
Lease Payments within the year	*	333	215
Future minimum lease commitments			
Amounts falling due within 1 year	*	215	212
Amounts falling due within 2-5 years	*	442	230
Amounts falling due within 6-10 years		-	-
<b>Total Minimum Lease Payments</b>		<b>657</b>	<b>442</b>

### 18b – Authority as Lessor

The Council leases out land and property under operating leases for services sport and leisure, regeneration and commercial use.

Authority as a Lessor	2019/20 £000s	2020/21 £000s
Not later than one year	64	452
Later than one year and not later than five years	32	1,622
Later than five years	-	6,398
	<b>96</b>	<b>8,472</b>

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

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## Note 19 Long-term Debtors

The analysis of the long-term debt outstanding at the balance sheet date is:

Long Term Debtors	Ross'dale Leisure Trust £000s	Empty Homes Loans £000s	Other loans & mortgages £000s	Total £000s
Debt Outstanding 1st April 2019	34	1,558	98	1,690
Advances	-	10	-	10
Receipts	(1)	(193)	(26)	(220)
	33	1,375	72	1,480
Expected Credit Loss Impairment	-	(1,011)	-	(1,011)
<b>Balance at 31st March 2020</b>	<b>33</b>	<b>364</b>	<b>72</b>	<b>469</b>
Debt Outstanding 1st April 2020	33	1,375	72	1,480
Advances	-	6	-	6
Receipts	(2)	(67)	-	(69)
Write-offs	-	-	(72)	(72)
	31	1,314	-	1,345
Expected Credit Loss Impairment	-	(1,023)	-	(1,023)
<b>Balance at 31st March 2021</b>	<b>31</b>	<b>291</b>	<b>-</b>	<b>322</b>

The East Lancs Empty Homes Strategy moved into full operation during 2013/14. Funded by the Homes and Communities Agency (HCA) in the first instance, this programme saw long-term empty properties across East Lancashire brought back into use. Any renovation costs, shown above as advances, are being recouped from property rentals during the life of the lease, shown above as receipts. At the end of the lease these properties revert to their owners.

During 2020/21 Rosendale Ski Slope became part of the Rosendale Leisure Trust Group, as part of the acquisition the Council agreed to write off a £72k loan to Rosendale Ski Slope.

## Note 20 Financial Instruments

### Categories of Financial Instruments

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

#### 20a - Categories of Financial Instruments

Financial Assets - Balances at Amortised Cost	2019/20		2020/21	
	Long Term £000	Short term £000	Long Term £000	Short Term £000
<b>Investments</b>	<b>2</b>	<b>2,570</b>	<b>2</b>	<b>5,070</b>
<b>Cash and Cash Equivalents</b>	<b>-</b>	<b>6,104</b>	<b>-</b>	<b>7,950</b>
<b>Debtors</b>	<b>469</b>	<b>1,223</b>	<b>322</b>	<b>1,741</b>
<i>Debtors that are not financial Instruments</i>		3,319		5,185
<i>Total Debtors</i>	469	4,542	322	6,926
<b>Total Financial Assets</b>	<b>471</b>	<b>9,897</b>	<b>324</b>	<b>14,761</b>

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Financial Liabilities - Balances at Amortised Cost	2019/20		2020/21	
	Long Term £000	Short term £000	Long Term £000	Short Term £000
<b>Borrowing</b>	(234)	(4,476)	(234)	(4,192)
<b>Creditors</b>	-	(1,900)	-	(2,321)
<i>Creditors that are not financial Instruments</i>		(4,142)		(9,045)
<i>Total Creditors</i>		(6,042)		(11,366)
<b>Total Financial Liabilities</b>	(234)	(6,376)	(234)	(6,513)

The Financial Instruments categorised above represent:

#### Financial Assets

- Amounts shown under Investments consist of cash held by the Council, bank accounts and short term investments.
- Amounts shown under Long-Term Debtors consist of loans to property owners under the Empty Homes scheme and a loan to Rosendale Leisure Trust.
- Amounts shown under Short-Term Debtors represents net operational (sundry) debtors.

Fair Value Hierarchy of Investments - The investments above were assessed as level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly at 31 March 2020 and 2021.

#### Financial Liabilities

- Amounts shown under Long-Term and Shot-Term borrowings are loans with the Public Works Loan Board.
- Amounts shown under Short-Term Creditors are the Council's operational creditors.

### 20b - Financial Instrument Gains/Losses

The amounts shown below are recognised in the Comprehensive Income and Expenditure Statement under the (Surplus) or Deficit on Provision of Services:

Income & Expenses Gains and Losses	2019/20 £000	2020/21 £000
<b>Financial Liabilities</b>		
Interest Expenses	143	151
<b>Financial Assets</b>		
Interest Income	(88)	(17)
<b>Net (Gain)/Loss charged to Surplus or Deficit on Provision of Services</b>	<b>55</b>	<b>134</b>

### 20c - Fair value of assets and liabilities carried at amortised cost

Financial liabilities and assets represented above under Categories of Financial Instruments are carried on the balance sheet at amortised cost. The fair value can be assessed by calculating the



## Core Financial Statements

present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions.

- For loans from the PWLB the fair value was calculated by reference to the premature repayment set of rates in force on 31<sup>st</sup> March 2020 and 31<sup>st</sup> March 2021 respectively.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced amount.

The fair values are calculated as follows:

	31st March 2020		31st March 2021	
	Carrying amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
Borrowings	(4,710)	(5,058)	(4,426)	(5,262)
Short Term Creditors	(1,900)	(1,900)	(2,321)	(2,321)
<b>Total Financial Liabilities</b>	<b>(6,610)</b>	<b>(6,958)</b>	<b>(6,747)</b>	<b>(7,583)</b>
Long Term Investments	2	2	2	2
Investments <1 year	2,570	2,570	5,070	5,070
Long Term Debtors	469	469	322	322
Short Term Trade Debtors	1,223	1,223	1,741	1,741
Cash and Cash Equivalents	6,104	6,104	7,950	7,950
<b>Total Financial Assets</b>	<b>10,368</b>	<b>10,368</b>	<b>15,085</b>	<b>15,085</b>

At March 2021 Rosendale Borough Council had two outstanding PWLB loans. One was taken out in March 2010 for 25 years at a fixed rate of 4.49%, the other was taken out in August 2019 for £2m over 20 years at a fixed interest rate of 1.34%. The premature repayment rates applicable on 31<sup>st</sup> March 2021 were 3.05% and -0.32% respectively. The figures for fair value above were £3,306k and £1,956k, as supplied by the Council's treasury management advisor, Link Asset Services. For a sensitivity analysis, Link Asset Services have confirmed that similar new loans on the 31<sup>st</sup> March 2021 at the discount rates above would have reduced the fair value of the loan at the end of 2020/21 by £350k to £4,912k.

The Council's portfolio of treasury management investments does not include any long-term deposits over 365 days. For investments under 365 days the deposit value is taken as a fair approximation of their value.

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

### Note 21 Nature and extent of risks arising from Financial Instruments

#### Key Risks

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

- Credit risk the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risks the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates movements.

# Core Financial Statements

## Overall procedures for Managing Risks

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise potential adverse effects on the resources available to fund services. The procedures for risk management are set out through a legal framework set out in the

Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
  - the Council's overall borrowing;
  - its maximum and minimum exposures to fixed and variable rates;
  - its maximum and minimum exposures of the maturity structure of its debt;
  - its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the government guidance.

These requirements are known as Prudential Indicators and are required to be reported and approved alongside the Council's annual Council Tax budget setting in February, along with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported monthly to Members.

These policies are implemented by the Council's Financial Services staff. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed annually.

## Credit Risk

Credit risk arises from deposits with banks and financial institutions, and credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria and limits approved by the Council.

The Council maintains strict criteria for investment counterparties and monitors activity against these criteria. As a result of this high credit criteria there has been no experience of defaults. The Council refers to an approved list of organisations for investment purposes, assessed by the rating agencies, consisting of major banks, building societies and other local authorities. Maturity limits apply for each counterparty category and maximum investment limits also exist per counterparty and per sector.

No breaches of these criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any counterparty in relation to financial deposits.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience of its customer collection levels over the last three financial years, adjusted to reflect current market conditions.

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## 21a Credit Risk

Credit Risk	Actual Amount March 2021 £000s	Historical default £000s	Adjusted for market conditions %	Estimated maximum exposure March 2021 £000s	Estimated maximum exposure March 2020 £000s
Cash and Cash Equivalents	7,950	0.00%	0.00%	-	-
Investments - Bank Deposits	5,070	0.00%	0.00%	-	-
Investments - Others	-	0.00%	0.00%	-	-
Long Term Debtors	322	0.00%	0.00%	-	-
Short Term Trade Debtors	1,741	6.60%	7.00%	427	375
<b>Total Financial Assets</b>	<b>15,083</b>			<b>427</b>	<b>375</b>

## 21b Trade Debtors

The Council does not generally allow credit for its trade debtors. The Council reports the level of trade debts outstanding each quarter in the financial monitoring report to Cabinet, which is available on the website. The balance of Trade Debtors at 31<sup>st</sup> March 2021 stood at £2,870k (£2,045k at March 2020). Against this the Council held an Expected Credit Loss Impairment of £1,129k (£822k at March 2020), as shown in the table below.

Short Term Trade Debtors by age	31st March 2020 £000s	31st March 2021 £000s
Less than 3 months	955	1,322
Three to six months	12	62
Six months to one year	192	70
Over one year	886	1,416
Expected Credit Loss Impairment	(822)	(1,129)
<b>Total Net Trade Debtors</b>	<b>1,223</b>	<b>1,741</b>

## Liquidity Risk

The council has ready access to borrowings from the Public Works Loan Board for long term borrowing and the Money Markets to cover any day-to-day cash flow need. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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 management and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice. The Council's performance in managing its current cash position is reported each month in the financial monitoring reports available on the website.

## Refinancing and Maturity Risk

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments of greater than one year in duration are the key parameters used to address this risk. The approved treasury and investment strategy addresses the main risks and sets the operational parameters should the Council ever need to borrow funds.

# Core Financial Statements

## Market Risk

There are three related risks the Council is aware of: interest rate risk, price risk and foreign exchange risk.

### *Interest Rate Risk*

The Council has limited exposure to interest rate movements on its borrowings and investments. Borrowings are carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and reflected in the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. The annual Medium Term Financial Strategy draws together the Council’s prudential indicators and its expected treasury operations, including an expectation of interest rate movements. The aim of the prudential indicators is to contain the activity of the treasury function within certain limits reducing the risk or likelihood of an adverse movement in certain interest rates or borrowing decisions that could impact negatively on the Council’s overall financial position.

Within this Strategy prudential indicators are set which provide maximum and minimum limits for fixed and variable interest rate exposure. The Financial Services staff monitor markets and forecast interest rates within the year to adjust exposure appropriately. The indicators in force during 2020/21, which were approved along with the Council’s annual budget in February 2020, are shown below.

Limits in interest rate exposure	2019/20	2020/21
Max principal sums borrowed > 364 days	£12.5m	£20.75m
Borrowing limits on Fixed Interest Rates	100%	100%
Borrowing limits on Variable Interest Rates	0%	0%
Max sums invested > 364 days	£0m	£0m
Max sums invested with single body	£8m/50%	£8m/50%
Max sums invested with any group	£10m	£10m

If all lending interest rates had been 1% higher, with all other variables held constant, the financial effect would only impact on the interest receivable on variable rate investments by an extra £126k. All other interest payable and receivable is fixed.

### *Price Risk*

The Council does not invest in instruments with this type of risk.

### *Foreign exchange risk*

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

# Core Financial Statements

## Note 22 Debtors

The short-term debtors are shown below.

Debtors	31 <sup>st</sup> March 2020 £000s	31 <sup>st</sup> March 2021 £000s
Central Government Bodies	749	1,271
Other Local Authorities	1,708	2,848
Other entities and individuals		
Council Tax	330	326
Retained Business Rates	183	462
Advance Payments	349	278
Sundry Trade Debtors	2,045	2,870
Credit Loss Impairment	(822)	(1,129)
	2,085	2,807
<b>Net Balance at 31st March</b>	<b>4,542</b>	<b>6,926</b>

## Note 23 Short Term Investments and Cash and Cash Equivalents

Short Term Investments and Cash & Cash Equivalents	31 <sup>st</sup> March 2020 £000s	31 <sup>st</sup> March 2021 £000s
Short Term Investments	2,570	5,070
<b>Short-term Investments at 31st March</b>	<b>2,570</b>	<b>5,070</b>
Bank Deposits - Current Accounts	6,103	7,949
Petty Cash Accounts	1	1
<b>Cash and cash equivalents at 31st March</b>	<b>6,104</b>	<b>7,950</b>

To allow added flexibility and speed to the response to the Covid-19 pandemic, particularly in the payment of grant support, a higher level of cash was held in the council's Bank Current Accounts at the end of the financial year.

## Note 24 Assets Held for Sale

Current Assets held for sale	2019/20 £000s	2020/21 £000s
Balance at 1st April	2,992	2,796
Revaluation gains/(losses) to the Revaluation Reserve	1	(7)
Write out NBV of Assets sold - from Revaluation Reserve	(197)	(2,750)
<b>Balance at 31st March</b>	<b>2,796</b>	<b>39</b>

## Note 25 Creditors

Creditors	31 <sup>st</sup> March 2020 £000s	31 <sup>st</sup> March 2021 £000s
Central Government Bodies	1,959	8,288
Other Local Authorities	457	61
Bodies external to government		
Advance Receipts: Council Tax	86	112
Advance Receipts: Retained Business Rates	209	19
Advance Receipts: Others	1,375	510
Accumulated Absences	56	55
Sundry Trade Creditors	1,900	2,321
<b>Balance at 31st March</b>	<b>6,042</b>	<b>11,366</b>

# Core Financial Statements

## Note 26 Borrowing

In March 2010 the Council took out a PWLB loan of £4.6m over a life of 25 years at 4.49% to support the Council's capital spending, including the planned investment resulting from the Leisure Services Review. In August 2019 the Council took out a further loan of £2m over 20 years at 1.34% Repayment of both loans is based on equal instalments of principal.

PWLB Borrowing	31 <sup>st</sup> March 2020 £000s	31 <sup>st</sup> March 2021 £000s
Repayable in less than 12 months	234	234
Repayable between 1 and 2 years	234	234
between 2 and 5 years	702	702
between 5 and 10 years	1,170	1,170
in 10 years or more	2,370	2,086
<b>Balance at 31st March</b>	<b>4,710</b>	<b>4,426</b>

## Note 27 Provisions

Provisions	31 <sup>st</sup> March 2020 £000s	Movement in Year	31 <sup>st</sup> March 2021 £000s
Business Rate Appeals Provision	1,040	496	1,536
Strategic Housing Provision	247	(25)	222
Corporate Services	365	159	524
Other Provisions	85	60	145
<b>Total Provisions</b>	<b>1,737</b>	<b>690</b>	<b>2,427</b>

## Note 28 Short-term Grant Receipts in Advance

This account holds the movements between capital grants received and those recognised through the CIES when the grant conditions have been met.

In 2017/18 a grant of £3,421k was received in advance from Lancashire County Council towards the construction of the new bus station element of the Spinning Point Phase 1 project. Construction of a new bus station began in January 2019 and the facility was opened in December 2019. The remaining grant shown below is to be used for ground works still ongoing at March 2021.

Short-term Capital Grant Receipts in Advance	31 <sup>st</sup> March 2020 £000s	31 <sup>st</sup> March 2021 £000s
<b>HCA East Lancs Empty Homes Grant</b>		
Balance Brought forward	200	-
Grant received/(repaid) in the year	(200)	-
Amounts recognised into the CIES (conditions met)	-	-
	-	-
<b>LCC Grant for Spinning Point Phase 1</b>		
Balance Brought forward	2,920	41
Grant received/(repaid) in the year	-	-
Amounts recognised into the CIES (conditions met)	(2,879)	-
	41	41
<b>Balance at 31st March</b>	<b>41</b>	<b>41</b>

# Core Financial Statements

## Note 29 Usable Reserves

The overall movements in the Council's Usable Reserves can be seen in the Movement in Reserves Statement. Further details on the movements in the individual Earmarked Reserves and Capital Grants Unapplied accounts can be found below, along with greater explanation of the activity on the Usable Capital Receipts Reserve.

### Note 29a - Earmarked Reserves

Employment & Transport Reserve – re future investment in transport and employment opportunities.

Leisure Reserve – This reserve is held to meet any potential leisure expenditure i.e. feasibility studies

Directorate Investment Reserve – This reserve holds unspent budgets future one-off revenue projects.

Directorate Operational Reserve – This reserve holds funds set aside for ongoing or incomplete revenue projects where there is no contractual obligation but member approval has been granted.

Homelessness Reserve – This reserve holds funds for supporting ongoing and future projects to tackle homelessness within Rossendale.

Vehicle Reserve – To support vehicle maintenance costs and the rolling replacement programme.

Transitional Reserve – This reserve is to support the Council in its medium-term financial strategy.

Individual Registration Reserve – Individual electoral registration implementation began in summer 2014 and this reserve was established to hold grant funds received during 2013/14 to be matched against costs as they arose over the subsequent years.

Business Rates Retention Reserve – Following the localisation of non-domestic rates in April 2013, this reserve was established with the additional grant received for Small Business Rate Relief to support any future volatility of this new resource stream. The balance on this reserve will also be required to support the deficit on the Collection Fund Adjustment Account. Under the timings permitted by the Code each year's surplus or deficit will not impact on the CIES until the following year.

Planning Strategy Reserve – This reserve is to cover the costs of public scrutiny associated with reviews of planning strategy in the future.

Tourism Strategy Reserve – Since the Tourism Officer post was disestablished in 2011/12, monies have been set aside to allow the Council to support various events/ activities.

Haslingden Regeneration Reserve – The Council has previously set aside £100k to provide pump-priming funds for the wider regeneration of Haslingden.

Rawtenstall Bus Station Reserve – This reserve holds the commuted sum received from Lancashire County Council to cover future maintenance costs associated with the Rawtenstall Bus Station.

Response and Recovery Reserve – The Council received a number of grants in response to Covid19 to support service delivery and the community through the pandemic.

# Core Financial Statements

Earmarked Reserves	Balance 31 <sup>st</sup> March 2020 £000s	Income & Transfer to Reserves £000s	Transfers between Reserves £000s	Utilised from Reserves £000s	Balance 31 <sup>st</sup> March 2021 £000s
Employment & Transport	816	-	-	(428)	388
Leisure Reserve	64	-	-	(9)	55
Directorate Investment	74	-	-	-	74
Directorate Operational Reserves	385	240	-	(19)	606
Homelessness	192	-	-	(3)	189
Vehicle Repairs & Replacement	189	-	-	-	189
Transitional Reserve	1,085	59	-	-	1,144
Individual Registration	73	16	-	-	89
Business Rates Retention	2,640	3,736	-	(1,663)	4,713
Planning Strategy	233	10	-	(130)	113
Tourism Strategy	51	8	-	(9)	50
Haslingden Regeneration	43	-	-	(3)	40
Rawtenstall Bus Station	-	517	-	-	517
Response and Recovery	-	1,389	-	(360)	1,029
	<b>5,845</b>	<b>5,975</b>	<b>-</b>	<b>(2,624)</b>	<b>9,196</b>





# Core Financial Statements

## Note 29b - Capital Receipts Reserve

These are capital receipts (net of asset values) which have not yet been used to finance capital expenditure or repay debt.

Usable Capital Receipts Reserve	2019/20 £000s	2020/21 £000s
Balance at 1st April	3,220	3,378
Capital receipts in year	3,557	3,990
Capital receipts used to fund capital expend	(3,399)	(4,284)
<b>Non Empty Homes sub-total</b>	<b>3,378</b>	<b>3,084</b>
<b>Empty Homes</b>		
Balance at 1st April	2	2
Capital receipts in year	187	187
Capital receipts used to fund capital expend	(187)	(187)
<b>Empty Homes sub-total</b>	<b>2</b>	<b>2</b>
<b>Balance at 31st March</b>	<b>3,380</b>	<b>3,086</b>

## Note 29c - Capital Grants Unapplied Account

Capital grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with.

Capital Grants Unapplied Account	Balance 31 <sup>st</sup> March 2020 £000s	Grants Received £000s	Grants Applied £000s	Balance 31 <sup>st</sup> March 2021 £000s
Disabled Facilities Grants	1,182	1,161	(485)	1,858
Homelessness Grants	53	-	-	53
Domestic Abuse Grant	7	-	-	7
Hoarding Project Grant	3	-	(1)	2
	<b>1,245</b>	<b>1,161</b>	<b>(486)</b>	<b>1,920</b>



# Core Financial Statements

## Note 30 Unusable Reserves

### 30a Revaluation Reserve

The Revaluation Reserve contains unrealised revaluation gains, net of depreciation and disposals on that revaluation amount, on a strict per-asset basis. This Reserve is matched by fixed assets within the Balance Sheet. It does not represent resources available to the authority.

Revaluation Reserve	2019/20 £000s	2020/21 £000s
Balance at 1st April	10,729	11,439
Surplus/(Deficit) on revaluation of assets in the year		
Property, Plant & Equipment	1,015	(434)
Value of assets disposed of in the year	(163)	(525)
Depreciation in the year	(74)	(145)
(Impairments)/Impairment Reversals in the year	(68)	(146)
<b>Balance at 31st March</b>	<b>11,439</b>	<b>10,189</b>

### 30b Capital Adjustment Account

The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls mechanism.

In the main this account holds the gains on historical revaluations of the assets still held by the Council, depreciated over the life of the assets. It is managed as a total figure, not on a per-asset basis, and does not represent cash resources available to the authority.

Capital Adjustment Account	2019/20 £000s	2020/21 £000s
Balance at 1st April	12,785	11,808
Revenue and Capital Receipts used to finance capital		
Revenue Contributions	420	241
Useable Capital Receipts	549	4,284
Capital Grants and Contributions	3,833	2,606
Donated Assets	-	34
Losses on Revaluation of assets		
Property, Plant & Equipment	(4,185)	(3,302)
Write off NBV of disposals (net of Revaluation Reserve)	(82)	(2,548)
Minimum Revenue Provision for repayment of debt	539	465
Depreciation of Property, Plant and Equipment	(860)	(606)
Amortisation of Intangible Assets	(16)	(16)
Impairment of Property, Plant & Equipment assets	(38)	(413)
Revenue Expenditure funded from Capital under statute	(1,137)	(1,148)
<b>Non Empty Homes sub-total</b>	<b>11,808</b>	<b>11,405</b>
<b>Empty Homes</b>		
Balance at 1st April	(606)	(531)
Revenue and Capital Receipts used to finance capital		
Revenue Contributions	184	(553)
Useable Capital Receipts	-	-
Minimum Revenue Provision for repayment of debt	-	-
Revenue Expenditure funded from Capital under statute	(109)	67
<b>Empty Homes sub-total</b>	<b>(531)</b>	<b>(1,017)</b>
<b>Balance at 31st March</b>	<b>11,277</b>	<b>10,388</b>

# Core Financial Statements

## 30c Deferred Capital Receipts Account

The Deferred Capital Receipts holds the value of renovation loans on the East Lancs Empty Homes properties.

Deferred Capital Receipts Account	31 <sup>st</sup> March 2020 £000s	31 <sup>st</sup> March 2021 £000s
<b>East Lancs Empty Homes Scheme Loans</b>		
Balance at 1st April	1,559	1,385
New Deferred Receipts	11	(67)
Amounts received	(185)	6
<b>Balance at 31st March</b>	<b>1,385</b>	<b>1,324</b>

## 30d Collection Fund Adjustment Account

The Collection Fund Adjustment Account allows for differences between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund. The balance on the account represents the Council's share of the Collection Fund surplus or deficit. The large balance relating to Business Rates is offset by Section 31 grants received from Central Government.

Rosendale Borough Council - Collection Fund Adjustment Account	2019/20		2020/21	
	Council Tax	Business Rates	Council Tax	Business Rates
	£000	£000	£000	£000
Accumulated surplus/(deficit) at 1st April	5	838	31	390
revenue	(39)	(651)	(69)	(147)
Apportioned Estimated Surplus/(Deficit) for the year	69	184	(59)	(2,048)
Apportioned Final Surplus/(Deficit) for the year	(4)	19	(4)	(1,008)
<b>Accumulated Surplus/(Deficit) at 31st March</b>	<b>31</b>	<b>390</b>	<b>(101)</b>	<b>(2,813)</b>

## Note 31 Local Government Pension Scheme – a defined benefit scheme

The following note explains the terms and conditions of the retirement benefits of the Council officers and other employees. 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 the employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme administered by Lancashire County Council – this is a funded 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.

The Lancashire County Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension cost, liabilities and funding risks relating to its own employees and former employees. Each employer's contributions to the Fund are calculated in accordance with the LGPS Regulations, which require an actuarial valuation to be carried out every three years. The next valuation of the Fund will take place with an effective date of 31st March 2022 with any revised contributions rates being applied to the Council with effect from 1st April 2023.

## Impact of McCloud judgement

# Core Financial Statements

The "McCloud judgement" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government announced in 2019 that this needs to be remedied for all pension schemes. An allowance for the financial impact has been included in the figures provided by the actuary which are in line with the Government recommendations.

## Impact of Covid-19

Since February 2020 there has been substantial volatility in financial markets around the world in relation to the COVID-19 pandemic, and while this has reduced in recent months, the potential for further volatility remains. This may have consequences for asset values, and this will be reflected in the 2020/21 accounting figures. Over the same period, the market volatility has also extended to corporate bonds, and after an initial spike the yields on AA-rated corporate bonds have reduced from previous levels. As the discount rate for accounting purposes is based on corporate bond yields, this will also impact on accounting liabilities. Finally, there has been an impact on market-implied RPI over the period, although this will in part be related to the consultation on RPI reform and demand for gilts, rather than any fundamental shift in expectations. The actuary considers that it is not possible at this point to draw any meaningful conclusions on the potential impact of COVID-19 on mortality rates going forward, and so it would be inappropriate to make any adjustments to mortality assumptions at this time.

## 31a - Present Net Value of Scheme

The underlying assets and liabilities attributable to Rosendale Borough Council at 31st March were:-

Present Value of Pension Assets and Liabilities Recognised in the Balance Sheet	2019/20 £000s	2020/21 £000s
Scheme Liabilities at 31 <sup>st</sup> March	(96,693)	(108,200)
Scheme Assets at 31 <sup>st</sup> March	72,160	78,052
<b>Net Scheme Assets/(Liabilities)</b>	<b>(24,533)</b>	<b>(30,148)</b>

During the 2019 Pensions Review the actuaries estimated that the Council could achieve savings of around £150k over the next three years if payments for 2020/21 to 2022/23 were made in advance. The Council agreed and made a payment of £2,594k in April 2020. As at the 31st March 2021 the remaining amount of this prepayment was £1,794k. Therefore on the Balance Sheet at 31st March 2021 the Scheme Liabilities are calculated as the value of the Pensions Reserve deficit of £30,148k less this advance payment of £1,764k to give Net Scheme Liabilities of £28,384k as set out in the table below:

Reconciliation of Pensions Reserve to net Pensions Liability	2019/20 £000s	2020/21 £000s
Pension Reserve	(24,533)	(30,148)
Advance Payments		
Future Service Costs		1,411
Deficit Payment		353
<b>Net Scheme Assets/(Liabilities)</b>	<b>(24,533)</b>	<b>(28,384)</b>

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total net liability of £30.1m impacts on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

# Core Financial Statements

## 31b - Present Value of Scheme Liabilities

The following table reconciles the opening and closing values of the scheme liabilities.

Scheme Liabilities	2019/20 £000s	2020/21 £000s
Scheme Liabilities as at 1 <sup>st</sup> April	105,060	96,693
Current Service Cost	1,357	1,303
Interest on Pension Liabilities	2,485	2,284
Member Contributions	255	276
Past Service cost/(gain)	965	-
Remeasurement of liabilities	(9,561)	11,002
Benefits/transfers paid	(3,868)	(3,358)
<b>Scheme Liabilities as at 31<sup>st</sup> March</b>	<b>96,693</b>	<b>108,200</b>

Of the above liabilities there is an unfunded element, for which the value at 31<sup>st</sup> March 2021 was £1,512k (£1,504k at 31<sup>st</sup> March 2020).

## 31c - Present Value of Scheme Assets

The following table reconciles the opening and closing values of the scheme assets.

Scheme Assets	2019/20 £000s	2020/21 £000s
Scheme Assets as at 1 <sup>st</sup> April	74,960	72,160
Interest on plan assets	1,794	1,759
Remeasurement of assets	(2,631)	6,235
Administration expenses	(23)	(25)
Employer contributions	1,673	1,005
Member contributions	255	276
Benefits/transfers paid	(3,868)	(3,358)
<b>Scheme Assets as at 31<sup>st</sup> March</b>	<b>72,160</b>	<b>78,052</b>

## 31d - Major Categories of Scheme Assets

Scheme Assets	31 <sup>st</sup> March 2020		31 <sup>st</sup> March 2021	
	£000s	%	£000s	%
Bonds	1,806	2.5%	-	0.0%
Property	1,010	1.4%	1,337	1.7%
Alternatives	68,551	95.1%	74,992	96.1%
Cash & Cash equivalents	793	1.1%	1,723	2.2%
<b>Total Scheme Assets</b>	<b>72,160</b>		<b>78,052</b>	

## 31e - Scheme Membership

The membership of the scheme was as follows:-

Scheme Membership	31 <sup>st</sup> March	31 <sup>st</sup> March
	2020	2021
Active Members	151	162
Deferred Members	234	231
Pensioners	427	416
Spouses / dependents	108	114

# Core Financial Statements

## 31f - Comprehensive Income and Expenditure Account

Authorities recognise the cost of retirement benefits in the Comprehensive Income and Expenditure Statement 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 that the real cost of retirement benefits is reversed out of the in the Movement in Reserves Statement and replaced with the cash paid in the year.

The table below shows transactions within the Comprehensive Income and Expenditure Statement and the corresponding adjustments made in the Movement in Reserves Statement.

Reconciliation of the movement in the Pension Fund Reserve	2019/20 £000s	2020/21 £000s
<b>Comprehensive Income and Expenditure Statement</b>		
Net Costs of Services - Current Service Cost	1,357	1,303
Past Service cost/(gain)	965	-
Financing and Investment Income and Expenditure		
Interest cost	691	525
Expected return on assets in the scheme	2,631	(6,235)
Administration expenses	23	25
<b>Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>5,667</b>	<b>(4,382)</b>
<b>Other Comprehensive Income and Expenditure</b>		
Actuarial (gains)/losses	(9,561)	11,002
<b>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(3,894)</b>	<b>6,620</b>
<b>Movement in Reserves Statement</b>		
Reverse net charges for retirement benefits in accordance with the Code	(5,667)	4,382
<b>Actual charge to the General Fund Balance in the year</b>		
Employer's contributions payable to the scheme	1,673	1,005

## 31g – Re-measurement impacts in the Other Comprehensive Income & Expenditure Statement

Remeasurement Gains/(Losses)	2019/20 £000s	2020/21 £000s
Experience gains/(losses)	(3,492)	(2,162)
Gains/(losses) on financial assumptions	(2,850)	13,164
Gains/(losses) on demographic assumptions	(3,219)	-
Remeasurement of Liabilities gains/(losses)	(9,561)	11,002
<b>Net Actuarial gains/(losses) in current year</b>	<b>(9,561)</b>	<b>11,002</b>

## 31h – Actual gains and losses on plan assets

The actual gains measured against experience gains/(losses) in the year can be seen in the following table, along with the relevant percentages of period-end assets and liabilities which these values represent:

Actual Gains/(Losses)	2019/20		2020/21	
	£000s	%	£000s	%
Actual Return on Plan Assets	643	0.9%	7,995	10.2%

# Core Financial Statements

## 31i - Actuarial Assumptions

The Borough Council fund liabilities and assets have been assessed by Mercer Human Resource Consulting, an independent firm of actuaries. The main assumptions used in their calculations at the beginning and end of the year are shown below, with an effective date of 31<sup>st</sup> March 2021.

The 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.

Assets in the Lancashire Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion with their expected rates of return at the beginning and end of the year:

Actuarial Assumptions	Beginning of Period %	End of Period %
<b>Duration information as at the end of the accounting period</b>		
Estimated Macaulay duration of liabilities	14 yrs	14 yrs
Duration profile used to determine assumptions	Retired	Retired
<b>Financial Assumptions</b>		
Rate of CPI inflation	2.10%	2.70%
Rate of increase in salaries	3.60%	4.20%
Rate of increase in pensions	2.20%	2.80%
Discount rate	2.40%	2.10%
<b>Post retirement mortality assumptions</b>		
Non-retired members (retiring in the future in normal health)	S3PA CMI_2018_1.75% (110% M, 94% F)	S3PA CMI_2018_1.75% (110% M, 94% F)
Current pensioners (retired in normal health)	S3PA CMI_2018_1.75% (103% M, 91% F)	S3PA CMI_2018_1.75% (103% M, 91% F)
<b>Life expectancy</b>		
of a male (female) future pensioner aged 65 in 20 yrs	23.8 (26.8) yrs	23.9 (26.9) yrs
of a male (female) current pensioner aged 65	22.3 (25) yrs	22.4 (25.1) yrs
<b>Takeup of option to convert annual pension into lump sum at retirement</b>	50% take maximum cash, 50% take 3/80ths cash	
<b>Market value of total fund assets</b>		
	£8,410m	£8,438m
Last actuarial valuation	bid value at	bid value at
31st March 2019	31st March 2020	31st January 2021

## 31j – Sensitivity Analysis of Actuarial Assumptions

Under IFRS the assumptions made by the actuary must be submitted to a sensitivity analysis. Below are the main assumptions used by the actuary and the effects on the pension fund accounts if those assumptions changed.

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Sensitivity analysis based on assumptions as at 31st March 2021	Central Estimates for 2021/22	Sensitivity 1	Sensitivity 2	Sensitivity 3	Sensitivity 4	Sensitivity 5	
		+ 0.1% p.a. discount rate	+ 0.1% p.a. inflation	+ 0.1% p.a. salary inflation	+ 1 yr to member's life expect	change in investment returns	
	£000s	£000s	£000s	£000s	£000s	+1% £000s	-1% £000s
Liabilities	108,200	106,683	109,737	108,315	111,575	108,200	108,200
Assets	(78,052)	(78,052)	(78,052)	(78,052)	(78,052)	(78,844)	(77,260)
Deficit/(Surplus)	30,148	28,631	31,685	30,263	33,523	29,356	30,940
Projected current service cost	1,644	1,602	1,688	1,644	1,698	1,644	1,644
Projected net interest cost	622	618	656	626	694	605	639
Projected Employer contributions	(1,068)	(1,068)	(1,068)	(1,068)	(1,740)		(1,068)

## 31k – Budgeting figures used in the Assumptions

Budgets used in assumptions for following year	2019/20 £000s	2020/21 £000s
<b>Projected Pension cost next year</b>		
Estimated Pay	3,901	4,230
Service Cost (% of pay)	31.0%	38.5%
Implied Service Cost including interest	1,224	1,644
Net Interest Cost	577	622
Administration Expenses	23	25
	<b>1,824</b>	<b>2,291</b>
<b>Projected employer contributions next year</b>		
Normal contributions	(863)	(927)
£ for £ recharges	(146)	(141)
	<b>(1,009)</b>	<b>(1,068)</b>
<b>Projected deficit/(surplus) for operations next year</b>	815	1,223
<b>Projected deficit/(surplus)</b>	24,533	30,148
<b>Projected deficit/(surplus) at end of next year</b>	<b>25,348</b>	<b>31,371</b>

## Note 32 Contingent Assets & Liabilities

### Contingent Assets

There are no known contingent assets.

### Contingent Liabilities

The Council is party to an ongoing claim regarding the empty homes scheme which has the potential to give risk to a liability. However, in order not to prejudice the Council's position, no further details are disclosed.



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Note 33 Cash Flow notes

## Note 33a Reconciliation of Revenue Surplus to Net Cash Flow

Reconciliation of I&E Surplus to Net Cash Flow from revenue activities	RBC	
	31st March 2020 £000s	31st March 2021 £000s
<i>restated</i> *		
<b>Adjustments for non-cash movements</b>		
Depreciation and Impairments	1,040	1,310
Amortisation of Intangible Assets	16	16
Revaluation losses charged to Revenue	4,185	3,302
Carrying amount of non-current assets sold	245	(3,073)
Pension Fund Adjustment	1,363	(247)
<b>Adjustments between accruals and cash accounting</b>		
(Incr)/Decr in Long Term Debtors	280	147
(Incr)/Decr in Inventories	19	-
(Incr)/Decr in Debtors	44	(2,384)
Incr/(Decr) in Creditors	(131)	5,324
Less cash (Outflows)/Inflows from agency operations	150	(1,076)
Incr/(Decr) in Grant Receipts in Advance	(3,079)	-
Incr/(Decr) in Long-term Provisions	415	690
Incr/(Decr) in Pension Fund Prepayment	(1,499)	1,764
<b>Adjust net surplus or deficit on the provision of services for non-cash movements</b>	<b>3,048</b>	<b>5,773</b>
<b>Adjustments for investing and financing activities</b>		
Additions to PPE & intangible assets	(223)	2,350
Proceeds from the sale of PPE	(694)	(2,482)
Other income	(357)	3,236
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>	<b>(1,274)</b>	<b>3,104</b>

## Note 33b Net Change in Liquid Resources

Net change in liquid resources	31 <sup>st</sup> March 2020 £000s	31 <sup>st</sup> March 2021 £000s	Movement £000s
Cash in Hand	1	1	-
Cash at Bank	6,103	7,949	1,846
<b>Net Book Value at 31st March</b>	<b>6,104</b>	<b>7,950</b>	<b>1,846</b>

# Core Financial Statements

## Note 34 Accounting Policies

### 1. Accounting Concepts & Principles

This Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the end of the year of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which required the Accounts to be prepared in accordance with the proper accounting practices. These practices are primarily comprised of the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) supported by International Financial Reporting Standards (IFRS).

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

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

### 2. Revenue Recognition

Revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring goods or a service to the service recipient. Revenue is measured as the amount of the transaction price which is allocated to that performance obligation. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

### 3. Accruals of Income & Expenditure

The financial statements have been prepared on an accruals basis for all transactions and balances. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

Where income 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.

### 4. Employee Benefits

The code has interpreted IAS 19 *Employee Benefits* and confirmed that local authorities should account for:

- benefits payable during employment,
- termination benefits
- post-employment benefits
- pension fund accounts

**Benefits Payable During Employment Short-term** - employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave, flexi and time off in lieu (TOIL) as well as bonuses and non-monetary benefits (e.g. mobile phones) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

**Employee Accumulated Absence Accrual** - 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 current accounting year. 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 the financial year in which the holiday entitlement occurs.

## Core Financial Statements

**Termination benefits** - are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant services lines in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for 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 Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

**Post-Employment Benefits** - Employees of the Council are eligible to join the Local Government Pension Scheme, administered by Lancashire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. Retirement benefits are determined independently of scheme investments and the Council must contribute to any deficit where assets are insufficient to meet retirement benefits.

**Pension Fund** - The Local Government Scheme is accounted for as a defined benefits scheme:

- the liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of earnings for current employees. Liabilities are discounted to their value at current prices, using a real discount rate of 2.4% (2.4% 2019/20) determined by reference to market yields at the balance sheet date based on high quality corporate bonds
- the assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value.

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

- 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
- net interest on the net defined benefit liability, i.e. net interest expense for the Council. This is the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement
- re-measurements comprising:
  - the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and,
  - actuarial gains and losses. Due to 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. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the pension fund. This is cash paid to the pension fund in settlement of liabilities.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund, not the amount calculated according to the relevant accounting standards. This means that there are transfers in the Movement in Reserves Statement to remove the

## Core Financial Statements

notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable, but unpaid at the year end.

The Council 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 a 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.

### 5. Interest

Interest paid on external borrowings is accrued in the accounts of the period to which it relates and interest earned on the external investment of surplus funds is credited to the General Fund using the effective interest method as set out in the Code.

### 6. Value Added Tax

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

### 7. Principal and Agent transactions

Where an authority is acting as a principal, transactions shall be included in the authority's financial statements. However, where authorities act as agents transactions shall not be reflected in an authority's financial statements, with the exception in respect of cash collected or expenditure incurred by the agent on behalf of the principal, in which case there is a debtor or creditor position and the net cash position is included in financing activities in the Cash flow Statement. This Council acts as an agent for the collection of council tax and non-domestic rating income.

### 8. Tax Income (National Non-Domestic Rates (NNDR) and Council Tax)

NNDR and Council Tax income included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income and will be recognised in the Comprehensive Income and Expenditure Statement within the Taxation and Non-Specific Grant Income line.

As a Billing Authority, the difference between the NNDR and Council Tax 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 reported in the Movement in Reserves Statement.

NNDR and Council Tax income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council, and the amount of revenue can be measured reliably.

Revenue relating to NNDR and Council Tax is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

### 9. 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.. These assets are further classified as follows:

- Operational land and buildings,
- Operational plant, furniture, equipment, and motor vehicles.
- Infrastructural assets which are the fixed utility systems, and
- Community assets.

# Core Financial Statements

- Surplus assets – held for future regeneration opportunities

## *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 Council will receive future economic benefits or service potential associated with the item. This excludes expenditure on routine repairs and maintenance of property, plant or equipment which is charged direct to service revenue accounts.

Capital expenditure is initially added to the value of an asset but if that is not considered to be the case it is classed as impairment.

## *Measurement*

Non-current assets are valued on the basis recommended by the Chartered Institute of Public Finance & Accountancy (CIPFA) and in accordance with the Valuation Standards 6th Edition issued by The Royal Institute of Chartered Surveyors (RICS). Non-current assets are classified into the groupings required by the Code of Practice on Local Authority Accounting.

Assets are initially measured at cost, comprising:

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

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

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

## *Revaluation*

Revaluations of fixed assets are undertaken by professionally qualified valuers on a five year rolling basis. Any unrealised gains on revaluation are shown in the Comprehensive Income & Expenditure Statement then removed in the Movement in Reserves Statement to the Revaluation Reserve on the Balance Sheet.

Revaluation gains are depreciated in line with the asset to which they relate. Future revaluation losses are matched against any balance in the Revaluation Reserve in the first instance on a strict per-asset basis, with the remaining balance being transferred to the Capital Adjustment Account.

## *Impairment*

An impairment review is undertaken at the end of each accounting period and material changes to asset valuations are adjusted as they occur. Impairment loss on a re-valued asset is recognised in the Revaluation Reserve to the extent that the impairment does not exceed the balance in the Revaluation Reserve for that asset and thereafter as a cost to the provision of services in the Comprehensive Income & Expenditure Statement.

However, the Code stipulates that impairments do not impact on the council tax, therefore the charge is reversed out through the Movement in Reserves Statement to the Capital Adjustment Account.

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

### Depreciation

Depreciation is provided for on all property, plant and equipment 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).

Infrastructure, community assets and surplus non-operational assets are not depreciated each year but measured at historical cost.

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
- Infrastructure – straight-line allocation as advised by a suitable qualified officer

Newly acquired assets are depreciated the year following 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 the assets.

### Component Accounting

Where the asset comprises two or more major components with substantially different useful economic lives, each component should be accounted for separately for depreciation purposes and depreciated over its individual useful life. Componentisation elements are considered as assets are professionally revalued within the 5-year rolling programme.

## 10. Heritage Assets

Heritage Assets are:

- Tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities which are held and maintained principally for their contribution to knowledge and culture.
- Intangible heritage assets with cultural, environmental or historical significance, such as recordings of significant historical events

For Rosendale Borough Council Heritage Assets include the Panopticon in Haslingden and the war memorials across the borough as well as civic regalia and exhibits at Whittaker Park Museum.

Where heritage assets are purchased or costs capitalised, these assets are now valued on a historic cost basis. This has occurred in examples such as the creation of the Panopticon. However, for historic assets where it is not possible to obtain a cost value commensurate with the benefit to users of the financial statements, the Council is entitled to use any method it deems appropriate and relevant. For the exhibits at Whittaker Park Museum the latest insurance values have been used as an approximation for the asset value.

Depreciation or amortization is not required on heritage assets which have indefinite lives. However, the carrying amount of such assets is reviewed regularly to ensure that they have not suffered any physical deterioration, which would be treated as an impairment.

## 11. Investment Properties

investment properties are those that are used solely to earn rentals or for capital appreciation, or both. This Council has one piece of land which meets the definition of an Investment Property.

Investment properties are initially measured at cost. After initial recognition they are measured at fair value. The fair value reflects market conditions at the Balance Sheet date. A gain or loss arising from a

## Core Financial Statements

change in the fair value of investment property is recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

Investment properties are not depreciated, but are re-valued annually according to market conditions.

An investment property is derecognised on disposal. Gains or losses arising from the disposal are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

Revaluation and disposal gains and losses are reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

### 12. Intangible Assets

Intangible Assets are assets that do not have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis (e.g. software licences). They are controlled by the Council as a result of past events and future economic or service benefits flow to the Council from intangible assets. These assets are capitalised at cost and amortised (depreciated) to the relevant revenue service over their economic lives. This amortisation is then reversed out in the Movement in Reserves Statement and a transfer is made to the Capital Adjustment Account. An intangible asset is derecognised on disposal. The gains or losses arising from the disposal are recognised in the Surplus / Deficit on the Provision of Services.

### 13. Surplus Assets and Assets Held for Sale

When it becomes evident that the carrying amount of an asset will be recovered principally through a sale rather than its continued use, it can be reclassified as an asset held for sale. An asset can only be classed as held for sale if it is available for immediate sale in its present condition, the sale must be highly probable, it is being actively marketed and the sale should be expected to be completed within one year of its original classification. When events or circumstances extend the period beyond one year and there is sufficient evidence that the Council remains committed to the sale of the assets they are classified as long term assets held for sale.

Assets held for sale are held at the lower of the carrying amount and the fair value less cost to sell. If this results in a loss in value the loss is posted to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous loss recognised in the Surplus/Deficit on the Provision of Services. Depreciation is not charged on assets held for sale.

If these assets no longer meet the classification of 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.

### 14. Leases

**Finance 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.

There are no finance leases within the Council where the Council acts as either Lessee or Lessor.

#### *Operating Leases*

## Core Financial Statements

*Lessee* - Rental income paid under operating leases is treated as a revenue transaction and is charged to the relevant service expenditure in the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

*Lessor* - Rental Income from operating leases is recognised on a straight line basis over the lease period and is shown in the Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Assets held for use as operating leases are recorded on the Council's Balance Sheet.

### 15. Revenue Expenditure funded from Capital under Statute

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure of a capital nature that does not result in the creation of a non-current asset on the Balance Sheet. These are generally grants and expenditure on assets not owned by the Council.

Expenditure is charged to the Surplus/Deficit on the Provision of Services as the expenditure is incurred. This is reversed out through the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

Grants receivable in relation to REFCUS are accounted for as revenue grants in the Comprehensive Income and Expenditure Statement, even if described as capital grants by the giver of the grant. Grant income is posted to the service(s) that the qualifying expenditure is charged to.

### 16. Government Grants and Other Contributions

Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council 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 or taxation and non-specific grant income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has 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.

### 17. Capital Receipts

Amounts to be treated as capital receipts are defined by statute and usually arise from disposal of an interest in a fixed asset. Any difference between the receipt value and the carrying value of the asset in the balance sheet at the time of disposal is shown in the Comprehensive Income & Expenditure Statement as a gain or loss on disposal.

However, some statutorily defined capital receipts do not arise from the disposal of an interest in a fixed asset and as such are treated separately in the Comprehensive Income and Expenditure Statement as 'Other Income'.



## Core Financial Statements

Capital receipts are not attributable to the General Fund Balance and are therefore transferred to the Useable Capital Receipts Reserve in the Movement in Reserves Statement.

### 18. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits available on demand. Cash equivalents are short-term (three months or less) highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

### 19. Short-term Investments

Short-term investments are those with a life of between 3 months and 1 year at the Balance Sheet date and are shown in the Balance Sheet at amortised cost.

### 20. Long-term Investments

Long-term investments are those with a remaining life of more than 1 year at the Balance Sheet date and are shown in the Balance Sheet at fair value.

### 21. 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 First in First out (FIFO) or Average (AVCO) (for vehicle fuel) costing formulas. Long term contracts are accounted for on the basis of charging the Surplus/ Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

### 22. Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, for which a reliable estimate can be made of the amount of the obligation. Provisions are a charge to the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

### 23. Contingent Liabilities

A contingent liability is either:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or
- (b) a present obligation that arises from past events but is not recognised because:(i) it is not probable that a transfer of economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability.

A material contingent liability is not recognised within the accounts as an item of expenditure. It is, however, it is disclosed in a note to the accounts.

### 24. Contingent Assets

A contingent asset arises where an event has taken place that gives the Council 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 Council.

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.

# Core Financial Statements

## 25. Reserves

Reserves are classified as either 'usable' (identified and maintained for specific future purposes and contingencies and include General Fund reserve, Earmarked reserve and Usable Capital Receipts reserve) or 'unusable' (kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council) – these reserves are explained in the relevant policies.

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

## 26. Minimum Revenue Provision (MRP)

In accordance with the requirements of the Local Government and Housing Act 1989, the authority is required to set aside a minimum revenue provision for repayment of debt. Minimum Revenue Provision is a charge to the cost of services in the Comprehensive Income & Expenditure Statement. The Council calculates MRP to match the life of the asset.

## 27. Financial Instruments

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

### *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 comprise:

- long-term loans from the Public Works Loan Board;
- trade payables for goods and services received.

### *Financial Assets*

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or another 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 the following classifications:

(i) Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising:

- cash in hand
- bank current and deposit accounts
- fixed term deposits with banks and building societies
- loans to other local authorities
- treasury bills and gilts issued by the UK government
- debtors for goods and services provided

(ii) Fair value through profit and loss (all other financial assets) comprising:

- money market funds

## Core Financial Statements

- pooled bond funds

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. 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.

Financial assets that are measured at Fair Value through Profit or Loss are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. Any changes in the fair value of instruments held at fair value through profit or loss will be recognised in the net cost of services in the CIES and will have a General Fund impact.

### (iii) Expected Credit Loss Model

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

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.

## 28. Fair Value

The Council measures some of its non-financial assets, such as surplus assets and investment properties and some of its financial instruments, 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:

- a) in the principal market for the asset or liability, or
- b) 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 using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act 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 valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

# Core Financial Statements

## 29. Prior Period Adjustments

Prior period adjustments are material adjustments applicable to prior years arising from changes in accounting policies or estimates or from the correction of fundamental errors. The Code requires that the financial statements should disclose, where practicable the nature of the change in policy and the impact of any adjustment on the preceding accounting period where practicable. Where this is not practicable, the fact this is so and the reasons for it should be disclosed.

## 30. Events after the Balance Sheet date

Local authorities are required to account for events, both favourable and unfavourable, which occur between the end of the reporting period and the date when the financial statements are authorised for issue in accordance with IAS 10 *Events after the Reporting Period* and IPSAS 14 *Events after the Reporting Date*. Two types of events can be identified:

- Adjusting Events - where events arising after the balance sheet date provide additional evidence of conditions that existed at the balance sheet date and are of a material nature the amounts should be reflected in the Core Statements.
- Non-adjusting Events – events which arise after the balance sheet date and concern conditions which did not exist at that time should be detailed in Notes to the Core Statements if they are of such materiality that their disclosure is required for the fair presentation of the financial statements, rather than reflected in the Core Statements.

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



## Core Financial Statements

### **Note 35 Accounting Standards Issued, but not yet adopted**

The Council is required to disclose the impact on an accounting change required by a new accounting standard that has been issued on or before 1 January but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

The 2021/22 Code will introduce the following amendments:

- Amendments to International Financial Reporting Standard (IFRS) 3 - Business combinations : definition of a business
- Interest rate benchmark reform - Amendments to IFRS 9, International Accounting Standard (IAS) 39 and IFRS 7 - Interest rate benchmark reform
- Interest rate benchmark reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

These changes are not anticipated to impact on the Council's accounts.

#### Future Accounting Changes

IFRS 16 Leases will lead to a substantial change in accounting practice for lessees, the current distinction between finance and operating leases will be removed. Instead, lessees are required to recognise assets and liabilities for all leases i.e. the lessee will recognise a right-of-use asset representing its right to use the leased asset; and a lease liability representing the lessee's obligation to make lease payments for the asset.

Lessees will have a single accounting model for all leases with two exemptions:

- Low-value assets
- Short term leases (lease term of 12 months or less)

The implementation of IFRS 16 Leases has been deferred until 1 April 2023. The council is currently reviewing its leases to assess the impact of the change.

### **Note 36 Critical judgements in applying accounting policies**

In applying the accounting policies set out in Note 36, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in preparing this Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. The 2020/21 Settlement is for one year only. Beyond that, the outcome of the proposed spending review and the impact of the changes to the Business Rate Retention scheme are unknown, also the impact of the decision to leave the European Union remains unclear. In addition the global coronavirus pandemic has further increased the levels of uncertainty. The Council is recording and forecasting all additional expenditure incurred in its COVID19 response and monitoring the resulting loss of income. Government funding has been provided but, as the pandemic continues to unfold, it is unclear whether this funding will be sufficient to cover all costs and income losses.
- Estimates for depreciation of assets in any one year depend upon the forecast life of the assets. The asset life of buildings is determined by a qualified valuer at each revaluation date and in the case of vehicles, equipment and intangible assets by Council staff.
- Estimates for impairment of assets are performed by the Council's qualified valuer at the end of each year to reflect any abnormal changes in property values between full formal reviews within the 5-year rolling revaluation programme.

## Core Financial Statements

- Provision for the potential cost of Non-Domestic Rating appeal refunds has been based upon appeals lodged with the Valuation Office at the 31<sup>st</sup> March and an assumed level of successful appeals based upon historical data. Officers deemed that the balance on the Provision at the 31<sup>st</sup> March 2020 was sufficient to cover the reduced value of outstanding appeals.

### Note 37 Events after the Balance Sheet date

This DRAFT Statement of Accounts was authorised for release by the Chief Finance Officer on 20<sup>th</sup> June 2023. Events taking place after this date are not reflected in the financial statement or notes. Where events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

#### Covid 19

The Council's focus during the period from the commencement of the COVID-19 outbreak has been to ensure that our residents and businesses are protected as much as possible from the impact of COVID-19.

The Government has provided the Council with funding to assist with any additional expenditure or loss of income the Council incurs. The Government has also supported businesses through additional rate reliefs, these reliefs are being fully funded through to Rosendale Borough Council.

The Council has assessed the short term impact of initial measures on its cash flow and at present the Council has sufficient cash balances to fund these. If required temporary borrowing arrangements will be put in place. The Council is also regularly providing feedback to Government on the measures that are being taken and the financial impact on the Council of COVID-19.

Staff availability has remained strong through the home-working and flexible working arrangements that are in place and regular business continuity updates have ensured that core services continue to be delivered effectively.

The Council quickly established a Community Support Hub with partners to ensure the effective working with our communities to assist those most in need.

The Council has some reserves which could be deployed to fund costs not met by Central Government, however the funding supplied so far will be sufficient for the short to medium term. The savings programme for 2019-20 will not be impacted and programmes in place for 2020-21 will be rigorously monitored to assess for any underlying impacts due to COVID-19, though none of these are expected to be material to financial statements.

The global pandemic has resulted in an unprecedented set of circumstances on which to base the various judgements reflected in the 2019/20 accounting statements, including valuations for the Council's property and financial assets, and its share of the Pension Fund assets and liabilities. Although these judgements have been reflected in the 2019/20 accounts, as the pandemic continues, the effects have the potential to impact these judgements further in future years.

# Core Financial Statements

## Note 38 Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Council’s Balance Sheet at 31<sup>st</sup> March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	The Council's fixed assets are valued on the balance sheet in accordance with the statement of asset valuation principles and guidance notes issued by the Royal Institute of Chartered Surveyors (RICS). The Council carries out a rolling programme that ensures all Plant, Property and Equipment required to be measured at fair value is revalued within a five year cycle. All assets reviewed had a valuation date of 1 April 2020. Any material changes after the valuation date have been accounted for.	The Council's property assets that are vulnerable to uncertainty are those valued under Current Value and Fair Value. There is the possibility that these values may change and as an illustration a 1% variation in these valuations could affect the assets values by £274k. The Council will continue to review their current valuation programme and reflect any changes in future valuation reports.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns in pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions have been included in detail within Note 33.
Business Rates - NNDR	Since the introduction of the Business Rates Retention Scheme effective 1 April 2013, Local Authorities are liable for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. A provision has been recognised for these liabilities up to and including 31 March 2021. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals and with support from LG Futures. The costs will be shared between Central Government, Rosendale Borough Council, Lancashire County Council and Lancashire Combined Fire Authority.	The Council's share of the business rate appeals provision is £1.536m, this has increased by £0.792m from the previous year. The increase is to endure there is enough funding to cover estimated appeals.

## Core Financial Statements

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate collection fund. The statement below 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.

COLLECTION FUND	2019/20		2020/21	
	Council Tax £000	Business £000	Council Tax £000	Business £000
<b>Income</b>				
Council Tax	39,475	-	40,949	-
Non Domestic Rates	-	12,909	-	7,555
	<b>39,475</b>	<b>12,909</b>	<b>40,949</b>	<b>7,555</b>
<b>Expenditure</b>				
Precepts paid out				
Lancashire County Council	27,465	2,124	28,896	1,101
Rosendale Borough Council	5,645	6,797	5,826	4,894
Rosendale Borough Council - renewable energy	-	168	-	173
Lancashire Police Authority	4,109	-	4,363	-
Lancashire Fire Authority	1,417	182	1,462	122
Other costs and provisions				
Payment to Central Government	-	37	-	115
Payment to Lancashire Business Rates Pool	-	3,035	-	6,118
Provisions for Rating Appeals	-	-	-	1,981
Impairment of Debts	390	106	841	592
Cost of Collection Allowance	-	97	-	97
	<b>39,026</b>	<b>12,546</b>	<b>41,388</b>	<b>15,193</b>
<b>Surplus / (deficit) Council Tax</b>	<b>449</b>	<b>363</b>	<b>(439)</b>	<b>(7,638)</b>

### Collection Fund Note 1 Surplus/(deficit) apportionment to the major Preceptors

The table below shows how the surplus/(deficit) on the Collection Fund is distributed across the major preceptors on an agency basis each year.

Apportionment of in-year surplus/(deficit) to major preceptors		2019/20		2020/21	
		Council Tax £000	Business £000	Council Tax £000	Business £000
<b>Preceptor</b>	Lancashire Business Rates Pool	-	91	-	(3,958)
	Lancashire County Council	320	64	(313)	(640)
	Rosendale Borough Council	65	203	(63)	(2,967)
	Lancashire Police Authority	48	-	(47)	-
	Lancashire Fire Authority	16	5	(16)	(73)
	<b>Surplus/(deficit) for the year</b>	<b>449</b>	<b>363</b>	<b>(439)</b>	<b>(7,638)</b>



# Collection Fund

## Collection Fund Note 2 Council Tax Base

Council Tax derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base i.e. the equivalent number of Band D dwellings.

The basic amount of Council Tax for a Band D property rose in 2020/21 from £1,891.64 to £1,962.20 following increases by all preceptors.

The council tax base has been calculated as follows:-

Band	Ratio to Band D	Total No. Properties	Total equiv No. after Discounts & Exemptions	2020/21 Band D Equivalent	2019/20 Band D Equivalent
Special	5/9		59.8	33.2	25.2
A	6/9	16,292	14,025.0	9,350.0	7,318.6
B	7/9	5,027	4,549.0	3,538.1	3,176.5
C	8/9	4,264	3,911.5	3,476.9	3,287.5
D	1	3,386	3,162.5	3,162.5	3,069.2
E	11/9	1,971	1,875.0	2,291.7	2,237.0
F	13/9	685	650.5	939.6	899.5
G	15/9	443	411.5	685.8	675.7
H	2	39	27.3	54.5	49.5
		<b>32,107</b>	<b>28,672.1</b>	<b>23,532.3</b>	<b>20,738.7</b>
Less adjustments for anticipated changes to the base and losses on collection				-2,897.3	-342.7
<b>Band D equivalent number of properties</b>				<b>20,635.0</b>	<b>20,396.0</b>

## Collection Fund Note 3 Provision for Rating Appeals

Provision for Rating Appeals	2019/20		2020/21	
	Council Tax £000s	Business Rates £000s	Council Tax £000s	Business Rates £000s
Balance as 1st April	-	1,859	-	1,859
Provision made in year	-	-	-	1,981
Provision utilised in year	-	-	-	-
<b>Balance at 31st March</b>	<b>-</b>	<b>1,859</b>	<b>-</b>	<b>3,840</b>
<b>Balance at 31st March - Rosendale only</b>	<b>-</b>	<b>744</b>	<b>-</b>	<b>1,536</b>

## Collection Fund Note 4 Provision for Bad Debts

Bad Debts Provision	2019/20		2020/21	
	Council Tax £000s	Business Rates £000s	Council Tax £000s	Business Rates £000s
Balance as 1st April	3,297	1,114	3,331	1,181
Provision made in year	390	106	841	591
Debts written off	(356)	(39)	(72)	(1)
<b>Balance at 31st March</b>	<b>3,331</b>	<b>1,181</b>	<b>4,100</b>	<b>1,771</b>
<b>Balance at 31st March - Rosendale only</b>	<b>479</b>	<b>661</b>	<b>479</b>	<b>661</b>

# Glossary

## Collection Fund Note 5 National Non-Domestic Rates (NNDR)

Under the current Business Rate model Rossendale Borough Council retain 40% of the business rates collected locally. Since 1<sup>st</sup> April 2016 Rossendale Borough Council has been a member of the Lancashire Business Rates Pool. For 2020/21 the Lancashire Pool. The tariff payment into the Pool for 2020/21 was £2,714k (in 2019/20 this was £3,035k).

Non-domestic rates are organized on a national basis. Central Government specifies an amount (50.4p in 2019/20 and 51.2p in 2020/21) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying the rateable value of their property by that amount. The rateable value for business premises in Rossendale decreased to £36,084k by March 2021, down from £36,335k in March 2020.

Since 2016/17 Rossendale Borough Council is entitled to keep 100% of the business rates from renewable energy installations. In 2020/21 renewable energy element of the business rates scheme was £173k, compared to £168k in 2019/20.

The net business rates collected within Rossendale in cash terms (before provision for bad debts and appeals) were £7,555k compared with £13,172k in 2019/20, this is mainly due to the extended retail relief awarded to support businesses during the Covid19 pandemic, which were held outside the collection fund.

## Collection Fund Note 6 Council Tax for all Precepting Bodies 2020/21

Precepting Bodies	2019/20	Change	2020/21							
	Band D		Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£		£	£	£	£	£	£	£	£
Rosendale	274.12	1.99%	186.38	217.44	248.51	279.57	341.70	403.82	465.95	559.14
LCC	1,250.89	1.99%	851.80	993.76	1,135.73	1,277.69	1,561.62	1,845.55	2,129.49	2,555.38
LCC - Adult Social	95.70	2.00%	81.75	95.38	109.00	122.63	149.88	177.13	204.38	245.26
Fire	69.48	1.99%	47.24	55.11	62.99	70.86	86.61	102.35	118.10	141.72
Police	201.45	4.96%	140.97	164.46	187.96	211.45	258.44	305.43	352.42	422.90
<b>Total (excl parish)</b>	<b>1,891.64</b>	<b>3.73%</b>	<b>1,308.14</b>	<b>1,526.15</b>	<b>1,744.19</b>	<b>1,962.20</b>	<b>2,398.25</b>	<b>2,834.28</b>	<b>3,270.34</b>	<b>3,924.40</b>
Whitworth Parish	24.10	3.99%	17.21	20.07	22.94	25.81	31.55	37.28	43.02	51.62
<b>Total (incl parish)</b>	<b>1,915.74</b>	<b>4.72%</b>	<b>1,325.35</b>	<b>1,546.22</b>	<b>1,767.13</b>	<b>1,988.01</b>	<b>2,429.80</b>	<b>2,871.56</b>	<b>3,313.36</b>	<b>3,976.02</b>



## Collection Fund

**Accounting Policies** - The rules and practices adopted that determine how transactions and other events are reflected in financial statements

**Accruals** - The concept is that income is recorded when it is earned rather than when it is received and expenses are recorded when goods or services are received rather than when the payment is made.

**Agency Services** - Services provided by the Council, as an agent on behalf of the responsible body, where the principal reimburses the Council for the cost of the work carried out.

**Auditor's Opinion** - The opinion required by statute from the Council's external auditors, indicating whether the statement of accounts presents a true and fair view of the financial position of the authority.

**Budget** - A statement of the Council's spending plans for revenue and capital expenditure over a specified period of time.

**Business Rates** - From the 1<sup>st</sup> April 2013 non-domestic rates, or Business Rates, were localised. In the past all business rates were collected locally but then paid over to central government and each authority was paid a share of the national pool based upon their population and circumstances.

**Capital expenditure** - Spending on the acquisition or maintenance of assets either directly by the Council or indirectly in the form of grants to other persons or bodies. Section 40 of the Local Government and Housing Act 1989 defines 'expenditure for capital purposes'. Expenditure that does not fall within the definition must be charged to a revenue account.

**Capital Receipts** - Proceeds from the sale of fixed assets, such as land or buildings, or the repayment of capital grants or advances.

**Chartered Institute of Public Finance and Accountancy (CIPFA)** - CIPFA is one of the leading professional accountancy bodies in the UK and the only one which specialises in the public sector. It is responsible for the education and training of professional accountants and for their regulation through the setting and monitoring of professional standards. Uniquely among the professional accountancy bodies in the UK, CIPFA has responsibility for setting accounting standards for a significant part of the economy, namely local government.

**Code of Practice on Local Authority Accounting (the Code)** - The Code incorporates guidance in line with International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS). It sets out the proper accounting practice to be adopted for the statement of accounts to ensure they give a 'true and fair' view of the financial position, financial performance and cash flows of the Council.

**Collection Fund** - The Collection Fund is a separate statutory fund which Billing Authorities have to maintain. It shows the transactions in relation to collection from taxpayers of National Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to Precepting Authorities and the General Fund.





## Glossary

**Collection Fund Adjustment Account** - Holds that portion of the Collection Fund cumulative balance attributable solely to Rosendale Borough Council.

**Community Assets** - Assets that the Council 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.

**Department for Levelling Up, Housing and Communities (DLUHC)** - The Department for Levelling Up, Housing and Communities, formerly the Ministry for Housing, Communities and Local Government, is the Government department responsible for housing, communities, local government in England and the levelling up policy

**Creditor** - An amount owed by the Council for goods received, or services rendered to it within the accounting period, but for which payment has not been made.

**Debtor** - An amount of income due to the Council within the accounting period but not received at the balance sheet date.

**Deferred capital receipts** - Capital receipts to be received by instalments over agreed periods of time.

**Depreciation** - The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset.

**DWP** - The Department of Work and Pensions funds the Housing and Council Tax Benefits payable to borough residents and also funds the administration of those benefits.

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

**Events after the Balance Sheet Date** - These are events, favourable or adverse, that occur between the Balance Sheet date and the date when the Statement of Accounts are authorised for issue.

**External Audit** - The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

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

**Financial instruments** - Financial instruments are cash, evidence of an ownership interest in an entity, or a contractual right to receive, or deliver, cash or another financial instrument. Financial instruments can refer to both receivables (including debtors and other investments) and payables (including creditors and other liabilities or borrowings).

**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 Council, specific Government and other grants and receipts from the Collection Fund.

**Governance Framework** - Authorities have a responsibility to ensure that their 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 governance framework comprises the systems and processes, and culture and values by which the Council is directed and controlled and its activities through which it accounts to and engages with and leads the community.

## Glossary

The principles of this framework were laid down by the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government.

**Heritage Assets** - These assets are held due to their historical, artistic, scientific, technological, geophysical or environmental qualities. They are intended to be preserved in trust for future generations, which are held and maintained for its contribution to knowledge and culture.

**Impairment** - A measure of abnormal consumption of the economic benefit of an asset over and above the normal annual depreciation.

**Infrastructure assets** - 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** - Intangible assets are non-financial assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights, such as software. Intangible assets are capitalised at cost and depreciated to the revenue account over their useful economic life.

**Internal Borrowing** - Whilst capital resources cannot be used to fund revenue works, revenue reserves can be used to support the costs of capital projects, either permanently, or temporarily. Temporary revenue funding is known as Internal Borrowing and these funds are repaid over the life of the asset in a process called the Minimum Revenue Provision (MRP). When the Council has the revenue reserves to do this it is usually a cheaper option than external borrowing.

**Joint Venture** - A joint venture is a joint arrangement whereby the parties who have joint control of the arrangement have rights to the net assets of the arrangement.

**Leasing** - A method of utilising assets where a rental charge is paid for a specified period of time, instead of outright purchase.

**Loans outstanding** - The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the balance sheet date.

**Materiality** - Materiality is a concept within auditing and accounting relating to the importance of an amount, transaction, or discrepancy. Information is material if its omission or misstatement could influence the economic decision of users taken on the basis of the financial statements and depends on the size of the item or the particular circumstances of its omission or misstatement.

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

**National non-domestic rates (NNDR)** – NNDR 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.



## Glossary

**Net book value** - The amount at which assets are included in the balance sheet, i.e. their historical cost of current value, less the cumulative amounts provided for depreciation.

**Operational assets** - Assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

**Precept** - The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council Tax payers on their behalf, for example Lancashire County Council is a precepting authority which requires Rossendale Borough Council to collect an amount from each householder within the borough.

**Prior Period Adjustment** - Prior period adjustments are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

**Provision** - An amount set aside in the accounts for liabilities which are likely or certain to be incurred but the exact amount and dates are not currently known.

**Public Works Loan Board (PWLB)** - An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities

**Related Parties** - Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, and all senior officers. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

**Reserve** - 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.

**Revenue Expenditure Funded from Capital under Statute (REFCUS)** - Expenditure that does not result in creation of a non-current asset, but can be classified as capital for funding purposes. Such expenditure is charged to the Comprehensive Income and Expenditure Statement and an adjustment made in the Movement in Reserves Statement to enable the expenditure to be funded from capital resources rather than impact on the Council Tax. Examples include works on property owned by other parties, renovation grants and capital grants to other organisations.



# **Unaudited**

## **Statement of Accounts 2021/22**

As at 28 September 2023



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## Introduction

2021/22 was in many ways challenging, the Covid pandemic was unprecedented in terms of the disruption to everyday life in the Borough. Throughout the year the Council continued to support local businesses and residents impacted by the pandemic. The focus has now switched to economic recovery and responding to the Cost of Living crisis, which has seen the cost of energy, fuel and food rise far in excess of rises in wage levels.

Events of the last two years have had a significant impact on the Council itself, in terms of flexible working arrangements and the more customer focused approach which has been adopted. The pandemic has changed the world we operate in and its impact will continue to influence our lives for many years to come.

For a number of years the Council has continued to reduce its net revenue expenditure in line with its own efficiency agenda and diminishing Government funding.

Alongside this, the Council has continued to pursue its ambitious agenda, of delivering the Futures Park Plot developments, progressing our Bacup Historic England project and both the Whitaker and Haslingden 2040 National Lottery Heritage projects, along with other key areas of work such as progressing the Climate Change agenda.

Despite the difficult budget decisions Members have had to make in recent years, the Council is still delivering high-quality frontline services to Rosendale's residents. Ambitions remain high and we are proud to serve the borough, and of the services we, alongside partners, continue to deliver.

This Statement of Accounts for the year ended 31st March 2022 has been prepared and published in accordance with the Code of Practice on Local Authority Accounting 2021/22, issued by the Chartered Institute of Public Finance and Accountancy and the Accounts and Audit Regulations 2015.

The accounting policies adopted by the Council comply with the relevant recommended accounting practices and the latest revisions to these from 1 April 2021. There have been no major changes in the Council's statutory functions during the year.



# Audit Report



# Audit Report



# Audit Report



# Audit Report



# Narrative Report

## Introduction by the Head of Finance

The accounts for 2021/22 reflect the ongoing impact the pandemic has had on the activities the Council has undertaken during the year and the impact on its finances. The financial pressures of the increased and new activity were again supported by additional Government grant funding and this has had an impact on the outturn for the year. In its wide ranging response to the pandemic in 2021/22 the Council continued the delivery of Government initiatives such as the administration of:

- Business Rate Reliefs and the payment of grants to support businesses impacted by COVID-19
- Test and Trace support payments to provide financial assistance to those force to self-isolate

## Rosendale – geography, economy and our priorities for 2021/22

Rosendale is an authority in East Lancashire that covers 138 square kilometres and has 14 electoral wards.

Rosendale is a proud valley area with a rich industrial heritage, filled with friendly and welcoming communities in a number of vibrant market towns and villages.

Rosendale is a distinctive part of East Lancashire with its dramatic scenery, rich heritage and characterful features.

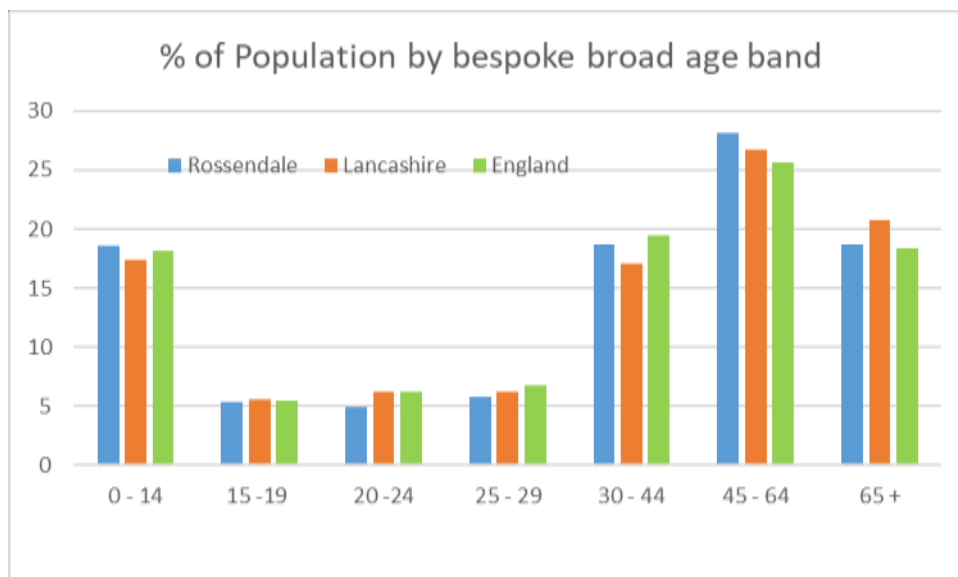
Sitting on the western slopes of the Pennines Rosendale is well connected to Lancashire, Greater Manchester and West Yorkshire.



## Our Vision: Rosendale, a place where people want to live, visit, work and invest

### Our people:

The latest population estimate for the Rosendale area is c71,000. The age demographic make-up of the population compared with Lancashire and England is shown in the table below:-



The population of Rosendale is growing and it is estimated that between 2018 and 2043 the population will increase by 12.6%, being the fourth highest increase in the Lancashire area.



# Narrative Report

## Housing:

There are c32,200 dwellings in the borough, 85% of which were owner occupied or private rented. In common with other East Lancashire authorities, Rossendale has a high proportion of its housing stock in the lowest category 'A' council tax band, almost 51% and in 2021 around 3.3% of dwellings were vacant.

A total of 14.6% of Rossendale households were in fuel poverty in 2020 compared to the England average of 13.2%. The main factors that determine this are the energy efficiency status of the property, the cost of energy, and household income. The 2019 national indices of deprivation revealed that Rossendale was the 91<sup>st</sup> most deprived area out of the 317 districts and unitary authorities in England.

## Our businesses:

As in most places, the manufacturing sector has shed jobs over the years whilst the service sector has grown to become a far greater source of employee jobs. However there still continues to be a bias towards a larger proportion of employees in the manufacturing sector in Lancashire and Rossendale, than is the national norm and a lower proportion of jobs in the service sector. Rossendale does, however, maintain a relatively high percentage of private-sector jobs. In 2022 there were 2,650 active enterprises in Rossendale, slightly fewer than in 2021, the reason for this is unrecorded. The most recent local companies to win a Queen's Award for Enterprise, namely Slingco Ltd in Bacup and Orthoplastics Ltd in Bacup.

## Our area:

Though Rossendale is not served by the main railway network it does have excellent road links with the M66 heading south to Greater Manchester and the M62 corridor over the Pennines and the M65 heading west to link up with the M6. The 2011 census figures on commuter flows revealed that only 40.3% of Rossendale residents work within the borough and over 10% of working residents commute between 20 and 30 kilometres, the highest percentage in Lancashire and well above regional and national averages.

Lancashire has over 8,000 hectares of common land (1.5% of the nation's total) and Rossendale is one of the three boroughs which account for a significant proportion of this total. Rossendale has 23.0% of its land designated as green belt, safeguarding our countryside and preserving the character of our historic towns. This also contributes to maintaining our air quality, which is better than the county and national averages.

## Priority A: Thriving Local Economy

The nature of the local economy continues to change and we will be playing an active role in creating the right conditions for local businesses to thrive. We will continue to grow the local economy, attracting businesses to our employment sites

### Key Outcomes:

- To support Bacup, Haslingden and Rawtenstall town centres as better places to provide their own unique offers and a destination for local shoppers and visitors
- To have secured new inward investment in the borough creating a sustainable economy, matching local skills provision with future job and career opportunities
- Having a thriving visitor economy which is more widely known with enhanced attractions and a much improved accommodation offer

The Bacup HAZ project completed the refurbishment of 8 properties

Continuing to progress the Haslingden 2040 NLHF project.

Completed redevelopment of Rawtenstall Town Square

# Narrative Report

## Priority B: High Quality Environment

The high quality of our natural environment is something local people love and take pride in. The council recognises the value of our physical and built environment and the particular importance of our Pennine uplands and villages.

### Key Outcomes:

- A high quality 'clean and green' local environment where people feel proud to live
- Reduce our carbon footprint
- Improve the waste recycling rate across the borough

8,250 trees planted as part of 'Rossendale Forest' project
Stubblee Park received green flag status
Operation Trident commenced May 2021, cracking down on fly tipping and other environmental crime

## Priority C: Healthy and Proud Communities

Having access to a good quality home to either rent or buy plays a fundamental part in our residents' quality of life. We want people to live long lives and take pride in their communities.

### Key Outcomes:

- To have delivered more new homes and a good mix of housing tenures
- Improved the health of residents through access to better leisure facilities and health services
- A more joined up approach to physical and mental well-being which is more rapidly reducing health inequalities
- Residents share a sense of pride in their immediate community and the wider borough

61 new homes completed in 2021/22
81 disabled facilities grants given out during the year
The Health and Wellbeing strategy launched
Provided covid support to residents and businesses

## Priority D: Effective and Efficient Council

It is important that we are an effective and efficient council - one with ambition, clear direction, which delivers good quality services and which provides good value for money to our residents.

### Key Outcomes:

- Provide good quality and responsive services embracing new technology
- Be a financially sustainable council with a commercial outlook whilst always considering social value
- Provide sound governance to enable key decisions and major projects to be progressed, in an efficient and professional way
- Have a skilled and happy workforce, where we are able to retain and attract good staff

Commenced the strategic asset reviews
Digital Strategy and action plan approved July 2021
Organisational Development Strategy adopted November 2021

# Narrative Report

## Rosendale folk - the people behind the borough

### Our councillors

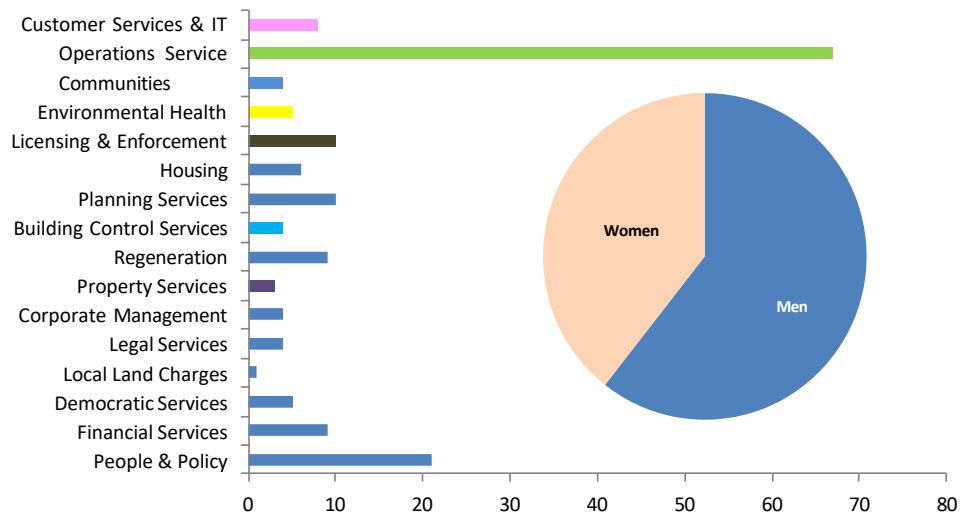
We have 36 councillors in Rosendale serving 14 wards across the borough. Following the elections in May 2022 the political balance was:

- 19 Labour
- 11 Conservative
- 2 Community First
- 3 Independent
- 1 Green

### Our staff

During 2021/22 the Council employed 170 people across its services, this still included additional staff engaged to assist with combating the Covid pandemic. 49% of whom provide front-line services within the Operations Team collecting refuse, maintaining our parks and cemeteries and keeping the roads around the borough clean. Of our 170 employees 39% are women and 44% are over 50.

### Staff employed across services in 2021/22



### The Senior Management Team in 2021/22



**Neil Shaw**  
Chief Executive

Since 2021/22 there have been several changes to the senior Management Team, David Smurthwaite joined in February 2023 as Director of Economic Development, Rob Huntington joined in April 2023 as Chief Executive and Adam Allen left the Council in May 2023



**Adam Allen**  
Director of Communities



**Cath Burns**  
Director of Economic Development



**Karen Spencer**  
Head of Finance



**Clare Birtwistle**  
Legal Services Manager



**Clare Law**  
HR Manager

# Narrative Report

Our partners, community groups and the volunteers that we work with

**CAPITA** Capita provide our revenues, benefits and customer services.

**Civic Pride** groups support the borough by providing a gardening and litter clearance service, building upon the work done by the Council's workforce.



Voluntary Community Sector organisations work with us on a range of initiatives, a comprehensive list can be found on the **REAL Directory**.



**Calico Homes** now manage the East Lancashire Empty Homes project.

**Together Housing** manage social housing across the borough



**RTB Partnership Ltd** is an equal partnership development vehicle set up in February 2013 to facilitate a number of development projects across the borough.



**Rosendale Leisure Trust** provides the sports facilities provision in the Borough, with responsibility for providing sports facilities in Whitworth transferring



from **Community Leisure Association Whitworth** during 2020/21.

The NHS and **East Lancashire Clinical Commissioning Group** are the health providers for Rosendale. Main hospital services are provided by **East Lancashire Hospitals NHS Trust**. Some other facilities are run by the **Lancashire Care NHS Foundation Trust**.



**Lancashire Constabulary** is the local police force.

**Lancashire Fire and Rescue** provide our fire service.

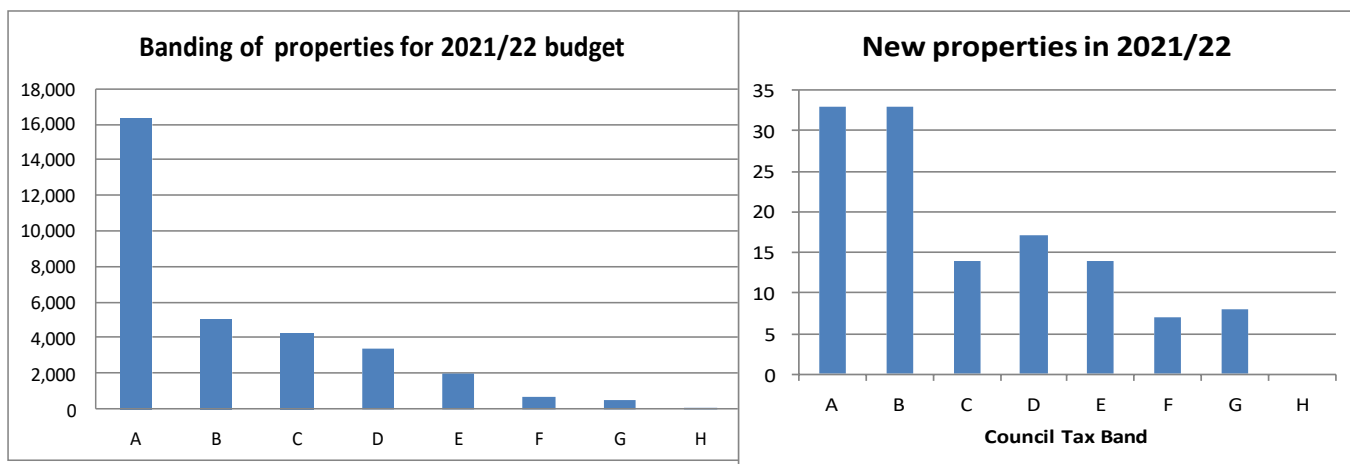
**Lancashire County Council** upper tier responsibilities



# Narrative Report

## Council Tax in Rossendale

Almost 51% of all the domestic properties in Rossendale fall into Band A, the lowest band for Council Tax purposes. Though the Band D is taken nationally as the average for the purposes of collecting Council Tax, only 10.6% of properties in Rossendale fall into this band. The total number of properties when the 2021/22 Council Tax was set was 32,233, up by 126 from 2020/21.

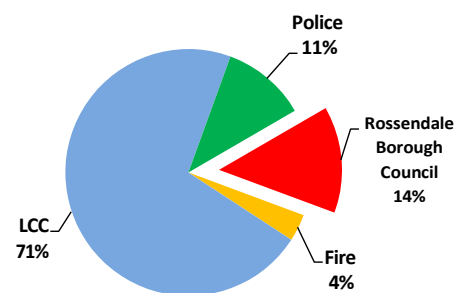


Rosendale Borough Council collects Council Tax on behalf of each of the major preceptors, Lancashire County Council, Lancashire Combined Fire Authority and Lancashire Constabulary. In 2021/22, we also collected a precept for Whitworth Town Council from 3,640 properties.

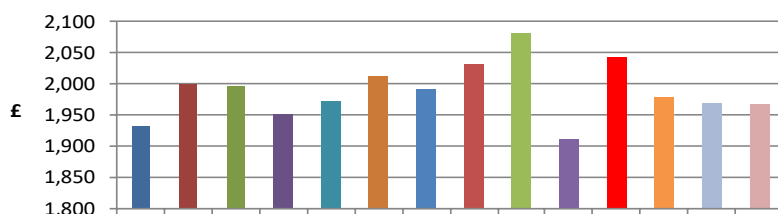
In 2021/22 Rosendale Borough Council increased its element of the Council Tax by 1.99% which made the 2020/21 charge for a band D property £285.13. The Council retained £5.811m in Council Tax in 2021/22.

Precepting Body	% Increase	2020/21	2021/22	% Share
		Band D £	Band D £	
<b>Rosendale BC</b>	1.99%	<b>279.57</b>	<b>285.13</b>	14.0%
Lancashire County Council *	1.99%	<b>1,277.69</b>	<b>1,305.55</b>	64.0%
LCC Adult Social Care *	2.00%	<b>122.63</b>	<b>150.64</b>	7.4%
Combined Fire Authority	1.99%	<b>70.86</b>	<b>72.27</b>	3.5%
Police & Crime Commissioner	7.09%	<b>211.45</b>	<b>226.45</b>	11.1%
<b>Total (Excl' Whitworth)</b>	<b>3.97%</b>	1,962.20	<b>2,040.04</b>	100.0%
Whitworth Parish Council	0.00%	25.81	<b>25.81</b>	
<b>Total Whitworth Parish</b>	<b>3.92%</b>	1,988.01	<b>2,065.85</b>	

Each £1 of Council Tax was split



### Council Tax Band D across Lancashire



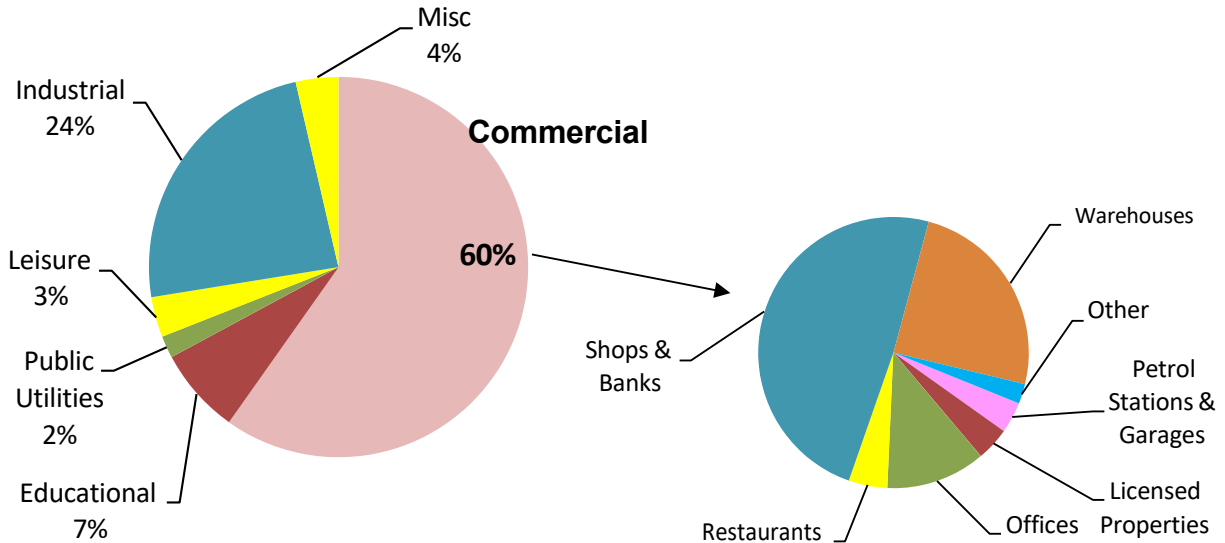
In comparison with our neighbouring authorities across Lancashire, Rossendale has the second highest total Band D charge.

# Narrative Report

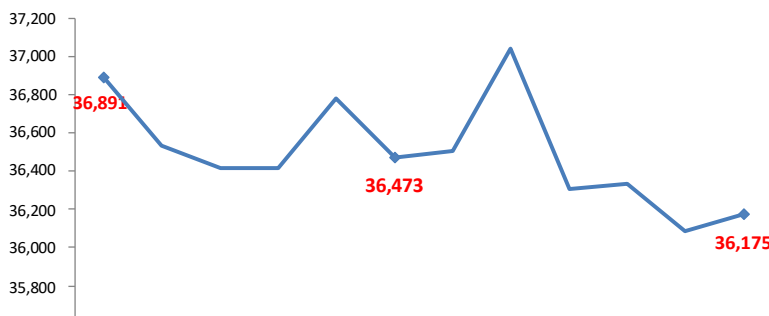
## Business Rates in Rosendale

Business Rates are payable based upon a rateable value set by the national Valuation Office. The total rateable value of business premises in Rosendale at the 31<sup>st</sup> March 2022 was £36,175k, up slightly from £36,084k in March 2021. Covid continued to have an impact on the level of business rates collected in 2021/22, this was mainly due to the level of extended rate relief awarded to help businesses survive the pandemic. The Council has received s31 grants from Central Government to cover this loss of income. Full details can be found in the Collection Fund statements.

### Rateable Values as at 31st March 2022

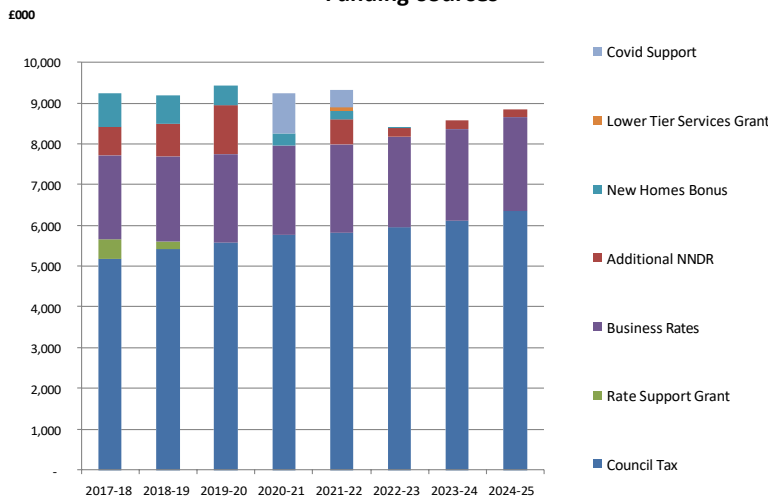


### Rateable Values in recent years



Rateable values underwent a national revaluation exercise in 2010/11, with a revision during 2015/16 and a further revaluation in 2017/18.

### Funding sources



Since 2010/11 the Council has seen significant reductions in core Government funding and an increase in reliance on Council Tax income to fund services. The sources of funding available for Council Services can be seen in the table opposite, along with future predictions over the Medium Term Financial Strategy. In 2020/21 and 2021/22 the Council received various Covid grants to support the Council's Covid related activities.

# Narrative Report

## Revenue Outturn

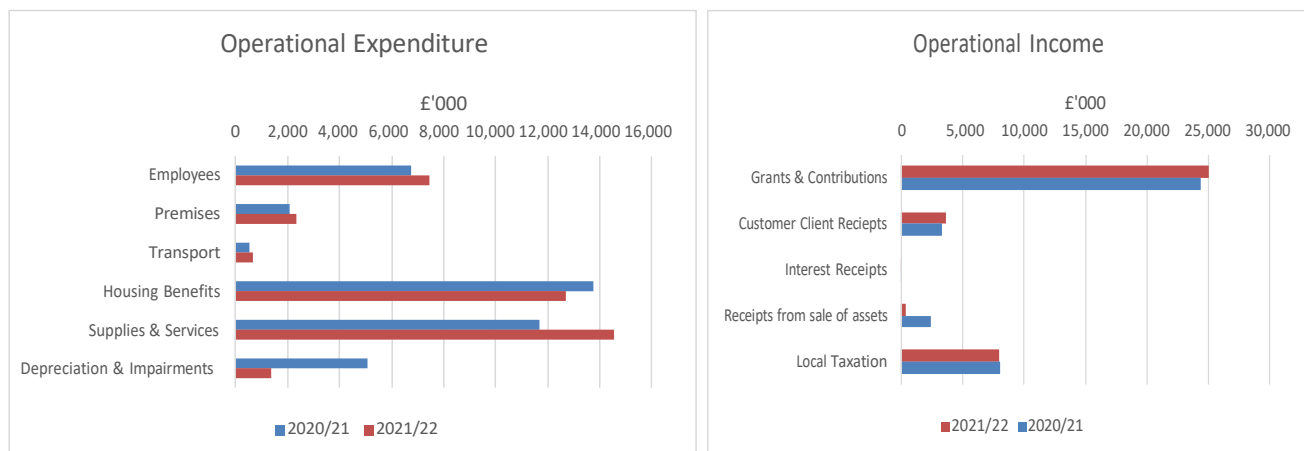
The financial year 2021/22 saw a continuation of the unprecedented global pandemic and the many challenges it brought. The Council had to adapt to evolving events as the country moved through its roadmap of recovery and the full lifting of restrictions. It required flexibility and adaptability to respond to ever changing national and local circumstances. The response to COVID-19 continued to be at the forefront of all Council activities for the whole of the financial year.

The Council received additional unringfenced COVID-19 funding (£417k) which was used to support the additional costs incurred by services during 2021/22 that were not business as usual activities. This funding has not been continued into 2022/23. In addition the Council received Covid related ringfenced grants totaling £1,023k. The Council also received c£5m for Covid related grants to businesses for which the Council acted as agent.

At the time of setting the original budget in February 2021, the medium term financial strategy (MTFS) indicated a balanced budget of £8,903m for 2021/22. The Council reviews its MTFS at regular intervals.

With the continued drop in external funding, local taxation has to contribute towards the MTFS challenge and in the 2021/22 budget, members again made the difficult decision to increase the Council Tax by the maximum allowed, 1.99%, resulting in estimated Council Tax income of £5,811k. The retained business rates baseline funding was £2,180k and the Council received £213k in New Homes Bonus. In addition the Council also received a one off lower tier services grant of £96k. Members approved the use of £686k from prior year surpluses held in the Retained Business Rates Reserve. However Covid related grants received during the year enabled the Council to reduce the call on the Retained Business Rate Reserve.

The following table and charts show the General Fund figures before the technical accounting adjustments required by the Code in the CIES. These follow the operational basis shown in the financial monitoring reports presented to members at each Cabinet meeting.



# Narrative Report

GENERAL FUND SERVICES	2021/22		Variance (adv)/ fav £000s
	Adjusted Budget £000s	Operational Out-turn £000s	
Communities Directorate			
Customer Services & IT	1,405	1,443	(38)
Operations	1,833	2,138	(305)
Community & Partnerships	678	543	135
Public Protection Unit	155	143	13
Environmental Health	208	181	27
Licensing & Enforcement	115	65	50
Housing	497	528	(31)
Economic Directorate			
Planning Services	290	320	(30)
Building Control	(7)	(35)	27
Regeneration	336	368	(32)
Property Services	265	372	(107)
Corporate Management			
Corporate Management	465	386	79
Legal Services	173	135	38
Local Land Charges	(20)	(13)	(6)
Democratic Services	585	539	46
Financial Services	553	488	65
People and Policy	642	595	46
Non-distributed Costs	72	251	(179)
Capital Financing & Interest	657	665	(8)
<b>Total cost of General Fund Services</b>	<b>8,903</b>	<b>9,113</b>	<b>(210)</b>
Contrib to/(from) Earmarked Reserves	(606)	(816)	210
<b>Amount to be met from government grants &amp; local tax payers</b>	<b>8,297</b>	<b>8,297</b>	<b>(0)</b>
Precept on the Collection Fund	5,811	5,811	-
Collection Fund - prior year surplus	-	-	-
Non-Domestic Rates	2,180	2,180	-
New Homes Bonus	213	213	-
Misc grants	93	93	-
<b>Amounts received from government grants &amp; local tax payers</b>	<b>8,297</b>	<b>8,297</b>	<b>-</b>

## Other financial factors

This Council signed up to the Lancashire Business Rates Pool which came into effect on the 1<sup>st</sup> April 2016. Under these arrangements Rosendale retains more of its local business rates. The Council retains 40% of the business rates it collects, less the Governments tariff.

The Council continues to be the accountable body for the East Lancs Empty Homes Scheme, which has brought back into use almost 200 long-term empty domestic properties across East Lancashire, funded through a combination of Homes and Communities Grant, owner contributions, local housing associations and contributions from the other neighbouring local councils. The properties are managed by management agents with the majority of the properties being managed by Calico homes Ltd, under a self-financing contract. The scheme cost the Council c£371k revenue and £164k capital in the 2021/22 financial year.

There are c60 properties remaining on the scheme at the date of publication of these accounts. These properties will continue to be let for the remainder of their leases.



# Narrative Report

## Capital Strategy and the Capital Programme 2021/22 to 2024/25

In February 2021 the Council set an affordable capital budget for 2021/22 of £6,239k including new projects of £750k, funded from £2,587k of grants, £2,398k of internal borrowing, £45k from revenue resources and £1,210k from capital receipts. The programme included £1,344k for new vehicles, £100k on maintaining the Council's operational assets and £1,000k on Disabled Facilities Grants (DFGs) for domestic properties across the borough.

This was added to capital works slippage at the end of 2020/21 of £3,765k. Giving a revised opening capital programme of £10,004k.

Capital projects added during 2021/22 included £225k Marl Pits running track funded from a combination of internal borrowing and running club contributions, and electric charging points funded by external grant. This brought the final capital programme for 2021/22 to £9,852k.

More information on the capital costs and funding sources can be found in Note 18.

The sale of the Knowsley Road depot brought in £2,500k of capital receipts during 2020/21.

At the end of 2021/22 slippage of £3,939k was carried forward into 2022/23. The majority of this was disabled facility grants of £2,211k, £547k for Futures Park infrastructure works, £500k Haslingden National Lottery Heritage Funded scheme and £250k carbon reduction fund.

## The Collection Fund

Billing authorities in England, such as Rosendale, are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (Business Rates). The key features relevant to accounting for council tax and business rates in the Core Financial Statements are:

- In its capacity as a billing authority the Council acts as agent; it collects and distributes council tax income on behalf of the major preceptors and itself; under the scheme of Business Rates Retention introduced from 2013/14, business rates are also collected on behalf of Central Government and the major preceptors;
- While the council tax and business rate income credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors.

The council tax and business rate income included in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the Collection Fund has been taken to the Collection Fund Adjustment Account and is included as a reconciling item in the Movement in Reserves Statement.

Since the collection of council tax and business rates income is in substance an agency arrangement, cash collected by the billing authority from council tax and business rates debtors belongs proportionately to the billing authority and the major preceptors. There is therefore a debtor/creditor position between the billing authority and each major preceptor which is recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from taxpayers.

The deficit on the Collection Fund for Council tax as at 31<sup>st</sup> March 2022 was £132k and will be shared between the Council (billing authority), the County Council, the Police Authority and the Fire Authority in following years. The Council's share of the deficit is £18k. The actual rate of in year collection of Council Tax for 2021/22 was 95.59% (95.72% for 2020/21).

## Narrative Report

In the year ended 31<sup>st</sup> March 2022 the collection fund position for NNDR was a deficit of £4,451k which will be carried forward and recovered in subsequent years' budgets. Rossendale Borough Council's share of this is £1,824k with the balance due to the Government and major preceptors.

It must be noted that most of the NNDR Collection Fund deficit is due to the Governments Covid related rate reliefs. To help businesses through the pandemic the Government expanded the retail, leisure, hospitality and nursery business rate reliefs. Instead of collecting Business Rates, the Council received compensating Government grant. In total during 2021/22 the Council received £2.238m for business rate reliefs.

In 2021/22 the council was a member of the Lancashire Business Rates Pool on a 50% business rates retention basis and this has continued in to 2022/23. In 2021/22 the Council made a pooling gain of £519k.

Further details in relation to the Collection Fund can be found in the Supplementary Statements.

### Treasury Management

Treasury Management is conducted in-house with advice provided by an external organisation, Link Asset Services. Investment performance has struggled to meet the budget target as interest rates on the Council's bank accounts continued to be below bank base rates during the year. By the end of the year the council was earning 0.07% on balances, this matched the rate earned in 2020/21. Whilst the level of balances held during 2021/22 was above that predicted when setting the original budget, due to the low interest rates the interest income earned was £8.6k below budget.

Treasury management during the year was conducted within the borrowing limits and investment criteria approved in the Treasury Management Strategy and Treasury Management Practices approved at Full Council in February 2021.

The Council is able to borrow money from PWLB (an agency of HM Treasury), banks and building societies, or from other public bodies. The Council's borrowing need as at 31 March 2022 was met by a combination of long term actual debt of £4.142m and internal cash balances. The use of internal cash balances in lieu of borrowing has continued to be the most cost effective means of funding capital expenditure. These amounts are analysed in the notes to the Balance Sheet. The interest payable in relation to the Council's borrowing totalled £138k in 2021/22. As the value of useable reserves drops over the life of the Council's MTFs, greater consideration will need to be made of the need for additional PWLB borrowing to fund future capital investments.

The **Capital Financing Requirement (CFR)**, a key Prudential Indicator, determines the amount that the Council needs to borrow for a capital purpose and is the total of the Council's capital assets less all of the Council's capital reserves. The CFR for the year ending 31 March 2022 was £14.3m.

The **Authorised Limit for External Debt** is a key Prudential Indicator that controls the overall level of borrowing and is a statutory limit set by the Council that must not be breached. The Council's Authorised Limit for external debt for 2021/22 was £22.9m. The Council's actual total long term debt of £4.142m is well below the Authorised Limit.

### Pensions Fund Liabilities

The Council has net pension liabilities of £20.537m in the Balance Sheet as at 31 March 2022 (£28.384m as at 31 March 2021). This reflects the value of pension liabilities which the Council is required to pay in the future (as they fall due), offset by the value of assets invested in the Pension Fund. The Pension Fund has to be reviewed every three years as part of the comprehensive actuarial review of the pension fund. A triennial review was carried out at 31 March 2019 with changes to the

# Narrative Report

pension fund being effective from 1 April 2020. The next review is due to be carried out on 31 March 2023.

In April 2020 the Council paid £2.6m to the Lancashire County Pension Fund as an advance payment of three years employer’s future service contributions and deficit contributions for the period 2020/21 to 2022/23. For 2021/22 there is a difference between the net Pensions Liability on the Balance Sheet and the Pensions Reserve. The difference reflects the early payment of employer’s future service contributions and deficit contributions for 2021/22 and 2022/23 of £1.76m paid by the Council to the Lancashire County Pension Fund in April 2020. The net Pensions Liability is £900k lower than the value reported in the Pensions Reserve reflecting the accounting requirement to account for the value of the advance payment in 2021/22. By paying in advance monies to the Pension Fund the Council has reduced the overall cost of repaying the employer’s future service contributions and deficit contributions to the Pension Fund by £151k over three years. This saving has been reflected in the Council’s revenue budget and financial forecast.

Lancashire County Pension Fund- Rosendale Borough Council	March 2014 £000	March 2017 £000	March 2020 £000
Pension (Surplus)/Deficit	£22m	£15m	£2.7m
Funding Level	68%	77%	96%
Employer Future Service Rate (%ge of pensionable pay p.a.)	14.0%	15.5%	17.6%
Remaining recovery period	16 yrs	16 yrs	16 yrs

to account for the value of the advance payment in 2021/22. By paying in advance monies to the Pension Fund the Council has reduced the overall cost of repaying the employer’s future service contributions and deficit contributions to the Pension Fund by £151k over three years. This saving has been reflected in the Council’s revenue budget and financial forecast.

## Principal Risk & Uncertainties

The Council has a risk management strategy in place to identify and evaluate risks. All risks are identified, potential impacts are highlighted and controls and mitigations are set in place. The Corporate Management Team (CMT) identified a number of key corporate risks which the Council monitors and reports to Cabinet Members and Audit & Accounts Committee during the year, a selection of the risks have been highlighted below:

Corporate Risks
Sustainability of the Medium Term Financial Strategy
Major disaster affecting the delivery of Council services
Incident resulting in death or serious injury or HSE investigation
Sustainable Workforce
Insufficient data and cyber security
Response and Recovery to Covid Pandemic
Impact of Covid on the financial sustainability of the Council owned leisure assets

Key Future Financial Risks – Along with the corporate risk there are a number of key financial risks identified within the Medium Term Financial Strategy which potentially could have a significant impact on the financial forecast, these are:

# Narrative Report

Key Financial Risks
Impact on the economy – pandemic recovery and cost of living crisis
Resources – Inc future Government funding, any change to the Business Rate retention scheme and level of reserves
Bridging the funding gap
Council Tax – Housing Levels not in line with forecast projections
Pay inflation
The Empty Homes Scheme
Rosendale Leisure Trust

## The Economic Climate and Financial Outlook for the Future

The latest MTFS reported to Budget Council in February 2022 sets out the Council’s spending plans and available capital and revenue resources for the period 2021/22 to 2025/26. The MTFS set out the funds required to deliver the Council’s essential services and the objectives in our priority areas. It also highlighted the key areas/issues facing the Council in the current year and future years. For 2021/22 onwards a major concern is the ongoing impact of Covid-19, the cost of living crisis and future levels of Government funding.

As a result of the Covid Pandemic the Government has further delayed the implementation of the outcome of the Fair Funding Review and the Business Rate reforms. Until this announcement is made and the local government finance settlement figures are published we have no indication of the level of funding the Council will receive from 2022/23 onwards.

The long-term impact of the pandemic on the global, national, and local economy is currently unknown. The collection rates for both council tax and NNDR have been affected and this is an area we will continue to closely monitor.

In light of the current risks and uncertainties the Council will aim to continue to maintain a healthy and robust level of reserves. The Council’s strategic budget plan has been to use reserves to fund the gap between income and expenditure over the life of the forecast, whilst looking to identify savings and income generating opportunities.

# Narrative Report

## Explanation of the Statement of Accounts

The Statement of Accounts for the year ended 31st March 2022 has been prepared and published in accordance with the Code of Practice on Local Authority Accounting 2021/22 (the Code), issued by the Chartered Institute of Public Finance and Accountancy and the Service Reporting Code of Practice 2021/22 (SeRCOP).

The layout and purpose of each statement is as follows:-

### Introductory Statements

- Narrative Report - provides information about Rosendale, including key issues affecting the Council and its accounts. It also provides a summary of the financial position as at 31 March 2022. It should be fair, balanced and understandable for the users of the financial statements, containing a commentary on the major influences affecting the authority's income and expenditure and cash flow, as well as information on the financial needs and resources of the authority.
- Annual Governance Statement – explains the way the Council ensures responsible stewardship of its assets.
- Statement of Responsibilities - explains the responsibilities of the Council and its Chief Financial Officer in relation to the Council's financial affairs and the Statement of Accounts.

### Core Statements

- Comprehensive Income and Expenditure Statement (CIES) - a summary of the resources generated and consumed by the authority in the year in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Cost of Services section is now presented in the same format as the authority's operational reports. Note 1 presents a reconciliation between the General Fund Summary in the Narrative Report and the CIES figures produced here under statutory accounting practices.
- Movement in Reserves Statement – this statement shows the movement in year on the reserves held by the Council, analysed into 'useable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. It reverses the statutory accounting adjustments in the CIES to get back to the General Fund Balance Sheet Reserve.
- Balance Sheet - this shows the value of the assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the value of reserves held, split between Useable and Unusable reserves.
- Cash Flow Statement - summarises changes in cash and cash equivalents during the year, and how the Council generates and uses cash through operating, investing and financing activities.

### Notes to the core financial statements

All the notes to the core statements above are now collected in one place. Notes on the policies used in the preparation of the figures in these accounts, including judgements and assumptions, have been moved to the end of the notes area.

### Other Statements

- The Collection Fund – this agency statement reflects the Council's statutory obligation to maintain a separate Collection Fund for its transactions as a billing authority in relation to council tax and non-domestic rates.

**Glossary** - an explanation of some of the key technical terms used in these accounts.

# Annual Governance Statement

## Annual Governance Statement: Year Ended 31<sup>st</sup> March 2022

### 1) Scope of responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. In discharging this overall responsibility, the Council has put in place arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.

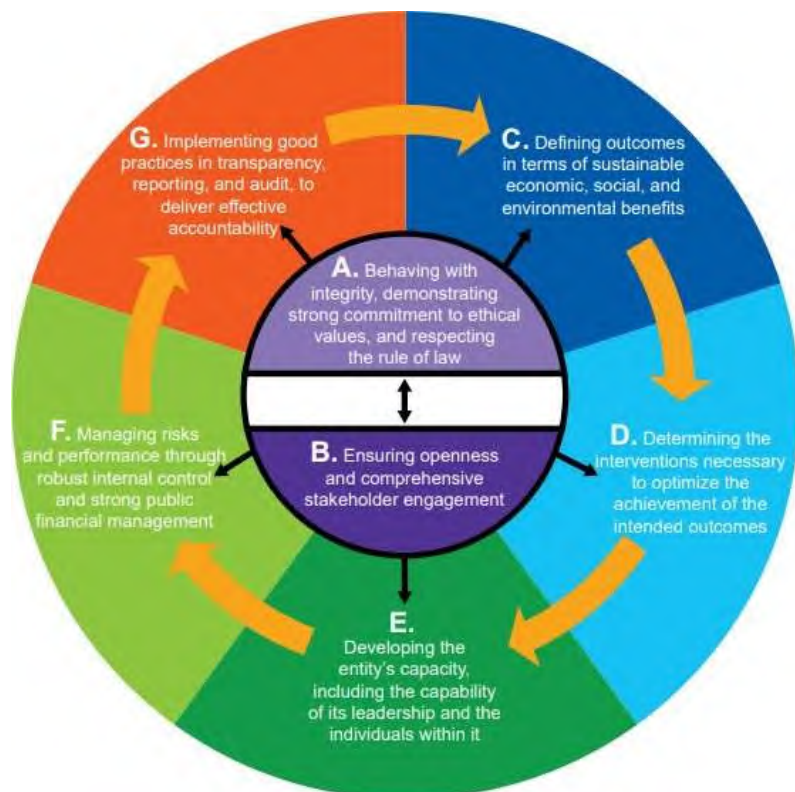
This Annual Governance Statement provides an overview of the Council’s key governance systems and explains how they are tested and the assurance that can be relied upon to show that those systems are working effectively. The statement comprises an overview of the key elements of its governance framework and what evidence has been received in order to determine the effectiveness of the Council’s governance arrangements. In addition the statement contains an update on areas for improvement which were identified last year together with proposed areas for improvement for the coming year.

### What is Corporate Governance?

Corporate governance refers to the processes by which organisations are directed, controlled, led and held to account.

Rosendale Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This statement explains how Rosendale Borough Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1), which requires all relevant bodies to prepare an annual governance statement.

CIPFA’s framework for Good Governance in the Public Sector defines the principles against which the Annual Governance Statement reports:



# Annual Governance Statement

Pre pandemic, the Council planned to work to address any issues required to support full implementation of the CIPFA Financial Management Code which outlines the principles of good financial management. This work was not progressed in the financial year 2020/21 due to extra pressure on the Finance Service as it supported the corporate response to the pandemic. This was recognised nationally as an issue and the expected implementation date was deferred by a year. The compliance was reviewed in 2021/22.

## 2) The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. 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 services and value for money.

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 authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Rossendale Borough Council for the year ended 31 March 2022 and up to the date of approval of the annual report and statement of accounts.

During this period the Council has continued to deal with the on-going COVID-19 pandemic. The pandemic continued to impact both operationally and strategically and the Council sought to meet the challenges presented by the pandemic whilst continuing to implement Government policy changes.

## 3) The Governance Framework

Key elements of the systems and processes that comprise the authority's governance include arrangements for:

**Principle A: *Behave with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law***

The Council has a formal Constitution which is reviewed annually, amended as required and made publicly available on our website at [www.Rossendale.gov.uk](http://www.Rossendale.gov.uk). The Constitution sets out how we operate, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by the law, while others are a matter for us to choose.

The Constitution includes the following documents which provide guidance for officers and Councillors on the standards of behaviour expected to ensure integrity:

- Code of Conduct for Members (Councillors)
- Code of Conduct for Employees
- Roles & Functions of all Councillors

The Council's Monitoring Officer maintains the Codes of Conduct up to date and investigates any suspected breaches. Alleged breaches of the Members Code of Conduct are conducted in accordance with an agreed protocol. Councillors sign a formal declaration agreeing to abide by the Code of Conduct. For staff, the Employee Handbook sets out the requirements and standards expected and this forms part of the staff induction process.

# Annual Governance Statement

The Council also has established a set of core values which are intended to underpin all that we do. These are published as part of our Strategic Plan and include the following ethical values:-

- Pride - We take pride in the way we help our residents and are proud to work for the council
- Passion - We are ambitious for Rosendale, enthusiastic and want to improve resident's lives
- People - We work together, treat everyone with respect and take ownership of problems

Underpinning everything we do is our commitment to equality, diversity, transparency, inclusion, sustainability and value for money.

Staff and Councillors are made aware of other policies relevant to this principle of the framework including the Council's Anti-Fraud and Corruption, Bribery and Whistleblowing Policies. These arrangements are reviewed and reported on via the Council's Audit and Accounts Committee being the Committee charged with oversight of the governance arrangements at the Council. At the heart of these policies is the requirement for all relevant parties to act with integrity.

There have been no standard complaints in year that have raised any serious concerns in respect of Member behaviour.

All Councillors have to register and declare certain pecuniary interests such as employment, land holdings and contracts with the Council. The register of interests is available on our website at [www.rossendale.gov.uk](http://www.rossendale.gov.uk). Councillors must declare such interests at meetings which they attend. There are also procedures laid down for staff and councillors relating to the receipt of gifts and hospitality.

All Council decisions have to consider legal implications. These are set out in reports to Councillors which are published on the Council's website. The Council's Constitution sets out the responsibility for decision-making. Certain decisions are reserved to the full Council with others delegated to the Cabinet or other Committees each acting in accordance with parameters set out in the Constitution.

A number of areas are delegated to officers for the purposes of decision-making; however, limits on the exercise of delegation are laid down in an approved Scheme of Delegation to Officers within the Constitution. The Council's legal team will advise on the legal implications of proposed decisions and where necessary will engage external legal advisors. The Council's Monitoring Officer and Section 151 Officer have specific responsibility for ensuring legality, for investigating any suspected instances of failure to comply with legal requirements, and for reporting any such instances to councillors.

## **Principle B: *Ensure openness and comprehensive stakeholder engagement***

Our Corporate strategy identifies and reiterates our commitment to working with partners, volunteers and our residents. Performance management against key actions, performance measures and risks represent an essential part of our assurance and accountability process to our residents and our partners.

All decisions of the Council are made in accordance with principles laid down in the Constitution and include the following:-

- a presumption in favour of openness
- explanation of the options considered and the reasons for decisions.

All meetings of the Council, Cabinet and other Committees are open to the public.

Agenda papers and reports together with the Minutes of all meetings are publicly available on the Council's website unless they are exempt from publication.

The Council's guidance on, the role of a Councillor contains the following which reinforces the importance of openness requiring Councillors to:

- Contribute to the governance of the area and actively encourage community participation and citizen involvement in decision making



# Annual Governance Statement

The Code of Conduct for Councillors also outlines the following requirements:-

Councillors must:

- Impartially exercise their 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
- ensure that public resources are used prudently in accordance with the Councils requirements and in the public interest.

The Council undertakes consultation on specific topics. The Council also makes use of social media via Facebook and Twitter.

The Council is committed to publishing information freely and to develop further our culture of openness and transparency and publishes information in accordance with the Local Government Transparency Code. The Council's Freedom of Information Publication Scheme provides a general guide for the public in terms of what information should routinely be available to them by either accessing our website or upon request.

Partnership working is important and the Council has in place a wide range of arrangements ranging from small scale local groups (e.g. Civic Pride groups) to larger and more formal partnerships (e.g. public/private partnership with Rosendale Leisure Trust and Capita).

**Principles C & D – Defining outcomes in terms of sustainable benefits (economic, social and environmental) and determining the interventions necessary to achieve them.**

The Council's strategic vision for the Borough is set out in our Corporate Plan. Our vision is *To have a thriving economy, built around our changing town centres, creating a quality environment for all and improving the life chances of all those living and working in our borough*. We aim to achieve this by working on our four priority areas:

- Thriving Local Economy
- High Quality Environment
- Healthy and Proud Communities
- Effective and Efficient Council

Underpinning our Corporate Plan are robust business plans for each of our service areas. These detail how we will deliver the strategy, our vision and priorities. They also detail how we will continue to deliver services to our residents and meet our financial challenges.

In December 2021 the Council adopted its Local Plan, this was a major milestone in setting out the spatial policy for the Borough. By adopting the Local Plan the Council is able to bring forward its strategic aims, ensure it has greater control over the development that takes place in the Borough and that it is accompanied by appropriate infrastructure improvements as well as other local facilities and is of a design suitable for Rosendale. It will also assist in addressing the Council's climate change priorities as well as meeting the needs of the Borough's residents. Linked to this the Council has gone on to develop and publish a series of development management policies against which to measure planning applications.

# Annual Governance Statement

Service areas are required to set and monitor agreed targets for performance. Performance against and achievement of expected outcomes is monitored regularly via the Council's corporate performance management system and reported quarterly to Councillors and the Management Team. Where the expected performance is not being met then potential intervention measures are considered and implemented where appropriate.

In relation to the buying of goods and services, staff must comply with the Council's Contract Procedure Rules. These set out relevant considerations when reaching decisions on award of contracts and include relevant environmental and sustainability aspects including the achievement of 'social value' in addition to cost.

Decisions on the overall level of resources allocated are taken by the Council following recommendations from the Cabinet. Resources and spending plans are critically reviewed to optimise their use and level of fit with the Council's objectives. Financial planning arrangements are well established and underpinned by a four year forward projection as part of the Council's medium term financial planning arrangements. This includes both capital and revenue budgets.

## **Principle E - *Develop the entity's capacity, including the capability of its leadership and the individuals within it***

At the heart of this principle is the Council's commitment to *'Have a skilled and happy workforce, where we are able to retain and attract good staff'*. The aim is to ensure that, as an organisation, we are suitably placed to deliver the priorities identified for Rossendale and its residents. To do this we will employ the right people with the right skills in the right job. We will maintain robust financial processes, standards and systems optimising the technology and resources we have available to us, making us more efficient and effective in our service delivery and becoming digital by default.

In recent years the Council has invested in training programmes to enhance organisational development, develop leadership skills and promote a coaching culture with staff at all levels encouraged to be innovative and challenge the normal way of doing things. All staff take part in annual personal development reviews which include consideration of their individual training and development needs. A range of training methods and resources are applied and feedback is actively encouraged to assess the benefit of investment in training. The Council has developed a training and development plan, organisational development strategy and a wellbeing strategy. Training is available for Councillors including induction and topic specific matters in addition to what is available from organisations such as the Local Government Association.

Capacity is enhanced via a range of partnerships and collaborative arrangements, as well as our commissioning and procurement processes through which the Council operates a mixed economy approach to delivering services in the most effective and efficient way. Service delivery models include, in-house, external outsourced (CAPITA Revenues & Benefits), transfers to external partners (Rossendale Leisure Trust). On a regional and sub-regional basis the Council works closely with the Lancashire Enterprise Partnership and Pennine Lancashire bodies notably in areas such as economic development, regeneration and skills/training. It also works closely with local colleges on training provision.

Wider partnership working and engagement across Lancashire has also been evident during the COVID-19 pandemic via the Councils collaboration with the Lancashire Resilience Forum (LRF) and the creation of the Rossendale Community Support Hub.

Leadership roles are well defined at the Council for staff and Councillors, distinguishing for example the role of Council Leader and the officer being the Head of Paid Service (i.e. the Chief Executive). A protocol is included in the Council's Constitution which reflects the principles underlying the respective Codes of Conduct which apply to Members and Employees. The shared object of these codes is to enhance and maintain the integrity of local government and therefore, demands high standards of personal conduct.

# Annual Governance Statement

The Council is committed to a culture of continuous improvement and has a focus on service delivery and effective performance management. Peer learning is encouraged and in November 2021 the Council undertook a Peer Challenge review led by the Local Government Association to provide an assessment and feedback on:

- Corporate and placed-based prioritization
- Climate Change
- Governance/Commercialisation.

The Organisational Development Strategy acknowledges the essential role staff play in the Council's ability to deliver effective services; thus wanting to ensure that every employee fulfils their potential and takes advantage of the development opportunities available to them.

Sustaining organisational resilience is increasingly challenging at a time when headcount is reducing in response to ongoing resource constraints. Set against this, the importance of supporting staff health and well-being is acknowledged and a suite of policies and procedures are in place to help staff maintain their own physical and mental well-being. Examples include the work/life balance policy and the operation of flexible working for most staff. In addition the Council has invested in an Employee Assistance Programme to provide staff with access to a variety of support and guidance to aid their wellbeing.

## *Principle F - Managing risks and performance through robust internal control and strong public financial management*

The maintenance of systems and processes to identify and manage the key strategic and operational risks is integral to the achievement of the Council's objectives. The Council's **risk management framework** continues to evolve and presently includes the following arrangements:-

- Risk Management Strategy
- Arrangements for the Strategic Risk Register comprising corporate risks assigned to designated officers, with appropriate counter-measures and an action plan established for each key risk
- frequent review of risks in-year with reports to the Council's Management Team, Cabinet and the Audit and Accounts Committee
- the use by Internal Audit of a risk based approach in the preparation and delivery of the internal audit plan
- the requirement for Officers of the Council to consider risk management issues when submitting reports to Committee for consideration by Councillors
- a suite of policies and procedures in relation to Whistleblowing, Anti-Fraud and Corruption, and Anti-Money Laundering
- a suite of Business Continuity Plans are in place, i.e. Rosendale Emergency Plan, Service Area Business Plans and a Business Recovery Plan for critical services
- Councillors and officers have previously been trained in risk management and the Leader of the Council is briefed on the strategic risks faced by the Council. Managers have the responsibility for the effective control of risk, and all service plans have a section on risk management.
- Corporate Governance including risk management, incorporating the key strategic risks for the Council, are the subject of periodic reports to Cabinet and the Audit and Accounts Committee.
- The Corporate Management Team review the Corporate Risk Register to ensure that risks are being actively monitored and managed and risk scores are included for all identified strategic risks as a means of providing much greater focus on those areas where risk management can be effective. Details of changes are reported to the Audit and Accounts Committee.
- The Chief Executive, as the Council's Head of Paid Service, is responsible for the corporate management of the Council, taking an active role in the corporate governance arrangements,

## Annual Governance Statement

including the organisation of the Council's staff and ensuring that appropriate internal control mechanisms are in place to achieve the Council's objectives in the most economical, efficient and effective way.

- The Head of Legal is appointed the Council's Monitoring Officer. The appointment of a Monitoring Officer is required in accordance with Section 5 of the Local Government and Housing Act 1989. It is the function of the Monitoring Officer to report to Members upon any contravention of any enactment or rule of law or any maladministration by the Authority. The Monitoring Officer also has responsibilities under the Council's Ethical Framework relating to the Members' Code of Conduct and the Standards Regime.
- The Chief Financial Officer is designated as the officer with statutory responsibility for the proper administration of the Council's financial affairs, in accordance with Section 151 of the Local Government Act 1972.
- The three statutory officers referred to above have unfettered access to information and to Councillors on the Council so that 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 at the Council accords with the principles set out in CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

An established **financial management framework** comprising the following:-

- Financial and Contract Procedure Rules as part of the Constitution
- Medium term financial planning using a four-year cycle, updated annually, to align resources to corporate priorities
- Service and financial planning integrated within the corporate performance management cycle
- Annual budget process involving scrutiny, challenge and consultation
- Annual review of the adequacy of the level of financial reserves
- Regular monitoring by management of revenue and capital budgets with reports to Management Team and Cabinet
- Annual reports to councillors on both the final revenue and capital out-turns compared to the approved budget
- Continuous challenge of the scope for securing efficiencies and service improvements
- Production of an annual Statement of Accounts compliant with the requirements of local authority accounting practice
- Compliance with the requirements established by CIPFA, the public sector accountancy body
- A regular review of the Council's Financial Management arrangements.

A **performance management framework** which provides an explicit link between the corporate priorities and personal objectives of staff and their training and development needs. Performance is reported to Councillors and the Management Team on a systematic basis with areas of poor performance investigated proactively. Key features of the Performance Management Framework include:-

- A annual review of the Corporate Plan to ensure that priorities are reviewed, remain relevant and reflect the aims of the Council
- Service Plans produced with explicit goals and associated performance targets in order to ensure that achievement of performance is measurable
- The Council's staff appraisal system – Annual Personal Development Reviews link personal objectives directly to Service Plans
- Regular reports on the performance of key indicators which are presented to Councillors and Officers

# Annual Governance Statement

Significant projects are controlled by project management techniques and overseen by a Programme Board. The Board meets quarterly and receives updates on project performance and delivery.

An **Information Governance Framework** which sets out the way we handle and process information, in particular, the personal and sensitive data relating to residents, suppliers and employees. Key features of the information governance framework include:-

- A suite of policies and procedures on the Council's Information Security which are available on the Intranet for all staff to review
- Arrangements for document management and retention
- A Data Protection Policy and Procedure with nominated staff responsible for providing advice and guidance on Data Protection matters
- Compliance with the Local Government Transparency Code and provision of Open Data on Council website
- A system for dealing with requests for information submitted to the Council under the Freedom of Information Act 2000 (including a regular review of the Council's Publication Scheme)
- Regular reviews of the Council's Information Governance and Security arrangements by Internal Audit and external assessors.

The Internal Audit function operates in accordance with the statements, standards and guidelines published by the Auditing Practices Board, CIPFA (particularly the Public Sector Internal Audit Standards) and the Institute of Internal Auditors. The Internal Audit function examines and evaluates the adequacy of the Council's system of internal control.

The Council has partnered with Lancashire County Council (LCC) for the delivery of the Internal Audit function. LCC provide an independent and objective appraisal function for reviewing the system of internal control. This is in compliance with Regulation 5 of the Accounts and Audit Regulations 2015 that specifically requires a local authority to undertake an adequate and effective system of internal audit. This work is delivered by way of a Strategic Audit Plan developed using a risk-based approach. The Internal Audit plan is agreed and monitored by the Audit and Accounts Committee. The Audit Manager is required to give an opinion on the adequacy of the Council's system of internal control each year and report to the Audit and Accounts Committee. This Committee can make recommendations or highlight any matters requiring attention to the Cabinet and Council.

Lastly, each member of Management Team is required to sign an Assurance Statement in relation to a range of key controls operating in their area of work. This specifically seeks assurance from Senior Managers that, other than those identified during the course of their normal work or by Internal Audit, they are not aware of any weaknesses in the Council's systems of internal control.

## **Principle G - *Implement good practices in transparency, reporting, and audit to deliver effective accountability***

Reports to meetings of Council, Cabinet and other committees are publicly available on our website with the Minutes also published showing what decisions have been taken and the reason(s) why. Other forms of public accountability reporting include the annual Statement of Accounts, the Council's Annual Report and in year financial and performance monitoring reports. Reports from external audit are also published online including their annual report setting out the findings resulting from their audit of the accounts.

The Council reports performance against targets and financial targets on a regular basis. The Internal Audit service complies with the requirements of the Public Sector Internal Audit Standards and has direct access to Councillors and all staff in order to discharge its responsibilities.

The Council publishes information in accordance with the Local Government Transparency Code. The Council's website includes a section on Access to Information, which is about being transparent, sharing our information with the wider community, and giving them the opportunity to use that data to build useful applications.

# Annual Governance Statement

The Council welcomes peer challenge reviews and inspections from regulatory bodies and will act on any recommendations arising as appropriate.

## 4) How the Council Gains Assurance/Review of Effectiveness

The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control. This review of effectiveness is informed by the work of the Council's Management Team who have a responsibility for the development and maintenance of the governance environment, the Audit Manager's Annual Report on Internal Audit also reports from the external auditor and any other review agencies and inspectorates.

The purpose of a review is to identify and evaluate the key controls in place to manage principal risks. It also requires an evaluation of the assurances received, identifies gaps in controls and assurances and should result in an action plan to address significant internal control issues.

### *Impact of Covid 19 on the Council's Governance Arrangements*

The Government's response to the COVID-19 outbreak led to changes in our governance arrangements, these changes continued in 2021/22, but were relaxed as the year progressed. These are discussed in more detail below.

The Council's normal governance arrangements were also affected during 2021/22. Key matters arising from the impact of the Pandemic were:-

- During 2021/22 in line with Government regulation and guidance on gatherings/meetings, face-to-face Committee and Council meetings were re-introduced, however attendance in person was restricted to Council members and essential officers.
- Members of the public could attend Committee and Council meetings virtually using Zoom.
- Face-to-face meetings/visits – these were discouraged during the first few months of 2021/22 due to social distancing requirements. Microsoft Teams is now widely used across the Council and provides an effective internal means of communication as well as facilitating meetings externally and slowly some face-to-face meetings were re-instated

The Business Recovery Plan continued to be regularly reviewed with updates being reported to Corporate Management Team and Cabinet and amendments being made in response to the ever evolving situation.

In summary, during 2021/22 the Council's COVID Response effort comprised of:-

- providing business grants to eligible business under the various business grant programmes funded by the Government
- processing Track and Trace payments to those who are required to self-isolate
- localised tracking and tracing of positive cases and their contacts
- ensuring business compliance with COVID regulations through a business inspection programme.
- working with partners and Local Resilience Forum colleagues to identify and prepare secure sites for storing and administering the COVID vaccines as they became available
- working to identify and set-up additional localized community testing sites and lateral flow testing.

Other consequences of the pandemic included the following:

- Financial impacts for the Council include:
  - additional costs for delivery of services
  - reduced income from certain sales, fees, charges, rents

# Annual Governance Statement

- reduced collection of council tax and business rates
  - increased housing benefit and council tax support payments
  - increased levels of bad debts and associated provisions.
- The Council adapted quickly to the revised ways of working necessitated by the pandemic and this has led to a re-assessment of ways of working, which resulted in the introduction of hybrid working and the increased use of technology particularly as a way of replacing some face to face meetings with the benefit of reduced travel time/costs and increased productivity.
  - Recovery of debt – Whilst the Council adopted a passive rather than an active approach to debt recovery, recognising the difficulties for both businesses and residents as a result of the crisis, the Council gradually moved back to pre-pandemic recovery procedures
  - Legal Processes – By the end of 2021/22 the courts were running at the same capacity as they were prior to the outbreak of Covid-19. However there is a backlog of cases which has led to longer waiting times for contested cases.
  - Site Visits/Visits to properties – Site visits resumed, but initially took longer due to social distancing and the need for risk assessments.

The information above outlines how the Council's governance arrangements were impacted by the Covid-19 Pandemic. Despite the impact of the Pandemic, and its effect on the overall operation of the Council, work has been undertaken to maintain and review the effectiveness of the Council's Governance Framework. This includes the following:-

- The Council's Monitoring Officer and the Council in general oversee the operation of the Constitution to ensure its aims and principles are given full effect. The Constitution was most recently reviewed in May 2022 at the Annual General Meeting of Council.
- The Council's decision making arrangements operated according to the Constitution, either through the Council, Committees or the Scheme of Delegation. Decisions arising from these arrangements have been published on the Council's website as required. As indicated above, some decisions were taken under the Exercise of Urgent Business Protocol due to the Covid-19 Pandemic and these are documented as appropriate.
- The arrangements for scrutiny operate via the Overview and Scrutiny Committee as required, allowing for the review of key policy areas and providing opportunities for public involvement in specific matters of business. This committee receives reports from the Task & Finish group. During 2021/22 the committee received a report from the Task & Finish group regarding GP Practice Appointment Accessibility.
- Further scrutiny of Cabinets decisions is also provided by the Council's Call-In procedures. However where possible Overview and Scrutiny Committee are given the opportunity to input into policies and procedures prior to presentation to Cabinet.
- The Council has operated a Standards regime consistent with the requirements of the Localism Act 2011 during the year.
- The Audit and Accounts Committee met throughout the year and received various reports on the progress by External and Internal Audit against their respective work plans. The Internal Audit annual report was presented to the Committee in July 2022, in which the Council received **Moderate** Assurance overall on the adequacy of design and effectiveness in the operation of the council's framework of governance, risk management and control. The equivalent report was submitted to the Accounts and Audit Committee in July 2021, also receiving **Moderate** Assurance.
- There have been no formal reports during the year from either the Council's Monitoring Officer or Section 151 Officer on matters of legality or financial related concerns. There were also no objections from local electors in respect of the financial statements and supporting information for the previous financial year.

## 5) Dealing with Last Year's Key Improvement Areas

# Annual Governance Statement

Last year's Annual Governance Statement highlighted the following areas for improvement. The narrative below sets out the action has been taken to address these issues in the current year:

Area of Concern	Progress Update
<p>A review of the Council's Financial Procedure Rules is underway, this will be led by the Chief Finance Officer and is due for completion at the end of October 2021</p>	<p>The review of the Financial Procedure Rules was concluded and signed off at full Council in June 2022.</p>
<p>The Council continues to recognise the current and future financial challenges in its strategic risk register and MTFS. The Council has implemented a savings plan however the scale of the savings required represents a significant challenge. The situation is further complicated by the currently unknown outcome of the Government's Comprehensive Spending Review and the delayed Fair Funding Review. The ongoing Empty Homes scheme also continues to place additional pressure on the MTFS. There is a need to prioritise resources effectively and identify further efficiency options for the Council to consider as part of the next MTFS to achieve a balanced budget over the medium term. The Council will continue to meet these challenges as it has done in the past, taking steps to manage this by considering modernisation and rationalisation.</p>	<p>For 2022/23 the Council agreed a balanced budget. There remains uncertainty of the forward estimates of core funding within the MTFS beyond 2022/23 pending the outcome of the Government's Comprehensive Spending Review and the delayed Fair Funding Review. In light of the reductions in core funding since 2010 this matter continues to represent a significant challenge for the Council. In 2021/22 the Council implemented a 4 year savings plan in an attempt to address the funding gap in future years, however further savings will be required in order to achieve a balanced budget. The Empty Homes Scheme also continues to add to the Council's financial pressures. The progress of the savings plan and the Empty Homes scheme are tightly monitored as part of the Council's embedded financial monitoring process and reported to Cabinet quarterly. The current economic crisis is placing additional strain on the MTFS. The further savings requirements will be reviewed as part of the development of the Council's next MTFS</p>
<p>In carrying out its review of the Rosendale Improvement Plan Internal Audit identified a need for improvement in the training and induction process particularly in respect of Fraud training, this is due to be implemented during 2021/22</p>	<p>The induction process was improved in 2021/22 and fraud training was carried out for Members and Officers during 2021/22 and 2022/23.</p>
<p>In order to support the procurement strategy the Council is investigating options to obtain specialist procurement support from another organisation, this is being led by the Chief Finance Officer</p>	<p>In June 2022 the Council engaged with Star Procurement to provide specialist procurement support.</p>

## 6) Key Areas for Further Improvement



# Annual Governance Statement

Building on the improvements in 2021/22 the Council has reviewed the governance arrangements and identified the following areas where it wishes to see improvements in 2022/23:

- A review of the Councils Contract Procedure Rules, this will be led by the Chief Finance Officer and is due for completion at the end of January 2022 – The review was delayed and is now due to be completed in summer 2023.
- The Council continues to recognise the current and future financial challenges in its strategic risk register and MTFS. The 2021 Autumn Spending Review set out three year Department Expenditure Limits for Government Departments but the Local Government Settlement covered just 1 year (2022/23). The situation is further complicated by the unknown outcome of the Government's Comprehensive Spending Review and the delayed Fair Funding Review, therefore there remains a high degree of funding uncertainty within the MTFS. The ongoing Empty Homes scheme also continues to place additional pressure on the MTFS. There is a need to prioritise resources effectively and identify further efficiency options for the Council to consider as part of the next MTFS to achieve a balanced budget over the medium term. The Council will continue to meet these challenges as it has done in the past, taking steps to manage this by considering modernisation and rationalisation.
- The Council is working on a digital strategy with the aim of digitally transforming our services and our approach to Customer Excellence. The strategy will underpin the delivery of our Corporate Plan, being an integral part of transforming the way in which the council delivers its services and how the Council is perceived by residents. This strategy will provide an ambitious vision and work programme which will help transform our approach to delivering services to the residents of Rosendale. - The strategy was presented to full Council in July 2021.
- During 2022/23 the Council will develop and approve a new Housing Strategy to provide a clear focus on both private sector, rented homes and increasing opportunities to work with registered providers meeting specialist housing needs. – Due to staff turnover within the housing team the strategy was delayed until July 2023.
- Development work will be undertaken with Overview and Scrutiny members to enable clearer focus on strategic issues to support strategy development. All new strategies will be considered by the Overview and Scrutiny Committee at an early stage to enable identification of strategic priorities for the strategy to be developed appropriately. – External training was carried out for all Overview and Scrutiny members in June 2023. All new strategies are considered by Overview and Scrutiny.
- Due to staff turnover there have been delays in producing the annual statement of accounts for 2020/21 and 2021/22. A plan to publish the outstanding accounts will be produced. – A plan has been implemented with the aim of publishing all outstanding draft accounts by the end of September 2023.
- The Council has a significant backlog of unaudited accounts. The Council will work with Mazars to agree a plan to bring the audits up to date.

## 7) Conclusion

The governance improvements proposed for 2021/22 were delayed as a result of the pandemic, however a number of these are set to be fully implemented and reported to Members imminently. Details of progress are reported above.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for 2022/23 improvements identified and will monitor their progress, implementation and operation as part of our next annual review.

# Annual Governance Statement

## Footnote

Subsequent to the draft financial statements being published and prior to the directed adoption of these on 13<sup>th</sup> December 2024 as directed by the backstop regulations (introduced by the Minister of State for Local Government, on July 31, 2024 in response to the national local authority audit backlog) the council's external auditors referred in March 2024, to areas of significant weakness as part of their Value for Money Reports concerning the preparation of and evidence to support the Statement of Accounts for 2020/21 through 2022/23 with implications extending to this financial year. The matters noted were the non-completion of a bank reconciliation and the draft accounts having material inconsistencies within the comparative figures. These matters were compounded by the lack of finance capacity available to produce the accounts in years 2020/21 through 2022/23.

There are no other matters arising that indicate any wider or other concerns with the governance framework which would lead to a conclusion that there wasn't an effective governance framework in place, except for these significant matters.

We are aware that the council has already made headway in resolving the weaknesses and in particularly the key financial controls and the resourcing of the finance team.

### Signed:

On behalf of Rosendale Borough Council

Alyson Barnes

Leader of Council

Rob Huntington

Chief Executive

# Statement of Responsibilities

The following responsibilities are placed upon the authority and the Head of Finance in relation to the Council's financial affairs.

## 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 Head of Finance.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

## The Director of Resources as Chief Finance Officer Responsibilities

As the Chief Finance Officer, I am responsible for the preparation of the authority's Statement of Accounts in accordance with the proper practices as set out in the CIPFA/LASAAC 2018/19 Code of Practice on Local Authority Accounting in Great Britain (referred to as "the Code").

In preparing this Statement of Accounts, I have:-

- 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.

I was appointed Chief Finance Office and s.151 Officer on 2 September 2024. I am aware that in March 2024 the Council's external auditor's Value for Money report identified significant systemic weaknesses in the preparation of Statements of Account for the years ending 31 March 2021 to 31 March 2023. Accordingly, I cannot certify the adequacy of the systems that were used to prepare the accounts for the year ending 31 March 2022. Nor can I provide an assurance that weaknesses in the council's financial controls and other systemic weaknesses did not have a material impact on the accounts.

The Backstop Regulations were introduced by the Secretary of State for Housing, Communities and Local Government on 31 July 2024. The object of the Regulations is to secure published audited accounts for every financial year up to and including the year ending 31 March 2023 by 13 December 2024. Unfortunately, there is neither the time nor the resources to complete and evaluate the audit work that would be required to make a full assessment of the impact of the control and other weaknesses identified by the external auditors for the year ending 31 March 2022 by the backstop.

## Certificate of Director of Resources as Chief Finance Officer

This Statement of Responsibilities is signed by me subject to the aforementioned caveat. I certify that this Statement of Accounts gives a true and fair view of the financial position of Rosendale Borough Council at 31st March 2022, and its income and expenditure for the year ended 31<sup>st</sup> March 2022, including any known post balance sheet events as at 27<sup>th</sup> September 2023.

Signed:

**Chris Warren**  
Director of Resources

## Approval of Accounts

These unaudited Statement of Accounts for 2021/22 were submitted for public inspection and external audit on the 28<sup>th</sup> September 2023.

Signed:

**Councillor M Smith**  
Chair of the Audit and Accounts Committee

# Core Financial Statements

## Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) shows the cost of providing services in the year in accordance International Financial Reporting Standards, rather than the amount to be funded from Council Tax and other Government grants. The amount funded from Council Tax and Government grants differ from this by a series of adjustments made in accordance with regulations, these adjustments are reversed in the Movement in Reserves Statement.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	2020/21			2021/22			Note
	Gross Expend	Income	Net Expend	Gross Expend	Income	Net Expend	
	£000s	£000s	£000s	£000s	£000s	£000s	
<b>Communities Directorate</b>	20,338	(15,595)	4,743	19,665	(16,750)	2,915	
<b>Economic Development Directorate</b>	8,832	(4,079)	4,753	5,775	(3,507)	2,268	
<b>Corporate Management</b>	4,377	(3,578)	799	10,569	(8,090)	2,479	
<b>Cost of Services</b>	<b>33,547</b>	<b>(23,252)</b>	<b>10,295</b>	<b>36,009</b>	<b>(28,347)</b>	<b>7,662</b>	
<b>Other Operating Expenditure</b>							
Whitworth Town Council Precept			61			56	
(Gain)/Loss on disposal of fixed assets			591			(323)	
Other Income			(1,508)			(1,822)	
<b>Finance and Investment Income and Expenditure</b>			1,663			1,268	3
<b>Taxation and Non-Specific Grants</b>			(8,885)			(8,545)	4
<b>(Surplus)/Deficit on Provision of Services</b>			<b>2,217</b>			<b>(1,704)</b>	
<b>(Surplus)/deficit on revaluation of non-current assets</b>			434			(4,664)	
<b>Remeasurement of the net defined pension liability</b>			4,767			(9,971)	32f
<b>Other Comprehensive (Income)/Expenditure</b>			5,201			(14,635)	
<b>Total Comprehensive (Income)/Expenditure</b>			<b>7,418</b>			<b>(16,339)</b>	

# Core Financial Statements

## Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The Movement in Reserves Statement shows how the movements in year of the Council'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 in the year following those adjustments.

MOVEMENT IN RESERVES STATEMENT	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Govt Grants Unapplied	Total Useable Reserves	Unusable Reserves	Total Authority Reserves	Note
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Balance at 31 March 2020	1,000	5,845	3,382	1,245	11,472	(11)	11,461	
<b>Movement in Reserves in 2020/21</b>								
Total Comprehensive Income/(Expenditure)	(2,217)	-	-	-	(2,217)	(5,201)	(7,418)	
Adjustments between accounting basis & funding basis under regulations	5,568	-	(294)	675	5,949	(5,949)	-	13
<b>Net increase/(decrease) before transfers to Earmarked Reserves</b>	<b>3,351</b>	<b>-</b>	<b>(294)</b>	<b>675</b>	<b>3,732</b>	<b>(11,150)</b>	<b>(7,418)</b>	
Transfers to/from Earmarked Reserves	(3,351)	3,351	-	-	-	-	-	
<b>Increase/(decrease) in Year</b>	<b>-</b>	<b>3,351</b>	<b>(294)</b>	<b>675</b>	<b>3,732</b>	<b>(11,150)</b>	<b>(7,418)</b>	
Balance at 31 March 2021	1,000	9,196	3,088	1,920	15,204	(11,161)	4,043	
<b>Movement in Reserves in 2021/22</b>								
Total Comprehensive Income/(Expenditure)	1,704	-	-	-	1,704	(5,201)	(3,497)	
Adjustments between accounting basis & funding basis under regulations	(1,334)	-	(637)	302	(1,669)	1,669	-	13
<b>Net increase/(decrease) before transfers to Earmarked Reserves</b>	<b>370</b>	<b>-</b>	<b>(637)</b>	<b>302</b>	<b>35</b>	<b>(3,532)</b>	<b>(3,497)</b>	
Transfers to/from Earmarked Reserves	(370)	370	-	-	-	-	-	
<b>Increase/(decrease) in Year</b>	<b>-</b>	<b>370</b>	<b>(637)</b>	<b>302</b>	<b>35</b>	<b>(3,532)</b>	<b>(3,497)</b>	
Balance at 31 March 2022	1,000	9,566	2,451	2,222	15,239	(14,693)	546	
	Note	30a	30b	30c				

# Core Financial Statements

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council 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 are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement of Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

BALANCE SHEET	31st March 2021	31st March 2022	Note
	£000s	£000s	
Property, Plant & Equipment	27,390	34,083	14
Heritage Assets	2,403	2,401	15
Investment Property	550	525	16
Intangible Assets	12	-	17
Long-term Investments	2	2	
Long-term Debtors	322	272	20
<b>Long-term Assets</b>	<b>30,679</b>	<b>37,283</b>	
Short-term Investments	5,070	5,820	24
Inventories	21	55	
Short Term Debtors	6,926	5,719	23
Cash and cash equivalents	7,950	11,235	24
Assets held for sale within one year	39	584	25
<b>Current Assets</b>	<b>20,006</b>	<b>23,413</b>	
Short-term Borrowing	(234)	(234)	27
Short-term Creditors	(11,366)	(13,248)	26
Short-term Capital Grant Receipts in Advance	(41)	(41)	29
<b>Current Liabilities</b>	<b>(11,641)</b>	<b>(13,523)</b>	
Long Term Borrowing	(4,192)	(3,908)	27
Provisions	(2,427)	(2,348)	28
Pensions Liability	(28,384)	(20,537)	32
<b>Long-term Liabilities</b>	<b>(35,003)</b>	<b>(26,793)</b>	
<b>Net Assets</b>	<b>4,041</b>	<b>20,380</b>	
<b>Represented by:</b>			
General Fund	1,000	1,000	
Earmarked Reserves	9,196	9,566	30a
Capital Receipts Reserve	3,086	2,449	30b
Capital Grants Unapplied	1,920	2,222	30c
<b>Usable Reserves</b>	<b>15,202</b>	<b>15,237</b>	
Revaluation Reserve	10,189	14,592	31a
Pension Reserve	(30,148)	(21,437)	32a
Capital Adjustment Account	10,388	12,271	31b
Deferred Capital Receipts	1,324	1,265	31c
Collection Fund Adjustment Account	(2,914)	(1,548)	31d
<b>Unusable Reserves</b>	<b>(11,161)</b>	<b>5,143</b>	
<b>Total Reserves</b>	<b>4,041</b>	<b>20,380</b>	

Karen Spencer, Chief Finance Officer

28<sup>th</sup> September 2023

# Core Financial Statements

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting periods. The Statement shows how the Council 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 Council are funded by way of taxation and grant income or by 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. The cash outflows here relate to capital spend on assets held by the Council, such as buildings, vehicles and equipment, which will be used to provide services in the future. Cash inflows relate to the sale of assets no longer required by the Council to provide its services, or capital grants and contributions received by the Council.

Cash flows arising from financing activities show the net movements in investments and borrowing during the period in accordance with the Council's treasury management strategy. These can be useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Council.

CASH FLOW STATEMENT	2020/21	2021/22	Note
	£000	£000	
<b>Operating Activities</b>			
Net surplus/(deficit) on the provision of services	(2,217)	1,704	
Adjustment for noncash movements	13,025	5,002	
Adjustment for items that are investing and financing activities	(7,165)	1,775	
<b>Net cash flows from Operating Activities</b>	<b>3,643</b>	<b>8,481</b>	
<b>Investing Activities</b>			
Additions to property, plant and equipment & intangible assets	(4,011)	(6,281)	
Proceeds from the sale of property, plant and equipment	2,500	401	
(Increase)/decrease in Deferred Capital Receipts	61	59	
Increase/(decrease) in long-term debtors	(147)	(50)	
Other income	1,508	1,822	
Cash inflows - Short-term investments	70,000	5,000	
Cash outflows - Short-term investments	(72,500)	(5,750)	
<b>Net Cash Flows from Investing Activities</b>	<b>(2,589)</b>	<b>(4,799)</b>	
<b>Financing</b>			
Cash Inflows/(Outflows) - agency operations	-	-	
National non-domestic rates	2,341	(981)	
Council Tax	(1,265)	868	
Cash Inflows - New Borrowing	-	-	
Cash Outflows - Repayments of amounts borrowed	(284)	(284)	
Cash Inflows/(Outflows) - New long-term loans	-	-	
Cash Inflows/(Outflows) - New short-term loans	-	-	
<b>Net Cash Flows from Financing Activities</b>	<b>792</b>	<b>(397)</b>	
<b>Net increase/(decrease) in Cash and Cash Equivalents</b>	<b>1,846</b>	<b>3,285</b>	
Cash and Cash Equivalents at the beginning of the year	6,104	7,950	
<b>Cash and Cash Equivalents at the end of the year</b>	<b>7,950</b>	<b>11,235</b>	34b

# Core Financial Statements

## Note 1 Accounting Policies

### 1. Accounting Concepts & Principles

This Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the end of the year of 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which required the Accounts to be prepared in accordance with the proper accounting practices. These practices are primarily comprised of the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) supported by International Financial Reporting Standards (IFRS).

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

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

### 2. Revenue Recognition

Revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring goods or a service to the service recipient. Revenue is measured as the amount of the transaction price which is allocated to that performance obligation. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

### 3. Accruals of Income & Expenditure

The financial statements have been prepared on an accruals basis for all transactions and balances. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

Where income 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.

### 4. Employee Benefits

The code has interpreted IAS 19 *Employee Benefits* and confirmed that local authorities should account for:

- benefits payable during employment,
- termination benefits
- post-employment benefits
- pension fund accounts

**Benefits Payable During Employment Short-term** - employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave, flexi and time off in lieu (TOIL) as well as bonuses and non-monetary benefits (e.g. mobile phones) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

**Employee Accumulated Absence Accrual** - 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 current accounting year. 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 the financial year in which the holiday entitlement occurs.



## Core Financial Statements

**Termination benefits** - are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant services lines in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for 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 Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

**Post-Employment Benefits** - Employees of the Council are eligible to join the Local Government Pension Scheme, administered by Lancashire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. Retirement benefits are determined independently of scheme investments and the Council must contribute to any deficit where assets are insufficient to meet retirement benefits.

**Pension Fund** - The Local Government Scheme is accounted for as a defined benefits scheme:

- the liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of earnings for current employees. Liabilities are discounted to their value at current prices, using a real discount rate of 2.8% (2.1% 2020/21) determined by reference to market yields at the balance sheet date based on high quality corporate bonds
- the assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value.

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

- 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
- net interest on the net defined benefit liability, i.e. net interest expense for the Council. This is the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement
- re-measurements comprising:
  - the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and,
  - actuarial gains and losses. Due to 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. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the pension fund. This is cash paid to the pension fund in settlement of liabilities.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund, not the amount calculated according to the relevant accounting standards. This means that there are transfers in the Movement in Reserves Statement to remove the notional

## Core Financial Statements

debts and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable, but unpaid at the year end.

The Council 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 a 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.

### 5. Interest

Interest paid on external borrowings is accrued in the accounts of the period to which it relates and interest earned on the external investment of surplus funds is credited to the General Fund using the effective interest method as set out in the Code.

### 6. Value Added Tax

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

### 7. Principal and Agent transactions

Where an authority is acting as a principal, transactions shall be included in the authority's financial statements. However, where authorities act as agents transactions shall not be reflected in an authority's financial statements, with the exception in respect of cash collected or expenditure incurred by the agent on behalf of the principal, in which case there is a debtor or creditor position and the net cash position is included in financing activities in the Cash flow Statement. This Council acts as an agent for the collection of council tax and non-domestic rating income.

### 8. Tax Income (National Non-Domestic Rates (NNDR) and Council Tax)

NNDR and Council Tax income included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income and will be recognised in the Comprehensive Income and Expenditure Statement within the Taxation and Non-Specific Grant Income line.

As a Billing Authority, the difference between the NNDR and Council Tax 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 reported in the Movement in Reserves Statement.

NNDR and Council Tax income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council, and the amount of revenue can be measured reliably.

Revenue relating to NNDR and Council Tax is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

### 9. 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.. These assets are further classified as follows:

- Operational land and buildings,
- Operational plant, furniture, equipment, and motor vehicles.
- Infrastructural assets which are the fixed utility systems, and
- Community assets.
- Surplus assets – held for future regeneration opportunities

# Core Financial Statements

## 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 Council will receive future economic benefits or service potential associated with the item. This excludes expenditure on routine repairs and maintenance of property, plant or equipment which is charged direct to service revenue accounts.

Capital expenditure is initially added to the value of an asset but if that is not considered to be the case it is classed as impairment.

## Measurement

Non-current assets are valued on the basis recommended by the Chartered Institute of Public Finance & Accountancy (CIPFA) and in accordance with the Valuation Standards 6th Edition issued by The Royal Institute of Chartered Surveyors (RICS). Non-current assets are classified into the groupings required by the Code of Practice on Local Authority Accounting.

Assets are initially measured at cost, comprising:

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

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

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

## Revaluation

Revaluations of fixed assets are undertaken by professionally qualified valuers on a five year rolling basis. Any unrealised gains on revaluation are shown in the Comprehensive Income & Expenditure Statement then removed in the Movement in Reserves Statement to the Revaluation Reserve on the Balance Sheet.

Revaluation gains are depreciated in line with the asset to which they relate. Future revaluation losses are matched against any balance in the Revaluation Reserve in the first instance on a strict per-asset basis, with the remaining balance being transferred to the Capital Adjustment Account.

## Impairment

An impairment review is undertaken at the end of each accounting period and material changes to asset valuations are adjusted as they occur. Impairment loss on a re-valued asset is recognised in the Revaluation Reserve to the extent that the impairment does not exceed the balance in the Revaluation Reserve for that asset and thereafter as a cost to the provision of services in the Comprehensive Income & Expenditure Statement.

However, the Code stipulates that impairments do not impact on the council tax, therefore the charge is reversed out through the Movement in Reserves Statement to the Capital Adjustment Account.

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

# Core Financial Statements

## 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).

Infrastructure, community assets and surplus non-operational assets are not depreciated each year but measured at historical cost.

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
- Infrastructure – straight-line allocation as advised by a suitable qualified officer

Newly acquired assets are depreciated the year following 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 the assets.

## Component Accounting

Where the asset comprises two or more major components with substantially different useful economic lives, each component should be accounted for separately for depreciation purposes and depreciated over its individual useful life. Componentisation elements are considered as assets are professionally revalued within the 5-year rolling programme.

## 10. Heritage Assets

Heritage Assets are:

- Tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities which are held and maintained principally for their contribution to knowledge and culture.
- Intangible heritage assets with cultural, environmental or historical significance, such as recordings of significant historical events

For Rosendale Borough Council Heritage Assets include the Panopticon in Haslingden and the war memorials across the borough as well as civic regalia and exhibits at Whittaker Park Museum.

Where heritage assets are purchased or costs capitalised, these assets are now valued on a historic cost basis. This has occurred in examples such as the creation of the Panopticon. However, for historic assets where it is not possible to obtain a cost value commensurate with the benefit to users of the financial statements, the Council is entitled to use any method it deems appropriate and relevant. For the exhibits at Whittaker Park Museum the latest insurance values have been used as an approximation for the asset value.

Depreciation or amortization is not required on heritage assets which have indefinite lives. However, the carrying amount of such assets is reviewed regularly to ensure that they have not suffered any physical deterioration, which would be treated as an impairment.

## 11. Investment Properties

Investment properties are those that are used solely to earn rentals or for capital appreciation, or both. This Council has one piece of land which meets the definition of an Investment Property.

Investment properties are initially measured at cost. After initial recognition they are measured at fair value. The fair value reflects market conditions at the Balance Sheet date. A gain or loss arising from a change in the fair value of investment property is recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

## Core Financial Statements

Investment properties are not depreciated, but are re-valued annually according to market conditions.

An investment property is derecognised on disposal. Gains or losses arising from the disposal are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

Revaluation and disposal gains and losses are reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

### 12. Intangible Assets

Intangible Assets are assets that do not have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis (e.g. software licences). They are controlled by the Council as a result of past events and future economic or service benefits flow to the Council from intangible assets. These assets are capitalised at cost and amortised (depreciated) to the relevant revenue service over their economic lives. This amortisation is then reversed out in the Movement in Reserves Statement and a transfer is made to the Capital Adjustment Account. An intangible asset is derecognised on disposal. The gains or losses arising from the disposal are recognised in the Surplus / Deficit on the Provision of Services.

### 13. Surplus Assets and Assets Held for Sale

When it becomes evident that the carrying amount of an asset will be recovered principally through a sale rather than its continued use, it can be reclassified as an asset held for sale. An asset can only be classed as held for sale if it is available for immediate sale in its present condition, the sale must be highly probable, it is being actively marketed and the sale should be expected to be completed within one year of its original classification. When events or circumstances extend the period beyond one year and there is sufficient evidence that the Council remains committed to the sale of the assets they are classified as long term assets held for sale.

Assets held for sale are held at the lower of the carrying amount and the fair value less cost to sell. If this results in a loss in value the loss is posted to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous loss recognised in the Surplus/Deficit on the Provision of Services. Depreciation is not charged on assets held for sale.

If these assets no longer meet the classification of 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.

### 14. Leases

**Finance 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.

There are no finance leases within the Council where the Council acts as either Lessee or Lessor.

# Core Financial Statements

## Operating Leases

*Lessee* - Rental income paid under operating leases is treated as a revenue transaction and is charged to the relevant service expenditure in the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

*Lessor* - Rental Income from operating leases is recognised on a straight line basis over the lease period and is shown in the Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Assets held for use as operating leases are recorded on the Council's Balance Sheet.

## 15. Revenue Expenditure funded from Capital under Statute

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure of a capital nature that does not result in the creation of a non-current asset on the Balance Sheet. These are generally grants and expenditure on assets not owned by the Council.

Expenditure is charged to the Surplus/Deficit on the Provision of Services as the expenditure is incurred. This is reversed out through the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

Grants receivable in relation to REFCUS are accounted for as revenue grants in the Comprehensive Income and Expenditure Statement, even if described as capital grants by the giver of the grant. Grant income is posted to the service(s) that the qualifying expenditure is charged to.

## 16. Government Grants and Other Contributions

Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council 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 or taxation and non-specific grant income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has 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.

## 17. Capital Receipts

Amounts to be treated as capital receipts are defined by statute and usually arise from disposal of an interest in a fixed asset. Any difference between the receipt value and the carrying value of the asset in the balance sheet at the time of disposal is shown in the Comprehensive Income & Expenditure Statement as a gain or loss on disposal.

## Core Financial Statements

However, some statutorily defined capital receipts do not arise from the disposal of an interest in a fixed asset and as such are treated separately in the Comprehensive Income and Expenditure Statement as 'Other Income'.

Capital receipts are not attributable to the General Fund Balance and are therefore transferred to the Useable Capital Receipts Reserve in the Movement in Reserves Statement.

### 18. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits available on demand. Cash equivalents are short-term (three months or less) highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

### 19. Short-term Investments

Short-term investments are those with a life of between 3 months and 1 year at the Balance Sheet date and are shown in the Balance Sheet at amortised cost.

### 20. Long-term Investments

Long-term investments are those with a remaining life of more than 1 year at the Balance Sheet date and are shown in the Balance Sheet at fair value.

### 21. 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 First in First out (FIFO) or Average (AVCO) (for vehicle fuel) costing formulas. Long term contracts are accounted for on the basis of charging the Surplus/ Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

### 22. Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, for which a reliable estimate can be made of the amount of the obligation. Provisions are a charge to the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

### 23. Contingent Liabilities

A contingent liability is either:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or
- (b) a present obligation that arises from past events but is not recognised because: (i) it is not probable that a transfer of economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability.

A material contingent liability is not recognised within the accounts as an item of expenditure. It is, however, it is disclosed in a note to the accounts.

### 24. Contingent Assets

A contingent asset arises where an event has taken place that gives the Council 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 Council.

# Core Financial Statements

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.

## 25. Reserves

Reserves are classified as either 'usable' (identified and maintained for specific future purposes and contingencies and include General Fund reserve, Earmarked reserve and Usable Capital Receipts reserve) or 'unusable' (kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council) – these reserves are explained in the relevant policies.

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

## 26. Minimum Revenue Provision (MRP)

In accordance with the requirements of the Local Government and Housing Act 1989, the authority is required to set aside a minimum revenue provision for repayment of debt. Minimum Revenue Provision is a charge to the cost of services in the Comprehensive Income & Expenditure Statement. The Council calculates MRP to match the life of the asset.

## 27. Financial Instruments

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

### *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 comprise:

- long-term loans from the Public Works Loan Board;
- trade payables for goods and services received.

### *Financial Assets*

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or another 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 the following classifications:

(i) Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising:

- cash in hand
- bank current and deposit accounts
- fixed term deposits with banks and building societies
- loans to other local authorities
- treasury bills and gilts issued by the UK government
- debtors for goods and services provided



## Core Financial Statements

(ii) Fair value through profit and loss (all other financial assets) comprising:

- money market funds
- pooled bond funds

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. 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.

Financial assets that are measured at Fair Value through Profit or Loss are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. Any changes in the fair value of instruments held at fair value through profit or loss will be recognised in the net cost of services in the CIES and will have a General Fund impact.

(iii) Expected Credit Loss Model

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

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.

### 28. Fair Value

The Council measures some of its non-financial assets, such as surplus assets and investment properties and some of its financial instruments, 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:

- a) in the principal market for the asset or liability, or
- b) 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 using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act 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 valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

# Core Financial Statements

## 29. Prior Period Adjustments

Prior period adjustments are material adjustments applicable to prior years arising from changes in accounting policies or estimates or from the correction of fundamental errors. The Code requires that the financial statements should disclose, where practicable the nature of the change in policy and the impact of any adjustment on the preceding accounting period where practicable. Where this is not practicable, the fact this is so and the reasons for it should be disclosed.

## 30. Events after the Balance Sheet date

Local authorities are required to account for events, both favourable and unfavourable, which occur between the end of the reporting period and the date when the financial statements are authorised for issue in accordance with IAS 10 *Events after the Reporting Period* and IPSAS 14 *Events after the Reporting Date*. Two types of events can be identified:

- Adjusting Events - where events arising after the balance sheet date provide additional evidence of conditions that existed at the balance sheet date and are of a material nature the amounts should be reflected in the Core Statements.
- Non-adjusting Events – events which arise after the balance sheet date and concern conditions which did not exist at that time should be detailed in Notes to the Core Statements if they are of such materiality that their disclosure is required for the fair presentation of the financial statements, rather than reflected in the Core Statements.

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

## Note 2 Expenditure Funding Analysis

2020/21				2021/22				
Net Expenditure Chargeable to the General Fund	transfers (to)/from Earmarked Reserves	Adjustments between the Funding & Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement	Service Segments	Net Expenditure Chargeable to the General Fund	transfers (to)/from Earmarked Reserves	Adjustments between the Funding & Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s
4,802	(79)	420	5,143	Communities Directorate	2,475	32	408	2,915
2,488	492	1,373	4,353	Economic Development Directorate	1,708	(139)	699	2,200
1,762	(1,174)	211	799	Corporate Management	2,840	(582)	221	2,453
<b>9,052</b>	<b>(761)</b>	<b>2,004</b>	<b>10,295</b>	<b>Net Cost of Services</b>	<b>7,023</b>	<b>(689)</b>	<b>1,328</b>	<b>7,568</b>
(9,052)	(2,590)	3,564	(8,044)	Other Income & Expenditure	(7,023)	319	(2,662)	(9,272)
-	(3,351)	5,568	2,251	(Surplus)/Deficit on Provision of Services	-	(370)	(1,334)	(1,704)
1,000	5,845			Opening General Fund/Earmarked Reserve Balance	1,000	9,196		
0	(3,351)			(Surplus)/Deficit on General Fund/Earmarked Reserve Balance as at 31 March	0	(370)		
<b>1,000</b>	<b>9,196</b>			<b>Closing General Fund/Earmarked Reserve Balance in Year</b>	<b>1,000</b>	<b>9,566</b>		

## Notes to the Expenditure Funding Analysis

### 2a Adjustments between Funding and Accounting Basis

# Core Financial Statements

Adjustments between Funding and Accounting basis						2021/22
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for capital purposes	Net change for pensions adjustments	Other statutory differences	Total Statutory adjustments	Other (non-statutory) adjustments	Total adjustments
	£000s	£000s	£000s	£000s	£000s	£000s
Communities Directorate	16	392	-	408	-	408
Economic Development Directorate	550	149	-	699	-	699
Corporate Management	-	221	-	221	-	221
<b>Net cost of services</b>	<b>566</b>	<b>762</b>	<b>-</b>	<b>1,328</b>	<b>-</b>	<b>1,328</b>
Other income and expenditure from expenditure funding analysis	(1,867)	498	(1,366)	(2,735)	-	(2,735)
<b>Difference between General Fund/reserves surplus or deficit and Comprehensive Income and Expenditure</b>	<b>(1,301)</b>	<b>1,260</b>	<b>(1,366)</b>	<b>(1,407)</b>	<b>-</b>	<b>(1,407)</b>

Comparator information for 2020/21 is shown below:-

Adjustments between Funding and Accounting basis						2020/21
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for capital purposes	Net change for pensions adjustments	Other statutory differences	Total Statutory adjustments	Other (non-statutory) adjustments	Total adjustments
	£000s	£000s	£000s	£000s	£000s	£000s
Communities Directorate	-	420	-	420	-	420
Economic Development Directorate	1,247	126	-	1,373	-	1,373
Corporate Management	-	211	-	211	-	211
<b>Net cost of services</b>	<b>1,247</b>	<b>757</b>	<b>-</b>	<b>2,004</b>	<b>-</b>	<b>2,004</b>
Other income and expenditure from expenditure funding analysis	138	91	3,335	3,564	-	3,564
<b>Difference between General Fund/reserves surplus or deficit and Comprehensive Income and Expenditure</b>	<b>1,385</b>	<b>848</b>	<b>3,335</b>	<b>5,568</b>	<b>-</b>	<b>5,568</b>

**1) 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 ie minimum revenue provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted 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.

**2) 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.

## Core Financial Statements

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

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

- For financing and investment income and expenditure the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NNDR that was projected to be received at the start of the year and the income recognized 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.

### 2b Expenditure and Income Analysed by Nature

Expenditure & Income Analysed by Nature	2020/21	2021/22
<b>Expenditure</b>		
Employee benefits expenses	8,807	8,091
Other service expenses	14,912	27,103
Depreciation, amortisation, impairment	10,378	1,360
Interest payments	151	137
Prescripts and levies	61	56
(Gain)/loss on disposal of assets	591	(318)
<b>Total Expenditure</b>	<b>34,900</b>	<b>36,429</b>
<b>Income</b>		
Fees, charges and other service income	(24,760)	(30,079)
Interest and investment income	962	491
Income from council tax, non-domestic rates, district rate incom	(5,089)	(7,369)
Government grants and contributions	(3,796)	(1,176)
<b>Total Income</b>	<b>(32,683)</b>	<b>(38,133)</b>
<b>(Surplus) or deficit on provision of services</b>	<b>2,217</b>	<b>(1,704)</b>

### Note 3 Finance and Investment Income and Expenditure

Financing and Investment Income and Expenditure	2020/21 £000s	2021/22 £000s
Interest Payable on Debt	151	138
Interest and Investment Income	(17)	(8)
Pensions - Interest Cost	2,284	2,239
Pensions - Past Service Cost	-	-
Pensions - Admin Expenses	25	26
Pensions - Interest on Assets	(1,759)	(1,626)
Trading Undertakings	979	499
	<b>1,663</b>	<b>1,268</b>

# Core Financial Statements

## Note 4 Taxation and Non-Specific Grant Income

Financing and Investment Income and Expenditure	2020/21 £000s	2021/22 £000s
Collection Fund		
Council Tax	(5,826)	(5,867)
Council Tax re prior year deficit	-	-
Retained Business Rates	(2,381)	(2,243)
Collection Fund (surplus)/deficit		
Council Tax	63	(24)
Retained Business Rates	3,055	765
Revenue Support Grant	-	-
Donated Assets	(34)	-
Non service related Government Grants	(3,762)	(1,176)
	<b>(8,885)</b>	<b>(8,545)</b>

## Note 5 Trading Operations

The Council operates 3 markets in Haslingden, Bacup and Rawtenstall, which between them ensure that there is at least one market open within the borough every day of the week from Tuesday to Saturday.

The Council has 36 industrial/Retail trading units, promoting economic regeneration across the borough.

Business Offices include a small number of high-tech managed office spaces as well as conference and meeting facilities at the Business Centre, Futures Park, Bacup.

Trading Operations	Net Expend/ (Income) 2020/21 £000s	Gross Expend 2021/22 £000s	Income 2021/22 £000s	Net Expend/ (Income) 2021/22 £000s
Markets	(3)	106	(26)	80
Industrial Units	(437)	74	(142)	(68)
Business Office Facilities	1,419	882	(52)	830
Futures Park Units	-	0	(343)	(343)
<b>Total Trading Accounts</b>	<b>979</b>	<b>1,062</b>	<b>(563)</b>	<b>499</b>

## Note 6 Retained Business Rates

In April 2013 Local Government funding changed with the introduction of a system of locally retained business rates. Rossendale Council now has a direct stake in the business rates collected within the borough and at Full Council in February the Council sets a precept based on 40% of the business rates forecast to be collected within the Borough, from which it pays a tariff to Central Government.

The Lancashire Business Rates Pool, of which Rossendale Borough Council is a member, came into effect on 1<sup>st</sup> April 2016. Under the Pool arrangements, the first 50% of business rates continue to go to Central Government, 9% goes to Lancashire County Council and 1% goes to Lancashire Fire Authority, with Rossendale Borough Council taking the remaining 40%. From that 40% Rossendale continues to pay a Tariff to the Pool. As a result, Rossendale Borough Council retains 90% of any and all surplus or deficit arising from increases in the overall business rates. Added to this, Rossendale Borough Council benefits from 100% of the business rates from renewable energy installations.

# Core Financial Statements

<b>Business Rates Income &amp; Expenditure</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000s</b>	<b>£000s</b>
Rosendale Borough Council Share of Business Rates Income	(4,894)	(4,808)
Less Tariff Payable to Central Government	2,714	2,713
(Surplus)/Deficit Payment in Year (declared January prior to start of year)	(147)	2,048
Movement on Collection Fund (Surplus)/Deficit at Year End	1,007	(140)
Business Rates Retained on Renewable Energy Schemes	(173)	(175)
10% Retained Levy Payable to Lancashire County Council under pooling	10	58
<b>Overall Net Retained Business Rates Related Income</b>	<b>(1,483)</b>	<b>(304)</b>

## Note 7 Grant Income

The Council recognised the following significant grants, contributions and donations during 2021/22:

<b>Grants and contributions received</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000s</b>	<b>£000s</b>
Credited to Cost of Services		
<i>Grants received for Revenue Purposes</i>		
DWP - Housing Benefits - paid to claimants	13,519	12,326
DWP - Housing Benefits - re Council Tenants	76	184
DWP - Discretionary Housing Payments	85	99
DWP - Housing Benefits - administration grant	184	274
DWP - Resource Management - Service Assurance Team	102	56
DWP - Grants for Youth Works and Kickstart		150
MHCLG - Flexible Homeslessness and Prevention Grant	96	174
MHCLG - Rough Sleeping Initiative	215	10
MHCLG - Business Rates Collection Grant	97	96
MHCLG - Localising Council Tax administration subsidy	89	136
MHCLG - Flood Relief & Flood Resilience	292	47
MHCLG - Domestic Abuse New Burdens	-	31
MHCLG - Future High Street Fund - Development	-	-
Covid related grants	4,016	7,961
Cabinet Office - Individual Electoral Registration	-	-
LCC - Domestic Abuse Grant	76	34
LCC - Housing Support Fund (HSF)		260
Historic England - Heritage Action Zone	28	45
National Lottery Heritage Fund	334	164
Climate Change Funding (Lancaster Council)		101
Contributions from developers under S106 agreements	-	-
Other minor grants and contributions	97	144
	<b>19,306</b>	<b>22,292</b>
<i>Grants received for Capital Purposes</i>		
LCC Better Care Fund - Disabled Adaptations Grant	1,161	1,160
Lancashire County Council	70	150
Lancashire Environmental Fund	126	22
Historic England - Heritage Action Zone	95	525
Lancashire Enterprise Partnership	1,127	466
National Lottery Heritage Fund	1,007	588
Misc Contributions	103	463
	<b>3,689</b>	<b>3,374</b>
<b>Total in the CIES Cost of Services</b>	<b>22,995</b>	<b>25,666</b>
Credited to Taxation and Non-Specific Grant Income		
MHCLG - New Homes Bonus	302	213
MHCLG - Business Rates Reliefs	3,461	963
<b>Non-Specific Grants in the CIES</b>	<b>3,763</b>	<b>1,176</b>

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## Note 8 Members Allowances

An Independent Remuneration Panel meet at a minimum of every 4 years to review Member's Allowances. This group last met in June 2014, but in light of the Council's Medium Term Financial Strategy position, Council members voted to defer the proposed increase in allowances.

Total Cost of Elected Members	2020/21 £000s	2021/22 £000s
Basic Allowance	120	120
Special Responsibility Allowance	70	70
Employers National Insurance incurred	3	3
Mileage, subsistence & other reimbursements	11	11
	<b>204</b>	<b>204</b>

Annual amounts payable for elected roles	2020/21 £s	2021/22 £s
<b>Basic Allowance</b>	3,342	3,342
<b>Special Responsibility Allowances</b>		
Leader of Majority or Largest Group	13,368	13,368
Deputy Leader of Majority or Largest Group	10,026	10,026
Leader of Minority or Second Largest Group	6,684	6,684
Cabinet Members	6,684	6,684
All Committee Chairs (4)	3,342	3,342
One off Payment for Charing Meetings	150	150

## Note 9 Senior Officers' Remuneration

The table below shows remuneration details for the Chief Executive and the Senior Officers directly responsible to him, along with their respective salary (including fees and allowances), employer's pension contributions and total remuneration during 2021/22, along with prior year comparators.

Cath Burns the Director of Economic Development left the authority in October 2021 and was replaced in January 2022 by Mandy Lewis.

Senior Officers			Other		Election Duties £	Pension £	Total £
			Salary £	Allowances & Expenses £			
Chief Executive		2021/22	107,255	-	2,425	18,877	128,557
		2020/21	105,670	433	-	8,022	89,303
Director of Economic Development	01/04/21- 15/10/21	2021/22	41,155	249	-	7,651	49,055
	04/01/22 - 31/03/22	2021/22	17,960	-	-	3,161	21,121
		2020/21	75,680	383	-	12,068	88,131
Director of Communities		2021/22	79,793	-	94	14,044	93,931
		2020/21	77,475	179	-	1,182	78,836
Head of Finance		2021/22	51,429	344	113	10,915	62,801
		2020/21	54,452	332	-	8,735	63,519
Legal Services Manager		2021/22	51,655	32	201	9,091	60,979
		2020/21	50,766	47	-	7,864	58,677
HR Manager		2021/22	51,427	382	-	9,091	60,900
		2020/21	50,538	106	-	7,864	58,508

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## Note 10 Other Officers' Remuneration

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more are listed in the table opposite in bands of £5,000.

The Code includes a requirement to disclose the costs of exit packages paid by the Council in bands of £20k. The Council has paid no exit packages, in either 2020/21 and 2021/22.

Officers with remuneration above £50,000 (excl pension)	2020/21 Number	2021/22 Number
£50,000 - £54,999	3	3
£55,000 - £59,999	1	-
£60,000 - £64,999	-	-
£65,000 - £69,999	-	-
£70,000 - £74,999	-	1
£75,000 - £79,999	2	1
£80,000 - £84,999	-	1
£85,000 - £89,999	-	-
£80,000 - £99,999	-	-
£105,000 - £109,999	1	1
	<b>7</b>	<b>7</b>

## Note 11 Related Parties

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

### Central government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides a large proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg council tax bills, housing benefits).

### Other local authorities and precepting bodies

- payments to the Lancashire County Council Pension Fund.
- precepts in relation to Council Tax and Business Rates are paid to Central Government, Lancashire Police Authority, Lancashire Fire Authority, Lancashire County Council.
- The Lancashire Business Rates Pool.
- precept payable to Whitworth Town Council – see the Narrative Statement and the Comprehensive Income & Expenditure Statement.

### Other key partners

- In June 2004 the bulk of Rosendale's Leisure Facilities transferred to the management of the newly-formed independent Rosendale Leisure Trust.
  - In previous years the Council has given the Trust an operational grant. However, the Council purchased the balance of the Haslingden Gym extension loan in November 2016 at a cost of £1,010k. The Trust now pays a rental charge for using the asset of £60k per annum for its remaining 14 year life. This represents a saving for the Trust which negated the need for any grant funding from 2017/18 onwards.
  - Since 2015/16 the Council has made three loans to the Trust



## Core Financial Statements

- 2015/16 a loan of £266k was made for Grip & Go. As at 31<sup>st</sup> March 2022 that balance owed on this loan is £52k.
- 2016/17 a loan of £41k was made for Solar Panels at Marl Pits. As at 31<sup>st</sup> March 2022 the balance owed on this loan was £15.9k.
- 2019/20 an interest bearing loan of £256k was made for gym equipment refresh at the Adrenalin Centre. As at 31<sup>st</sup> March 2022 the balance owed on this loan was £234.7k.

The Council deferred payment on all the above loans for 2020/21 and 2021/22 due to the Covid Pandemic.

- During 2021/22 the Trust transferred monies at the end of each month to reduce the intercompany balance. The agreement was to pay the salary costs and creditor payments within the month plus £50k to reduce the outstanding debt brought forward from previous years. This was on the understanding that £200k would be retained in the RLT bank account. The balance brought forward from 2020/21 was £383k due to a slow recovery after the Pandemic. The balance at the end of March 2022 was £46.1k
- The £46.1k debt is included within Council's Sundry Debtors.
- The grip and go loan and the solar panel loans to the Trust are considered soft loans because interest payments have not been charged and are not material in 2021/22.
- To assist the Trust in its efforts to find operational efficiencies, the Council began to provide its professional financial and IT services in April 2013 under a service level agreement. No charge is made for these services.
- Community Leisure Association of Whitworth (CLAW) was a separate charitable organisation operating Whitworth Leisure Centre and Whitworth Civic Hall (The Ashcroft), where the council provided the payroll service which was reimbursed each month. The council also provided the accountancy service at nil charge. The intercompany balance at the end of 2021/22 was £nil (£73.9k in 2020/21)
- From April 2021 RLT took over the responsibilities for the CLAW sites. These were fully integrated by December 2021. The CLAW grant of £50k was still honoured in 2021/22 and paid to RLT
  - Since 2016/17 the council has made a loan to CLAW of £24.6k for Solar Panels at The Ashcroft. As at 31<sup>st</sup> March 2022 the balanced owed on this loan was £13.6k. RLT are now responsible for this loan
- The RTB Partnership Ltd was incorporated on the 4<sup>th</sup> February 2013, with equal partners being Rosendale Borough Council, Together Housing and Barnfield Construction Ltd. The Partnership is a vehicle to facilitate a variety of development projects across the borough. During 2021/22 no contributions have been made by the council (£74k contributed in 2020/21)

### Members and Chief Officers

The Council's Standing Orders make provision for a register of Members and Officers interests.

Upon review of this register it is considered that any transactions involving Members and Chief Officers with related parties have complied with the above regulations and are not material.

# Core Financial Statements

## Note 12 External Audit Costs

The sums due from Rosendale Borough Council to the external auditors for works carried out relating to the year of account 2021/22 were:-

Audit costs	2020/21 £000s	2021/22 £000s
Fees payable in respect of external audit of accounts	35	35
Share of redistribution of surplus funds on national PSAA Account	(4)	(4)
Fees payable for non-audit assurance work	21	-
	<b>52</b>	<b>31</b>

# Core Financial Statements

## Note 13 Adjustments between Accounting Basis and Funding Basis under regulations

This note details the adjustments that are made in the Movement in Reserves Statement to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The table below details the changes in 2021/22 while the financial year 2020/21 can be found on the opposite page.

Adjustments to the Comprehensive Income and Expenditure Statement in the Movement in Reserves Statement	2021/22			Unuseable Reserves £000s
	General Fund Balance	Capital Receipts Reserve	Govt Grants Unapplied	
	£000s	£000s	£000s	
<b>Capital Adjustment Account adjustments</b>				
Depreciation of Property, Plant & Equipment (PPE)	869	-	-	(869)
Impairment of Property, Plant & Equipment (PPE)	77	-	-	(77)
Revaluation gain/loss on Property, Plant and Equipment (PPE)	432	-	-	(432)
Deferred Capital Receipts	69	-	-	(69)
Amortisation of Intangible Assets	16	-	-	(16)
Revenue Expend funded from Capital under Statute (REFCUS)	1,330	-	-	(1,330)
REFCUS for Empty Homes Scheme	153	-	-	(153)
Net book value of assets sold	73	-	-	(73)
Donated Assets	-	-	-	-
Statutory provisions for financing of capital investment (MRP)	(483)	-	-	483
Capital Expend charged to General Fund	(26)	-	-	26
Capital Expend charged to General Fund Empty Homes	-	-	-	-
<b>Capital Receipts Reserve adjustments</b>				
Transfer of cash proceeds of assets sold	(396)	396	-	-
Other Income	-	-	-	-
Use of Capital Receipts Reserve to fund capital spend	-	(1,033)	-	1,033
<b>Capital Grants Unapplied Account adjustments</b>				
Capital grants and contributions credited to the CIES	(302)	-	302	-
Application of grants to the Capital Adjustment Account (CAA)	(3,040)	-	-	3,040
Application of grants to the CAA Empty Homes Scheme	-	-	-	-
<b>Pensions Reserve adjustments</b>				
Employer contributions paid to the Pension Fund	(1,073)	-	-	1,073
Net IAS19 charges made for retirement benefits	2,333	-	-	(2,333)
<b>Collection Fund Adjustment Account adjustments</b>				
Difference between the Council Tax and Non-Domestic Rates income credited to the CIES and that calculated in accordance with statutory requirements	(1,366)	-	-	1,366
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(1,334)</b>	<b>(637)</b>	<b>302</b>	<b>1,669</b>

# Core Financial Statements

Adjustments to the Comprehensive Income and Expenditure Statement in the Movement in Reserves Statement	2020/21			
	General Fund Balance	Capital Receipts Reserve	Govt Grants Unapplied	Unuseable Reserves
	£000s	£000s	£000s	£000s
<b>Capital Adjustment Account adjustments</b>				
Depreciation of Property, Plant & Equipment (PPE)	751	-	-	(751)
Impairment of Property, Plant & Equipment (PPE)	559	-	-	(559)
Revaluation gain/loss on Property, Plant and Equipment (PPE)	3,302	-	-	(3,302)
Deferred Capital Receipts	67	-	-	(67)
Amortisation of Intangible Assets	16	-	-	(16)
Revenue Expend funded from Capital under Statute (REFCUS)	1,148	-	-	(1,148)
REFCUS for Empty Homes Scheme	(73)	-	-	73
Net book value of assets sold	3,073	-	-	(3,073)
	(34)	-	-	34
Statutory provisions for financing of capital investment (MRP)	(465)	-	-	465
Capital Expend charged to General Fund	(241)	-	-	241
Capital Expend charged to General Fund Empty Homes	553	-	-	(553)
<b>Capital Receipts Reserve adjustments</b>				
Transfer of cash proceeds of assets sold	(2,482)	2,482	-	-
Other Income	(1,508)	1,508	-	-
Use of Capital Receipts to fund capital spend	-	(4,284)	-	4,284
<b>Capital Grants Unapplied Account adjustments</b>				
Capital grants and contributions credited to the CIES	(675)	-	675	-
Application of grants to the Capital Adjustment Account	(2,606)	-	-	2,606
Application of grants to the Capital Adjustment Account	-	-	-	-
<b>Pensions Reserve adjustments</b>				
Employer contributions to the Pension Fund	(1,005)	-	-	1,005
Net IAS19 charges made for retirement benefits	1,853	-	-	(1,853)
<b>Collection Fund Adjustment Account adjustments</b>				
Difference between the Council Tax and Non-Domestic Rates income credited to the CIES and that calculated in accordance with statutory requirements	3,335	-	-	(3,335)
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>5,568</b>	<b>(294)</b>	<b>675</b>	<b>(5,949)</b>

# Core Financial Statements

## Note 14 Property, Plant and Equipment

### 14a Movements during the year

Movements on property, plant & equipment assets in 2021/22 were as follows:-

Property, Plant & Equipment 2021/22	Land & Buildings £000s	Vehicles, Plant, & Furniture & Equip £000s	Infra- structure Assets £000s	Community Assets £000s	Assets under constr'n £000s	Surplus Assets £000s	Total Assets £000s
<b>Cost or Valuation 1st April 2021</b>	<b>29,586</b>	<b>7,455</b>	<b>310</b>	<b>2,340</b>	<b>4,252</b>	<b>796</b>	<b>44,739</b>
Additions	<b>1,085</b>	<b>1,067</b>	75	668	1,103	-	<b>3,998</b>
Donated Assets	-	-	-	-	-	-	-
Revaluation increases/(decreases)							
to Revaluation Reserve	211	-	-	(34)	-	1	178
to Provision of Services	3,535	-	-	-	-	-	3,535
Reclassifications-							
to/from Assets Held for Sale	-	-	-	-	-	-	-
others	(261)	(22)	(4)	-	287	-	0
Derecognition-							
on disposal	(5)	(791)	-	-	-	(66)	(862)
<b>Cost or Valuation 31<sup>st</sup> March 2022</b>	<b>34,151</b>	<b>7,709</b>	<b>381</b>	<b>2,974</b>	<b>5,642</b>	<b>731</b>	<b>51,588</b>
<b>Accum Depreciation and Impairments 1st April 2021</b>	<b>(10,388)</b>	<b>(5,742)</b>	<b>(224)</b>	<b>(410)</b>	<b>(455)</b>	<b>(130)</b>	<b>(17,349)</b>
Depreciation for the year-							
to Revaluation Reserve	(220)	-	-	(2)	-	-	(222)
to Provision of Services	(272)	(319)	(9)	(33)	(11)	-	(645)
Impairment (losses)/reversals							
to Revaluation Reserve	(14)	-	-	(19)	-	-	(33)
to Provision of Services	(22)	(6)	(2)	(13)	-	(1)	(44)
Reclassifications	-	-	-	-	-	-	-
Derecognition-							
on disposal	-	790	-	-	-	-	790
<b>Accumulated Depreciation and Impairments 31<sup>st</sup> March 2022</b>	<b>(10,917)</b>	<b>(5,277)</b>	<b>(235)</b>	<b>(477)</b>	<b>(466)</b>	<b>(131)</b>	<b>(17,503)</b>
Net Book Value at 31 <sup>st</sup> March 2022	23,234	2,432	146	2,497	5,176	600	34,085
Net Book Value at 31 <sup>st</sup> March 2021	19,198	1,713	86	1,930	3,797	666	27,390

Depreciation, using the straight line method, has been charged according to the estimated life of the assets involved on the following basis.

- Operational buildings generally have a useful life of 50 years, except where expert opinion has reduced this estimate. The land upon which the buildings reside is not subject to depreciation.
- Vehicles are depreciated over a useful life of 3-7 years depending upon their technical or mechanical nature.
- Equipment such as refuse bins, are depreciated over their individual useful life determined at the point of acquisition.
- All other assets under land, assets under construction, community assets, investment and surplus assets are not depreciated.

Component accounting is applied to all revaluation exercises on the following basis.

- For all property assets, land and buildings are valued separately. Only assets with a combined land and buildings value of £500k and over will be subject to component accounting.
- Significant components are items (or groups of items) with a value of at least 25% of the total asset value.

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## Fair Value Hierarchy – Surplus Assets

- Surplus assets comprise land from which the Council does not provide services. The Council has determined all of its surplus assets are valued at level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly at 31 March 2021 and 2022. There were no transfers between levels during 2021/22.

Comparator movements in 2020/21 were as follows:

Property, Plant & Equipment 2020/21	Land & Buildings £000s	Vehicles, Plant, Furniture & Equip £000s	Infra-structure Assets £000s	Community Assets £000s	Assets under constr'n £000s	Surplus Assets £000s	Total Assets £000s
<b>Cost or Valuation 1st April 2020</b>	29,216	7,158	266	1,179	6,354	784	44,957
Additions	1,026	263	44	1,161	1,517	-	4,011
Donated Assets	-	34	-	-	-	-	34
Revaluation increases/(decreases)							
to Revaluation Reserve	182	-	-	-	-	12	194
to Provision of Services	(4,223)	-	-	-	-	-	(4,223)
Reclassifications-							
to/from Assets Held for Sale	-	-	-	-	-	-	-
others	3,396	-	-	-	(3,396)	-	-
Derecognition-							
on disposal	(11)	-	-	-	(223)	-	(234)
<b>Cost or Valuation 31<sup>st</sup> March 2021</b>	<b>29,586</b>	<b>7,455</b>	<b>310</b>	<b>2,340</b>	<b>4,252</b>	<b>796</b>	<b>44,739</b>
<b>Accum Depreciation and Impairments 1st April 2020</b>	(9,383)	(5,396)	(171)	(386)	(463)	(130)	(15,929)
Depreciation for the year-							
to Revaluation Reserve	(144)	-	-	(2)	(147)	-	(293)
to Provision of Services	(235)	(346)	(9)	(5)	(6)	-	(601)
Impairment (losses)/reversals							
to Revaluation Reserve	(124)	-	-	-	-	-	(124)
to Provision of Services	(502)	-	(44)	(17)	-	-	(563)
Reclassifications	-	-	-	-	-	-	-
Derecognition-							
on disposal	-	-	-	-	161	-	161
<b>Accumulated Depreciation and Impairments 31st March 2021</b>	<b>(10,388)</b>	<b>(5,742)</b>	<b>(224)</b>	<b>(410)</b>	<b>(455)</b>	<b>(130)</b>	<b>(17,349)</b>
<b>Net Book Value at 31st March 2021</b>	<b>19,198</b>	<b>1,713</b>	<b>86</b>	<b>1,930</b>	<b>3,797</b>	<b>666</b>	<b>27,390</b>

## 14b Revaluation Programme

During 2021/22 the Council's property portfolio was valued by external RICS-qualified officers from Capita Symonds Ltd, PO BOX 212, Faverdale Industrial Estate, Darlington, DL1 9HN, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The Council carries out a revaluation programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years.

Assets valued in previous years have not undergone any material changes which would alter their valuations.

Properties regarded by the Council as operational are to be valued on the basis of existing use value or, where this cannot be assessed because there is no market for the subject asset, the depreciated replacement cost. Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost.

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The details below show the history of the revaluation programme and the next planned revaluation exercise for each type of asset held. Under the provisions of the Code assets of a similar type should be revalued together.

Revaluation Programme for assets under Property, Plant & Equipment	Carried at Historic Cost £000s	Assets valued at Fair Value in the year ending					Total Net Book Value £000s
		March 2018 £000s	March 2019 £000s	March 2020 £000s	March 2021 £000s	March 2022 £000s	
Land	97	3	29	75	-	2,150	2,354
Administrative Buildings	-	10	1,410	-	-	-	1,420
Depots and Workshops	-	837	-	-	-	31	868
Garages	-	58	-	-	195	-	253
Car Parks	-	28	-	1,086	8	-	1,122
Cemeteries	-	10	-	-	-	722	732
Sports & Leisure Facilities	188	2,005	7,332	2	-	148	9,675
Parks, & Recreation Grounds	82	746	-	254	4	710	1,796
Woodlands & Open Spaces	22	311	39	186	153	1,495	2,206
Agricultural Land	-	37	-	316	-	255	608
Industrial Units	-	-	-	-	-	1,236	1,236
Domestic Housing	-	80	-	106	394	-	580
Business Offices/Premises	-	-	-	697	727	587	2,011
Public Conveniences	-	87	-	10	-	37	134
Bus Shelters	180	-	6	-	-	349	535
Markets	-	97	-	-	-	-	97
Sheltered Accommodation	-	-	-	-	-	352	352
Plant, Vehicles & Equipment	2,325	-	-	-	-	-	2,325
Other Assets	65	70	8	177	281	5	606
Assets under construction	5,176	-	-	-	-	-	5,176
<b>Net Book Value 31<sup>st</sup> March 2021</b>	<b>8,135</b>	<b>4,379</b>	<b>8,824</b>	<b>2,909</b>	<b>1,762</b>	<b>8,077</b>	<b>34,086</b>

### Note 15 Heritage Assets

The Heritage Assets held by the Council fall into four categories: Whitaker Museum Collection, War Memorials, Panoptican and Civic Regalia. All these categories have been in the Council's ownership for a number of years and are held for their intrinsic worth as opposed to potential financial gain. As such, they are unlikely to be sold.

The War Memorials and Panoptican are reported at historic cost and the Museum Collection and Civic Regalia are reported at insurance valuation. According to the Code there is no prescribed minimum period between valuations and so the Council does not intend to revalue its Heritage Assets in the near future.

Heritage Assets	Whitaker Museum Collection £000s	War Memorials £000s	Panoptican £000s	Civic Regalia £000s	Total £000s
<b>Cost or Valuation 1st April 2020</b>	1,507	102	24	800	2,433
Additions	-	-	-	-	-
Revaluation Gains	-	-	-	-	-
Revaluation Losses recognised in the Revaluation Reserve	-	(27)	(3)	-	(30)
<b>Cost or Valuation 31<sup>st</sup> March 2021</b>	<b>1,507</b>	<b>75</b>	<b>21</b>	<b>800</b>	<b>2,403</b>
Additions	-	-	-	-	-
Revaluation Gains	-	-	-	-	-
Revaluation Losses recognised in the Revaluation Reserve	-	(2)	-	-	(2)
<b>Cost or Valuation 31st March 2022</b>	<b>1,507</b>	<b>73</b>	<b>21</b>	<b>800</b>	<b>2,401</b>

# Core Financial Statements

## Note 16 Investment Properties

The Council has one piece of land classified as an investment property following the agreement of a long-term lease.

### Fair Value Hierarchy – Investment Properties.

The Council has determined that this asset should be valued as a level 2 input, therefore, the level of rental income receivable is factored into the calculation to determine the fair value of the asset.

Investment Properties	2020/21 £000s	2021/22 £000s
Fair Value 1st April	550	550
Revaluations	-	(25)
<b>Cost or Valuation 31st March</b>	<b>550</b>	<b>525</b>
Gains/Losses in Fair Value	-	-
<b>Accum Depreciation and Impairments 31st March</b>	<b>-</b>	<b>-</b>
Fair Value at 31st March	550	525
<b>Rental income within the year</b>	<b>25</b>	<b>25</b>

## Note 17 Intangible Assets

Intangible Assets	2020/21 £000s	2021/22 £000s
Cost or Valuation 1st April	1050	1,050
Assets reclassified to/(from) PPE	-	-
<b>Cost or Valuation 31st March</b>	<b>1,050</b>	<b>1,050</b>
Accum Depreciation 1st April	(1,022)	(1,038)
Amortisation for the period	(16)	(12)
<b>Accum Depreciation and Impairments 31st March</b>	<b>(1,038)</b>	<b>(1,050)</b>
Net Book Value at 31st March	12	-

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item under Property, Plant and Equipment. At Rosendale Borough Council these intangible assets comprise only purchased licenses as the Council has no internally generated software.

All software is given a finite useful life, based on assessments of the expected benefit to the Council, over which depreciation is calculated on a straight line basis. The default value for the useful life is 5 years and all current assets have been deemed to follow that standard.

## Note 18 Capital Expenditure, Financing and Capitalisation of Borrowing Costs

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

### 18a - Capital Expenditure on Council Assets

The Capital Financing Requirements (CFR) is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. This capital expenditure is charged to future

years through Minimum Revenue Provision (MRP) as assets are used by the Council. Rosendale Borough Council now splits the CFR into two distinct elements; those costs pertaining to the East Lancs Empty Homes Scheme and other capital expenditure. The movement in the CFR during the year is analysed in the second part of this note.



# Core Financial Statements

Capital Financing Requirement	2020/21 £000s	2021/22 £000s
<b>Opening Capital Financing Requirement</b>	<b>14,063</b>	<b>14,272</b>
<b>Non-Empty Homes Opening Capital Financing Requirement</b>	<b>13,716</b>	<b>13,375</b>
Capital investments		
Property, Plant & Equipment	4,011	4,000
Intangible Assets	-	-
Revenue Expenditure funded from Capital under Statute	656	1,434
	<b>4,667</b>	<b>5,434</b>
Sources of Finance		
Capital Receipts	(2,703)	(1,034)
Government Grants and other contributions	(1,603)	(3,144)
Sums set aside from Revenue:-		
Direct revenue contributions	(237)	(26)
Minimum Revenue Provision (MRP)	(465)	-
<b>Non Empty Homes Closing Capital Financing Requirement</b>	<b>13,375</b>	<b>14,605</b>
<b>Empty Homes Opening Capital Financing Requirement</b>	<b>347</b>	<b>897</b>
Empty Homes		
Revenue Expenditure funded from Capital under Statute	550	164
Sources of Finance		
Capital Receipts	-	-
Sums set aside from Revenue:-		
Direct revenue contributions	-	(164)
<b>Empty Homes Closing Capital Financing Requirement</b>	<b>897</b>	<b>897</b>
<b>Closing Capital Financing Requirement</b>	<b>14,272</b>	<b>15,502</b>
Explanation of movements in the year -		
Increase in underlying borrowing (net of direct grants and contributions)	674	1,230
Repayments (MRP)	(465)	-
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>209</b>	<b>1,230</b>

The capital expenditure shown above is split between Council-owned assets and those owned by third parties. The Council incurs capital expenditure on third party assets through schemes like the Disabled Facilities Grants (DFGs), the Bacup Heritage Action Zone and the East Lancs Empty Homes Scheme. The distinction is an important one because capital expenditure on assets not owned by the Council is permitted by Statute, but is accounted for as revenue expenditure, along with its respective funding. Hence, in the table above there are details of 'Revenue Expenditure funded from Capital under Statute' (REFCUS) and funding from grants and other receipts and contributions, not from MRP.

## 18b – Capital Commitments

As at 31st March 2022, the Council was contractually committed to a total of £3.587m (£3.587m 2020/21). The individual capital schemes are listed below:-

Contractual commitments	31 <sup>st</sup> March 2021 £000s	31 <sup>st</sup> March 2022 £000s
Rising Bridge Play Area	40	40
Futures Park Plot 1	228	228
Futures Park Plot 2	191	191
Whitaker Museum Refurbishment	381	381
Town Square Public Realm	500	500
Bacup Historic England	2,220	2,220
Varius small projects	27	27
	<b>3,587</b>	<b>3,587</b>

# Core Financial Statements

## Note 19 Leases

### 19a - Authority as Lessee

During 2014/15 the Council became directly responsible for the leases of domestic properties under the East Lancashire Empty Homes Scheme which were to be met from future rental incomes. The Council has contracted with managing agents to manage the properties on its behalf, with the majority of properties being managed by Calico Housing Ltd. The managing agents arrange the contracts with tenants, collect the rent and pay the leases over to the property owners. The lease commitments shown below refer solely to the properties which the Council is in the process of returning to the owners at which point all future lease commitments shown below will be extinguished.

Authority as a Lessee	2020/21 £000s	2021/22 £000s
<b>Lease Payments within the year</b>	<b>333</b>	<b>211</b>
Future minimum lease commitments		
Amounts falling due within 1 year	212	212
Amounts falling due within 2-5 years	230	309
Amounts falling due within 6-10 years	-	-
<b>Total Minimum Lease Payments</b>	<b>442</b>	<b>521</b>

### 19b – Authority as Lessor

The Council leases out land and property under operating leases for services sport and leisure, regeneration and commercial use.

Authority as a Lessor	2020/21 £000s	2021/22 £000s
Not later than one year	452	465
Later than one year and not later than five years	1,622	1,630
Later than five years	6,398	6,087
	<b>8,472</b>	<b>8,182</b>

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

# Core Financial Statements

## Note 20 Long-term Debtors

Long Term Debtors	Rosendale Leisure Trust £000s	Empty Homes Loans £000s	Other loans & mortgages £000s	Total £000s
Debt Outstanding 1st April 2020	33	1,374	72	1,479
Advances	-	6	-	6
Receipts	(1)	(67)	-	(68)
Write-offs	-	-	(72)	(72)
	32	1,313	-	1,345
Expected Credit Loss Impairment	-	(1,023)	-	(1,023)
<b>Balance at 31st March 2021</b>	<b>32</b>	<b>290</b>	<b>-</b>	<b>322</b>
Debt Outstanding 1st April 2021	32	1,313	-	1,345
Advances	-	10	10	20
Receipts	(2)	(68)	-	(70)
Write-offs	-	-	-	-
	30	1,255	10	1,295
Expected Credit Loss Impairment	-	(1,023)	-	(1,023)
<b>Balance at 31st March 2022</b>	<b>30</b>	<b>232</b>	<b>10</b>	<b>272</b>

The East Lancs Empty Homes Strategy moved into full operations during 2013-14. Funded by the Homes and Communities Agency (HCA) in the first instance, this programme saw long-term empty properties across East Lancashire brought back into use. Any renovation costs, shown above as advances, are being recouped from property rentals during the life of the lease, shown above as receipts. At the end of these leases these properties revert to their owners.

## Note 21 Nature and extent of risks arising from Financial Instruments

### 21a - Categories of Financial Instruments

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

Financial Assets - Balances at Amortised Cost	2020/21		2021/22	
	Long Term £000	Short term £000	Long Term £000	Short Term £000
<b>Investments</b>	2	5,070	2	5,820
<b>Cash and Cash Equivalents</b>	-	7,950	-	11,235
<b>Debtors</b>	322	1,741	272	1,554
<i>Debtors that are not financial Instruments</i>		5,185		4,129
<i>Total Debtors</i>	322	6,926	272	5,683
<b>Total Financial Assets</b>	<b>324</b>	<b>14,761</b>	<b>274</b>	<b>18,609</b>

# Core Financial Statements

Financial Liabilities - Balances at Amortised Cost	2020/21		2021/22	
	Long Term	Short term	Long Term	Short Term
	£000	£000	£000	£000
<b>Borrowing</b>	(4,192)	(234)	(3,908)	(234)
<b>Creditors</b>	-	(2,321)	-	(3,280)
<i>Creditors that are not financial Instruments</i>		(9,045)		(9,967)
<i>Total Creditors</i>		(11,366)		(13,247)
<b>Total Financial Liabilities</b>	<b>(4,192)</b>	<b>(2,555)</b>	<b>(3,908)</b>	<b>(3,514)</b>

The Financial Instruments categorised above represent:

## Financial Assets

- Amounts shown under Investments consist of cash held by the Council, bank accounts and short term investments.
- Amounts shown under Long-Term Debtors consist of loans to property owners under the Empty Homes scheme and a loan to Rosendale Leisure Trust.
- Amounts shown under Short-Term Debtors represents net operational (sundry) debtors.

Fair Value Hierarchy of Investments - The investments above were assessed as level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly at 31 March 2021 and 2022.

## Financial Liabilities

- Amounts shown under Long-Term and Shot-Term borrowings are loans with the Public Works Loan Board.
- Amounts shown under Short-Term Creditors are the Council's operational creditors.

## 21b - Financial Instrument Gains/Losses

The amounts shown below are recognised in the Comprehensive Income and Expenditure Statement under the (Surplus) or Deficit on Provision of Services:

Income & Expenses Gains and Losses	2020/21	2021/22
	£000	£000
<b>Financial Liabilities</b>		
Interest Expenses	151	138
<b>Financial Assets</b>		
Interest Income	(17)	(8)
<b>Net (Gain)/Loss charged to Surplus or Deficit on Provision of Services</b>	<b>134</b>	<b>130</b>

## 21c - Fair value of assets and liabilities carried at amortised cost

Financial liabilities and assets represented above under Categories of Financial Instruments are carried on the balance sheet at amortised cost. The fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions.

## Core Financial Statements

- For loans from the PWLB the fair value was calculated by reference to the premature repayment set of rates in force on 31<sup>st</sup> March 2021 and 31<sup>st</sup> March 2022 respectively.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced amount.

The fair values are calculated as follows:

	31st March 2021		31st March 2022	
	Carrying amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
Borrowings	(4,426)	(5,262)	(4,142)	(4,642)
Short Term Creditors	(2,321)	(2,321)	(3,280)	(3,280)
<b>Total Financial Liabilities</b>	<b>(6,747)</b>	<b>(7,583)</b>	<b>(7,422)</b>	<b>(7,922)</b>
Long Term Investments	2	2	2	2
Investments <1 year	5,070	5,070	5,820	5,820
Long Term Debtors	322	322	272	272
Short Term Trade Debtors	1,741	1,741	1,554	1,554
Cash and Cash Equivalents	7,950	7,950	11,235	11,235
<b>Total Financial Assets</b>	<b>15,085</b>	<b>15,085</b>	<b>18,883</b>	<b>18,883</b>

At March 2022 Rosendale Borough Council had two outstanding PWLB Loans. One was taken out in March 2010 for 25 Years at a fixed rate of 4.49%, the other was taken out in August 2019 for £2m over 20 years at a fixed interest rate of 1.34%. The premature repayment rates applicable on 31<sup>st</sup> March 2022 were 2.19% and -1.06% respectively. The figures for fair value above were £2,908k and £1,734k, as supplied by the Council's treasury management advisor, Link Asset Services. For a sensitivity analysis, Link Asset Services have confirmed that similar new loans on the 31<sup>st</sup> March 2022 at the discount rates above would have reduced the fair value of the loan at the end of 2021/22 by £295k to £4,347k.

The Council's Portfolio of treasury management investments does not include any long-term deposits over 365 days. For Investments under 365 days the deposit value is taken as a fair approximation of their value.

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

### Note 22 Nature and extent of risks arising from Financial Instruments

#### Key Risks

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

- Credit risk the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risks the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates movements.

# Core Financial Statements

## Overall procedures for Managing Risks

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise potential adverse effects on the resources available to fund services. The procedures for risk management are set out through a legal framework set out in the

Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
  - the Council's overall borrowing;
  - it's maximum and minimum exposures to fixed and variable rates;
  - it's maximum and minimum exposures of the maturity structure of its debt;
  - it's maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the government guidance.

These requirements are known as Prudential Indicators and are required to be reported and approved alongside the Council's annual Council Tax budget setting in February, along with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported monthly to Members.

These policies are implemented by the Council's Financial Services staff. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed annually.

## Credit Risk

Credit risk arises from deposits with banks and financial institutions, and credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria and limits approved by the Council.

The Council maintains strict criteria for investment counterparties and monitors activity against these criteria. As a result of this high credit criteria there has been no experience of defaults. The Council refers to an approved list of organisations for investment purposes, assessed by the rating agencies, consisting of major banks, building societies and other local authorities. Maturity limits apply for each counterparty category and maximum investment limits also exist per counterparty and per sector.

No breaches of these criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any counterparty in relation to financial deposits.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience of its customer collection levels over the last three financial years, adjusted to reflect current market conditions.

# Core Financial Statements

## 22a Credit Risk

Credit Risk	Actual Amount March 2022 £000s	Historical default £000s	Adjusted for market conditions %	Estimated maximum exposure March 2022 £000s	Estimated maximum exposure March 2021 £000s
Cash and Cash Equivalents	11,235	0.00%	0.00%	-	-
Investments - Bank Deposits	5,820	0.00%	0.00%	-	-
Investments - Others	-	0.00%	0.00%	-	-
Long Term Debtors	272	0.00%	0.00%	-	-
Short Term Trade Debtors	1,554	6.60%	7.00%	450	427
<b>Total Financial Assets</b>	<b>18,881</b>			<b>450</b>	<b>427</b>

## 22b Trade Debtors

The Council does not generally allow credit for its trade debtors. The Council reports the level of trade debts outstanding each quarter in the financial monitoring report to Cabinet, which is available on the website. The balance of Trade Debtors at 31<sup>st</sup> March 2022 stood at £2,805k (£2,870k at March 2021). Against this the Council held an Expected Credit Loss Impairment of £1,275k (£1,129k at March 2021), as shown in the table below.

Short Term Trade Debtors by age	31st March 2021 £000s	31st March 2022 £000s
Less than 3 months	1,322	1,180
Three to six months	62	32
Six months to one year	70	243
Over one year	1,416	1,374
Expected Credit Loss Impairment	(1,129)	(1,275)
<b>Total Net Trade Debtors</b>	<b>1,741</b>	<b>1,554</b>

## Liquidity Risk

The council has ready access to borrowings from the Public Works Loan Board for long term borrowing and the Money Markets to cover any day-to-day cash flow need. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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 management and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice. The Council's performance in managing its current cash position is reported each month in the financial monitoring reports available on the website.

## Refinancing and Maturity Risk

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments of greater than one year in duration are the key parameters used to address this risk. The approved treasury and investment strategy addresses the main risks and sets the operational parameters should the Council ever need to borrow funds.

# Core Financial Statements

## Market Risk

There are three related risks the Council is aware of: interest rate risk, price risk and foreign exchange risk.

### *Interest Rate Risk*

The Council has limited exposure to interest rate movements on its borrowings and investments. Borrowings are carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and reflected in the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. The annual Medium Term Financial Strategy draws together the Council’s prudential indicators and its expected treasury operations, including an expectation of interest rate movements. The aim of the prudential indicators is to contain the activity of the treasury function within certain limits reducing the risk or likelihood of an adverse movement in certain interest rates or borrowing decisions that could impact negatively on the Council’s overall financial position.

Within this Strategy prudential indicators are set which provide maximum and minimum limits for fixed and variable interest rate exposure. The Financial Services staff monitor markets and forecast interest rates within the year to adjust exposure appropriately. The indicators in force during 2021/22, which were approved along with the Council’s annual budget in February 2021, are shown below.

Limits in interest rate exposure	2020/21	2021/22
Max principal sums borrowed > 364 days	£20.75m	£20.75m
Borrowing limits on Fixed Interest Rates	100%	100%
Borrowing limits on Variable Interest Rates	0%	0%
Max sums invested > 364 days	£0m	£0m
Max sums invested with single body	£8m/50%	£8m/50%
Max sums invested with any group	£10m	£10m

If all lending interest rates had been 1% higher, with all other variables held constant, the financial effect would only impact on the interest receivable on variable rate investments by an extra £114k at 31<sup>st</sup> March 2022. All other interest payable and receivable is fixed.

### *Price Risk*

The Council does not invest in instruments with this type of risk.

### *Foreign exchange risk*

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

## Note 23 Debtors

The short-term debtors are shown below.



## Core Financial Statements

Debtors	31 <sup>st</sup> March	31 <sup>st</sup> March
	2021	2022
	£000s	£000s
Central Government Bodies	1,271	2,087
Other Local Authorities	2,848	1,651
Other entities and individuals		
Council Tax	326	679
Retained Business Rates	462	(650)
Housing Benefits	-	94
Advance Payments	278	304
Sundry Trade Debtors	2,870	2,829
Credit Loss Impairment	(1,129)	(1,275)
	2,807	1,981
<b>Net Balance at 31st March</b>	<b>6,926</b>	<b>5,719</b>

### Note 24 Short Term Investments and Cash and Cash Equivalents

Short Term Investments and Cash & Cash Equivalents	31 <sup>st</sup> March	31 <sup>st</sup> March
	2021	2022
	£000s	£000s
Short Term Investments	5,070	5,820
<b>Short-term Investments at 31st March</b>	<b>5,070</b>	<b>5,820</b>
Bank Deposits - Current Accounts	7,949	11,234
Petty Cash Accounts	1	1
<b>Cash and cash equivalents at 31st March</b>	<b>7,950</b>	<b>11,235</b>

To allow added flexibility and speed to the response to the Covid-19 pandemic, particularly in the payment of grant support, a higher level of cash was held in the council's Bank Current Accounts at the end of the financial year.

### Note 25 Assets Held for Sale

Current Assets held for sale	2020/21	2021/22
	£000s	£000s
Balance at 1st April	2,796	39
Assets reclassified to/(from) PPE	-	-
Revaluation gains/(losses) to the Revaluation Reserve	(7)	545
Depreciation for the year charged to Provision of Services		
Write out NBV of Assets sold - from Revaluation Reserve	(2,750)	
<b>Balance at 31st March</b>	<b>39</b>	<b>584</b>

### Note 26 Creditors

Creditors	31 <sup>st</sup> March	31 <sup>st</sup> March
	2021	2022
	£000s	£000s
Central Government Bodies	8,288	8,835
Other Local Authorities	61	257
Bodies external to government		
Advance Receipts: Council Tax	112	94
Advance Receipts: Retained Business Rates	19	20
Advance Receipts: Others	510	706
Accumulated Absences	55	56
Sundry Trade Creditors	2,321	3,280
<b>Balance at 31st March</b>	<b>11,366</b>	<b>13,248</b>

# Core Financial Statements

## Note 27 Borrowing

In March 2010 the Council took out a PWLB loan of £4.6m over a life of 25 years at 4.49% to support the Council's capital spending, including the planned investment resulting from the Leisure Services Review. In August 2019 the Council took out a further loan of £2m over 20 years at 1.34% Repayment of both loans is based on equal instalments of principal.

PWLB Borrowing	31 <sup>st</sup> March 2021 £000s	31 <sup>st</sup> March 2022 £000s
Repayable in less than 12 months	234	234
Repayable between 1 and 2 years	234	234
between 2 and 5 years	702	702
between 5 and 10 years	1,170	1,170
in 10 years or more	2,086	1,802
<b>Balance at 31st March</b>	<b>4,426</b>	<b>4,142</b>

## Note 28 Provisions

Provisions	31st March 2021 £000s	Movement in Year	31st March 2022 £000s
Business Rate Appeals Provision	1,536	137	1,673
Strategic Housing Provision	222	(70)	152
Corporate Services	524	(127)	397
Other Provisions	145	(19)	126
<b>Total Provisions</b>	<b>2,427</b>	<b>(79)</b>	<b>2,348</b>

## Note 29 Short-term Grant Receipts in Advance

This account holds the movements between capital grants received and those recognised through the CIES when the grant conditions have been met.

In 2017/18 a grant of £3,421k was received in advance from Lancashire County Council towards the construction of the new bus station element of the Spinning Point Phase 1 project. Construction of a new bus station began in January 2019 and the facility was opened in December 2019. The remaining grant is to be used to landscape the surrounding area.

Short-term Capital Grant Receipts in Advance	31 <sup>st</sup> March 2021 £000s	31 <sup>st</sup> March 2022 £000s
<b>LCC Grant for Spinning Point Phase 1</b>		
Balance Brought forward	41	41
Grant received/(repaid) in the year	-	-
Amounts recognised into the CIES (conditions met)	-	-
	41	41
<b>Balance at 31st March</b>	<b>41</b>	<b>41</b>

# Core Financial Statements

## Note 30a Usable Reserves

The overall movements in the Council's Usable Reserves can be seen in the Movement in Reserves Statement. Further details on the movements in the individual Earmarked Reserves and Capital Grants Unapplied accounts can be found below, along with greater explanation of the activity on the Usable Capital Receipts Reserve.

### Note 30a - Earmarked Reserves

Employment & Transport Reserve – re future investment in transport and employment opportunities.

Leisure Reserve – This reserve is held to meet any potential leisure expenditure i.e. feasibility studies

Directorate Investment Reserve – This reserve holds unspent budgets future one-off revenue projects.

Directorate Operational Reserve – This reserve holds funds set aside for ongoing or incomplete revenue projects where there is no contractual obligation but member approval has been granted.

Homelessness Reserve – This reserve holds funds for supporting ongoing and future projects to tackle homelessness within Rossendale.

Vehicle Reserve – To support vehicle maintenance costs and the rolling replacement programme.

Transitional Reserve – This reserve is to support the Council in its medium-term financial strategy.

Individual Registration Reserve – Individual electoral registration implementation began in summer 2014 and this reserve was established to hold grant funds received during 2013/14 to be matched against costs as they arose over the subsequent years.

Business Rates Retention Reserve – Following the localisation of non-domestic rates in April 2013, this reserve was established with the additional grant received for Small Business Rate Relief to support any future volatility of this new resource stream. The balance on this reserve will also be required to support the deficit on the Collection Fund Adjustment Account. Under the timings permitted by the Code each year's surplus or deficit will not impact on the CIES until the following year.

Planning Strategy Reserve – This reserve is to cover the costs of public scrutiny associated with reviews of planning strategy in the future.

Tourism Strategy Reserve – Since the Tourism Officer post was disestablished in 2011/12, monies have been set aside to allow the Council to support various events/ activities.

Haslingden Regeneration Reserve – The Council has previously set aside £100k to provide pump-priming funds for the wider regeneration of Haslingden.

Rawtenstall Bus Station Reserve – This reserve holds the commuted sum received from Lancashire County Council to cover future maintenance costs associated with the Rawtenstall Bus Station.

Response and Recovery Reserve – The Council received a number of grants in response to Covid19 to support service delivery and the community through the pandemic.

## Core Financial Statements

Earmarked Reserves	Balance 31 <sup>st</sup> March 2021 £000s	Income & Transfer to Reserves £000s	Transfers between Reserves £000s	Utilised from Reserves £000s	Balance 31 <sup>st</sup> March 2022 £000s
Employment & Transport	388	-	-	(118)	270
Leisure Reserve	55	-	-	(9)	46
Directorate Investment	74	-	-	-	74
Directorate Operational Reserves	606	367	-	(45)	928
Homelessness	189	182	-	-	371
Vehicle Repairs & Replacement	189	-	-	-	189
Transitional Reserve	1,144	336	1,091	(673)	1,898
Individual Registration	89	15	-	(15)	89
Business Rates Retention	4,713	3,520	(1,091)	(2,748)	4,394
Planning Strategy	113	10	-	(58)	65
Tourism Strategy	50	-	-	(21)	29
Haslingden Regeneration	40	-	-	(3)	37
Rawtenstall Bus Station	517	-	-	-	517
Response and Recovery	1,029	-	-	(370)	659
	<b>9,196</b>	<b>4,430</b>	<b>-</b>	<b>(4,060)</b>	<b>9,566</b>



# Core Financial Statements

## Note 30b - Capital Receipts Reserve

These are capital receipts (net of asset values) which have not yet been used to finance capital expenditure or repay debt.

Usable Capital Receipts Reserve	2020/21	2021/22
	£000s	£000s
Balance at 1st April	3,380	3,086
Capital receipts in year	3,990	396
Capital receipts used to fund capital expend	(4,284)	(1,033)
<b>Non Empty Homes sub-total</b>	<b>3,086</b>	<b>2,449</b>
<b>Empty Homes</b>		
Balance at 1st April	2	2
Capital receipts in year	187	-
Capital receipts used to fund capital expend	(187)	-
<b>Empty Homes sub-total</b>	<b>2</b>	<b>2</b>
<b>Balance at 31st March</b>	<b>3,088</b>	<b>2,451</b>

## Note 30c - Capital Grants Unapplied Account

Capital grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with.

Capital Grants Unapplied Account	Balance	Grants	Grants	Balance
	31 <sup>st</sup> March	Received	Applied	31 <sup>st</sup> March
	2021	£000s	£000s	2022
	£000s	£000s	£000s	£000s
Disabled Facilities Grants	1,858	1,160	(796)	2,222
Homelessness Grants	53	-	(53)	-
Domestic Abuse Grant	7	-	(7)	-
Hoarding Project Grant	2	-	(2)	-
	<b>1,920</b>	<b>1,160</b>	<b>(858)</b>	<b>2,222</b>



# Core Financial Statements

## Note 31 Unusable Reserves

### 31a Revaluation Reserve

The Revaluation Reserve contains unrealised revaluation gains, net of depreciation and disposals on that revaluation amount, on a strict per-asset basis. This Reserve is matched by fixed assets within the Balance Sheet. It does not represent resources available to the authority.

Revaluation Reserve	2020/21 £000s	2021/22 £000s
Balance at 1st April	11,439	10,189
Surplus/(Deficit) on revaluation of assets in the year		
Property, Plant & Equipment	(434)	4,664
Value of assets disposed of in the year	(525)	(5)
Depreciation in the year	(145)	(223)
(Impairments)/Impairment Reversals in the year	(146)	(33)
<b>Balance at 31st March</b>	<b>10,189</b>	<b>14,592</b>

### 31b Capital Adjustment Account

The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls mechanism.

In the main this account holds the gains on historical revaluations of the assets still held by the Council, depreciated over the life of the assets. It is managed as a total figure, not on a per-asset basis, and does not represent cash resources available to the authority.

Capital Adjustment Account	2020/21 £000s	2021/22 £000s
Balance at 1st April	11,808	11,405
Revenue and Capital Receipts used to finance capital		
Revenue Contributions	241	26
Useable Capital Receipts	4,284	1,033
Capital Grants and Contributions	2,606	3,040
Donated Assets	34	-
Losses on Revaluation of assets		
Property, Plant & Equipment	(3,302)	(432)
Write off NBV of disposals (net of Revaluation Reserve)	(2,548)	(68)
Minimum Revenue Provision for repayment of debt	465	483
Depreciation of Property, Plant and Equipment	(606)	(646)
Amortisation of Intangible Assets	(16)	(16)
Impairment of Property, Plant & Equipment assets	(413)	(44)
Revenue Expenditure funded from Capital under statute	(1,148)	(1,330)
<b>Non Empty Homes sub-total</b>	<b>11,405</b>	<b>13,451</b>
<b>Empty Homes</b>		
Balance at 1st April	(531)	(1,017)
Revenue and Capital Receipts used to finance capital		
Revenue Contributions	(553)	-
Useable Capital Receipts	-	-
Minimum Revenue Provision for repayment of debt	-	-
Revenue Expenditure funded from Capital under statute	67	(163)
<b>Empty Homes sub-total</b>	<b>(1,017)</b>	<b>(1,180)</b>
<b>Balance at 31st March</b>	<b>10,388</b>	<b>12,271</b>

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## 31c Deferred Capital Receipts Account

The Deferred Capital Receipts holds the value of renovation loans on the East Lancs Empty Homes properties.

Deferred Capital Receipts Account	31 <sup>st</sup> March 2021 £000s	31 <sup>st</sup> March 2022 £000s
<b>East Lancs Empty Homes Scheme Loans</b>		
Balance at 1st April	1,385	1,324
New Deferred Receipts	6	10
Amounts received	(67)	(69)
<b>Balance at 31st March</b>	<b>1,324</b>	<b>1,265</b>

## 31d Collection Fund Adjustment Account

The Collection Fund Adjustment Account allows for differences between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund. The balance on the account represents the Council's share of the Collection Fund surplus or deficit. The large balance relating to Business Rates is offset by Section 31 grants received from Central Government.

Rosendale Borough Council - Collection Fund Adjustment Account	2020/21		2021/22	
	Council Tax	Business Rates	Council Tax	Business Rates
	£000	£000	£000	£000
Accumulated surplus/(deficit) at 1st April	31	390	(101)	(2,813)
Prior year (surplus)/deficit transferred to/from revenue	(69)	(147)	59	2,048
Apportioned Estimated Surplus/(Deficit) for the year	(59)	(2,048)	(65)	(906)
Apportioned Final Surplus/(Deficit) for the year	(4)	(1,008)	90	140
<b>Accumulated Surplus/(Deficit) at 31st March</b>	<b>(101)</b>	<b>(2,813)</b>	<b>(17)</b>	<b>(1,531)</b>

## Note 32 Local Government Pension Scheme – a defined benefit scheme

The following note explains the terms and conditions of the retirement benefits of the Council officers and other employees. 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 the employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme administered by Lancashire County Council – this is a funded 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.

The Lancashire County Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension cost, liabilities and funding risks relating to its own employees and former employees. Each employer's contributions to the Fund are calculated in accordance with the LGPS Regulations, which require an actuarial valuation to be carried out every three years. The next valuation of the Fund will take place with an effective date of 31st March 2022 with any revised contributions rates being applied to the Council with effect from 1st April 2023.

# Core Financial Statements

## Impact of McCloud judgement

The "McCloud judgement" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government announced in 2019 that this needs to be remedied for all pension schemes. An allowance for the financial impact has been included in the figures provided by the actuary which are in line with the Government recommendations.

## Impact of Covid-19

Since February 2020 there has been substantial volatility in financial markets around the world in relation to the COVID-19 pandemic, and while this has reduced in recent months, the potential for further volatility remains. This may have consequences for asset values, and this will be reflected in the 2021/22 accounting figures. Over the same period, the market volatility has also extended to corporate bonds, and after an initial spike the yields on AA-rated corporate bonds have reduced from previous levels. As the discount rate for accounting purposes is based on corporate bond yields, this will also impact on accounting liabilities. Finally, there has been an impact on market-implied RPI over the period, although this will in part be related to the consultation on RPI reform and demand for gilts, rather than any fundamental shift in expectations. The actuary considers that it is not possible at this point to draw any meaningful conclusions on the potential impact of COVID-19 on mortality rates going forward, and so it would be inappropriate to make any adjustments to mortality assumptions at this time.

## 32a - Present Net Value of Scheme

The underlying assets and liabilities attributable to Rosendale Borough Council at 31st March were:-

Present Value of Pension Assets and Liabilities Recognised in the Balance Sheet	2020/21 £000s	2021/22 £000s
Scheme Liabilities at 31 <sup>st</sup> March	(108,200)	(108,435)
Scheme Assets at 31 <sup>st</sup> March	78,052	86,998
<b>Net Scheme Assets/(Liabilities)</b>	<b>(30,148)</b>	<b>(21,437)</b>

During the 2019 Pensions Review the actuaries estimated that the Council could achieve savings of around £150k over the next three years if payments for 2020/21 to 2022/23 were made in advance. The Council agreed and made a payment of £2,594k in April 2020. As at the 31st March 2022 the remaining amount of this prepayment was £900k. Therefore on the Balance Sheet at 31st March 2022 the Scheme Liabilities are calculated as the value of the Pensions Reserve deficit of £21,437k less this advance payment of £900k to give Net Scheme Liabilities of £20,537k as set out in the table below:

Reconciliation of Pensions Reserve to net Pensions Liability	2020/21 £000s	2021/22 £000s
Pension Reserve	(30,148)	(21,437)
Advance Payments		
Future Service Costs	1,411	720
Deficit Payment	353	180
<b>Net Scheme Assets/(Liabilities)</b>	<b>(28,384)</b>	<b>(20,537)</b>

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total net liability of £21.4m impacts on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.



# Core Financial Statements

## 32b - Present Value of Scheme Liabilities

The following table reconciles the opening and closing values of the scheme liabilities.

Scheme Liabilities	2020/21	2021/22
	£000s	£000s
Scheme Liabilities as at 1 <sup>st</sup> April	96,693	108,200
Current Service Cost	1,303	1,694
Interest on Pension Liabilities	2,284	2,239
Member Contributions	276	285
Past Service cost/(gain)	-	-
Remeasurement of liabilities	11,002	(523)
Benefits/transfers paid	(3,358)	(3,460)
<b>Scheme Liabilities as at 31<sup>st</sup> March</b>	<b>108,200</b>	<b>108,435</b>

Of the above liabilities there is an unfunded element, for which the value at 31<sup>st</sup> March 2022 was £1,389k (£1,512k at 31<sup>st</sup> March 2021).

## 32c - Present Value of Scheme Assets

The following table reconciles the opening and closing values of the scheme assets.

Scheme Assets	2020/21	2021/22
	£000s	£000s
Scheme Assets as at 1 <sup>st</sup> April	72,160	78,052
Interest on plan assets	1,759	1,626
Remeasurement of assets	6,235	9,448
Administration expenses	(25)	(26)
Employer contributions	1,005	1,073
Member contributions	276	285
Benefits/transfers paid	(3,358)	(3,460)
<b>Scheme Assets as at 31<sup>st</sup> March</b>	<b>78,052</b>	<b>86,998</b>

## 32d - Major Categories of Scheme Assets

Scheme Assets	31st March 2021		31st March 2022	
	£000s	%	£000s	%
Equities	-	0.0%	104	0.1%
Bonds	-	0.0%	678	0.8%
Property	1,337	1.5%	1,389	1.6%
Alternatives	74,992	86.2%	82,637	95.0%
Cash & Cash equivalents	1,723	2.0%	2,190	2.5%
<b>Total Scheme Assets</b>	<b>78,052</b>		<b>86,998</b>	

## 32e - Scheme Membership

The membership of the scheme was as follows:-

Scheme Membership	31st March	31 <sup>st</sup> March
	2021	2022
Active Members	162	155
Deferred Members	231	244
Pensioners	416	421
Spouses / dependents	114	107

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## 32f - Comprehensive Income and Expenditure Account

Authorities recognise the cost of retirement benefits in the Comprehensive Income and Expenditure Statement 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 that the real cost of retirement benefits is reversed out of the in the Movement in Reserves Statement and replaced with the cash paid in the year.

The table below shows transactions within the Comprehensive Income and Expenditure Statement and the corresponding adjustments made in the Movement in Reserves Statement.

Reconciliation of the movement in the Pension Fund Reserve	2020/21 £000s	2021/22 £000s
<b>Comprehensive Income and Expenditure Statement</b>		
Net Costs of Services - Current Service Cost	1,303	1,694
Past Service cost/(gain)	-	-
Financing and Investment Income and Expenditure		
Interest cost	525	613
Expected return on assets in the scheme	(6,235)	(9,448)
Administration expenses	25	26
<b>Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>(4,382)</b>	<b>(7,115)</b>
<b>Other Comprehensive Income and Expenditure</b>		
Actuarial (gains)/losses	11,002	(523)
<b>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>6,620</b>	<b>(7,638)</b>
<b>Movement in Reserves Statement</b>		
Reverse net charges for retirement benefits in accordance with the Code	4,382	7,115
<b>Actual charge to the General Fund Balance in the year</b>		
Employer's contributions payable to the scheme	1,005	1,073

## 32g – Re-measurement impacts in the Other Comprehensive Income & Expenditure Statement

Remeasurement Gains/(Losses)	2020/21 £000s	2021/22 £000s
Experience gains/(losses)	(2,162)	294
Gains/(losses) on financial assumptions	13,164	-
Gains/(losses) on demographic assumptions	-	(817)
Remeasurement of Liabilities gains/(losses)	11,002	(523)
<b>Net Actuarial gains/(losses) in current year</b>	<b>11,002</b>	<b>(523)</b>

## 32h – Actual gains and losses on plan assets

The actual gains measured against experience gains/(losses) in the year can be seen in the following table, along with the relevant percentages of period-end assets and liabilities which these values represent:

Actual Gains/(Losses)	2020/21		2021/22	
	£000s	%	£000s	%
Actual Return on Plan Assets	7,995	10.2%	11,075	12.7%

# Core Financial Statements

## 32i - Actuarial Assumptions

The Borough Council fund liabilities and assets have been assessed by Mercer Human Resource Consulting, an independent firm of actuaries. The main assumptions used in their calculations at the beginning and end of the year are shown below, with an effective date of 31<sup>st</sup> March 2022.

The 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.

Assets in the Lancashire Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion with their expected rates of return at the beginning and end of the year:

Actuarial Assumptions	Beginning of Period %	End of Period %
<b>Duration information as at the end of the accounting period</b>		
Estimated Macaulay duration of liabilities	14 yrs	14 yrs
Duration profile used to determine assumptions	Retired	Retired
<b>Financial Assumptions</b>		
Rate of CPI inflation	2.70%	3.40%
Rate of increase in salaries	4.20%	4.90%
Rate of increase in pensions	2.80%	3.50%
Discount rate	2.10%	2.80%
<b>Post retirement mortality assumptions</b>		
Non-retired members (retiring in the future in normal health)	S3PA CMI_2018_1.75% (110% M, 94% F)	S3PA CMI_2021_1.75% (110% M, 94% F)
Current pensioners (retired in normal health)	S3PA CMI_2018_1.75% (103% M, 91% F)	S3PA CMI_2021_1.75% (103% M, 91% F)
<b>Life expectancy</b>		
of a male (female) future pensioner aged 65 in 20 yrs	23.9 (26.9) yrs	23.7 (26.8) yrs
of a male (female) current pensioner aged 65	22.4 (25.1) yrs	22.3 (25) yrs
<b>Takeup of option to convert annual pension into lump sum at retirement</b>	50% take maximum cash, 50% take 3/80ths cash	
<b>Market value of total fund assets</b>		
	£8,410m	£9,605m
Last actuarial valuation 31st March 2019	bid value at 31st March 2021	bid value at 31st January 2022
		£10,504

## 32j – Sensitivity Analysis of Actuarial Assumptions

Under IFRS the assumptions made by the actuary must be submitted to a sensitivity analysis. Below are the main assumptions used by the actuary and the effects on the pension fund accounts if those assumptions changed.

Sensitivity analysis based on assumptions as at 31st March 2021	Central Estimates for 2021/22 £000s	Sensitivity 1	Sensitivity 2	Sensitivity 3	Sensitivity 4	Sensitivity 5	
		+ 0.1% p.a. discount rate	+ 0.1% p.a. inflation	+ 0.1% p.a. salary inflation	+ 1 yr to member's life expect	change in investment returns	
		£000s	£000s	£000s	£000s	+1% £000s	-1% £000s
Liabilities	108,435	106,916	109,976	108,537	111,784	108,435	108,435
Assets	(86,998)	(86,998)	(86,998)	(86,998)	(86,998)	(87,862)	(86,134)
Deficit/(Surplus)	21,437	19,918	22,978	21,539	24,786	20,573	22,301
Projected current service cost	1,645	1,603	1,688	1,645	1,698	1,645	1,645
Projected net interest cost	585	562	630	590	681	561	609
Projected Employer contributions	(1,103)	(1,103)	(1,103)	(1,103)	(1,740)	(1,068)	(1,103)

# Core Financial Statements

## 32k – Budgeting figures used in the Assumptions

Budgets used in assumptions for following year	2020/21 £000s	2021/22 £000s
<b>Projected Pension cost next year</b>		
Estimated Pay	4,230	4,355
Service Cost (% of pay)	38.5%	37.2%
Implied Service Cost including interest	1,644	1,645
Net Interest Cost	622	585
Administration Expenses	25	26
	<b>2,291</b>	<b>2,256</b>
<b>Projected employer contributions next year</b>		
Normal contributions	(927)	(956)
£ for £ recharges	(141)	(147)
	<b>(1,068)</b>	<b>(1,103)</b>
<b>Projected deficit/(surplus) for operations next year</b>	1,223	1,153
<b>Projected deficit/(surplus)</b>	30,148	21,437
<b>Projected deficit/(surplus) at end of next year</b>	<b>31,371</b>	<b>22,590</b>

### Note 33 Contingent Assets & Liabilities

#### Contingent Assets

There are no known contingent assets.

#### Contingent Liabilities

There are no known contingent liabilities.

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Note 34 Cash Flow notes

## Note 34a Reconciliation of Revenue Surplus to Net Cash Flow

Reconciliation of I&E Surplus to Net Cash Flow from revenue activities	RBC	
	31st March 2021 £000s	31st March 2022 £000s
<b>Adjustments for non-cash movements</b>		
Depreciation and Impairments	1,310	946
Amortisation of Intangible Assets	16	16
Revaluation losses charged to Revenue	3,302	432
Carrying amount of non-current assets sold	3,073	73
Pension Fund Adjustment	859	1,260
<b>Adjustments between accruals and cash accounting</b>		
(Incr)/Decr in Long Term Debtors	147	50
(Incr)/Decr in Inventories	-	(34)
(Incr)/Decr in Debtors	(2,384)	1,207
Incr/(Decr) in Creditors	5,324	1,882
Less cash (Outflows)/Inflows from agency operations	(1,076)	113
Incr/(Decr) in Grant Receipts in Advance	-	-
Incr/(Decr) in Long-term Provisions	690	(79)
Incr/(Decr) in Pension Fund Prepayment	1,764	(864)
<b>Adjust net surplus or deficit on the provision of services for non-cash movements</b>	<b>13,025</b>	<b>5,002</b>
<b>Adjustments for investing and financing activities</b>		
Additions to PPE & intangible assets	(3,157)	3,998
Proceeds from the sale of PPE	(2,500)	(401)
Other income	(1,508)	(1,822)
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>	<b>(7,165)</b>	<b>1,775</b>

## Note 34b Net Change in Liquid Resources

Net change in liquid resources	31 <sup>st</sup> March 2021	31 <sup>st</sup> March 2022	Movement £000s
	£000s	£000s	
Cash in Hand	1	1	-
Cash at Bank	7,949	11,234	3,285
<b>Net Book Value at 31st March</b>	<b>7,950</b>	<b>11,235</b>	<b>3,285</b>

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## Note 35 Accounting Standards Issued, but not yet adopted

The Council is required to disclose the impact on an accounting change required by a new accounting standard that has been issued on or before 1 January but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

The 2022/23 Code will introduce the following amendments:

- Amendments to First Time Adoption of International Reporting Standard (IFRS) 1 – amendment relates to foreign operations of acquired subsidiaries
- IAS 37 (Onerous contracts) – this amendment provides clarity on the costs of fulfilling a contract.
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – only expected to apply to Local Authorities in limited circumstances

These changes are not anticipated to impact on the Council's accounts.

## Future Accounting Changes

IFRS 16 Leases will lead to a substantial change in accounting practice for lessees, the current distinction between finance and operating leases will be removed. Instead, lessees are required to recognise assets and liabilities for all leases i.e. the lessee will recognise a right-of-use asset representing its right to use the leased asset; and a lease liability representing the lessee's obligation to make lease payments for the asset.

Lessees will have a single accounting model for all leases with two exemptions:

- Low-value assets
- Short term leases (lease term of 12 months or less)

The implementation of IFRS 16 Leases has been deferred until 1 April 2024. The council is currently reviewing its leases to assess the impact of the change.

## Note 36 Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in preparing this Statement of Accounts are:

- There is still a high degree of uncertainty about future levels of funding for local government. The 2023/24 funding settlement gave indicative amounts for 2024/25. However, there is no indication of funding levels beyond this point.
- Estimates for depreciation of assets in any one year depend upon the forecast life of the assets. The asset life of buildings is determined by a qualified valuer at each revaluation date and in the case of vehicles, equipment and intangible assets by Council staff.
- Estimates for impairment of assets are performed by a qualified valuer at the end of each year to reflect any abnormal changes in property values between full formal reviews within the 5-year rolling revaluation programme.
- Following the introduction of the Business Rates Retention Scheme in April 2013, Local Authorities are liable for a share of the cost of successful appeals by businesses against their rateable value in 2021/22 and earlier financial years. A provision has been calculated based on information provided by Analyse Local who use the latest Valuation Office Agency (VOA) ratings

# Core Financial Statements

list of appeals and an analysis of successful appeals to date. The Council's share of the business rate appeals provisions at 31 March 2022 was £1.67m.

## Note 37 Events after the Balance Sheet date

This DRAFT Statement of Accounts was authorised for release by the Chief Finance Officer on 28<sup>th</sup> September 2023. Events taking place after this date are not reflected in the financial statement or notes. Where events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## Note 38 Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Council's Balance Sheet at 31<sup>st</sup> March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	The Council's fixed assets are valued on the balance sheet in accordance with the statement of asset valuation principles and guidance notes issued by the Royal Institute of Chartered Surveyors (RICS). The Council carries out a rolling programme that ensures all Plant, Property and Equipment required to be measured at fair value is revalued within a five year cycle. All assets reviewed had a valuation date of 1 April 2021. Any material changes after the valuation date have been accounted for.	The Council's property assets that are vulnerable to uncertainty are those valued under Current Value and Fair Value. There is the possibility that these values may change and as an illustration a 1% variation in these valuations could affect the assets values by £341k. The Council will continue to review their current valuation programme and reflect any changes in future valuation reports.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns in pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.  There has been substantial volatility in financial markets since the start of the Covid-19 pandemic. Despite a period of relative stability, recently this volatility has increased again with the situation in	Sensitivity to the factors contributing to this estimate is shown in Note 32. Small changes have major impacts on the pension liability. A 0.1% per annum increase in the discount rate assumption would result in a decrease in the pension liability of £1.5m. A one year addition to the members' life expectancy would result in an increase in the pension liability of £3.3m

## Core Financial Statements

	<p>Ukraine. The impact on asset values is reflected in the accounting figures. Over the same period, the market volatility extended to bonds.</p> <p>As the assumptions for accounting purposes are based on bond yields, this will have an impact on accounting liabilities. An increase in the discount rate assumption from last year and updated mortality rates has led to a decrease in pension liabilities.</p>	
<p>Business Rates - NNDR</p>	<p>Since the introduction of the Business Rates Retention Scheme effective 1 April 2013, Local Authorities are liable for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. A provision has been recognised for these liabilities up to and including 31 March 2022. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals and with support from LG Futures. The costs will be shared between Central Government, Rosendale Borough Council, Lancashire County Council and Lancashire Combined Fire Authority.</p>	<p>The Council's share of the business rate appeals provision is £1.67m, this has increased by £0.137m from the previous year. The increase is to ensure there is enough funding to cover estimated appeals.</p>



## Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate collection fund. The statement below 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.

COLLECTION FUND	2020/21		2021/22	
	Council Tax £000	Business Rates £000	Council Tax £000	Business Rates £000
<b>Income</b>				
Council Tax	40,949	-	43,309	-
Non Domestic Rates	-	7,155	-	10,697
<b>Apportionment of Previous Year Deficit</b>				
Central Government		(140)	-	2,809
Rossendale Borough Council	(69)	(147)	58	2,048
Lancashire County Council	(339)	(38)	294	434
Police & Crime Commissioner for Lancashire	(51)	-	44	-
Lancashire Combined Fire Authority	(17)	(4)	15	51
<b>Total Income</b>	<b>40,473</b>	<b>6,826</b>	<b>43,720</b>	<b>16,039</b>
<b>Expenditure</b>				
Precepts paid out				
Central Government		6,118		6,010
Lancashire County Council	28,896	1,101	29,677	1,082
Rossendale Borough Council	5,826	4,894	5,867	4,808
Lancashire Police Authority	4,363	-	4,615	-
Lancashire Fire Authority	1,462	122	1,473	120
<b>Charges to the Collection Fund</b>				
Write off of uncollectable amounts	72	1	155	120
Increase in Bad and Doubtful Debts impairment allowance	770	590	1,368	(87)
Increase in Provision for Appeals		1,981		342
Cost of Collection Allowance		97		96
NNDR Transitional Protection Payments		115		63
Renewable energy		173		175
<b>Total Expenditure</b>	<b>41,389</b>	<b>15,192</b>	<b>43,155</b>	<b>12,729</b>
<b>Surplus/(Deficit) for the Year</b>	<b>(916)</b>	<b>(8,366)</b>	<b>565</b>	<b>3,310</b>
<b>Surplus/(Deficit) Brought Forward</b>	<b>219</b>	<b>605</b>	<b>(697)</b>	<b>(7,761)</b>
<b>Surplus/(Deficit) Carried Forward</b>	<b>(697)</b>	<b>(7,761)</b>	<b>(132)</b>	<b>(4,451)</b>
<b>Allocated to</b>				
Central Government		(3,950)		(2,156)
Lancashire County Council	(494)	(675)	(93)	(424)
Rossendale Borough Council	(101)	(3,060)	(18)	(1,824)
Lancashire Police Authority	(76)	-	(16)	-
Lancashire Fire Authority	(26)	(76)	(5)	(46)
	<b>(697)</b>	<b>(7,761)</b>	<b>(132)</b>	<b>(4,451)</b>

# Collection Fund

## Collection Fund Note 1 Council Tax Base

Council Tax derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base i.e. the equivalent number of Band D dwellings.

The basic amount of Council Tax for a Band D property rose in 2020/21 from £1,891.64 to £1,962.20 following increases by all preceptors.

The council tax base has been calculated as follows:-

Band	Ratio to Band D	Total No. Properties	Total equiv No. after Discounts & Exemptions	2021/22 Band D Equivalent	2020/21 Band D Equivalent
Special	5/9		54.3	30.1	33.2
A	6/9	16,325	14,118.3	9,412.2	9,350.0
B	7/9	5,060	4,545.0	3,535.0	3,538.1
C	8/9	4,278	3,941.0	3,503.1	3,476.9
D	1	3,403	3,181.5	3,181.5	3,162.5
E	11/9	1,985	1,884.8	2,303.6	2,291.7
F	13/9	692	657.3	949.4	939.6
G	15/9	451	416.0	693.3	685.8
H	2	39	25.8	51.5	54.5
		<b>32,233</b>	<b>28,823.8</b>	<b>23,659.7</b>	<b>23,532.3</b>
Less adjustments for anticipated changes to the base and losses on collection				-3,279.7	-2,897.3
<b>Band D equivalent number of properties</b>				<b>20,380.0</b>	<b>20,635.0</b>

## Collection Fund Note 2 Provision for Rating Appeals

Provision for Rating Appeals	2020/21		2021/22	
	Council Tax £000s	Business Rates £000s	Council Tax £000s	Business Rates £000s
Balance as 1st April	-	1,859	-	3,840
Provision made in year	-	1,981	-	511
Provision utilised in year	-	-	-	(169)
<b>Balance at 31st March</b>	<b>-</b>	<b>3,840</b>	<b>-</b>	<b>4,182</b>
<b>Balance at 31st March - Rossendale only</b>	<b>-</b>	<b>1,536</b>	<b>-</b>	<b>1,673</b>

## Collection Fund Note 3 Provision for Bad Debts

Bad Debts Provision	2020/21		2021/22	
	Council Tax £000s	Business Rates £000s	Council Tax £000s	Business Rates £000s
Balance as 1st April	3,331	1,181	4,101	1,770
Write-offs during year for previous years	(72)	(1)	(155)	(120)
Contribution to provisions during year	842	590	1,523	(87)
Net increase/(decrease) in provision	770	589	1,368	(207)
<b>Balance at 31st March</b>	<b>4,101</b>	<b>1,770</b>	<b>5,469</b>	<b>1,563</b>
<b>Balance at 31st March - Rossendale only</b>	<b>479</b>	<b>661</b>	<b>786</b>	<b>626</b>

# Collection Fund

## Collection Fund Note 4 Arrears

Arrears	2020/21		2021/22	
	Council Tax £000s	Business Rates £000s	Council Tax £000s	Business Rates £000s
Balance as 1st April	5,629	1,506	6,739	1,780
Change in year	1,110	274	361	(203)
<b>Balance at 31st March</b>	<b>6,739</b>	<b>1,780</b>	<b>7,100</b>	<b>1,577</b>
<b>Balance at 31st March - Rossendale only</b>	<b>968</b>	<b>711</b>	<b>1,020</b>	<b>631</b>

## Collection Fund Note 5 RBC's Shares

RBC's Shares	2020/21		2021/22	
	Council Tax £000s	Business Rates £000s	Council Tax £000s	Business Rates £000s
<b>Within Debtors</b>				
Arrears	968	711	1,020	631
Less Provision for Bad Debts	(479)	(661)	(786)	626
	489	50	234	1,257
<b>Within Creditors</b>				
Advance Receipts	(113)	(12)	(95)	(22)
<b>Within Provisions</b>				
Provisions for Rating Appeals	-	1,536	-	1,673

## Collection Fund Note 6 National Non-Domestic Rates (NNDR)

Under the current Business Rate model Rossendale Borough Council retain 40% of the business rates collected locally. Since 1<sup>st</sup> April 2016 Rossendale Borough Council has been a member of the Lancashire Business Rates Pool. The tariff payment into the Pool for 2021/22 was £2,714k (in 2010/21 this was £2,714k).

Non-domestic rates are organized on a national basis. Central Government specifies an amount (51.2p in 2021/22 and 51.2p in 2020/21) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying the rateable value of their property by that amount. The rateable value for business premises in Rossendale increased to £36,175k by March 2022, up from £36,084k in March 2021.

Since 2016/17 Rossendale Borough Council is entitled to keep 100% of the business rates from renewable energy installations. In 2021/22 renewable energy element of the business rates scheme was £175k, compared to £173k in 2020/21.

The net business rates collected within Rossendale in cash terms (before provision for bad debts and appeals) were £10,679k compared with £7,555k in 2020/21. The 2020/21 figure is distorted due to the extended retail relief awarded to support businesses during the Covid19 pandemic, which were held outside the collection fund.

# Collection Fund

## Collection Fund Note 7 Lancashire Business Rates Pool

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

The Lancashire Business Rates Pool, includes most but not all of the local authorities in Lancashire.

The business rates income allocations in 2021/22 are shown in the table below:

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

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

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

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

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

# Collection Fund

## Collection Fund Note 8 Council Tax for all Precepting Bodies 2021/22

Precepting Bodies	2020/21	Change	2021/22							
	Band D		Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£		£	£	£	£	£	£	£	£
Rosendale	279.57	1.99%	190.09	221.77	253.45	285.13	348.49	411.85	475.22	570.26
LCC	1,277.69	1.99%	870.36	1,015.43	1,160.49	1,305.55	1,595.67	1,885.80	2,175.91	2,611.10
LCC - Adult Social C	122.63	2.00%	100.43	117.16	133.90	150.64	184.12	217.59	251.07	301.28
Fire	70.86	1.99%	48.18	56.21	64.24	72.27	88.33	104.39	120.45	144.54
Police	211.45	7.09%	150.97	176.13	201.29	226.45	276.77	327.09	377.42	452.90
<b>Total (excl parish)</b>	<b>1,962.20</b>	<b>3.97%</b>	<b>1,360.03</b>	<b>1,586.70</b>	<b>1,813.37</b>	<b>2,040.04</b>	<b>2,493.38</b>	<b>2,946.72</b>	<b>3,400.07</b>	<b>4,080.08</b>
Whitworth Parish	25.81	0.00%	17.21	20.07	22.94	25.81	31.55	37.28	43.02	51.62
<b>Total (incl parish)</b>	<b>1,988.01</b>	<b>3.92%</b>	<b>1,377.24</b>	<b>1,606.77</b>	<b>1,836.31</b>	<b>2,065.85</b>	<b>2,524.93</b>	<b>2,984.00</b>	<b>3,443.09</b>	<b>4,131.70</b>



# Glossary

**Accounting Policies** - The rules and practices adopted that determine how transactions and other events are reflected in financial statements

**Accruals** - The concept is that income is recorded when it is earned rather than when it is received and expenses are recorded when goods or services are received rather than when the payment is made.

**Agency Services** - Services provided by the Council, as an agent on behalf of the responsible body, where the principal reimburses the Council for the cost of the work carried out.

**Auditor’s Opinion** - The opinion required by statute from the Council’s external auditors, indicating whether the statement of accounts presents a true and fair view of the financial position of the authority.

**Budget** - A statement of the Council’s spending plans for revenue and capital expenditure over a specified period of time.

**Business Rates** - From the 1<sup>st</sup> April 2013 non-domestic rates, or Business Rates, were localised. In the past all business rates were collected locally but then paid over to central government and each authority was paid a share of the national pool based upon their population and circumstances.

**Capital expenditure** - Spending on the acquisition or maintenance of assets either directly by the Council or indirectly in the form of grants to other persons or bodies. Section 40 of the Local Government and Housing Act 1989 defines ‘expenditure for capital purposes’. Expenditure that does not fall within the definition must be charged to a revenue account.



**Capital Receipts** - Proceeds from the sale of fixed assets, such as land or buildings, or the repayment of capital grants or advances.

**Chartered Institute of Public Finance and Accountancy (CIPFA)** - CIPFA is one of the leading professional accountancy bodies in the UK and the only one which specialises in the public sector. It is responsible for the education and training of professional accountants and for their regulation through the setting and monitoring of professional standards. Uniquely among the professional accountancy bodies in the UK, CIPFA has responsibility for setting accounting standards for a significant part of the economy, namely local government.

**Code of Practice on Local Authority Accounting (the Code)** - The Code incorporates guidance in line with International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS). It sets out the proper accounting practice to be adopted for the statement of accounts to ensure they give a ‘true and fair’ view of the financial position, financial performance and cash flows of the Council.

**Collection Fund** - The Collection Fund is a separate statutory fund which Billing Authorities have to maintain. It shows the transactions in relation to collection from taxpayers of National Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to Precepting Authorities and the General Fund.

**Collection Fund Adjustment Account** - Holds that portion of the Collection Fund cumulative balance attributable solely to Rosendale Borough Council.

## Glossary

**Community Assets** - Assets that the Council 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.

**Department for Levelling Up, Housing and Communities (DLUHC)** - The Department for Levelling Up, Housing and Communities, formerly the Ministry for Housing, Communities and Local Government, is the Government department responsible for housing, communities, local government in England and the levelling up policy

**Creditor** - An amount owed by the Council for goods received, or services rendered to it within the accounting period, but for which payment has not been made.

**Debtor** - An amount of income due to the Council within the accounting period but not received at the balance sheet date.

**Deferred capital receipts** - Capital receipts to be received by instalments over agreed periods of time.

**Depreciation** - The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset.

**DWP** - The Department of Work and Pensions funds the Housing and Council Tax Benefits payable to borough residents and also funds the administration of those benefits.

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

**Events after the Balance Sheet Date** - These are events, favourable or adverse, that occur between the Balance Sheet date and the date when the Statement of Accounts are authorised for issue.

**External Audit** - The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

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

**Financial instruments** - Financial instruments are cash, evidence of an ownership interest in an entity, or a contractual right to receive, or deliver, cash or another financial instrument. Financial instruments can refer to both receivables (including debtors and other investments) and payables (including creditors and other liabilities or borrowings).

**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 Council, specific Government and other grants and receipts from the Collection Fund.

**Governance Framework** - Authorities have a responsibility to ensure that their 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 governance framework comprises the systems and processes, and culture and values by which the Council is directed and controlled and its activities through which it accounts to and engages with and leads the community. The principles of this framework were laid down by the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government.

## Glossary

**Heritage Assets** - These assets are held due to their historical, artistic, scientific, technological, geophysical or environmental qualities. They are intended to be preserved in trust for future generations, which are held and maintained for its contribution to knowledge and culture.

**Impairment** - A measure of abnormal consumption of the economic benefit of an asset over and above the normal annual depreciation.

**Infrastructure assets** - 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** - Intangible assets are non-financial assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights, such as software. Intangible assets are capitalised at cost and depreciated to the revenue account over their useful economic life.

**Internal Borrowing** - Whilst capital resources cannot be used to fund revenue works, revenue reserves can be used to support the costs of capital projects, either permanently, or temporarily. Temporary revenue funding is known as Internal Borrowing and these funds are repaid over the life of the asset in a process called the Minimum Revenue Provision (MRP). When the Council has the revenue reserves to do this it is usually a cheaper option than external borrowing.

**Joint Venture** - A joint venture is a joint arrangement whereby the parties who have joint control of the arrangement have rights to the net assets of the arrangement.

**Leasing** - A method of utilising assets where a rental charge is paid for a specified period of time, instead of outright purchase.

**Loans outstanding** - The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the balance sheet date.

**Materiality** - Materiality is a concept within auditing and accounting relating to the importance of an amount, transaction, or discrepancy. Information is material if its omission or misstatement could influence the economic decision of users taken on the basis of the financial statements and depends on the size of the item or the particular circumstances of its omission or misstatement.

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

**National non-domestic rates (NNDR)** – NNDR 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.

**Net book value** - The amount at which assets are included in the balance sheet, i.e. their historical cost of current value, less the cumulative amounts provided for depreciation.





## Glossary

**Operational assets** - Assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

**Precept** - The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council Tax payers on their behalf, for example Lancashire County Council is a precepting authority which requires Rosendale Borough Council to collect an amount from each householder within the borough.

**Prior Period Adjustment** - Prior period adjustments are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

**Provision** - An amount set aside in the accounts for liabilities which are likely or certain to be incurred but the exact amount and dates are not currently known.

**Public Works Loan Board (PWLB)** - An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities

**Related Parties** - Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, and all senior officers. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

**Reserve** - 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.

**Revenue Expenditure Funded from Capital under Statute (REFCUS)** - Expenditure that does not result in creation of a non-current asset, but can be classified as capital for funding purposes. Such expenditure is charged to the Comprehensive Income and Expenditure Statement and an adjustment made in the Movement in Reserves Statement to enable the expenditure to be funded from capital resources rather than impact on the Council Tax. Examples include works on property owned by other parties, renovation grants and capital grants to other organisations.





# **Unaudited**

## **Statement of Accounts 2022/23**

As at 31 January 2024

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## Introduction

2022/23 was another challenging year, as well as dealing with the legacy of the COVID-19 pandemic, the current 'cost of living crisis' has seen energy, fuel and food price rises far in excess of rises in wage levels. These inflationary pressures have affected both the Council and local residents.

Events of the last three years have had a significant impact on the Council itself, in terms of flexible working arrangements and the more customer focused approach which has been adopted. The pandemic changed the world we operate in and its impact will continue to influence our lives for many years to come.

For a number of years the Council has continued to reduce its net revenue expenditure in line with its own efficiency agenda and diminishing Government funding.

Alongside this, the Council has continued to pursue its ambitious agenda, of delivering the Futures Park Plot developments, progressing our Bacup Historic England project and the Haslingden 2040 National Lottery Heritage projects, along with other key areas of work such as progressing the Climate Change agenda.

Despite the difficult budget decisions Members have had to make in recent years, the Council is still delivering high-quality frontline services to Rosendale's residents. Ambitions remain high and we are proud to serve the borough, and of the services we, alongside partners, continue to deliver.

This Statement of Accounts for the year ended 31st March 2023 has been prepared and published in accordance with the Code of Practice on Local Authority Accounting 2022/23, issued by the Chartered Institute of Public Finance and Accountancy and the Accounts and Audit Regulations 2015.

The accounting policies adopted by the Council comply with the relevant recommended accounting practices and the latest revisions to these from 1 April 2022. There have been no major changes in the Council's statutory functions during the year.



# Audit Report



# Audit Report





# Audit Report



# Audit Report



# Narrative Report

## Introduction by the Head of Finance

This Statement of Accounts gives an overview of the Council’s finances for 2022/23 with the Narrative Report outlining some of the key initiatives that took place and how these influenced the financial position of the Council. 2022/23 presented new challenges for the Council. As well as dealing with the legacy of the COVID-19 pandemic, there was a downward turn in the national economic position and inflationary pressures affecting both the Council and local residents. The significant increase in inflation, lead to increased general prices for goods, materials and energy costs for the Council. This had a much higher impact than anticipated when setting the 2022/23 budget, and resulted in an overspend at outturn. Although the outturn reflected an overspend position, I am pleased to report that as presented in the Statement of Accounts, the Council still holds adequate reserves

## Rosendale – geography, economy and our priorities for 2022/23

Rosendale is an authority in East Lancashire that covers 138 square kilometres and has 14 electoral wards.

Rosendale is a proud valley area with a rich industrial heritage, filled with friendly and welcoming communities in a number of vibrant market towns and villages. Rosendale is a distinctive part of East Lancashire with its dramatic scenery, rich heritage and characterful features.

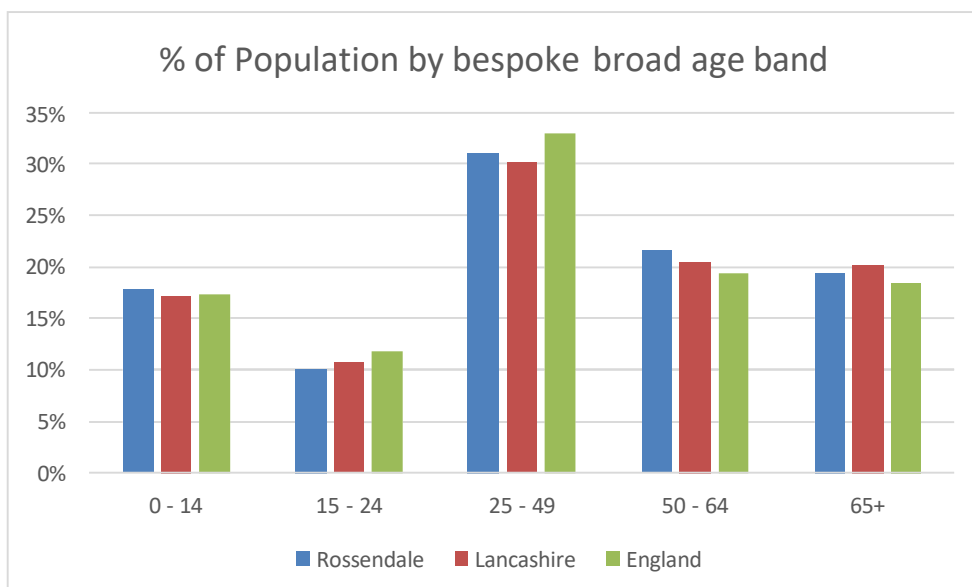
Sitting on the western slopes of the Pennines Rosendale is well connected to Lancashire, Greater Manchester and West Yorkshire.



## Our Vision: Rosendale, a place where people want to live, visit, work and invest

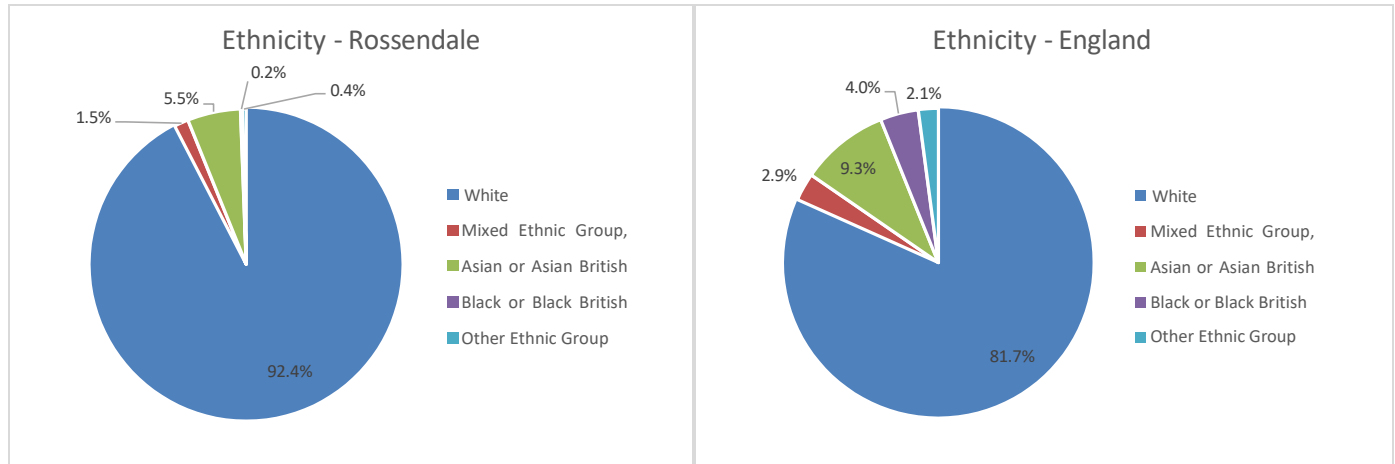
### Our people:

The latest population estimate for the Rosendale area is c71,000. The age demographic make-up of the population compared with Lancashire and England (2021 census) is shown in the table below:-



# Narrative Report

The population of Rossendale is growing and it is estimated that between 2018 and 2043 the population will increase by 12.6%, being the fourth highest increase in the Lancashire area. The ethnic makeup based on the 2021 census is shown in the comparative graphs below.



## Housing:

There are c32,200 dwellings in the borough, 85% of which were owner occupied or private rented. In common with other East Lancashire authorities, Rossendale has a high proportion of its housing stock in the lowest category 'A' council tax band, almost 51% and in 2021 around 3.3% of dwellings were vacant.

A total of 14.6% of Rossendale households were in fuel poverty in 2020 compared to the England average of 13.2%. The main factors that determine this are the energy efficiency status of the property, the cost of energy, and household income. The 2019 national indices of deprivation revealed that Rossendale was the 91<sup>st</sup> most deprived area out of the 317 districts and unitary authorities in England.

## Our businesses:

As in most places, the manufacturing sector has shed jobs over the years whilst the service sector has grown to become a far greater source of employee jobs. However there still continues to be a bias towards a larger proportion of employees in the manufacturing sector in Lancashire and Rossendale, than is the national norm and a lower proportion of jobs in the service sector. Rossendale does, however, maintain a relatively high percentage of private-sector jobs. In 2022 there were 2,650 active enterprises in Rossendale, slightly fewer than in 2021, the reason for this is unrecorded. The most recent local companies to win a Queen's Award for Enterprise, namely Slingco Ltd in Rawtenstall and Orthoplastics Ltd in Bacup.

## Our area:

Though Rossendale is not served by the main railway network it does have excellent road links with the M66 heading south to Greater Manchester and the M62 corridor over the Pennines and the M65 heading west to link up with the M6. The 2011 census figures on commuter flows revealed that only 40.3% of Rossendale residents work within the borough and over 10% of working residents commute between 20 and 30 kilometres, the highest percentage in Lancashire and well above regional and national averages.

Lancashire has over 8,000 hectares of common land (1.5% of the nation's total) and Rossendale is one of the three boroughs which account for a significant proportion of this total. Rossendale has 22.6% of its land designated as green belt, safeguarding our countryside and preserving the

# Narrative Report

character of our historic towns. This also contributes to maintaining our air quality, which is better than the county and national averages.

## Priority A: Thriving Local Economy

The nature of the local economy continues to change and we will be playing an active role in creating the right conditions for local businesses to thrive. We will

continue to grow the local economy, attracting businesses to our employment sites

### Key Outcomes:

- To support Bacup, Haslingden and Rawtenstall town centres as better places to provide their own unique offers and a destination for local shoppers and visitors
- To have secured new inward investment in the borough creating a sustainable economy, matching local skills provision with future job and career opportunities
- Having a thriving visitor economy which is more widely known with enhanced attractions and a much improved accommodation offer

The Bacup HAZ project completed the refurbishment of 8 properties
Continuing to progress the Haslingden 2040 NLHF project.
Submitted business case to Dept of Transport for City Valley Rail Link

## Priority B: High Quality Environment

The high quality of our natural environment is something local people love and take pride in. The council recognises the value of our physical and built environment and the particular importance of our Pennine uplands and villages.

### Key Outcomes:

- A high quality 'clean and green' local environment where people feel proud to live
- Reduce our carbon footprint
- Improve the waste recycling rate across the borough

c12,000 trees planted as part of 'Rosendale Forest' project
Stubblee Park maintained green flag status
Operation Trident continued cracking down on fly tipping and other environmental crime
32 Parks, 38 Play Areas, 8 MUGAS, 3 Skate Parks & 4 Pump Tracks Maintained

## Priority C: Healthy and Proud Communities

Having access to a good quality home to either rent or buy plays a fundamental part in our residents' quality of life. We want people to live long lives and take pride in their communities.

### Key Outcomes:

- To have delivered more new homes and a good mix of housing tenures

75 new homes completed in 2022/23
65 disabled facilities grants given out during the year

# Narrative Report

- Improved the health of residents through access to better leisure facilities and health services
- A more joined up approach to physical and mental well-being which is more rapidly reducing health inequalities
- Residents share a sense of pride in their immediate community and the wider borough

Successfully delivered the first year of the Health Strategy

Created a vision for future leisure facilities in the Borough

## Priority D: Effective and Efficient Council

It is important that we are an effective and efficient council - one with ambition, clear direction, which delivers good quality services and which provides good value for money to our residents.

### Key Outcomes:

- Provide good quality and responsive services embracing new technology
- Be a financially sustainable council with a commercial outlook whilst always considering social value
- Provide sound governance to enable key decisions and major projects to be progressed, in an efficient and professional way
- Have a skilled and happy workforce, where we are able to retain and attract good staff

Over 100 assets reviewed

Levelling up and UK Shared Prosperity funding secured.

74 Planning Applications approved.

c2.5m refuse/recycling household bins emptied

# Narrative Report

## Rosendale folk - the people behind the borough

### Our councillors

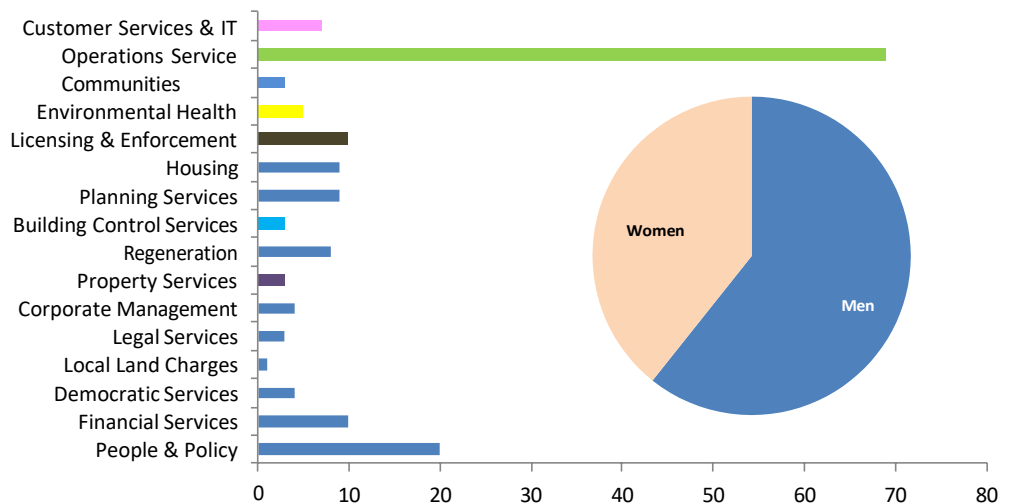
We have 36 councillors in Rosendale serving 14 wards across the borough. Following the elections in May 2022 the political balance was:

- 19 Labour
- 11 Conservative
- 2 Community First
- 3 Independent
- 1 Green

### Our staff

During 2022/23 the Council employed 168 people across its services, 42% of whom provide front-line services within the Operations Team collecting refuse, maintaining our parks and cemeteries and keeping the roads around the borough clean. Of our 168 employees 39% are women and 43% are over 50.

### Staff employed across services in 2022/23



### The Senior Management Team during 2022/23



**Neil Shaw**  
Chief Executive

Since 2022/23 there have been several changes to the senior Management Team. Neil Shaw and Mandy Lewis left the Council in December 2022. David Smurthwaite joined in February 2023 as Director of Economic Development, Rob Huntington joined in April 2023 as Chief Executive and Adam Allen left the Council in May 2023



**Adam Allen**  
Director of Communities



**Mandy Lewis**  
Director of Economic Development



**Karen Spencer**  
Chief Finance Officer



**Clare Birtwistle**  
Legal Services Manager



**Clare Law**  
HR Manager

# Narrative Report

Our partners, community groups and the volunteers that we work with

**CAPITA** Capita provide our revenues, benefits and customer services.

**Civic Pride** groups support the borough by providing a gardening and litter clearance service, building upon the work done by the Council's workforce.



Voluntary Community Sector organisations work with us on a range of initiatives, a comprehensive list can be found on the **REAL Directory**.



**Calico Homes** now manage the East Lancashire Empty Homes project.

**Together Housing** manage social housing across the borough



**RTB Partnership Ltd** is an equal partnership development vehicle set up in February 2013 to facilitate a number of development projects across the borough.



**Rosendale Leisure Trust** provides the sports facilities provision in the Borough.

The NHS and **East Lancashire Clinical Commissioning Group** are the health providers for Rosendale.

Main hospital services are provided by **East Lancashire Hospitals NHS Trust**. Some other facilities are run by the **Lancashire Care NHS Foundation Trust**.



**Lancashire Constabulary** is the local police force.  
**Lancashire Fire and Rescue** provide our fire service.  
**Lancashire County Council** upper tier responsibilities

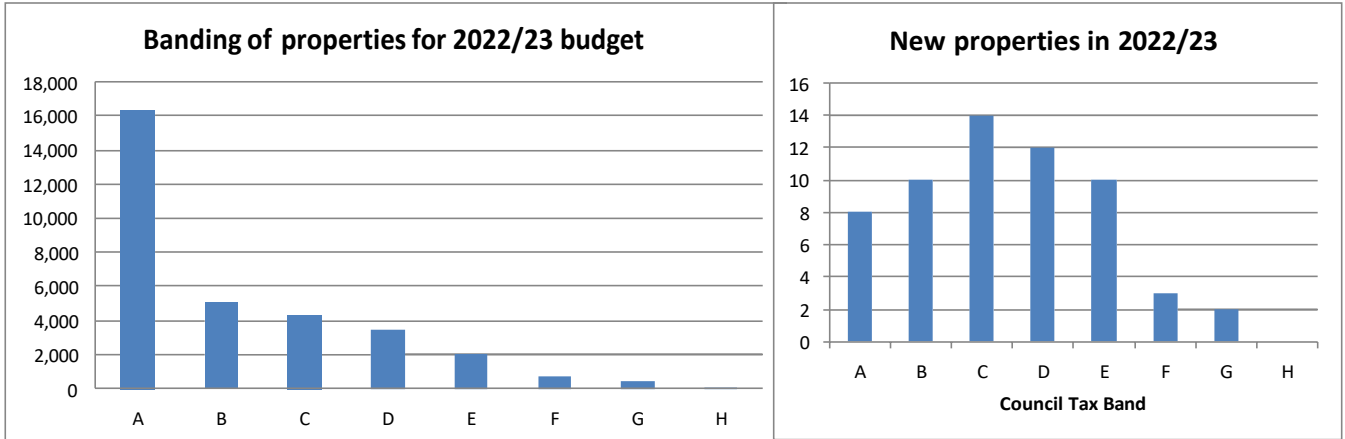




# Narrative Report

## Council Tax in Rosendale

Almost 51% of all the domestic properties in Rosendale fall into Band A, the lowest band for Council Tax purposes. Though the Band D is taken nationally as the average for the purposes of collecting Council Tax, only 10.6% of properties in Rosendale fall into this band. The total number of properties when the 2022/23 Council Tax was set was 32,292, up by 59 from 2021/22.

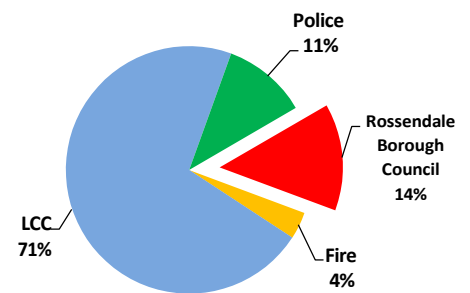


Rosendale Borough Council collects Council Tax on behalf of each of the major preceptors, Lancashire County Council, Lancashire Combined Fire Authority and Lancashire Constabulary. In 2022/23, we also collected a precept for Whitworth Town Council from 3,644 properties.

In 2022/23 Rosendale Borough Council increased its element of the Council Tax by 1.99% which made the 2022/23 charge for a band D property £290.80. The Council retained £5.985m in Council Tax in 2022/23.

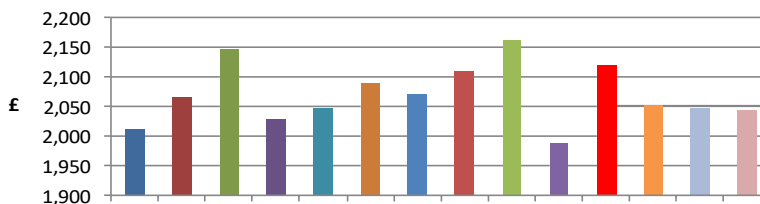
Precepting Body	% Increase	2021/22	2022/23	% Share
		Band D £	Band D £	
<b>Rosendale BC</b>	1.99%	<b>285.13</b>	<b>290.80</b>	13.7%
Lancashire County Council *	1.99%	<b>1,305.55</b>	<b>1,334.53</b>	63.0%
LCC Adult Social Care *	2.00%	<b>150.64</b>	<b>179.76</b>	8.5%
Combined Fire Authority	6.92%	<b>72.27</b>	<b>77.27</b>	3.6%
Police & Crime Commissioner	4.42%	<b>226.45</b>	<b>236.45</b>	11.2%
<b>Total (Excl' Whitworth)</b>	<b>3.86%</b>	<b>2,040.04</b>	<b>2,118.81</b>	100.0%
Whitworth Parish Council	4.11%	25.81	<b>26.87</b>	
<b>Total Whitworth Parish</b>	<b>3.86%</b>	<b>2,065.85</b>	<b>2,145.68</b>	

Each £1 of Council Tax was split



\* percentage increase is based on the total combined tax level

### Council Tax Band D across Lancashire



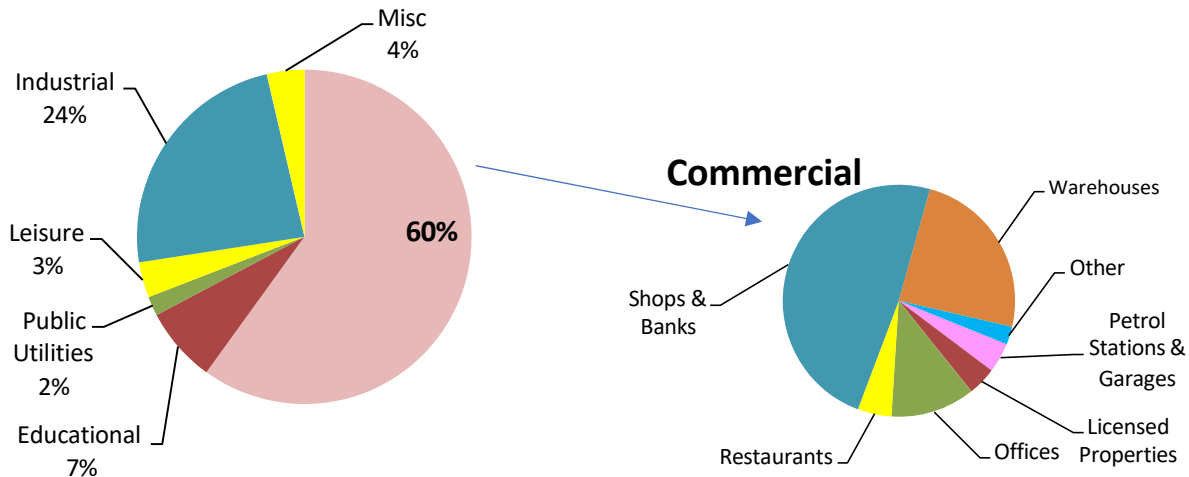
In comparison with our neighbouring authorities across Lancashire, Rosendale has the third highest total Band D charge.

# Narrative Report

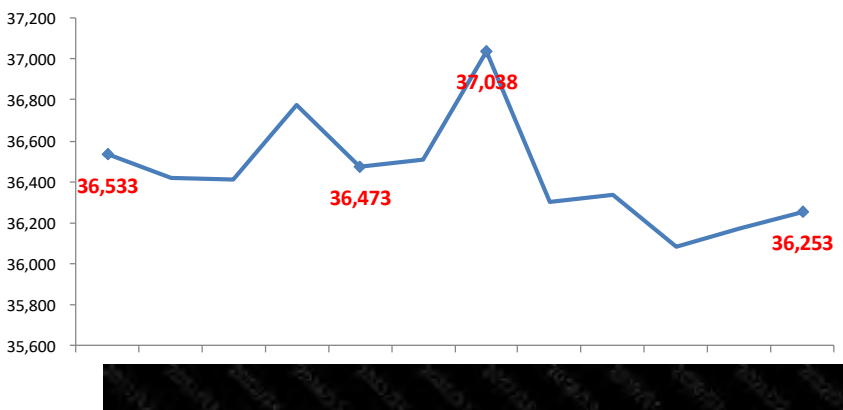
## Business Rates in Rosendale

Business Rates are payable based upon a rateable value set by the national Valuation Office. The total rateable value of business premises in Rosendale at the 31<sup>st</sup> March 2023 was £36,253k, up slightly from £36,175k in March 2022. Covid continued to have an impact on the level of business rates collected in 2022/23, this was mainly due to the level of extended rate relief awarded to help businesses survive the pandemic. The Council has received s31 grants from Central Government to cover this loss of income. Full details can be found in the Collection Fund statements.

### Rateable Values as at 31st March 2023



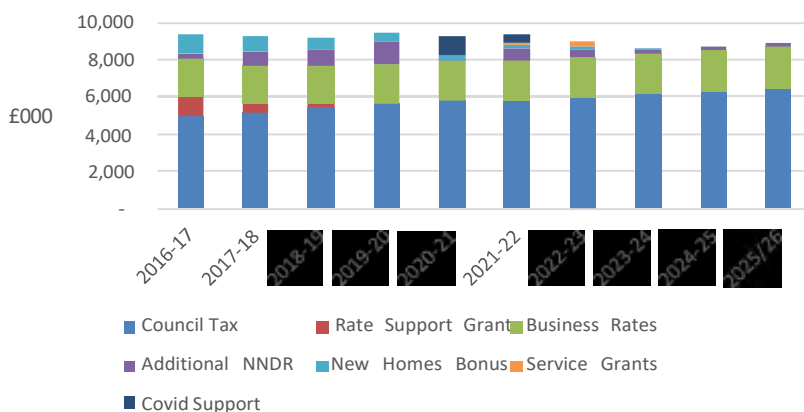
### Rateable Values in recent years



Rateable values underwent a national revaluation exercise in 2010/11, with a revision during 2015/16 and a further revaluation in 2017/18.

Since 2010/11 the Council has seen significant reductions in core Government funding and an increase in reliance on Council Tax income to fund services. The sources of funding available for Council Services can be seen in the table opposite, along with future predictions over the Medium Term Financial Strategy. In 2020/21 and 2021/22 the Council received various Covid grants to support the Council's Covid related activities.

### Funding Sources



# Narrative Report

## Revenue Outturn

At the time of setting the original budget in February 2022, the medium term financial strategy (MTFS) indicated a balanced budget of £8,991m for 2022/23. The Council reviews its MTFS at regular intervals, and in November 2022, as a result of the economic crisis, reported to Council that the anticipated 2022/23 outturn was likely to be £10.376m. The Council finances its net budget through Council Tax, General Government Grants and Retained Business Rates income.

With the continued drop in external funding, local taxation has to contribute towards the MTFS challenge and in the 2022/23 budget, members again made the difficult decision to increase the Council Tax by the maximum allowed, 1.99%, resulting in estimated Council Tax income of £5,985k. The retained business rates baseline funding was £2,180k and the Council received £132k in New Homes Bonus. In addition the Council also received one off grants of:-

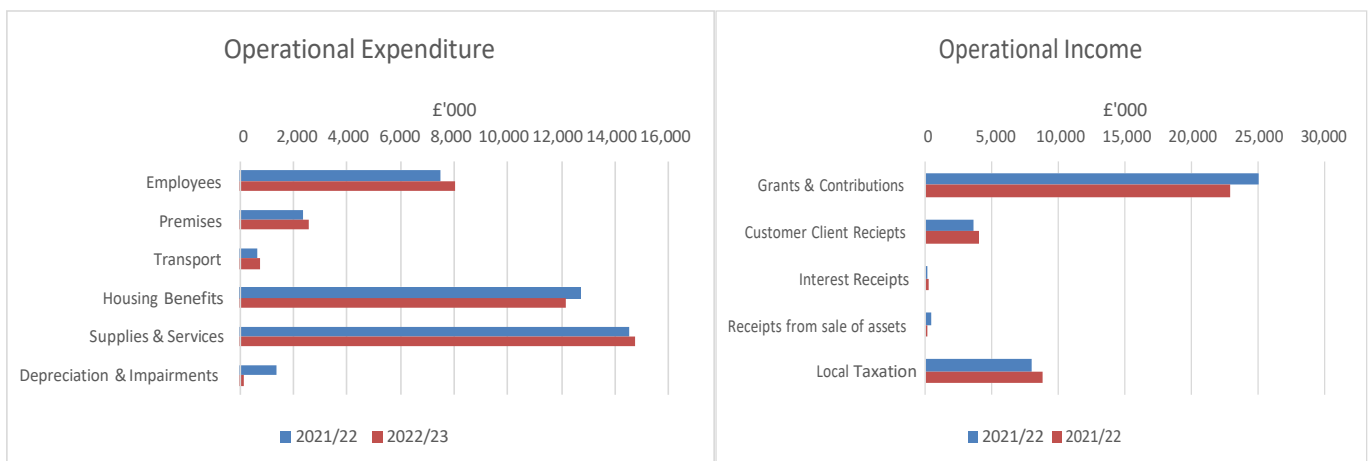
- lower tier services grant of £98k.
- Services grant of £150k.

It was also anticipated that the Council would make a pooling gain/NNDR growth of c£360k.

Members also approved the use of £56k from the Transitional Reserve to fund the estimated budget gap.

The Council manages and presents in-year financial information in the format of Directorate Budgets. The Directorate outturn position was reported within the Outturn Report to Cabinet in July 2023. Full details of expenditure, income and budget variances are set out within the report which is available on the Council’s website.

The following table and charts show the General Fund figures before the technical accounting adjustments required by the Code in the CIES. These follow the operational basis shown in the financial monitoring reports presented to members at Cabinet meetings on a quarterly basis.



# Narrative Report

GENERAL FUND SERVICES	2022/23		Variance (adv)/ fav £000s
	Adjusted Budget £000s	Operational Out-turn £000s	
Communities Directorate			
Customer Services & E Government	1,334	1,306	28
Operations	1,901	2,124	(223)
Parks & Cemeteries	663	675	(12)
Public Protection Unit	184	180	4
Environmental Health	178	233	(55)
Licensing & Enforcement	73	101	(28)
Communities Team	133	96	37
Economic Directorate			
Planning	310	292	18
Building Control	31	19	12
Regeneration	214	254	(40)
Property Services	306	420	(114)
Housing	160	392	(232)
Corporate Management			
Corporate Management	413	376	37
Legal Services	180	182	(2)
Local Land Charges	(18)	1	(19)
Democratic Services	558	553	5
Financial Services	585	688	(103)
Empty Homes	300	900	(600)
People and Policy	686	690	(4)
Non-distributed Costs	132	68	64
Capital Financing & Interest	668	472	196
<b>Total cost of General Fund Services</b>	<b>8,991</b>	<b>10,022</b>	<b>(1,031)</b>
Contrib to/(from) Earmarked Reserves	(56)	(825)	769
<b>Amount to be met from government grants &amp; local tax payers</b>	<b>8,935</b>	<b>9,197</b>	<b>(262)</b>
Precept on the Council Tax Collection Fund	5,985	5,985	-
National Non-Domestic Rates (NNDR)	2,180	2,180	-
NNDR Pooling gain	390	652	(262)
New Homes Bonus	132	132	-
Service Grants	248	248	-
<b>Amounts received from government grants &amp; local tax payers</b>	<b>8,935</b>	<b>9,197</b>	<b>(262)</b>

## Other financial factors

This Council signed up to the Lancashire Business Rates Pool which came into effect on the 1<sup>st</sup> April 2016. Under these arrangements Rosendale retains more of its local business rates. The Council retains 40% of the business rates it collects, less the Governments tariff.

The Council continues to be the accountable body for the East Lancs Empty Homes Scheme, which has brought back into use almost 200 long-term empty domestic properties across East Lancashire, funded through a combination of Homes and Communities Grant, owner contributions, local housing associations and contributions from the other neighbouring local councils. The properties are managed by management agents with the majority of the properties being managed by Calico homes Ltd, under a self-financing contract. The scheme cost the Council c£900k revenue and £865k capital in the 2022/23 financial year.

There are 33 properties remaining on the scheme at the date of publication of these accounts. These properties will continue to be let for the remainder of their leases.

# Narrative Report

## Capital Strategy and the Capital Programme 2022/23 to 2025/26

In February 2022 the Council set an affordable capital budget for 2022/23 of £5,082k including new projects of £861k, funded from £2,190k of grants, £2,585k of prudential borrowing, £107k from revenue resources and £200k from capital receipts. The programme included £977k for new vehicles, £100k on maintaining the Council's operational assets and £1,000k on Disabled Facilities Grants (DFGs) for domestic properties across the borough.

This was added to capital works slippage at the end of 2021/22 of £3,939k. Giving a revised opening capital programme of £9,021k.

Capital projects added during 2022/23 included £99k Stubbylee Skate Park funded from a combination of internal borrowing and external funding, and £160k additional DFG's funded by external grant. This brought the final capital programme for 2022/23 to £9,441k.

More information on the capital costs and funding sources can be found in Note 18.

At the end of 2022/23 slippage of £5,759k was carried forward into 2023/24. The majority of this was disabled facility grants of £2,567k, £1,255k for Haslingden National Lottery Heritage Funded scheme, £525k Futures Park infrastructure works and £382k carbon reduction fund.

## The Collection Fund

Billing authorities in England, such as Rosendale, are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (Business Rates). The key features relevant to accounting for council tax and business rates in the Core Financial Statements are:

- In its capacity as a billing authority the Council acts as agent; it collects and distributes council tax income on behalf of the major preceptors and itself; under the scheme of Business Rates Retention introduced from 2013/14, business rates are also collected on behalf of Central Government and the major preceptors;
- While the council tax and business rate income credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors.

The council tax and business rate income included in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the Collection Fund has been taken to the Collection Fund Adjustment Account and is included as a reconciling item in the Movement in Reserves Statement.

Since the collection of council tax and business rates income is in substance an agency arrangement, cash collected by the billing authority from council tax and business rates debtors belongs proportionately to the billing authority and the major preceptors. There is therefore a debtor/creditor position between the billing authority and each major preceptor which is recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from taxpayers.

The surplus on the Collection Fund for Council tax as at 31<sup>st</sup> March 2023 was £12k and will be shared between the Council (billing authority), the County Council, the Police Authority and the Fire

# Narrative Report

Authority in following years. The actual rate of in year collection of Council Tax for 2022/23 was 95.95% (95.59% for 2021/22).

In the year ended 31<sup>st</sup> March 2023 the collection fund position for NNDR was a deficit of £654k which will be carried forward and recovered in subsequent years' budgets. Rossendale Borough Council's share of this is £305k with the balance due to the Government and major preceptors.

It must be noted that most of the NNDR Collection Fund deficit is again due to the Governments Covid related rate reliefs. To help businesses through the pandemic the Government expanded the retail, leisure, hospitality and nursery business rate reliefs. Instead of collecting Business Rates, the Council received compensating Government grant, with the impact on the collection fund being spread over three years, 2022/23 being the final year.

In 2022/23 the council was a member of the Lancashire Business Rates Pool on a 50% business rates retention basis and this has continued in to 2023/24. In 2022/2 the Council made a pooling gain of £652k.

Further details in relation to the Collection Fund can be found in the Supplementary Statements.

## Treasury Management

Treasury Management is conducted in-house with advice provided by an external organisation, Link Asset Services. Investment performance has struggled to meet the budget target as interest rates on the Council's bank accounts continued to be below bank base rates during the year. There were multiple interest rate increases during the year and by the end of the year the council was earning 3.35% on balances, this was significantly higher the 0.07% earned in 2021/22. During 2022/23 the level of balances held returned to pre covid levels, but the interest rate increases meant that the £195k interest income earned exceeded budget.

Treasury management during the year was conducted within the borrowing limits and investment criteria approved in the Treasury Management Strategy and Treasury Management Practices approved at Full Council in February 2022.

The Council is able to borrow money from PWLB (an agency of HM Treasury), banks and building societies, or from other public bodies. The Council's borrowing need as at 31 March 2023 was met by a combination of long term actual debt of £3.858m and internal cash balances. The use of internal cash balances in lieu of borrowing has continued to be the most cost effective means of funding capital expenditure. These amounts are analysed in the notes to the Balance Sheet. The interest payable in relation to the Council's borrowing totalled £127k in 2022/23. As the value of useable reserves drops over the life of the Council's MTFs, greater consideration will need to be made of the need for additional PWLB borrowing to fund future capital investments.

The **Capital Financing Requirement (CFR)**, a key Prudential Indicator, determines the amount that the Council needs to borrow for a capital purpose and is the total of the Council's capital assets less all of the Council's capital reserves. The CFR for the year ending 31 March 2023 was £14.3m.

The **Authorised Limit for External Debt** is a 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 2022/23 was £20.4m. The Council's actual total long term debt of £3.858m is well below the Authorised Limit.

## Pensions Fund Liabilities

Rosendale BC participates, as an employing authority, in the Lancashire County Pension Fund administered by Lancashire County Council. The scheme is a defined benefit scheme i.e. retirement

# Narrative Report

benefits are determined independent of the scheme investments. A pensions reserve and pensions liability are incorporated within the Council’s accounts reflecting the amount by which the Rossendale element of the Lancashire Fund is underfunded/overfunded compared with the assessed payment liability to pensioners.

There are also entries in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement to show the pensions benefits earned in the year. All of these pensions costs entries do not however affect the amount calculated as being due from taxpayers through Council Tax.

The latest triennial valuation was carried out as at 31/03/22 (to take effect 01/04/23) resulting in the overall pensions deficit changing to a surplus. The overall pensions surplus of the Council as at 31 March 2023 was £11.2m (£20.5m deficit as at 31 March 2022). More information on the assumptions used by the actuaries can be found at Note 31.

## Principal Risk & Uncertainties

The Council has a risk management strategy in place to identify and evaluate risks. All risks are identified, potential impacts are highlighted and controls and mitigations are set in place. The Corporate Management Team (CMT) identified a number of key corporate risks which the Council monitors and reports to Cabinet Members and Audit & Accounts Committee during the year, a selection of the risks have been highlighted below:

Corporate Risks
Sustainability of the Medium Term Financial Strategy
Major disaster affecting the delivery of Council services
Incident resulting in death or serious injury or HSE investigation
Sustainable Workforce
Insufficient data and cyber security
Response and Recovery to Covid Pandemic
Financial sustainability of the Council owned leisure assets

Key Future Financial Risks – Along with the corporate risk there are a number of key financial risks identified within the Medium Term Financial Strategy which potentially could have a significant impact on the financial forecast, these are:

Key Financial Risks
Impact on the economy – Cost of living crisis – Inflation and rising interest rates
Resources – Inc future Government funding, any change to the Business Rate retention scheme and level of reserves
Bridging the funding gap
Council Tax – Housing Levels not in line with forecast projections
Pay inflation
The Empty Homes Scheme
Rosendale Leisure Trust

# Narrative Report

## The Economic Climate and Financial Outlook for the Future

The latest MTFS reported to Budget Council in February 2023 sets out the Council's spending plans and available capital and revenue resources for the period 2023/24 to 2026/27. The MTFS set out the funds required to deliver the Council's essential services and the objectives in our priority areas. It also highlighted the key areas/issues facing the Council in the current year and future years. For 2023/24 onwards a major concern is the cost of living crisis and future levels of Government funding.

As a result of the Covid Pandemic the Government has further delayed the implementation of the outcome of the Fair Funding Review and the Business Rate reforms. Until this announcement is made and the local government finance settlement figures are published we have no indication of the level of funding the Council will receive from 2022/23 onwards.

In light of the current risks and uncertainties the Council will aim to continue to maintain a healthy and robust level of reserves. The Council's strategic budget plan has been to use reserves to fund the gap between income and expenditure over the life of the forecast, whilst looking to identify savings and income generating opportunities.



# Narrative Report

## Explanation of the Statement of Accounts

The Statement of Accounts for the year ended 31st March 2023 has been prepared and published in accordance with the Code of Practice on Local Authority Accounting 2022/23 (the Code), issued by the Chartered Institute of Public Finance and Accountancy and the Service Reporting Code of Practice 2022/23 (SeRCOP).

The layout and purpose of each statement is as follows:-

### Introductory Statements

- Narrative Report - provides information about Rosendale, including key issues affecting the Council and its accounts. It also provides a summary of the financial position as at 31 March 2023. It should be fair, balanced and understandable for the users of the financial statements, containing a commentary on the major influences affecting the authority's income and expenditure and cash flow, as well as information on the financial needs and resources of the authority.
- Annual Governance Statement – explains the way the Council ensures responsible stewardship of its assets.
- Statement of Responsibilities - explains the responsibilities of the Council and its Chief Financial Officer in relation to the Council's financial affairs and the Statement of Accounts.

### Core Statements

- Comprehensive Income and Expenditure Statement (CIES) - a summary of the resources generated and consumed by the authority in the year in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Cost of Services section is now presented in the same format as the authority's operational reports. Note 1 presents a reconciliation between the General Fund Summary in the Narrative Report and the CIES figures produced here under statutory accounting practices.
- Movement in Reserves Statement – this statement shows the movement in year on the reserves held by the Council, analysed into 'useable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. It reverses the statutory accounting adjustments in the CIES to get back to the General Fund Balance Sheet Reserve.
- Balance Sheet - this shows the value of the assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the value of reserves held, split between Useable and Unusable reserves.
- Cash Flow Statement - summarises changes in cash and cash equivalents during the year, and how the Council generates and uses cash through operating, investing and financing activities.

### Notes to the core financial statements

All the notes to the core statements above are now collected in one place. Notes on the policies used in the preparation of the figures in these accounts, including judgements and assumptions, have been moved to the end of the notes area.

### Other Statements

- The Collection Fund – this agency statement reflects the Council's statutory obligation to maintain a separate Collection Fund for its transactions as a billing authority in relation to council tax and non-domestic rates.

**Glossary** - an explanation of some of the key technical terms used in these accounts.

# Annual Governance Statement

## Annual Governance Statement: Year Ended 31<sup>st</sup> March 2023

### 1) Scope of responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. In discharging this overall responsibility, the Council has put in place arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.

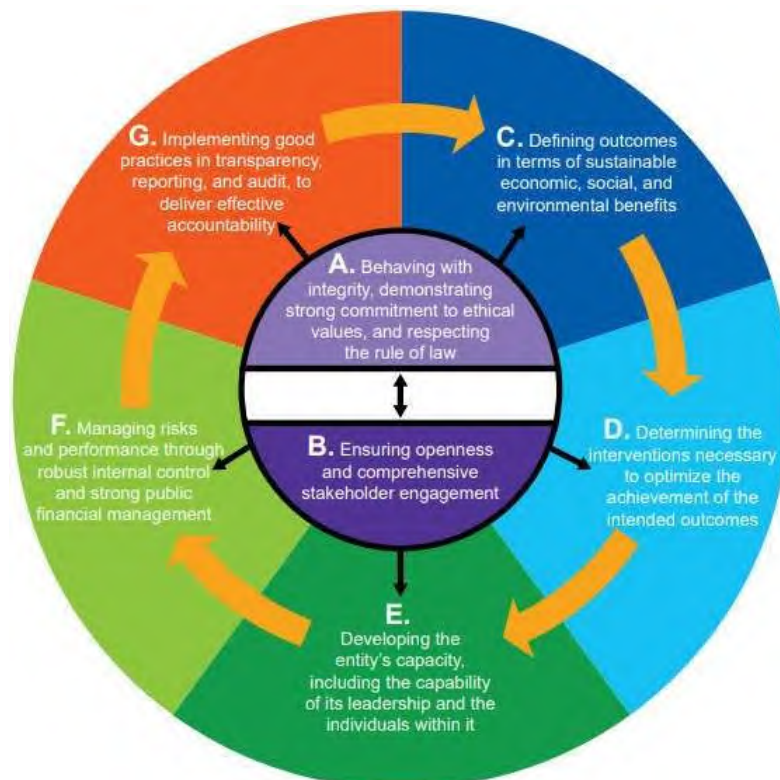
This Annual Governance Statement provides an overview of the Council’s key governance systems and explains how they are tested and the assurance that can be relied upon to show that those systems are working effectively. The statement comprises an overview of the key elements of its governance framework and what evidence has been received in order to determine the effectiveness of the Council’s governance arrangements. In addition the statement contains an update on areas for improvement which were identified last year together with proposed areas for improvement for the coming year.

#### What is Corporate Governance?

Corporate governance refers to the processes by which organisations are directed, controlled, led and held to account.

Rosendale Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This statement explains how Rosendale Borough Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1), which requires all relevant bodies to prepare an annual governance statement.

CIPFA’s framework for Good Governance in the Public Sector defines the principles against which the Annual Governance Statement reports:



# Annual Governance Statement

## 2) The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. 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 services and value for money.

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 authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Rosendale Borough Council for the year ended 31 March 2023 and up to the date of approval of the annual report and statement of accounts.

During this period the Council has continued to deal with the recovery from the COVID-19 pandemic. The pandemic continued to impact both operationally and strategically and the Council sought to meet the challenges presented by the pandemic whilst continuing to implement Government policy changes.

## 3) The Governance Framework

Key elements of the systems and processes that comprise the authority's governance include arrangements for:

**Principle A: *Behave with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law***

The Council has a formal Constitution which is reviewed annually, amended as required and made publicly available on our website at [www.Rosendale.gov.uk](http://www.Rosendale.gov.uk). The Constitution sets out how we operate, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by the law, while others are a matter for us to choose.

The Constitution includes the following documents which provide guidance for officers and Councillors on the standards of behaviour expected to ensure integrity:

- Code of Conduct for Members (Councillors)
- Code of Conduct for Employees
- Roles & Functions of all Councillors

The Council's Monitoring Officer maintains the Codes of Conduct up to date and investigates any suspected breaches. Alleged breaches of the Members Code of Conduct are conducted in accordance with an agreed protocol. Councillors sign a formal declaration agreeing to abide by the Code of Conduct. For staff, the Employee Handbook sets out the requirements and standards expected and this forms part of the staff induction process.

The Council also has established a set of core values which are intended to underpin all that we do. These are published as part of our Corporate Plan and include the following ethical values:-

- Pride - We take pride in the way we help our residents and are proud to work for the council
- Passion - We are ambitious for Rosendale, enthusiastic and want to improve resident's lives
- People - We work together, treat everyone with respect and take ownership of problems

# Annual Governance Statement

Underpinning everything we do is our commitment to equality, diversity, transparency, inclusion, sustainability and value for money.

Staff and Councillors are made aware of other policies relevant to this principle of the framework including the Council's Anti-Fraud and Corruption, Bribery and Whistleblowing Policies. These arrangements are reviewed and reported on via the Council's Audit and Accounts Committee, being the Committee charged with oversight of the governance arrangements at the Council. At the heart of these policies is the requirement for all relevant parties to act with integrity.

There have been no standard complaints in year that have raised any serious concerns in respect of Member behaviour.

All Councillors have to register and declare certain pecuniary interests such as employment, land holdings and contracts with the Council. The register of interests is available on our website at [www.rossendale.gov.uk](http://www.rossendale.gov.uk). Councillors must declare such interests at meetings which they attend. There are also procedures laid down for staff and Councillors relating to the receipt of gifts and hospitality.

All Council decisions have to consider legal implications. These are set out in reports to Councillors which are published on the Council's website. The Council's Constitution sets out the responsibility for decision-making. Certain decisions are reserved to full Council with others delegated to the Cabinet or other Committees each acting in accordance with parameters set out in the Constitution.

A number of areas are delegated to officers for the purposes of decision-making; however, limits on the exercise of delegation are laid down in an approved Scheme of Delegation to Officers within the Constitution. The Council's legal team will advise on the legal implications of proposed decisions and where necessary will engage external legal advisors. The Council's Monitoring Officer and Section 151 Officer have specific responsibility for ensuring legality, for investigating any suspected instances of failure to comply with legal requirements, and for reporting any such instances to Councillors.

## **Principle B: *Ensure openness and comprehensive stakeholder engagement***

Our Corporate Plan identifies and reiterates our commitment to working with partners, volunteers, and our residents. Performance management against key actions, performance measures and risks represent an essential part of our assurance and accountability process to our residents and our partners.

All decisions of the Council are made in accordance with principles laid down in the Constitution and include the following:-

- a presumption in favour of openness
- explanation of the options considered and the reasons for decisions.

All meetings of the Council, Cabinet and other Committees are open to the public.

Agenda papers and reports together with the Minutes of all meetings are publicly available on the Council's website unless they are exempt from publication.

The Council's guidance on, the role of a Councillor, contains the following which reinforces the importance of openness requiring Councillors to:

- Contribute to the governance of the area and actively encourage community participation and citizen involvement in decision making

The Code of Conduct for Councillors also outlines the following requirements:-

Councillors must:

- Impartially exercise their responsibilities in the interests of the local community
- not improperly seek to confer an advantage, or disadvantage, on any person
- avoid conflicts of interest

# Annual Governance Statement

- exercise reasonable care and diligence
- ensure that public resources are used prudently in accordance with the Councils requirements and in the public interest.

The Council undertakes consultation on specific topics. The Council also makes use of social media via Facebook, Instagram and Twitter.

The Council is committed to publishing information freely and to develop further our culture of openness and transparency and publishes information in accordance with the Local Government Transparency Code. The Council's Freedom of Information Publication Scheme provides a general guide for the public in terms of what information should routinely be available to them by either accessing our website or upon request.

Partnership working is important and the Council has in place a wide range of arrangements ranging from small scale local groups (e.g. Civic Pride groups) to larger and more formal partnerships (e.g. public/private partnership with Rosendale Leisure Trust and Capita).

## **Principles C & D – Defining outcomes in terms of sustainable benefits (economic, social and environmental) and determining the interventions necessary to achieve them.**

The Council's strategic vision for the Borough is set out in our Corporate Plan. Our vision is *To have a thriving economy, built around our changing town centres, creating a quality environment for all and improving the life chances of all those living and working in our borough*. We aim to achieve this by working on our four priority areas:

- Thriving Local Economy
- High Quality Environment
- Healthy and Proud Communities
- Effective and Efficient Council

Underpinning our Corporate Plan are robust business plans for each of our service areas. These detail how we will deliver the strategy, our vision and priorities. They also detail how we will continue to deliver services to our residents and meet our financial challenges.

In December 2021 the Council adopted its Local Plan, this was a major milestone in setting out the spatial policy for the Borough. By adopting the Local Plan the Council is able to bring forward its strategic aims, ensure it has greater control over the development that takes place in the Borough and that it is accompanied by appropriate infrastructure improvements as well as other local facilities and is of a design suitable for Rosendale. It will also assist in addressing the Council's climate change priorities as well as meeting the needs of the Borough's residents. Linked to this the Council has gone on to develop and publish a series of development management policies against which to measure planning applications.

Service areas are required to set, monitor and manage agreed targets for performance. Performance against and achievement of expected outcomes is monitored regularly via the Council's corporate performance management system and reported quarterly to Councillors and the Management Team. Where expected performance is not being achieved intervention measures are considered and implemented where appropriate.

In relation to the buying of goods and services, staff must comply with the Council's Contract Procedure Rules. These set out relevant considerations when reaching decisions on award of contracts and include relevant environmental and sustainability aspects including the achievement of 'social value' in addition to cost.

Decisions on the overall level of resources allocated are taken by the Council following recommendations from the Cabinet. Resources and spending plans are critically reviewed to optimise their use and level of fit with the Council's objectives. Financial planning arrangements are

# Annual Governance Statement

well established and underpinned by a four year forward projection as part of the Council's medium term financial planning arrangements. This includes both capital and revenue budgets.

## *Principle E - Develop the entity's capacity, including the capability of its leadership and the individuals within it*

At the heart of this principle is the Council's commitment to *'Have a skilled and happy workforce, where we are able to retain and attract good staff'*. The aim is to ensure that, as an organisation, we are suitably placed to deliver the priorities identified for Rossendale and its residents. To do this we will employ the right people with the right skills in the right job. We will maintain robust financial processes, standards and systems optimising the technology and resources we have available to us, making us more efficient and effective in our service delivery and becoming digital by default.

In recent years the Council has invested in training programmes to enhance organisational development, develop leadership skills and promote a coaching culture with staff at all levels encouraged to be innovative and challenge the normal way of doing things. All staff take part in annual personal development reviews which include consideration of their individual training and development needs. A range of training methods and resources are applied and feedback is actively encouraged to assess the benefit of investment in training. The Council has developed a Training and Development plan, organisational development strategy and a wellbeing strategy. Training is available for Councillors including induction and topic specific matters in addition to what is available from organisations such as the Local Government Association.

Capacity is enhanced via a range of partnerships and collaborative arrangements, as well as our commissioning and procurement processes through which the Council operates a mixed economy approach to delivering services in the most effective and efficient way. Service delivery models include, in-house, external outsourced (CAPITA Revenues & Benefits Partnership), transfers to external partners (Rossendale Leisure Trust). On a regional and sub-regional basis the Council works closely with the Lancashire Enterprise Partnership and Pennine Lancashire bodies notably in areas such as economic development, regeneration and skills/training. It also works closely with local colleges on training provision.

Leadership roles are well defined at the Council for staff and Councillors, distinguishing for example the role of Council Leader and the officer being the Head of Paid Service (i.e. the Chief Executive). A protocol is included in the Council's Constitution which reflects the principles underlying the respective Codes of Conduct which apply to Members and Employees. The shared object of these codes is to enhance and maintain the integrity of local government and therefore, demands high standards of personal conduct.

The Council is committed to a culture of continuous improvement and has a focus on service delivery and effective performance management. Peer learning is encouraged and in November 2021 the Council undertook a Peer Challenge review led by the Local Government Association to provide an assessment and feedback on,

- Corporate and placed-based prioritisation
- Climate Change
- Governance/Commercialisation.

The Organisational Development Strategy acknowledges the essential role staff play in the Council's ability to deliver effective services; thus wanting to ensure that every employee fulfils their potential and takes advantage of the development opportunities available to them.

Sustaining organisational resilience is increasingly challenging at a time when headcount is reducing in response to ongoing resource constraints. Set against this, the importance of supporting staff health and well-being is acknowledged and a suite of policies and procedures are in place to help staff maintain their own physical and mental well-being. Examples include the family friendly policy and the operation of flexible working for most staff. In addition the Council has

# Annual Governance Statement

invested in an Employee Assistance Programme to provide staff with access to a variety of support and guidance to aid their wellbeing.

## *Principle F - Managing risks and performance through robust internal control and strong public financial management*

The maintenance of systems and processes to identify and manage the key strategic and operational risks is integral to the achievement of the Council's objectives. The Council's **risk management framework** continues to evolve and presently includes the following arrangements:-

- Risk Management Strategy
- arrangements for the Strategic Risk Register comprising corporate risks assigned to designated officers, with appropriate counter-measures and an action plan established for each key risk
- Frequent review of risks in-year with reports to the Council's Management Team, Cabinet and the Audit and Accounts Committee
- the use by Internal Audit of a risk based approach in the preparation and delivery of the internal audit plan
- the requirement for Officers of the Council to consider risk management issues when submitting reports to Committee for consideration by Councillors
- a suite of policies and procedures in relation to Whistleblowing, Anti-Fraud and Corruption, and Anti-Money Laundering
- a suite of Business Continuity Plans are in place, i.e. Rosendale Emergency Plan, Service Area Business Plans and a Business Recovery Plan for critical services
- Councillors and officers have previously been trained in risk management and the Leader of the Council is briefed on the strategic risks faced by the Council. Managers have the responsibility for the effective control of risk, and all service plans have a section on risk management.
- Corporate Governance including risk management, incorporating the key strategic risks for the Council, are the subject of quarterly reports to Cabinet and the Audit and Accounts Committee.
- The Corporate Management Team review the Corporate Risk Register to ensure that risks are being actively monitored and managed and risk scores are included for all identified strategic risks as a means of providing much greater focus on those areas where risk management can be effective. Details of changes are reported to the Audit and Accounts Committee.
- The Chief Executive, as the Council's Head of Paid Service, is responsible for the corporate management of the Council, taking an active role in the corporate governance arrangements, including the organisation of the Council's staff and ensuring that appropriate internal control mechanisms are in place to achieve the Council's objectives in the most economical, efficient and effective way.
- The Head of Legal is appointed the Council's Monitoring Officer. The appointment of a Monitoring Officer is required in accordance with Section 5 of the Local Government and Housing Act 1989. It is the function of the Monitoring Officer to report to Members upon any contravention of any enactment or rule of law or any maladministration by the Authority. The Monitoring Officer also has responsibilities under the Council's Ethical Framework relating to the Members' Code of Conduct and the Standards Regime.
- The Chief Financial Officer is designated as the officer with statutory responsibility for the proper administration of the Council's financial affairs, in accordance with Section 151 of the Local Government Act 1972.
- The three statutory officers referred to above have unfettered access to information and to Councillors on the Council so that they can discharge their responsibilities effectively. The functions of these Officers and their roles are clearly set out in the Council's Constitution. In

# Annual Governance Statement

particular, the role of the Chief Financial Officer at the Council accords with the principles set out in CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

An established **financial management framework** comprising the following:-

- Financial and Contract Procedure Rules as part of the Constitution
- Medium term financial planning using a four-year cycle, updated annually, to align resources to corporate priorities
- Service and financial planning integrated within the corporate performance management cycle
- Annual budget process involving scrutiny, challenge and consultation
- Annual review of the adequacy of the level of financial reserves
- Regular monitoring by management of revenue and capital budgets with reports to Management Team and Cabinet
- Annual reports to Councillors on both the final revenue and capital out-turns compared to the approved budget
- Continuous challenge of the scope for securing efficiencies and service improvements
- Production of an annual Statement of Accounts compliant with the requirements of local authority accounting practice
- Compliance with the requirements established by CIPFA, the public sector accountancy body
- A regular review of the Council's Financial Management arrangements.

During 2022/23 the financial context of the Council worsened considerably due to inflation for utilities, supplies and services and the pay award. In addition, an increased demand for services in response to the cost-of-living crisis has led to considerable in-year and future year pressures.

A **performance management framework** which provides an explicit link between the corporate priorities and personal objectives of staff and their training and development needs. Performance is reported to Councillors and the Management Team on a systematic basis with areas of poor performance investigated proactively. Key features of the Performance Management Framework include:-

- An annual review of the Corporate Plan to ensure that priorities are reviewed, remain relevant and reflect the aims of the Council
- Service Plans produced with explicit goals and associated performance targets in order to ensure that achievement of performance is measurable
- The Council's staff appraisal system – Annual Personal Development Reviews link personal objectives directly to Service Plans
- Regular reports on the performance of key indicators which are presented to Councillors and Officers

Significant projects are controlled by project management techniques and overseen by a Programme Board. The Board meets quarterly and receives updates on project performance and delivery.

An **Information Governance Framework** which sets out the way we handle and process information, in particular, the personal and sensitive data relating to residents, suppliers and employees. Key features of the information governance framework include:-

- A suite of policies and procedures on the Council's Information Security which are available on the Intranet for all staff to review
- Arrangements for document management and retention
- A Data Protection Policy and Procedure with nominated staff responsible for providing advice and guidance on Data Protection matters



## Annual Governance Statement

- Compliance with the Local Government Transparency Code and provision of Open Data on Council website
- A system for dealing with requests for information submitted to the Council under the Freedom of Information Act 2000 (including a regular review of the Council's Publication Scheme)
- Regular reviews of the Council's Information Governance and Security arrangements by Internal Audit and external assessors.

The Internal Audit function operates in accordance with the statements, standards and guidelines published by the Auditing Practices Board, CIPFA (particularly the Public Sector Internal Audit Standards) and the Institute of Internal Auditors. The Internal Audit function examines and evaluates the adequacy of the Council's system of internal control.

The Council has partnered with Lancashire County Council (LCC) for the delivery of the Internal Audit function. LCC provide an independent and objective appraisal function for reviewing the system of internal control. This is in compliance with Regulation 5 of the Accounts and Audit Regulations 2015 that specifically requires a local authority to undertake an adequate and effective system of internal audit. This work is delivered by way of a Strategic Audit Plan developed using a risk-based approach. The Internal Audit plan is agreed and monitored by the Audit and Accounts Committee. The Audit Manager is required to give an opinion on the adequacy of the Council's system of internal control each year and report to the Audit and Accounts Committee. This Committee can make recommendations or highlight any matters requiring attention to the Cabinet and Council.

Lastly, each member of Management Team is required to sign an Assurance Statement in relation to a range of key controls operating in their area of work. This specifically seeks assurance from Senior Managers that, other than those identified during the course of their normal work or by Internal Audit, they are not aware of any weaknesses in the Council's systems of internal control.

### **Principle G - *Implement good practices in transparency, reporting, and audit to deliver effective accountability***

Reports to meetings of Council, Cabinet and other committees are publicly available on our website with the Minutes also published showing what decisions have been taken and the reason(s) why. Other forms of public accountability reporting include the annual Statement of Accounts, the Council's Annual Report and in year financial and performance monitoring reports. Reports from external audit are also published online including their annual report setting out the findings resulting from their audit of the accounts.

The Council reports performance against targets and financial targets on a regular basis. The Internal Audit service complies with the requirements of the Public Sector Internal Audit Standards and has direct access to Councillors and all staff in order to discharge its responsibilities.

The Council publishes information in accordance with the Local Government Transparency Code. The Council's website includes a section on Access to Information, which is about being transparent, sharing our information with the wider community, and giving them the opportunity to use that data to build useful applications.

The Council welcomes peer challenge reviews and inspections from regulatory bodies and will act on any recommendations arising as appropriate.

# Annual Governance Statement

## 4) How the Council Gains Assurance/Review of Effectiveness

The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control. This review of effectiveness is informed by the work of the Council's Management Team who have a responsibility for the development and maintenance of the governance environment, the Audit Manager's Annual Report on Internal Audit also reports from the external auditor and any other review agencies and inspectorates.

The purpose of a review is to identify and evaluate the key controls in place to manage principal risks. It also requires an evaluation of the assurances received, identifies gaps in controls and assurances and should result in an action plan to address significant internal control issues.

During 2022/23 work undertaken to maintain and review the effectiveness of the Council's Governance Framework included the following:-

- The Council's Monitoring Officer and the Council in general oversee the operation of the Constitution to ensure its aims and principles are given full effect. The Constitution was most recently reviewed by full Council in June 2022.
- The Council's decision making arrangements operated according to the Constitution, either through the Council, Committees or the Scheme of Delegation. Decisions arising from these arrangements have been published on the Council's website as required. Where decisions were taken under the Exercise of Urgent Business Protocol these were documented as appropriate.
- The arrangements for scrutiny operate via the Overview and Scrutiny Committee as required, allowing for the review of key policy areas and providing opportunities for public involvement in specific matters of business. This committee receives reports from the Task & Finish group. During 2022/23 the committee didn't receive any reports from the Task & Finish group.
- Further scrutiny of Cabinet decisions is also provided by the Council's Call-In procedures. However where possible Overview and Scrutiny Committee are given the opportunity to input into policies and procedures prior to presentation to Cabinet.
- The Council has operated a Standards regime consistent with the requirements of the Localism Act 2011 during the year.
- The Audit and Accounts Committee met throughout the year and received various reports on the progress by External and Internal Audit against their respective work plans. The Internal Audit annual report was presented to the Committee in July 2023, in which the Council received **Moderate** Assurance overall on the adequacy of design and effectiveness in the operation of the council's framework of governance, risk management and control. The equivalent report was submitted to the Accounts and Audit Committee in July 2022, also receiving **Moderate** Assurance.
- There have been no formal reports during the year from either the Council's Monitoring Officer or Section 151 Officer on matters of legality or financial related concerns. There were also no objections from local electors in respect of the financial statements and supporting information for the previous financial year.

# Annual Governance Statement

## 5) Dealing with Last Year’s Key Improvement Areas

Last year’s Annual Governance Statement highlighted the following areas for improvement. The narrative below sets out the action has been taken to address these issues in the current year:

Area of Concern	Progress Update
<p>A review of the Councils Contract Procedure Rules, this will be led by the Chief Finance Officer and is due for completion at the end of January 2022.</p>	<p>The review was delayed and is now due to be completed in summer 2023. This will include a revised governance process around above threshold contracts and waivers.</p>
<p>The Council continues to recognise the current and future financial challenges in its strategic risk register and MTFS. The 2021 Autumn Spending Review set out three year Department Expenditure Limits for Government Departments but the Local Government Settlement covered just 1 year (2022/23). The situation is further complicated by the unknown outcome of the Government’s Comprehensive Spending Review and the delayed Fair Funding Review, therefore there remains a high degree of funding uncertainty within the MTFS. The ongoing Empty Homes scheme also continues to place additional pressure on the MTFS. There is a need to prioritise resources effectively and identify further efficiency options for the Council to consider as part of the next MTFS to achieve a balanced budget over the medium term. The Council will continue to meet these challenges as it has done in the past, taking steps to manage this by considering modernisation and rationalisation.</p>	<p>In February 2022 the Council agreed a balanced budget for 2022/23, which included a combination of savings and growth items. However the economic crisis and increased inflation, over which the Council has no control, has had a significant adverse impact on the Council’s financial position. There also remains uncertainty of the forward estimates of core funding within the MTFS beyond 2022/23 pending the outcome of the Government’s Comprehensive Spending Review and the delayed Fair Funding Review. In 2021/22 the Council implemented a 4 year efficiency plan in an attempt to address the funding gap in future years, however further savings will be required in order to achieve a balanced budget. The Empty Homes Scheme also continues to add to the Councils financial pressures. The progress of the savings plan and the Empty Homes scheme are tightly monitored as part of the Councils embedded financial monitoring process and reported to Cabinet quarterly. The further savings requirements will be reviewed as part of the development of the Council’s next MTFS.</p>
<p>The Council is working on a digital strategy with the aim of digitally transforming our services and our approach to Customer Excellence. The strategy will underpin the delivery of our Corporate Plan, being an integral part of transforming the way in which the council delivers its services and how the Council is perceived by residents. This strategy will provide an ambitious vision and work programme which will help</p>	<p>The strategy was adopted in July 2021. During 2022/23 digitalisation of the Council continued to be delivered through the implementation of Citizen Access for Housing, Benefits and Revenues, along with an updated corporate telephony and contact centre application with streamlined customer messaging. Development of the new council website is also progressing as per plan.</p>

# Annual Governance Statement

transform our approach to delivering services to the residents of Rosendale.	
During 2022/23 the Council will develop and approve a new Housing Strategy to provide a clear focus on both private sector, rented homes and increasing opportunities to work with registered providers meeting specialist housing needs.	Due to staff turnover within the housing team the strategy was delayed and was adopted by Council in July 2023.
Development work will be undertaken with Overview and Scrutiny members to enable clearer focus on strategic issues to support strategy development. All new strategies will be considered by the Overview and Scrutiny Committee at an early stage to enable identification of strategic priorities for the strategy to be developed appropriately.	External training was carried out for all Overview and Scrutiny members in June 2023. All new strategies are considered by Overview and Scrutiny.
Due to staff turnover there have been delays in producing the annual statement of accounts for 2020/21 and 2021/22. A plan to publish the outstanding accounts will be produced.	A plan has been implemented with the aim of publishing all outstanding draft accounts by the end of September 2023.
The Council has a significant backlog of unaudited accounts. The Council will work with Mazars to agree a plan to bring the audits up to date.	The CFO is working with the Auditors to devise a plan to bring the audit of accounts in line with statutory requirements.

## 6) Key Areas for Further Improvement

Building on the improvements in 2022/23 the Council has reviewed the governance arrangements and identified the following areas where it wishes to see improvements in 2023/24:

- Financial Resilience - there are significant financial challenges facing the Council in 2023/24, with very little financial flexibility. Additional potential budget options were presented to full Council in June 2023, however beyond that there is little scope for achieving additional in-year savings.

Monitoring of the 2023/24 budget will be undertaken and reported to CMT on a regular basis to determine the corrective action required to balance the budget and protect the level of general reserves.

- Procurement Compliance – review of the procurement support required will be completed by summer and the revised Contract Procedure Rules will be adopted, this will be followed by procurement training for officers.
- Statement of Accounts Publication - due to staff turnover there have been delays in producing the annual statement of accounts. A plan is in place to ensure publication of all outstanding draft accounts by the end of September 2023.

# Annual Governance Statement

- Accounts Audit - the Council has a significant backlog of unaudited accounts. The Council will work with Mazars to agree a plan to bring the audits up to date.
- Performance Management including Programme Board will be refreshed – there will be more focus on performance management rather than just performance reporting, to ensure that appropriate action is taken within year to address underperformance.
- Risk Management – the strategy and the Corporate Risks will be reviewed, with a cross party working group to be set up including members of the Audit & Accounts Committee and senior officers.
- Policy Framework refresh – ensure all policies are reviewed and updated where necessary.

## 7) Conclusion

Some of the governance improvements proposed for 2022/23 were delayed as a result of staff turnover, however a number of these are set to be fully implemented and reported to Members imminently. Details of progress are reported above.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for 2023/24 improvements identified and will monitor their progress, implementation and operation as part of our next annual review.

## Responsibilities

Subsequent to the draft financial statements being published and prior to the directed adoption of these on 13th December 2024 as directed by the backstop regulations ( introduced by the Minister of State for Local Government, on July 31, 2024 in response to the national local authority audit backlog) the council's external auditors referred in March 2024, to areas of significant weakness as part of their Value for Money Reports concerning the preparation of and evidence to support the Statement of Accounts for 2020/21 through 2022/23 with implications extending to this financial year. The matters noted were the non-completion of a bank reconciliation and the draft accounts having material inconsistencies within the comparative figures. These matters were compounded by the lack of finance capacity available to produce the accounts in years 2020/21 through 2022/23.

There are no other matters arising that indicate any wider or other concerns with the governance framework which would lead to a conclusion that there wasn't an effective governance framework in place, except for these significant matters.

We are aware that the council has already made headway in resolving the weaknesses and in particularly the key financial controls and the resourcing of the finance team.

### Signed:

On behalf of Rosendale Borough Council

Alyson Barnes

Leader of Council

Rob Huntington

Chief Executive

# Statement of Responsibilities

The following responsibilities are placed upon the authority and the Head of Finance in relation to the Council's financial affairs.

## 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 Head of Finance.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

## The Director of Resources as Chief Finance Officer Responsibilities

As the Chief Finance Officer, I am responsible for the preparation of the authority's Statement of Accounts in accordance with the proper practices as set out in the CIPFA/LASAAC 2018/19 Code of Practice on Local Authority Accounting in Great Britain (referred to as "the Code").

In preparing this Statement of Accounts, I have:-

- 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.

I was appointed Chief Finance Office and s.151 Officer on 2 September 2024. I am aware that in March 2024 the Council's external auditor's Value for Money report identified significant systemic weaknesses in the preparation of Statements of Account for the years ending 31 March 2021 to 31 March 2023. Accordingly, I cannot certify the adequacy of the systems that were used to prepare the accounts for the year ending 31 March 2023. Nor can I provide an assurance that weaknesses in the council's financial controls and other systemic weaknesses did not have a material impact on the accounts.

The Backstop Regulations were introduced by the Secretary of State for Housing, Communities and Local Government on 31 July 2024. The object of the Regulations is to secure published audited accounts for every financial year up to and including the year ending 31 March 2023 by 13 December 2024. Unfortunately, there is neither the time nor the resources to complete and evaluate the audit work that would be required to make a full assessment of the impact of the control and other weaknesses identified by the external auditors for the year ending 31 March 2023 by the backstop.

## Certificate of Director of Resources as Chief Finance Officer

This Statement of Responsibilities is signed by me subject to the aforementioned caveat. I certify that this Statement of Accounts gives a true and fair view of the financial position of Rosendale Borough Council at 31st March 2023, and its income and expenditure for the year ended 31<sup>st</sup> March 2023, including any known post balance sheet events as at 31<sup>st</sup> January 2024.

Signed:

**Chris Warren**  
Director of Resources

## Approval of Accounts

These unaudited Statement of Accounts for 2022/23 were submitted for public inspection and external audit on the 31<sup>st</sup> January 2024.

Signed:

**Councillor M Smith**  
Chair of the Audit and Accounts Committee

# Core Financial Statements

## Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) shows the cost of providing services in the year in accordance International Financial Reporting Standards, rather than the amount to be funded from Council Tax and other Government grants. The amount funded from Council Tax and Government grants differ from this by a series of adjustments made in accordance with regulations, these adjustments are reversed in the Movement in Reserves Statement.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	2021/22			2022/23			Note
	Gross Expend	Income	Net Expend	Gross Expend	Income	Net Expend	
	£000s	£000s	£000s	£000s	£000s	£000s	
<b>Communities Directorate</b>	19,665	(16,750)	2,915	25,094	(19,509)	5,585	
<b>Economic Development Directorate</b>	5,775	(3,507)	2,268	9,055	(5,092)	3,963	
<b>Corporate Management</b>	10,569	(8,090)	2,479	3,591	(147)	3,444	
<b>Cost of Services</b>	<b>36,009</b>	<b>(28,347)</b>	<b>7,662</b>	<b>37,740</b>	<b>(24,748)</b>	<b>12,992</b>	
<b>Other Operating Expenditure</b>							
Whitworth Town Council Precept			56			58	
(Gain)/Loss on disposal of fixed assets			(323)			(54)	
Other Income			(1,822)			(453)	
<b>Finance and Investment Income and Expenditure</b>			1,268			445	3
<b>Taxation and Non-Specific Grants</b>			(8,545)			(10,583)	4
<b>(Surplus)/Deficit on Provision of Services</b>			<b>(1,704)</b>			<b>2,405</b>	
<b>(Surplus)/deficit on revaluation of non-current assets</b>			(4,664)			(329)	
<b>Remeasurement of the net defined pension liability</b>			(9,971)			(22,794)	32f
<b>Other Comprehensive (Income)/Expenditure</b>			(14,635)			(23,123)	
<b>Total Comprehensive (Income)/Expenditure</b>			<b>(16,339)</b>			<b>(20,718)</b>	

# Core Financial Statements

## Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The Movement in Reserves Statement shows how the movements in year of the Council'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 in the year following those adjustments.

MOVEMENT IN RESERVES STATEMENT	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Govt Grants Unapplied	Total Useable Reserves	Unusable Reserves	Total Authority Reserves	Note
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Balance at 31 March 2021	1,000	9,196	3,088	1,920	15,204	(11,161)	4,043	
<b>Movement in Reserves in 2021/22</b>								
<b>Total Comprehensive Income/(Expenditure)</b>	<b>1,704</b>	-	-	-	<b>1,704</b>	<b>14,635</b>	<b>16,339</b>	
Adjustments between accounting basis & funding basis under regulations	(1,334)	-	(637)	302	(1,669)	1,669	-	13
<b>Net increase/(decrease) before transfers to Earmarked Reserves</b>	<b>370</b>	-	<b>(637)</b>	<b>302</b>	<b>35</b>	<b>16,304</b>	<b>16,339</b>	
Transfers to/from Earmarked Reserves	(370)	370	-	-	-	-	-	
<b>Increase/(decrease) in Year</b>	<b>-</b>	<b>370</b>	<b>(637)</b>	<b>302</b>	<b>35</b>	<b>16,304</b>	<b>16,339</b>	
Balance at 31 March 2022	1,000	9,566	2,451	2,222	15,239	5,143	20,382	
<b>Movement in Reserves in 2022/23</b>								
<b>Total Comprehensive Income/(Expenditure)</b>	<b>(2,405)</b>	-	-	-	<b>(2,405)</b>	<b>(5,201)</b>	<b>(7,606)</b>	
Adjustments between accounting basis & funding basis under regulations	323	-	(515)	356	164	(164)	-	13
<b>Net increase/(decrease) before transfers to Earmarked Reserves</b>	<b>(2,082)</b>	-	<b>(515)</b>	<b>356</b>	<b>(2,241)</b>	<b>(5,365)</b>	<b>(7,606)</b>	
Transfers to/from Earmarked Reserves	2,082	(2,082)	-	-	-	-	-	
<b>Increase/(decrease) in Year</b>	<b>-</b>	<b>(2,082)</b>	<b>(515)</b>	<b>356</b>	<b>(2,241)</b>	<b>(5,365)</b>	<b>(7,606)</b>	
Balance at 31 March 2023	1,000	7,484	1,936	2,578	12,998	(222)	12,776	



# Core Financial Statements

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council 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 are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement of Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

BALANCE SHEET	31st March 2022	31st March 2023	Note
	£000s	£000s	
Property, Plant & Equipment	34,083	35,118	14
Heritage Assets	2,401	2,399	15
Investment Property	525	525	16
Intangible Assets	-	59	17
Long-term Investments	2	2	
Long-term Debtors	272	242	20
<b>Long-term Assets</b>	<b>37,283</b>	<b>38,345</b>	
Short-term Investments	5,820	-	24
Inventories	55	115	
Short Term Debtors	5,719	7,498	23
Cash and cash equivalents	11,235	6,212	24
Assets held for sale within one year	584	570	25
<b>Current Assets</b>	<b>23,413</b>	<b>14,395</b>	
Short-term Borrowing	(234)	(234)	27
Short-term Creditors	(13,248)	(6,293)	26
Grants Received in Advance (Revenue)	(41)	(153)	29
<b>Current Liabilities</b>	<b>(13,523)</b>	<b>(6,680)</b>	
Long Term Borrowing	(3,908)	(3,624)	27
Provisions	(2,348)	(1,321)	28
Grants Received in Advance (Capital)	-	(16)	
Pensions Liability	(20,537)	-	32
<b>Long-term Liabilities</b>	<b>(26,793)</b>	<b>(4,961)</b>	
<b>Net Assets</b>	<b>20,380</b>	<b>41,099</b>	
<b>Represented by:</b>			
General Fund	1,000	1,000	
Earmarked Reserves	9,566	7,484	30a
Capital Receipts Reserve	2,449	1,933	30b
Capital Grants Unapplied	2,222	2,578	30c
<b>Usable Reserves</b>	<b>15,237</b>	<b>12,995</b>	
Revaluation Reserve	14,592	14,665	31a
Pension Reserve	(21,437)	-	32a
Capital Adjustment Account	12,271	12,184	31b
Deferred Capital Receipts	1,265	1,265	31c
Collection Fund Adjustment Account	(1,548)	(10)	31d
<b>Unusable Reserves</b>	<b>5,143</b>	<b>28,104</b>	
<b>Total Reserves</b>	<b>20,380</b>	<b>41,099</b>	

Karen Spencer, Chief Finance Officer

31<sup>st</sup> January 2024

# Core Financial Statements

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting periods. The Statement shows how the Council 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 Council are funded by way of taxation and grant income or by 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. The cash outflows here relate to capital spend on assets held by the Council, such as buildings, vehicles and equipment, which will be used to provide services in the future. Cash inflows relate to the sale of assets no longer required by the Council to provide its services, or capital grants and contributions received by the Council.

Cash flows arising from financing activities show the net movements in investments and borrowing during the period in accordance with the Council's treasury management strategy. These can be useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Council.

CASH FLOW STATEMENT	2021/22	2022/23	Note
	£000	£000	
<b>Operating Activities</b>			
Net surplus/(deficit) on the provision of services	1,704	(2,405)	
Adjustment for noncash movements	5,002	(8,213)	
Adjustment for items that are investing and financing activities	1,775	1,500	
<b>Net cash flows from Operating Activities</b>	<b>8,481</b>	<b>(9,118)</b>	
<b>Investing Activities</b>			
Additions to property, plant and equipment & intangible assets	(6,281)	(2,018)	
Proceeds from the sale of property, plant and equipment	401	85	
(Increase)/decrease in Deferred Capital Receipts	59	-	
Increase/(decrease) in long-term debtors	(50)	(30)	
Other income	1,822	453	
Cash inflows - Short-term investments	5,000	18,520	
Cash outflows - Short-term investments	(5,750)	(13,000)	
<b>Net Cash Flows from Investing Activities</b>	<b>(4,799)</b>	<b>4,010</b>	
<b>Financing</b>			
Cash Inflows/(Outflows) - agency operations	-	-	
National non-domestic rates	(981)	615	
Council Tax	868	(246)	
Cash Inflows - New Borrowing	-	-	
Cash Outflows - Repayments of amounts borrowed	(284)	(284)	
Cash Inflows/(Outflows) - New long-term loans	-	-	
Cash Inflows/(Outflows) - New short-term loans	-	-	
<b>Net Cash Flows from Financing Activities</b>	<b>(397)</b>	<b>85</b>	
<b>Net increase/(decrease) in Cash and Cash Equivalents</b>	<b>3,285</b>	<b>(5,023)</b>	
Cash and Cash Equivalents at the beginning of the year	7,950	11,235	
<b>Cash and Cash Equivalents at the end of the year</b>	<b>11,235</b>	<b>6,212</b>	34b

# Core Financial Statements

## Note 1 Accounting Policies

### 1. Accounting Concepts & Principles

This Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the end of the year of 31 March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which required the Accounts to be prepared in accordance with the proper accounting practices. These practices are primarily comprised of the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) supported by International Financial Reporting Standards (IFRS).

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

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

### 2. Revenue Recognition

Revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring goods or a service to the service recipient. Revenue is measured as the amount of the transaction price which is allocated to that performance obligation. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

### 3. Accruals of Income & Expenditure

The financial statements have been prepared on an accruals basis for all transactions and balances. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

Where income 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.

### 4. Employee Benefits

The code has interpreted IAS 19 *Employee Benefits* and confirmed that local authorities should account for:

- benefits payable during employment,
- termination benefits
- post-employment benefits
- pension fund accounts

**Benefits Payable During Employment Short-term** - employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave, flexi and time off in lieu (TOIL) as well as bonuses and non-monetary benefits (e.g. mobile phones) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

**Employee Accumulated Absence Accrual** - 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 current accounting year. 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 the financial year in which the holiday entitlement occurs.

## Core Financial Statements

**Termination benefits** - are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant services lines in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for 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 Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

**Post-Employment Benefits** - Employees of the Council are eligible to join the Local Government Pension Scheme, administered by Lancashire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. Retirement benefits are determined independently of scheme investments and the Council must contribute to any deficit where assets are insufficient to meet retirement benefits.

**Pension Fund** - The Local Government Scheme is accounted for as a defined benefits scheme:

- the liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of earnings for current employees. Liabilities are discounted to their value at current prices, using a real discount rate of 4.8% (2.8% 2021/22) determined by reference to market yields at the balance sheet date based on high quality corporate bonds
- the assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value.

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

- 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
- net interest on the net defined benefit liability, i.e. net interest expense for the Council. This is the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement
- re-measurements comprising:
  - the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and,
  - actuarial gains and losses. Due to 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. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the pension fund. This is cash paid to the pension fund in settlement of liabilities.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund, not the amount calculated according to the relevant accounting standards. This means that there are transfers in the Movement in Reserves Statement to remove the

## Core Financial Statements

notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable, but unpaid at the year end.

The Council 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 a 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.

### 5. Interest

Interest paid on external borrowings is accrued in the accounts of the period to which it relates and interest earned on the external investment of surplus funds is credited to the General Fund using the effective interest method as set out in the Code.

### 6. Value Added Tax

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

### 7. Principal and Agent transactions

Where an authority is acting as a principal, transactions shall be included in the authority's financial statements. However, where authorities act as agents transactions shall not be reflected in an authority's financial statements, with the exception in respect of cash collected or expenditure incurred by the agent on behalf of the principal, in which case there is a debtor or creditor position and the net cash position is included in financing activities in the Cash flow Statement. This Council acts as an agent for the collection of council tax and non-domestic rating income.

### 8. Tax Income (National Non-Domestic Rates (NNDR) and Council Tax)

NNDR and Council Tax income included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income and will be recognised in the Comprehensive Income and Expenditure Statement within the Taxation and Non-Specific Grant Income line.

As a Billing Authority, the difference between the NNDR and Council Tax 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 reported in the Movement in Reserves Statement.

NNDR and Council Tax income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council, and the amount of revenue can be measured reliably.

Revenue relating to NNDR and Council Tax is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

### 9. 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. These assets are further classified as follows:

- Operational land and buildings,
- Operational plant, furniture, equipment, and motor vehicles.
- Infrastructural assets which are the fixed utility systems, and
- Community assets.
- Surplus assets – held for future regeneration opportunities

# Core Financial Statements

## **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 Council will receive future economic benefits or service potential associated with the item. This excludes expenditure on routine repairs and maintenance of property, plant or equipment which is charged direct to service revenue accounts.

Capital expenditure is initially added to the value of an asset but if that is not considered to be the case it is classed as impairment.

## **Measurement**

Non-current assets are valued on the basis recommended by the Chartered Institute of Public Finance & Accountancy (CIPFA) and in accordance with the Valuation Standards 6th Edition issued by The Royal Institute of Chartered Surveyors (RICS). Non-current assets are classified into the groupings required by the Code of Practice on Local Authority Accounting.

Assets are initially measured at cost, comprising:

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

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

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

## **Revaluation**

Revaluations of fixed assets are undertaken by professionally qualified valuers on a five year rolling basis. Any unrealised gains on revaluation are shown in the Comprehensive Income & Expenditure Statement then removed in the Movement in Reserves Statement to the Revaluation Reserve on the Balance Sheet.

Revaluation gains are depreciated in line with the asset to which they relate. Future revaluation losses are matched against any balance in the Revaluation Reserve in the first instance on a strict per-asset basis, with the remaining balance being transferred to the Capital Adjustment Account.

## **Impairment**

An impairment review is undertaken at the end of each accounting period and material changes to asset valuations are adjusted as they occur. Impairment loss on a re-valued asset is recognised in the Revaluation Reserve to the extent that the impairment does not exceed the balance in the Revaluation Reserve for that asset and thereafter as a cost to the provision of services in the Comprehensive Income & Expenditure Statement.

However, the Code stipulates that impairments do not impact on the council tax, therefore the charge is reversed out through the Movement in Reserves Statement to the Capital Adjustment Account.

# Core Financial Statements

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

## Depreciation

Depreciation is provided for on all property, plant and equipment 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).

Infrastructure, community assets and surplus non-operational assets are not depreciated each year but measured at historical cost.

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
- Infrastructure – straight-line allocation as advised by a suitable qualified officer

Newly acquired assets are depreciated the year following 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 the assets.

## Component Accounting

Where the asset comprises two or more major components with substantially different useful economic lives, each component should be accounted for separately for depreciation purposes and depreciated over its individual useful life. Componentisation elements are considered as assets are professionally revalued within the 5-year rolling programme.

## 10. Heritage Assets

Heritage Assets are:

- Tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities which are held and maintained principally for their contribution to knowledge and culture.
- Intangible heritage assets with cultural, environmental or historical significance, such as recordings of significant historical events

For Rosendale Borough Council Heritage Assets include the Panopticon in Haslingden and the war memorials across the borough as well as civic regalia and exhibits at Whittaker Park Museum.

Where heritage assets are purchased or costs capitalised, these assets are now valued on a historic cost basis. This has occurred in examples such as the creation of the Panopticon. However, for historic assets where it is not possible to obtain a cost value commensurate with the benefit to users of the financial statements, the Council is entitled to use any method it deems appropriate and relevant. For the exhibits at Whittaker Park Museum the latest insurance values have been used as an approximation for the asset value.

Depreciation or amortization is not required on heritage assets which have indefinite lives. However, the carrying amount of such assets is reviewed regularly to ensure that they have not suffered any physical deterioration, which would be treated as an impairment.

## 11. Investment Properties

Investment properties are those that are used solely to earn rentals or for capital appreciation, or both. This Council has one piece of land which meets the definition of an Investment Property.

## Core Financial Statements

Investment properties are initially measured at cost. After initial recognition they are measured at fair value. The fair value reflects market conditions at the Balance Sheet date. A gain or loss arising from a change in the fair value of investment property is recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

Investment properties are not depreciated, but are re-valued annually according to market conditions.

An investment property is derecognised on disposal. Gains or losses arising from the disposal are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

Revaluation and disposal gains and losses are reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

### 12. Intangible Assets

Intangible Assets are assets that do not have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis (e.g. software licences). They are controlled by the Council as a result of past events and future economic or service benefits flow to the Council from intangible assets. These assets are capitalised at cost and amortised (depreciated) to the relevant revenue service over their economic lives. This amortisation is then reversed out in the Movement in Reserves Statement and a transfer is made to the Capital Adjustment Account. An intangible asset is derecognised on disposal. The gains or losses arising from the disposal are recognised in the Surplus / Deficit on the Provision of Services.

### 13. Surplus Assets and Assets Held for Sale

When it becomes evident that the carrying amount of an asset will be recovered principally through a sale rather than its continued use, it can be reclassified as an asset held for sale. An asset can only be classed as held for sale if it is available for immediate sale in its present condition, the sale must be highly probable, it is being actively marketed and the sale should be expected to be completed within one year of its original classification. When events or circumstances extend the period beyond one year and there is sufficient evidence that the Council remains committed to the sale of the assets they are classified as long term assets held for sale.

Assets held for sale are held at the lower of the carrying amount and the fair value less cost to sell. If this results in a loss in value the loss is posted to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous loss recognised in the Surplus/Deficit on the Provision of Services. Depreciation is not charged on assets held for sale.

If these assets no longer meet the classification of 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.

### 14. Leases

**Finance 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



## Core Financial Statements

the use of specific assets. There are no finance leases within the Council where the Council acts as either Lessee or Lessor.

### **Operating Leases**

*Lessee* - Rental income paid under operating leases is treated as a revenue transaction and is charged to the relevant service expenditure in the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

*Lessor* - Rental Income from operating leases is recognised on a straight line basis over the lease period and is shown in the Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Assets held for use as operating leases are recorded on the Council's Balance Sheet.

### **15. Revenue Expenditure funded from Capital under Statute**

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure of a capital nature that does not result in the creation of a non-current asset on the Balance Sheet. These are generally grants and expenditure on assets not owned by the Council.

Expenditure is charged to the Surplus/Deficit on the Provision of Services as the expenditure is incurred. This is reversed out through the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

Grants receivable in relation to REFCUS are accounted for as revenue grants in the Comprehensive Income and Expenditure Statement, even if described as capital grants by the giver of the grant. Grant income is posted to the service(s) that the qualifying expenditure is charged to.

### **16. Government Grants and Other Contributions**

Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council 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 or taxation and non-specific grant income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has 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.

### **17. Capital Receipts**

Amounts to be treated as capital receipts are defined by statute and usually arise from disposal of an interest in a fixed asset. Any difference between the receipt value and the carrying value of the asset in the balance sheet at the time of disposal is shown in the Comprehensive Income & Expenditure Statement as a gain or loss on disposal.

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However, some statutorily defined capital receipts do not arise from the disposal of an interest in a fixed asset and as such are treated separately in the Comprehensive Income and Expenditure Statement as 'Other Income'.

Capital receipts are not attributable to the General Fund Balance and are therefore transferred to the Useable Capital Receipts Reserve in the Movement in Reserves Statement.

### 18. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits available on demand. Cash equivalents are short-term (three months or less) highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

### 19. Short-term Investments

Short-term investments are those with a life of between 3 months and 1 year at the Balance Sheet date and are shown in the Balance Sheet at amortised cost.

### 20. Long-term Investments

Long-term investments are those with a remaining life of more than 1 year at the Balance Sheet date and are shown in the Balance Sheet at fair value.

### 21. 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 First in First out (FIFO) or Average (AVCO) (for vehicle fuel) costing formulas. Long term contracts are accounted for on the basis of charging the Surplus/ Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

### 22. Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, for which a reliable estimate can be made of the amount of the obligation. Provisions are a charge to the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

### 23. Contingent Liabilities

A contingent liability is either:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or
- (b) a present obligation that arises from past events but is not recognised because:(i) it is not probable that a transfer of economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability.

A material contingent liability is not recognised within the accounts as an item of expenditure. It is, however, it is disclosed in a note to the accounts.

### 24. Contingent Assets

A contingent asset arises where an event has taken place that gives the Council 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 Council.

# Core Financial Statements

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.

## 25. Reserves

Reserves are classified as either 'usable' (identified and maintained for specific future purposes and contingencies and include General Fund reserve, Earmarked reserve and Usable Capital Receipts reserve) or 'unusable' (kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council) – these reserves are explained in the relevant policies.

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

## 26. Minimum Revenue Provision (MRP)

In accordance with the requirements of the Local Government and Housing Act 1989, the authority is required to set aside a minimum revenue provision for repayment of debt. Minimum Revenue Provision is a charge to the cost of services in the Comprehensive Income & Expenditure Statement. The Council calculates MRP to match the life of the asset.

## 27. Financial Instruments

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

### *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 comprise:

- long-term loans from the Public Works Loan Board;
- trade payables for goods and services received.

### *Financial Assets*

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or another 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 the following classifications:

(i) Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising:

- cash in hand
- bank current and deposit accounts
- fixed term deposits with banks and building societies
- loans to other local authorities
- treasury bills and gilts issued by the UK government

## Core Financial Statements

- debtors for goods and services provided

(ii) Fair value through profit and loss (all other financial assets) comprising:

- money market funds
- pooled bond funds

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. 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.

Financial assets that are measured at Fair Value through Profit or Loss are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. Any changes in the fair value of instruments held at fair value through profit or loss will be recognised in the net cost of services in the CIES and will have a General Fund impact.

(iii) Expected Credit Loss Model

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

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.

### 28. Fair Value

The Council measures some of its non-financial assets, such as surplus assets and investment properties and some of its financial instruments, 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:

- a) in the principal market for the asset or liability, or
- b) 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 using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act 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 valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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## 29. Prior Period Adjustments

Prior period adjustments are material adjustments applicable to prior years arising from changes in accounting policies or estimates or from the correction of fundamental errors. The Code requires that the financial statements should disclose, where practicable the nature of the change in policy and the impact of any adjustment on the preceding accounting period where practicable. Where this is not practicable, the fact this is so and the reasons for it should be disclosed.

## 30. Events after the Balance Sheet date

Local authorities are required to account for events, both favourable and unfavourable, which occur between the end of the reporting period and the date when the financial statements are authorised for issue in accordance with IAS 10 *Events after the Reporting Period* and IPSAS 14 *Events after the Reporting Date*. Two types of events can be identified:

- Adjusting Events - where events arising after the balance sheet date provide additional evidence of conditions that existed at the balance sheet date and are of a material nature the amounts should be reflected in the Core Statements.
- Non-adjusting Events – events which arise after the balance sheet date and concern conditions which did not exist at that time should be detailed in Notes to the Core Statements if they are of such materiality that their disclosure is required for the fair presentation of the financial statements, rather than reflected in the Core Statements.

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

## Note 2 Expenditure Funding Analysis

2021/22				2022/23				
Net Expenditure Chargeable to the General Fund	transfers (to)/from Earmarked Reserves	Adjustments between the Funding & Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement	Service Seaments	Net Expenditure Chargeable to the General Fund	transfers (to)/from Earmarked Reserves	Adjustments between the Funding & Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s
2,475	32	408	2,915	Communities Directorate	4,633	149	803	5,585
1,157	43	667	2,200	Economic Development Directorate	3,393	(99)	669	3,963
2,840	(582)	221	2,453	Corporate Management	4,543	(1,335)	236	3,444
<b>6,472</b>	<b>(507)</b>	<b>1,296</b>	<b>7,568</b>	<b>Net Cost of Services</b>	<b>12,569</b>	<b>(1,285)</b>	<b>1,708</b>	<b>12,992</b>
(7,023)	319	(2,662)	(9,272)	Other Income & Expenditure	(12,572)	3,367	(1,382)	(10,587)
<b>(551)</b>	<b>(188)</b>	<b>(1,366)</b>	<b>(1,704)</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>(3)</b>	<b>2,082</b>	<b>326</b>	<b>2,405</b>
1,000	5,845			Opening General Fund/Earmarked Reserve Balance	1,000	9,566		
0	(3,721)			(Surplus)/Deficit on General Fund/Earmarked Reserve Balance as at 31 March	0	2,082		
<b>1,000</b>	<b>9,566</b>			Closing General Fund/Earmarked Reserve Balance in Year	<b>1,000</b>	<b>7,484</b>		

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## Notes to the Expenditure Funding Analysis

### 2a Adjustments between Funding and Accounting Basis

Adjustments between Funding and Accounting basis Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments between Funding and Accounting basis					2022/23	
	Adjustments for capital purposes	Net change for pensions adjustments	Other statutory differences	Total Statutory adjustments	Other (non- statutory) adjustments	Total adjustments	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Communities Directorate	401	402	-	803	-	803	
Economic Development Directorate	501	168	-	669	-	669	
Corporate Management	-	236	-	236	-	236	
<b>Net cost of services</b>	<b>902</b>	<b>806</b>	<b>-</b>	<b>1,708</b>	<b>-</b>	<b>1,708</b>	
Other income and expenditure from expenditure funding analysis	(396)	551	(1,537)	(1,382)	-	(1,382)	
<b>Difference between General Fund/reserves surplus or deficit and Comprehensive Income and Expenditure</b>	<b>506</b>	<b>1,357</b>	<b>(1,537)</b>	<b>326</b>	<b>-</b>	<b>326</b>	

Comparator information for 2021/22 is shown below:-

Adjustments between Funding and Accounting basis Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments between Funding and Accounting basis					2021/22	
	Adjustments for capital purposes	Net change for pensions adjustments	Other statutory differences	Total Statutory adjustments	Other (non- statutory) adjustments	Total adjustments	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Communities Directorate	16	392	-	408	-	408	
Economic Development Directorate	550	149	-	699	-	699	
Corporate Management	-	221	-	221	-	221	
<b>Net cost of services</b>	<b>566</b>	<b>762</b>	<b>-</b>	<b>1,328</b>	<b>-</b>	<b>1,328</b>	
Other income and expenditure from expenditure funding analysis	(1,867)	498	(1,366)	(2,735)	-	(2,735)	
<b>Difference between General Fund/reserves surplus or deficit and Comprehensive Income and Expenditure</b>	<b>(1,301)</b>	<b>1,260</b>	<b>(1,366)</b>	<b>(1,407)</b>	<b>-</b>	<b>(1,407)</b>	

**1) 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 ie minimum revenue provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted 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.

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

## Core Financial Statements

- 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.

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

- For financing and investment income and expenditure the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NNDR that was projected to be received at the start of the year and the income recognized 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.

### 2b Expenditure and Income Analysed by Nature

Expenditure & Income Analysed by Nature	2021/22	2022/23
<b>Expenditure</b>		
Employee benefits expenses	8,091	11,109
Other service expenses	27,103	25,892
Depreciation, amortisation, impairment	1,360	1,347
Interest payments	137	120
Precepts and levies	56	58
(Gain)/loss on disposal of assets	(318)	(54)
<b>Total Expenditure</b>	<b>36,429</b>	<b>38,472</b>
<b>Income</b>		
Fees, charges and other service income	(30,079)	(25,297)
Interest and investment income	491	(277)
Income from council tax, non-domestic rates, district rate income	(7,369)	(8,450)
Government grants and contributions	(1,176)	(2,043)
<b>Total Income</b>	<b>(38,133)</b>	<b>(36,067)</b>
<b>(Surplus) or deficit on provision of services</b>	<b>(1,704)</b>	<b>2,405</b>

### Note 3 Finance and Investment Income and Expenditure

Financing and Investment Income and Expenditure	2021/22 £000s	2022/23 £000s
Interest Payable on Debt	138	120
Interest and Investment Income	(8)	(197)
Pensions - Interest Cost	2,239	2,987
Pensions - Past Service Cost	-	-
Pensions - Admin Expenses	26	28
Pensions - Interest on Assets	(1,626)	(2,413)
Trading Undertakings	499	(80)
	<b>1,268</b>	<b>445</b>

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## Note 4 Taxation and Non-Specific Grant Income

Financing and Investment Income and Expenditure	2021/22 £000s	2022/23 £000s
Collection Fund		
Council Tax	(5,867)	(6,043)
Retained Business Rates	(2,243)	(1,803)
Collection Fund (surplus)/deficit		
Council Tax	(24)	(81)
Retained Business Rates	765	(613)
Non service related Government Grants	(1,176)	(2,043)
	<b>(8,545)</b>	<b>(10,583)</b>

## Note 5 Trading Operations

The Council operates 3 markets in Haslingden, Bacup and Rawtenstall, which between them ensure that there is at least one market open within the borough every day of the week from Tuesday to Saturday.

The Council has 37 industrial/Retail trading units, promoting economic regeneration across the borough.

Business Offices include a small number of high-tech managed office spaces as well as conference and meeting facilities at the Business Centre, Futures Park, Bacup.

Trading Operations	Net Expend/ (Income) 2021/22 £000s	Gross Expend 2022/23 £000s	Income 2022/23 £000s	Net Expend/ (Income) 2022/23 £000s
Markets	80	123	(29)	94
Industrial Units	(68)	40	(149)	(109)
Business Office Facilities	830	363	(75)	288
Futures Park Units	(343)	21	(373)	(353)
<b>Total Trading Accounts</b>	<b>499</b>	<b>547</b>	<b>(627)</b>	<b>(80)</b>

## Note 6 Retained Business Rates

In April 2013 Local Government funding changed with the introduction of a system of locally retained business rates. Rossendale Council now has a direct stake in the business rates collected within the borough and at Full Council in February the Council sets a precept based on 40% of the business rates forecast to be collected within the Borough, from which it pays a tariff to Central Government.

The Lancashire Business Rates Pool, of which Rossendale Borough Council is a member, came into effect on 1<sup>st</sup> April 2016. Under the Pool arrangements, the first 50% of business rates continue to go to Central Government, 9% goes to Lancashire County Council and 1% goes to Lancashire Fire Authority, with Rossendale Borough Council taking the remaining 40%. From that 40% Rossendale continues to pay a Tariff to the Pool. As a result, Rossendale Borough Council retains 90% of any and all surplus or deficit arising from increases in the overall business rates. Added to this, Rossendale Borough Council benefits from 100% of the business rates from renewable energy installations.



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Business Rates Income & Expenditure	2021/22 £000s	2022/23 £000s
Rosendale Borough Council Share of Business Rates Income	(4,808)	(4,517)
Less Tariff Payable to Central Government	2,713	2,714
(Surplus)/Deficit Payment in Year (declared January prior to start of year)	2,048	906
Movement on Collection Fund (Surplus)/Deficit at Year End	(140)	(1,092)
Business Rates Retained on Renewable Energy Schemes	(175)	(178)
10% Retained Levy Payable to Lancashire County Council under pooling	58	72
<b>Overall Net Retained Business Rates Related Income</b>	<b>(304)</b>	<b>(2,095)</b>

## Note 7 Grant Income

The Council recognised the following significant grants, contributions and donations during 2022/23:

Grants and contributions received	2021/22 £000s	2022/23 £000s
Credited to Cost of Services		
<i>Grants received for Revenue Purposes</i>		
DWP - Housing Benefits - paid to claimants	12,326	11,510
DWP - Housing Benefits - re Council Tenants	184	417
DWP - Discretionary Housing Payments	99	71
DWP - Housing Benefits - administration grant	274	184
DWP - Resource Management - Service Assurance Team	56	3
DWP - Grants for Youth Works and Kickstart	150	61
LCC - Household Support Fund (HSF)	260	640
DLUHC - Flexible Homeslessness and Prevention Grant	174	160
DLUHC - Rough Sleeping Initiative	10	119
DLUHC - New Burdens Grants	-	151
DLUHC - Business Rates Collection Grant	96	96
DLUHC - Localising Council Tax administration subsidy	136	-
DLUHC - Flood Relief & Flood Resilience	47	12
DLUHC - Domestic Abuse New Burdens	31	36
DLUHC - Energy Schemes	-	4,427
DLUHC - Lower Tier Grant	-	100
DLUHC - Service Grants	-	150
Home Office Asylum Dispersal Funds	-	175
Business Energy Industrial Strategy (BEIS)	-	111
Covid related grants	7,961	2
LCC - Domestic Abuse Grant	34	81
LCC - Ukraine Funding	-	279
LCC - Afgan Resettlement Programme (ARP)	-	53
LCC - Other Grants	-	147
LCC - Affordable Warmth Grant	-	32
UK Shared Prosperity Funding UKSPF - Revenue	-	296
Historic England - Heritage Action Zone	45	46
National Lottery Heritage Fund	164	162
Climate Change Funding (Lancaster Council)	101	5
Other minor grants and contributions	144	376
	22,292	19,903
<i>Grants received for Capital Purposes</i>		
LCC Better Care Fund - Disabled Adaptations Grant	1,160	1,160
Lancashire County Council	150	73
Lancashire Environmental Fund	22	47
UK Shared Prosperity Funding UKSPF - Capital	-	45
Historic England - Heritage Action Zone	525	366
Lancashire Enterprise Partnership	466	21
National Lottery Heritage Fund	588	46
S106 Capital Contributions	-	72
Misc Contributions	463	167
	3,374	1,997
<b>Total in the CIES Cost of Services</b>	<b>25,666</b>	<b>21,900</b>
Credited to Taxation and Non-Specific Grant Income		
Services Grant	-	150
Lower Tier Services Grant	-	100
MHCLG - New Homes Bonus	213	132
MHCLG - Business Rates Reliefs	963	1,661
<b>Non-Specific Grants in the CIES</b>	<b>1,176</b>	<b>2,043</b>

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## Note 8 Members Allowances

An Independent Remuneration Panel meet at a minimum of every 4 years to review Member's Allowances. This group last met in December 2021, the panel proposed an increase of 4.04% for 2022/23, and that in future member allowance increase by the average % increase awarded to officers. Council members voted to accept the proposed increase in allowances.

Total Cost of Elected Members	2021/22 £000s	2022/23 £000s
Basic Allowance	120	119
Special Responsibility Allowance	70	72
Employers National Insurance incurred	3	3
Mileage, subsistence & other reimbursements	11	9
	<b>204</b>	<b>203</b>

Annual amounts payable for elected roles	2021/22 £s	2022/23 £s
<b>Basic Allowance</b>	3,342	3,342
<b>Special Responsibility Allowances</b>		
Leader of Majority or Largest Group	13,368	13,368
Deputy Leader of Majority or Largest Group	10,026	10,026
Leader of Minority or Second Largest Group	6,684	6,684
Cabinet Members	6,684	6,684
All Committee Chairs (4)	3,342	3,342
One off Payment for Chairing Meetings	150	150

## Note 9 Senior Officers' Remuneration

The table below shows remuneration details for the Chief Executive and the Senior Officers directly responsible to him, along with their respective salary (including fees and allowances), employer's pension contributions and total remuneration during 2022/23, along with prior year comparators.

Neil Shaw, Chief Executive, left the Authority in December 2022 with the role becoming vacant. Adam Allen, Director of Communities, was acting Chief Executive until April 2023 where Rob Huntington joined the Authority. Mandy Lewis, Director of Economic Development, left the authority in December 2022 and was temporarily replaced using an employment agency until February 2023, where David Smurthwaite assumed the position.

Senior Officers			Salary	Other Allowances & Expenses	Election Duties	Pension	Total
			£	£	£	£	£
Chief Executive	01/04/22 - 02/01/23	2022/23	82,472	177	3,034	15,049	100,732
		2021/22	107,255	-	2,425	18,877	128,557
Director of Economic Development	01/04/22 - 02/01/23	2022/23	58,446	52	245	10,286	69,029
		01/02/23 - 31/03/23	2022/23	12,693	-	-	2,234
	01/04/21 - 15/10/21	2021/22	41,155	249	-	7,651	49,055
		04/01/22 - 31/03/22	2021/22	17,960	-	-	3,161
Director of Communities		2022/23	88,702	-	303	15,612	104,616
		2021/22	79,793	-	94	14,044	93,931
Chief Finance Officer		2022/23	66,820	122	158	11,760	78,861
		2021/22	62,017	344	113	10,915	73,388
Legal Services Manager		2022/23	53,580	104	722	9,430	63,837
		2021/22	51,655	32	201	9,091	60,979
HR Manager		2022/23	53,580	32	-	9,430	63,042
		2021/22	51,427	382	-	9,091	60,901

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## Note 10 Other Officers' Remuneration

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more are listed in the table opposite in bands of £5,000.

The Code includes a requirement to disclose the costs of exit packages paid by the Council in bands of £20k. The Council has paid no exit packages, in either 2021/22 or 2022/23.

Officers with remuneration above £50,000 (excl pension)	2021-22 Number	2022/23 Number
£50,000 - £54,999	3	3
£55,000 - £59,999	-	-
£60,000 - £64,999	-	-
£65,000 - £69,999	1	-
£70,000 - £74,999	-	1
£75,000 - £79,999	1	1
£80,000 - £84,999	1	-
£85,000 - £89,999	-	1
£80,000 - £99,999	-	-
£100,000 - £109,999	1	1
£110,000 - £114,999	-	-
	<b>7</b>	<b>7</b>

## Note 11 Related Parties

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

### Central government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides a large proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg council tax bills, housing benefits).

### Other local authorities and precepting bodies

- payments to the Lancashire County Council Pension Fund.
- precepts in relation to Council Tax and Business Rates are paid to Central Government, Lancashire Police Authority, Lancashire Fire Authority, Lancashire County Council.
- The Lancashire Business Rates Pool.
- precept payable to Whitworth Town Council – see the Narrative Statement and the Comprehensive Income & Expenditure Statement.

### Other key partners

- In June 2004 the bulk of Rosendale's Leisure Facilities transferred to the management of the newly-formed independent Rosendale Leisure Trust.
  - In previous years the Council has given the Trust an operational grant. However, the Council purchased the balance of the Haslingden Gym extension loan in November 2016 at a cost of £1,010k. The Trust now pays a rental charge for using the asset of £60k per annum for its remaining 13 year life. This represents a saving for the Trust

## Core Financial Statements

which negated the need for any grant funding from 2017/18 onwards. The outstanding balance on this loan at the end of 2022/23 is £745k.

- Since 2015/16 the Council has made three loans to the Trust
  - 2015/16 a loan of £266k was made for Grip & Go. As at 31<sup>st</sup> March 2023 that balance owed on this loan is £11k.
  - 2016/17 a loan of £41k was made for Solar Panels at Marl Pits. As at 31<sup>st</sup> March 2023 the balance owed on this loan was £9.1k.
  - 2019/20 an interest bearing loan of £256k was made for gym equipment refresh at the Adrenalin Centre. As at 31<sup>st</sup> March 2023 the balance owed on this loan was £194.7k.

The Council deferred payment on all the above loans for 2020/21 and 2021/22 due to the Covid Pandemic.

- During 2022/23 the Trust transferred monies at the end of each month to reduce the intercompany balance. The agreement was to pay the salary costs and creditor payments within the month plus £50k to reduce the outstanding debt brought forward from previous years. This was on the understanding that £200k would be retained in the RLT bank account. This has proven difficult during 2022/23 due to increased payroll costs and energy costs. The balance brought forward from 2021/22 was £57.3k. The balance at the end of March 2023 was £1,012k
- The £1,012k debt is included within Council's Sundry Debtors.
- The grip and go loan and the solar panel loans to the Trust are considered soft loans because interest payments have not been charged and are not material in 2022/23.
- To assist the Trust in its efforts to find operational efficiencies, the Council began to provide its professional financial and IT services in April 2013 under a service level agreement. No charge is made for these services.
- Community Leisure Association of Whitworth (CLAW) was a separate charitable organisation operating Whitworth Leisure Centre and Whitworth Civic Hall (The Ashcroft), where the council provided the payroll service which was reimbursed each month. The council also provided the accountancy service at nil charge. From April 2021 RLT took over the responsibilities for the CLAW sites. These were fully integrated by December 2021. The CLAW grant of £50k was still honoured in 2022/23 and paid to RLT. This is the final year the CLAW grant will be paid.
  - Since 2016/17 the council has made a loan to CLAW (now responsibility of RLT) of £24.6k for Solar Panels at The Ashcroft. As at 31<sup>st</sup> March 2023 the balanced owed on this loan was £9.5k.
- The RTB Partnership Ltd was incorporated on the 4<sup>th</sup> February 2013, with equal partners being Rosendale Borough Council, Together Housing and Barnfield Construction Ltd. The Partnership is a vehicle to facilitate a variety of development projects across the borough. During 2022/23 no contributions have been made by the council (there were no contributions in 2021/22)

### Members and Chief Officers

The Council's Standing Orders make provision for a register of Members and Officers interests.

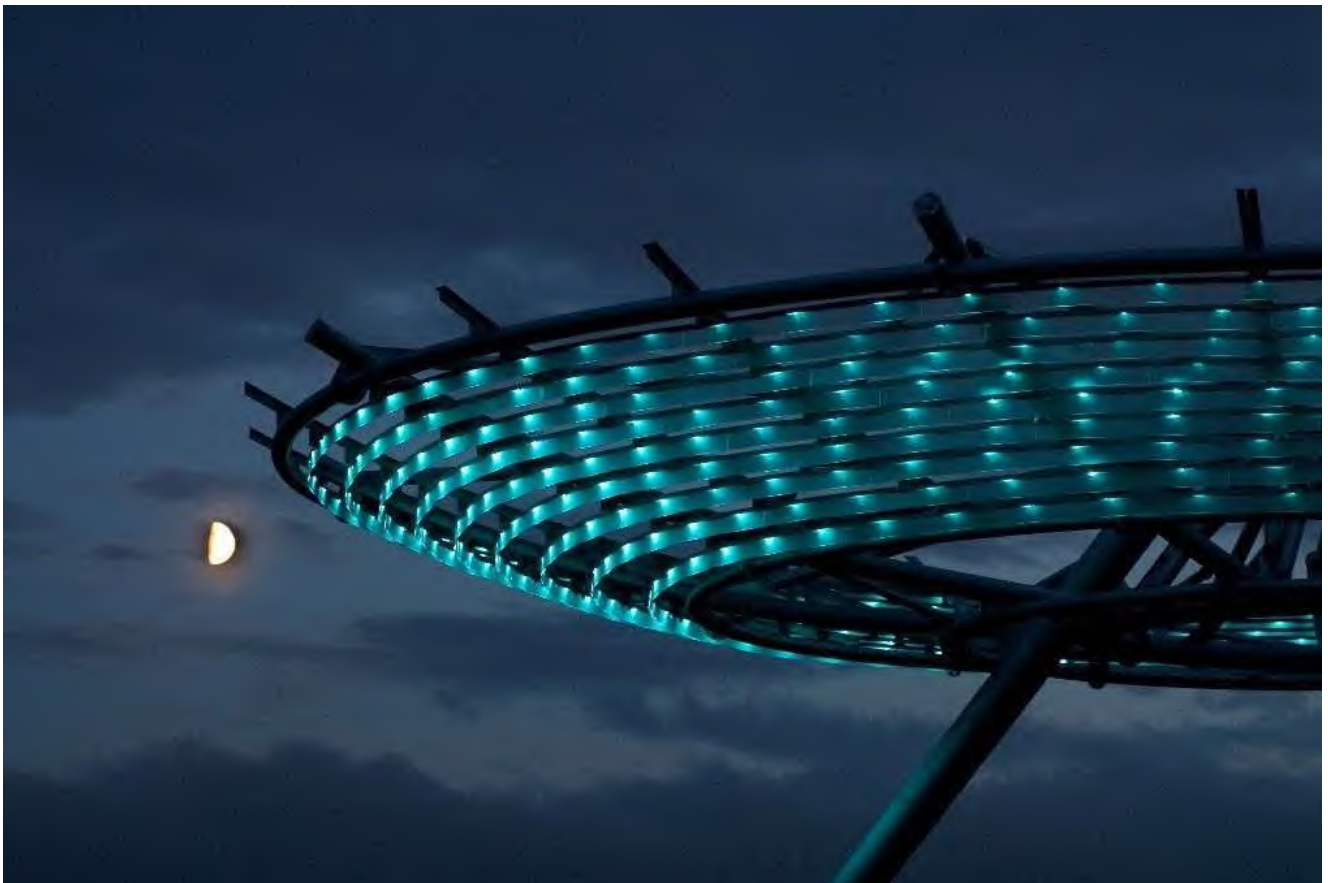
Upon review of this register it is considered that any transactions involving Members and Chief Officers with related parties have complied with the above regulations and are not material.

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## Note 12 External Audit Costs

The sums due from Rosendale Borough Council to the external auditors for works carried out relating to the year of account 2022/23 were:-

Audit costs	2021/22 £000s	2022/23 £000s
Fees payable in respect of external audit of accounts	35	37
Share of redistribution of surplus funds on national PSAA Account	(4)	(2)
Fees payable for non-audit assurance work	21	21
	<b>52</b>	<b>56</b>



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## Note 13 Adjustments between Accounting Basis and Funding Basis under regulations

This note details the adjustments that are made in the Movement in Reserves Statement to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The table below details the changes in 2022/23 while the financial year 2021/22 can be found on the following page.

Adjustments to the Comprehensive Income and Expenditure Statement in the Movement in Reserves Statement	2022/23			
	General Fund Balance	Capital Receipts Reserve	Govt Grants Unapplied	Unuseable Reserves
	£000s	£000s	£000s	£000s
<b>Capital Adjustment Account adjustments</b>				
Depreciation of Property, Plant & Equipment (PPE)	1,060	-	-	(1,060)
Impairment of Property, Plant & Equipment (PPE)	75	-	-	(75)
Revaluation gain/loss on Property, Plant and Equipment (PPE)	212	-	-	(212)
Deferred Capital Receipts	-	-	-	-
Amortisation of Intangible Assets	-	-	-	-
Revenue Expend funded from Capital under Statute (REFCUS)	1,142	-	-	(1,142)
REFCUS for Empty Homes Scheme	397	-	-	(397)
Net book value of assets sold	31	-	-	(31)
Statutory provisions for financing of capital investment (MRP)	(413)	-	-	413
Capital Expend charged to General Fund	-	-	-	-
<b>Capital Receipts Reserve adjustments</b>				
Transfer of cash proceeds of assets sold	(85)	85	-	-
Use of Capital Receipts Reserve to fund capital spend	-	(600)	-	600
<b>Capital Grants Unapplied Account adjustments</b>				
Capital grants and contributions credited to the CIES	(356)	-	356	-
Application of grants to the Capital Adjustment Account (CAA)	(1,560)	-	-	1,560
<b>Pensions Reserve adjustments</b>				
Employer contributions paid to the Pension Fund	(1,030)	-	-	1,030
Net IAS19 charges made for retirement benefits	2,387	-	-	(2,387)
<b>Collection Fund Adjustment Account adjustments</b>				
Difference between the Council Tax and Non-Domestic Rates income credited to the CIES and that calculated in accordance with statutory requirements	(1,537)	-	-	1,537
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>323</b>	<b>(515)</b>	<b>356</b>	<b>(164)</b>

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Adjustments to the Comprehensive Income and Expenditure Statement in the Movement in Reserves Statement	2021/22			
	General Fund Balance	Capital Receipts Reserve	Govt Grants Unapplied	Unuseable Reserves
	£000s	£000s	£000s	£000s
<b>Capital Adjustment Account adjustments</b>				
Depreciation of Property, Plant & Equipment (PPE)	869	-	-	(869)
Impairment of Property, Plant & Equipment (PPE)	77	-	-	(77)
Revaluation gain/loss on Property, Plant and Equipment (PPE)	432	-	-	(432)
Deferred Capital Receipts	69	-	-	(69)
Amortisation of Intangible Assets	16	-	-	(16)
Revenue Expend funded from Capital under Statute (REFCUS)	1,330	-	-	(1,330)
REFCUS for Empty Homes Scheme	153	-	-	(153)
Net book value of assets sold	73	-	-	(73)
Statutory provisions for financing of capital investment (MRP)	(483)	-	-	483
Capital Expend charged to General Fund	(26)	-	-	26
<b>Capital Receipts Reserve adjustments</b>				
Transfer of cash proceeds of assets sold	(396)	396	-	-
Use of Capital Receipts to fund capital spend	-	(1,033)	-	1,033
<b>Capital Grants Unapplied Account adjustments</b>				
Capital grants and contributions credited to the CIES	(302)	-	302	-
Application of grants to the Capital Adjustment Account	(3,040)	-	-	3,040
<b>Pensions Reserve adjustments</b>				
Employer contributions to the Pension Fund	(1,073)	-	-	1,073
Net IAS19 charges made for retirement benefits	2,333	-	-	(2,333)
<b>Collection Fund Adjustment Account adjustments</b>				
Difference between the Council Tax and Non-Domestic Rates income credited to the CIES and that calculated in accordance with statutory requirements	(1,366)	-	-	1,366
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(1,334)</b>	<b>(637)</b>	<b>302</b>	<b>1,669</b>

# Core Financial Statements

## Note 14 Property, Plant and Equipment

### 14a Movements during the year

Movements on property, plant & equipment assets in 2022/23 were as follows:-

<b>Property, Plant &amp; Equipment 2022/23</b>	Land & Buildings £000s	Vehicles, Plant, Furniture & Equip £000s	Infra- structure Assets £000s	Community Assets £000s	Assets under constr'n £000s	Surplus Assets £000s	Total Assets £000s
<b>Cost or Valuation 1st April 2022</b>	34,149	7,709	381	2,974	5,642	731	51,586
Additions	281	1,190	4	167	383	13	2,038
Donated Assets	-	-	-	-	-	-	-
Revaluation increases/(decreases) to Revaluation Reserve	319	-	-	10	-	-	329
to Provision of Services	(206)	-	-	(6)	-	-	(212)
Reclassifications- to/from Assets Held for Sale	-	-	-	-	-	-	-
others	(138)	-	-	-	138	-	-
Derecognition- on disposal	(8)	(414)	-	-	-	-	(422)
<b>Cost or Valuation 31<sup>st</sup> March 2023</b>	<b>34,397</b>	<b>8,485</b>	<b>385</b>	<b>3,145</b>	<b>6,163</b>	<b>744</b>	<b>53,319</b>
<b>Accum Depreciation and Impairments 1st April 2022</b>	<b>(10,917)</b>	<b>(5,277)</b>	<b>(235)</b>	<b>(477)</b>	<b>(466)</b>	<b>(131)</b>	<b>(17,503)</b>
Depreciation for the year- to Revaluation Reserve	(227)	-	-	(3)	-	-	(230)
to Provision of Services	(302)	(457)	(9)	(49)	(11)	-	(828)
Impairment (losses)/reversals to Revaluation Reserve	(16)	-	-	(7)	-	-	(23)
to Provision of Services	(18)	-	-	(5)	-	-	(23)
Reclassifications	-	-	-	-	-	-	-
Derecognition- on disposal	-	406	-	-	-	-	406
<b>Accumulated Depreciation and Impairments 31<sup>st</sup> March 2023</b>	<b>(11,480)</b>	<b>(5,328)</b>	<b>(244)</b>	<b>(541)</b>	<b>(477)</b>	<b>(131)</b>	<b>(18,201)</b>
Net Book Value at 31 <sup>st</sup> March 2023	22,917	3,157	141	2,604	5,686	613	35,118
Net Book Value at 31 <sup>st</sup> March 2022	23,232	2,432	146	2,497	5,176	600	34,083

Depreciation, using the straight line method, has been charged according to the estimated life of the assets involved on the following basis.

- Operational buildings generally have a useful life of 50 years, except where expert opinion has reduced this estimate. The land upon which the buildings reside is not subject to depreciation.
- Vehicles are depreciated over a useful life of 3-7 years depending upon their technical or mechanical nature.
- Equipment such as refuse bins, are depreciated over their individual useful life determined at the point of acquisition.
- All other assets under land, assets under construction, community assets, investment and surplus assets are not depreciated.

Component accounting is applied to all revaluation exercises on the following basis.

- For all property assets, land and buildings are valued separately. Only assets with a combined land and buildings value of £500k and over will be subject to component accounting.
- Significant components are items (or groups of items) with a value of at least 25% of the total asset value.



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## Fair Value Hierarchy – Surplus Assets

- Surplus assets comprise land from which the Council does not provide services. The Council has determined all of its surplus assets are valued at level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly at 31 March 2022 and 2023. There were no transfers between levels during 2021/22 or 2022/23.

Comparator movements in 2021/22 were as follows:

Property, Plant & Equipment 2021/22	Land & Buildings £000s	Vehicles, Plant, Furniture & Equip £000s	Infra- structure Assets £000s	Community Assets £000s	Assets under constr'n £000s	Surplus Assets £000s	Total Assets £000s
<b>Cost or Valuation 1st April 2021</b>	29,586	7,455	310	2,340	4,252	796	44,739
Additions	1,083	1,067	75	668	1,103	-	3,996
Donated Assets	-	-	-	-	-	-	-
Revaluation increases/(decreases)							
to Revaluation Reserve	211	-	-	(34)	-	1	178
to Provision of Services	3,535	-	-	-	-	-	3,535
Reclassifications-							
to/from Assets Held for Sale	-	-	-	-	-	-	-
others	(261)	(22)	(4)	-	287	-	0
Derecognition- on disposal	(5)	(791)	-	-	-	(66)	(862)
<b>Cost or Valuation 31<sup>st</sup> March 2022</b>	<b>34,149</b>	<b>7,709</b>	<b>381</b>	<b>2,974</b>	<b>5,642</b>	<b>731</b>	<b>51,586</b>
<b>Accum Depreciation and Impairments 1st April 2021</b>	(10,388)	(5,742)	(224)	(410)	(455)	(130)	(17,349)
Depreciation for the year-							
to Revaluation Reserve	(220)	-	-	(2)	-	-	(222)
to Provision of Services	(272)	(319)	(9)	(33)	(11)	-	(645)
Impairment (losses)/reversals							
to Revaluation Reserve	(14)	-	-	(19)	-	-	(33)
to Provision of Services	(22)	(6)	(2)	(13)	-	(1)	(44)
Reclassifications	-	-	-	-	-	-	-
Derecognition- on disposal	-	790	-	-	-	-	790
<b>Accumulated Depreciation and Impairments 31<sup>st</sup> March 2022</b>	<b>(10,917)</b>	<b>(5,277)</b>	<b>(235)</b>	<b>(477)</b>	<b>(466)</b>	<b>(131)</b>	<b>(17,503)</b>
<b>Net Book Value at 31st March 2022</b>	<b>23,232</b>	<b>2,432</b>	<b>146</b>	<b>2,497</b>	<b>5,176</b>	<b>600</b>	<b>34,083</b>

## 14b Revaluation Programme

During 2022/23 the Council's property portfolio was valued by external RICS-qualified officers from Capita Symonds Ltd, PO BOX 212, Faverdale Industrial Estate, Darlington, DL1 9HN, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The Council carries out a revaluation programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years.

Assets valued in previous years have not undergone any material changes which would alter their valuations.

Properties regarded by the Council as operational are to be valued on the basis of existing use value or, where this cannot be assessed because there is no market for the subject asset, the depreciated replacement cost. Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost.

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The details below show the history of the revaluation programme and the next planned revaluation exercise for each type of asset held. Under the provisions of the Code assets of a similar type should be revalued together.

Revaluation Programme for assets under Property, Plant & Equipment	Carried at Historic Cost £000s	March 2019 £000s	March 2020 £000s	March 2021 £000s	March 2022 £000s	March 2023 £000s	Total Net Book Value £000s
Land	104	717	75	6	964		1,866
Administrative Buildings	-	1,393	-	-	-		1,393
Depots and Workshops	-	-	-	-	2	659	661
Garages	-	-	-	195	-		195
Car Parks	-	-	1,086	8	-		1,094
Cemeteries	-	-	-	-	172	194	366
Sports & Leisure Facilities	113	7,519	2	-	(7)	74	7,701
Parks, & Recreation Grounds	92	-	254	4	118	603	1,071
Woodlands & Open Spaces	33	39	186	158	1,666	38	2,120
Industrial Units	-	-	-	-	307		307
Domestic Housing	-	-	106	321	-	121	548
Business Offices/Premises	-	-	898	3,456	2,460	35	6,849
Public Conveniences	-	-	10	-	(3)	136	143
Bus Shelters	-	6	-	339	10	5	360
Markets	-	-	-	-	-		-
Sheltered Accommodation	-	284	-	-	73		357
Plant, Vehicles & Equipment	1,618	-	-	-	-		1,618
Other Assets	85	8	368	79	(449)		91
Assets under construction	735	-	-	-	-		735
<b>Net Book Value 31<sup>st</sup> March 2023</b>	<b>2,780</b>	<b>9,966</b>	<b>2,985</b>	<b>4,566</b>	<b>5,313</b>	<b>1,865</b>	<b>27,475</b>

### Note 15 Heritage Assets

The Heritage Assets held by the Council fall into four categories: Whitaker Museum Collection, War Memorials, Panopticon and Civic Regalia. All these categories have been in the Council's ownership for a number of years and are held for their intrinsic worth as opposed to potential financial gain. As such, they are unlikely to be sold.

The War Memorials and Panopticon are reported at historic cost and the Museum Collection and Civic Regalia are reported at insurance valuation. According to the Code there is no prescribed minimum period between valuations and so the Council does not intend to revalue its Heritage Assets in the near future.

Heritage Assets	Whitaker Museum Collection	War Memorials	Panopticon	Civic Regalia	Total
	£000s	£000s	£000s	£000s	£000s
<b>Cost or Valuation 1st April 2021</b>	1,507	75	21	800	2,403
Additions	-	-	-	-	-
Revaluation Gains	-	-	-	-	-
Revaluation Losses recognised in the Revaluation Reserve	-	(2)	-	-	(2)
<b>Cost or Valuation 31<sup>st</sup> March 2022</b>	<b>1,507</b>	<b>73</b>	<b>21</b>	<b>800</b>	<b>2,401</b>
Additions	-	-	-	-	-
Revaluation Gains	-	-	-	-	-
Revaluation Losses recognised in the Revaluation Reserve	-	(2)	-	-	(2)
<b>Cost or Valuation 31<sup>st</sup> March 2023</b>	<b>1,507</b>	<b>71</b>	<b>21</b>	<b>800</b>	<b>2,399</b>

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## Note 16 Investment Properties

The Council has one piece of land classified as an investment property following the agreement of a long-term lease.

### Fair Value Hierarchy – Investment Properties.

The Council has determined that this asset should be valued as a level 2 input, therefore, the level of rental income receivable is factored into the calculation to determine the fair value of the asset.

Investment Properties	2021/22 £000s	2022/23 £000s
Fair Value 1st April	550	525
Revaluations	(25)	-
<b>Cost or Valuation 31st March</b>	<b>525</b>	<b>525</b>
Gains/Losses in Fair Value	-	-
<b>Accum Depreciation and Impairments 31st March</b>	<b>-</b>	<b>-</b>
Fair Value at 31st March	525	525
<b>Rental income within the year</b>	<b>25</b>	<b>25</b>

## Note 17 Intangible Assets

Intangible Assets	2021/22 £000s	2022/23 £000s
Cost or Valuation 1st April	1050	1,050
Acquisitions	-	91
Assets reclassified to/(from) PPE	-	-
<b>Cost or Valuation 31st March</b>	<b>1,050</b>	<b>1,141</b>
Accum Depreciation 1st April	(1,038)	(1,053)
Amortisation for the period	(12)	(29)
<b>Accum Depreciation and Impairments 31st March</b>	<b>(1,050)</b>	<b>(1,082)</b>
Net Book Value at 31st March	-	59

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item under Property, Plant and Equipment. At Rosendale Borough Council these intangible assets comprise only purchased licenses as the Council has no internally generated software.

All software is given a finite useful life, based on assessments of the expected benefit to the Council, over which depreciation is calculated on a straight line basis. The default value for the useful life is 5 years and all current assets have been deemed to follow that standard.

## Note 18 Capital Expenditure, Financing and Capitalisation of Borrowing Costs

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

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## 18a - Capital Expenditure on Council Assets

The Capital Financing Requirements (CFR) is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. This capital expenditure is charged to future years through Minimum Revenue Provision (MRP) as assets are used by the Council. Rosendale Borough Council now splits the CFR into two distinct elements; those costs pertaining to the East Lancs Empty Homes Scheme and other capital expenditure. The movement in the CFR during the year is analysed in the second part of this note.

Capital Financing Requirement	2021/22 £000s	2022/23 £000s
<b>Opening Capital Financing Requirement</b>	<b>14,272</b>	<b>15,018</b>
<b>Non-Empty Homes Opening Capital Financing Requirement</b>	<b>13,374</b>	<b>14,121</b>
Capital investments		
Property, Plant & Equipment	4,000	1,646
Intangible Assets	-	91
Revenue Expenditure funded from Capital under Statute	1,434	1,539
	<b>5,434</b>	<b>3,276</b>
Sources of Finance		
Capital Receipts	(1,034)	(600)
Government Grants and other contributions	(3,144)	(1,560)
Sums set aside from Revenue:-		
Direct revenue contributions	(26)	-
Minimum Revenue Provision (MRP)	(483)	(413)
<b>Non Empty Homes Closing Capital Financing Requirement</b>	<b>14,121</b>	<b>14,824</b>
<b>Empty Homes Opening Capital Financing Requirement</b>	<b>897</b>	<b>897</b>
Empty Homes		
Revenue Expenditure funded from Capital under Statute	164	390
Sources of Finance		
Capital Receipts	-	-
Sums set aside from Revenue:-		
Direct revenue contributions	(164)	(390)
<b>Empty Homes Closing Capital Financing Requirement</b>	<b>897</b>	<b>897</b>
<b>Closing Capital Financing Requirement</b>	<b>15,018</b>	<b>15,721</b>
Explanation of movements in the year -		
Increase in underlying borrowing (net of direct grants and contributions)	1,230	1,116
Repayments (MRP)	(483)	(413)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>747</b>	<b>703</b>

The capital expenditure shown above is split between Council-owned assets and those owned by third parties. The Council incurs capital expenditure on third party assets through schemes like the Disabled Facilities Grants (DFGs), the Bacup Heritage Action Zone and the East Lancs Empty Homes Scheme. The distinction is an important one because capital expenditure on assets not owned by the Council is permitted by Statute, but is accounted for as revenue expenditure, along with its respective funding. Hence, in the table above there are details of 'Revenue Expenditure funded from Capital under Statute' (REFCUS) and funding from grants and other receipts and contributions, not from MRP.

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## 18b – Capital Commitments

As at 31st March 2023, the Council was contractually committed to a total of £1.625m (£3.587m 2021/22). The individual capital schemes are listed below:-

Contractual commitments	31 <sup>st</sup> March 2022 £000s	31 <sup>st</sup> March 2023 £000s
Rising Bridge Play Area	40	120
Futures Park Plot 1	228	200
Futures Park Plot 2	191	160
Whitaker Museum Refurbishment	381	725
Town Square Public Realm	500	285
Bacup Historic England	2,220	101
Variou small projects	27	34
	<b>3,587</b>	<b>1,625</b>

## Note 19 Leases

### 19a - Authority as Lessee

During 2014/15 the Council became directly responsible for the leases of domestic properties under the East Lancashire Empty Homes Scheme which were to be met from future rental incomes. The Council has contracted with managing agents to manage the properties on its behalf, with the majority of properties being managed by Calico Housing Ltd. The managing agents arrange the contracts with tenants, collect the rent and pay the leases over to the property owners. The lease commitments shown below refer solely to the properties which the Council is in the process of returning to the owners at which point all future lease commitments shown below will be extinguished.

Authority as a Lessee	2021/22 £000s	2022/23 £000s
<b>Lease Payments within the year</b>	<b>211</b>	<b>163</b>
Future minimum lease commitments		
Amounts falling due within 1 year	212	132
Amounts falling due within 2-5 years	309	36
Amounts falling due within 6-10 years	-	-
<b>Total Minimum Lease Payments</b>	<b>521</b>	<b>168</b>

### 19b – Authority as Lessor

The Council leases out land and property under operating leases for services sport and leisure, regeneration and commercial use.

Authority as a Lessor	2021/22 £000s	2022/23 £000s
Not later than one year	465	483
Later than one year and not later than five years	1,630	1,690
Later than five years	6,087	5,368
	<b>8,182</b>	<b>7,541</b>

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

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## Note 20 Long-term Debtors

Long Term Debtors	Ross'dale Leisure Trust	Empty Homes Loans	Other loans & mortgages	Total £000s
	£000s	£000s	£000s	
Debt Outstanding 1st April 2021	31	1,314	-	1,345
Advances	-	10	10	20
Receipts	(1)	(69)	-	(70)
	30	1,255	10	1,295
Expected Credit Loss Impairment	-	(1,023)	-	(1,023)
<b>Balance at 31st March 2022</b>	<b>30</b>	<b>232</b>	<b>10</b>	<b>272</b>
Debt Outstanding 1st April 2022	30	1,255	10	1,295
Advances	-	-	-	-
Receipts	(1)	(29)	-	(30)
	29	1,226	10	1,265
Expected Credit Loss Impairment	-	(1,023)	-	(1,023)
<b>Balance at 31st March 2023</b>	<b>29</b>	<b>203</b>	<b>10</b>	<b>242</b>

The East Lancs Empty Homes Strategy moved into full operations during 2013-14. Funded by the Homes and Communities Agency (HCA) in the first instance, this programme saw long-term empty properties across East Lancashire brought back into use. Any renovation costs, shown above as advances, are being recouped from property rentals during the life of the lease, shown above as receipts. At the end of these leases these properties revert to their owners.

## Note 21 Nature and extent of risks arising from Financial Instruments

### 21a - Categories of Financial Instruments

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

Financial Assets - Balances at Amortised Cost	2021/22		2022/23	
	Long Term £000	Short term £000	Long Term £000	Short Term £000
<b>Investments</b>	2	5,820	2	1,170
<b>Cash and Cash Equivalents</b>	-	11,235	-	5,042
<b>Debtors</b>	272	1,554	242	3,522
<i>Debtors that are not financial Instruments</i>		4,129		3,976
<i>Total Debtors</i>	272	5,683	242	7,498
<b>Total Financial Assets</b>	<b>274</b>	<b>18,609</b>	<b>244</b>	<b>9,734</b>

## Core Financial Statements

Financial Liabilities - Balances at Amortised Cost	2021/22		2022/23	
	Long Term £000	Short term £000	Long Term £000	Short Term £000
<b>Borrowing</b>	(3,908)	(234)	(3,624)	(234)
<b>Creditors</b>	-	(3,280)	-	(3,476)
<i>Creditors that are not financial Instruments</i>		(9,967)		(2,817)
<i>Total Creditors</i>		(13,247)		(6,293)
<b>Total Financial Liabilities</b>	<b>(3,908)</b>	<b>(3,514)</b>	<b>(3,624)</b>	<b>(3,710)</b>

The Financial Instruments categorised above represent:

### Financial Assets

- Amounts shown under Investments consist of cash held by the Council, bank accounts and short term investments.
- Amounts shown under Long-Term Debtors consist of loans to property owners under the Empty Homes scheme and a loan to Rosendale Leisure Trust.
- Amounts shown under Short-Term Debtors represents net operational (sundry) debtors.

Fair Value Hierarchy of Investments - The investments above were assessed as level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly at 31 March 2022 and 2023.

### Financial Liabilities

- Amounts shown under Long-Term and Short-Term borrowings are loans with the Public Works Loan Board.
- Amounts shown under Short-Term Creditors are the Council's operational creditors.

### 21b - Financial Instrument Gains/Losses

The amounts shown below are recognised in the Comprehensive Income and Expenditure Statement under the (Surplus) or Deficit on Provision of Services:

Income & Expenses Gains and Losses	2021/22	2022/23
	£000	£000
<b>Financial Liabilities</b>		
Interest Expenses	138	120
<b>Financial Assets</b>		
Interest Income	(8)	(195)
<b>Net (Gain)/Loss charged to Surplus or Deficit on Provision of Services</b>	<b>130</b>	<b>(75)</b>

# Core Financial Statements

## 21c - Fair value of assets and liabilities carried at amortised cost

Financial liabilities and assets represented above under Categories of Financial Instruments are carried on the balance sheet at amortised cost. The fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions.

- For loans from the PWLB the fair value was calculated by reference to the premature repayment set of rates in force on 31<sup>st</sup> March 2022 and 31<sup>st</sup> March 2023 respectively.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced amount.

The fair values are calculated as follows:

	31st March 2022		31st March 2023	
	Carrying amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
Borrowings	(4,142)	(4,642)	(3,858)	(3,575)
Short Term Creditors	(3,280)	(3,280)	(3,476)	(3,476)
<b>Total Financial Liabilities</b>	<b>(7,422)</b>	<b>(7,922)</b>	<b>(7,334)</b>	<b>(7,051)</b>
Long Term Investments	2	2	2	2
Investments <1 year	5,820	5,820	1,170	1,170
Long Term Debtors	272	272	242	242
Short Term Trade Debtors	1,554	1,554	3,537	3,537
Cash and Cash Equivalents	11,235	11,235	5,042	5,042
<b>Total Financial Assets</b>	<b>18,883</b>	<b>18,883</b>	<b>9,993</b>	<b>9,993</b>

At March 2023 Rosendale Borough Council had two outstanding PWLB Loans. One was taken out in March 2010 for 25 Years at a fixed rate of 4.49%, the other was taken out in August 2019 for £2m over 20 years at a fixed interest rate of 1.34%. The premature repayment rates applicable on 31<sup>st</sup> March 2023 were 2.19% and -1.06% respectively. The figures for fair value above were £2,908k and £1,734k, as supplied by the Council's treasury management advisor, Link Asset Services. For a sensitivity analysis, Link Asset Services have confirmed that similar new loans on the 31<sup>st</sup> March 2023 at the discount rates above would have reduced the fair value of the loan at the end of 2022/23 by £295k to £4,347k.

The Council's Portfolio of treasury management investments does not include any long-term deposits over 365 days. For Investments under 365 days the deposit value is taken as a fair approximation of their value.

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



# Core Financial Statements

## Note 22 Nature and extent of risks arising from Financial Instruments

### Key Risks

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

- Credit risk the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risks the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates movements.

### Overall procedures for Managing Risks

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise potential adverse effects on the resources available to fund services. The procedures for risk management are set out through a legal framework set out in the

Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
  - the Council's overall borrowing;
  - it's maximum and minimum exposures to fixed and variable rates;
  - it's maximum and minimum exposures of the maturity structure of its debt;
  - it's maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the government guidance.

These requirements are known as Prudential Indicators and are required to be reported and approved alongside the Council's annual Council Tax budget setting in February, along with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported monthly to Members.

These policies are implemented by the Council's Financial Services staff. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed annually.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, and credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria and limits approved by the Council.

## Core Financial Statements

The Council maintains strict criteria for investment counterparties and monitors activity against these criteria. As a result of this high credit criteria there has been no experience of defaults. The Council refers to an approved list of organisations for investment purposes, assessed by the rating agencies, consisting of major banks, building societies and other local authorities. Maturity limits apply for each counterparty category and maximum investment limits also exist per counterparty and per sector.

No breaches of these criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any counterparty in relation to financial deposits.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience of its customer collection levels over the last three financial years, adjusted to reflect current market conditions.

### 22a Credit Risk

Credit Risk	Actual Amount March 2023 £000s	Historical default £000s	Adjusted for market conditions %	Estimated maximum exposure March 2023 £000s	Estimated maximum exposure March 2022 £000s
Cash and Cash Equivalents	5,042	0.00%	0.00%	-	-
Investments - Bank Deposits	1,170	0.00%	0.00%	-	-
Investments - Others	-	0.00%	0.00%	-	-
Long Term Debtors	242	0.00%	0.00%	-	-
Short Term Trade Debtors	3,522	6.60%	7.00%	403	450
<b>Total Financial Assets</b>	<b>9,976</b>			<b>403</b>	<b>450</b>

### 22b Trade Debtors

The Council does not generally allow credit for its trade debtors. The Council reports the level of trade debts outstanding each quarter in the financial monitoring report to Cabinet, which is available on the website. The balance of Trade Debtors at 31<sup>st</sup> March 2023 stood at £4,840k (£2,805k at March 2022). Against this the Council held an Expected Credit Loss Impairment of £1,318k (£1,275k at March 2022), as shown in the table below.

Short Term Trade Debtors by age	31st March 2022 £000s	31st March 2023 £000s
Less than 3 months	1,180	2,684
Three to six months	32	101
Six months to one year	243	489
Over one year	1,374	1,566
Expected Credit Loss Impairment	(1,275)	(1,318)
<b>Total Net Trade Debtors</b>	<b>1,554</b>	<b>3,522</b>

### Liquidity Risk

The council has ready access to borrowings from the Public Works Loan Board for long term borrowing and the Money Markets to cover any day-to-day cash flow need. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

# Core Financial Statements

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 management and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice. The Council's performance in managing its current cash position is reported each month in the financial monitoring reports available on the website.

## Refinancing and Maturity Risk

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments of greater than one year in duration are the key parameters used to address this risk. The approved treasury and investment strategy addresses the main risks and sets the operational parameters should the Council ever need to borrow funds.

## Market Risk

There are three related risks the Council is aware of: interest rate risk, price risk and foreign exchange risk.

### Interest Rate Risk

The Council has limited exposure to interest rate movements on its borrowings and investments. Borrowings are carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and reflected in the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. The annual Medium Term Financial Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. The aim of the prudential indicators is to contain the activity of the treasury function within certain limits reducing the risk or likelihood of an adverse movement in certain interest rates or borrowing decisions that could impact negatively on the Council's overall financial position.

Within this Strategy prudential indicators are set which provide maximum and minimum limits for fixed and variable interest rate exposure. The Financial Services staff monitor markets and forecast interest rates within the year to adjust exposure appropriately. The indicators in force during 2022/23, which were approved along with the Council's annual budget in February 2022, are shown below.

Limits in interest rate exposure	2021/22	2022/23
Max principal sums borrowed > 364 days	£20.75m	£20.75m
Borrowing limits on Fixed Interest Rates	100%	100%
Borrowing limits on Variable Interest Rates	0%	0%
Max sums invested > 364 days	£0m	£0m
Max sums invested with single body	£8m/50%	£8m/50%
Max sums invested with any group	£10m	£10m

If all lending interest rates had been 1% higher, with all other variables held constant, the financial effect would only impact on the interest receivable on variable rate investments by an extra £114k at 31<sup>st</sup> March 2023. All other interest payable and receivable is fixed.

### Price Risk

The Council does not invest in instruments with this type of risk.

### Foreign exchange risk

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

## Note 23 Debtors

The short-term debtors are shown below.

Debtors	31 <sup>st</sup> March 2022 £000s	31 <sup>st</sup> March 2023 £000s
Central Government Bodies	2,087	1,496
Other Local Authorities	1,651	1,543
Other entities and individuals		
Council Tax	679	145
Retained Business Rates	(650)	440
Housing Benefits	94	-
Advance Payments	304	352
Sundry Trade Debtors	2,829	4,840
Credit Loss Impairment	(1,275)	(1,318)
	1,981	4,459
<b>Net Balance at 31st March</b>	<b>5,719</b>	<b>7,498</b>

## Note 24 Short Term Investments and Cash and Cash Equivalents

Short Term Investments and Cash & Cash Equivalents	31 <sup>st</sup> March 2022 £000s	31 <sup>st</sup> March 2023 £000s
Short Term Investments	5,820	1,170
<b>Short-term Investments at 31st March</b>	<b>5,820</b>	<b>1,170</b>
Bank Deposits - Current Accounts	11,234	5,041
Petty Cash Accounts	1	1
<b>Cash and cash equivalents at 31st March</b>	<b>11,235</b>	<b>5,042</b>

To allow added flexibility and speed to the response to the current economic climate, particularly in the payment of grant support, a higher level of cash was held in the council's Bank Current Accounts at the end of the financial year.

## Note 25 Assets Held for Sale

Current Assets held for sale	2021/22 £000s	2022/23 £000s
Balance at 1st April	39	584
Revaluation Gain on Dipsoal	-	1
Revaluation gains/(losses) to the Revaluation Reserve	545	(15)
<b>Balance at 31st March</b>	<b>584</b>	<b>570</b>

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## Note 26 Creditors

Creditors	31 <sup>st</sup> March 2022 £000s	31 <sup>st</sup> March 2023 £000s
Central Government Bodies	8,835	1,937
Other Local Authorities	257	110
Bodies external to government		
Advance Receipts: Council Tax	94	108
Advance Receipts: Retained Business Rates	20	56
Advance Receipts: Others	706	550
Accumulated Absences	56	56
Sundry Trade Creditors	3,280	3,476
<b>Balance at 31st March</b>	<b>13,248</b>	<b>6,293</b>

## Note 27 Borrowing

In March 2010 the Council took out a PWLB loan of £4.6m over a life of 25 years at 4.49% to support the Council's capital spending, including the planned investment resulting from the Leisure Services Review. In August 2019 the Council took out a further loan of £2m over 20 years at 1.34%. Repayment of both loans is based on equal instalments of principal.

PWLB Borrowing	31 <sup>st</sup> March 2022 £000s	31 <sup>st</sup> March 2023 £000s
Repayable in less than 12 months	234	234
Repayable between 1 and 2 years	234	234
between 2 and 5 years	702	702
between 5 and 10 years	1,170	1,170
in 10 years or more	1,802	1,518
<b>Balance at 31st March</b>	<b>4,142</b>	<b>3,858</b>

## Note 28 Provisions

Provisions	31 <sup>st</sup> March 2022 £000s	Movement in Year	31 <sup>st</sup> March 2023 £000s
Business Rate Appeals Provision	1,673	(796)	877
Strategic Housing Provision	152	(3)	149
Corporate Services	397	(112)	285
Other Provisions	126	(115)	10
<b>Total Provisions</b>	<b>2,348</b>	<b>(1,026)</b>	<b>1,321</b>

## Note 29 Short-term Grant Receipts in Advance

This account holds the movements between grants received and those recognised through the CIES when the grant conditions have been met.

In 2017/18 a grant of £3,421k was received in advance from Lancashire County Council towards the construction of the new bus station element of the Spinning Point Phase 1 project. Construction of a new bus station began in January 2019 and the facility was opened in December 2019. The remaining

# Core Financial Statements

grant was to be used to landscape the surrounding area and this work was completed in year ending March 2023.

During 2022/23 the Council was awarded funding through the UK Shared Prosperity Fund and the ringfenced monies unspent at the year end have been held as grant receipts in advance until such a time that the funds are spent and the conditions met.

Short-term Grant Receipts in Advance	31 <sup>st</sup> March	31 <sup>st</sup> March
	2022	2023
	£000s	£000s
<b>LCC Grant for Spinning Point Phase 1</b>		
Balance Brought forward	41	41
Grant received/(repaid) in the year	-	-
Amounts recognised into the CIES (conditions met)	-	(41)
<b>UKSPF Grants - Revenue</b>		
Grant received/(repaid) in the year	-	296
Amounts recognised into the CIES (conditions met)	-	(143)
	41	153
<b>Balance at 31st March</b>	<b>41</b>	<b>153</b>

## Note 30a Usable Reserves

The overall movements in the Council's Usable Reserves can be seen in the Movement in Reserves Statement. Further details on the movements in the individual Earmarked Reserves and Capital Grants Unapplied accounts can be found below, along with greater explanation of the activity on the Usable Capital Receipts Reserve.

### Note 30a - Earmarked Reserves

Employment & Transport Reserve – re future investment in transport and employment opportunities.

Leisure Reserve – This reserve is held to meet any potential leisure expenditure i.e. feasibility studies

Directorate Investment Reserve – This reserve holds unspent budgets future one-off revenue projects.

Directorate Operational Reserve – This reserve holds funds set aside for ongoing or incomplete revenue projects where there is no contractual obligation but member approval has been granted.

Homelessness Reserve – This reserve holds funds for supporting ongoing and future projects to tackle homelessness within Rossendale.

Vehicle Reserve – To support vehicle maintenance costs and the rolling replacement programme.

Transitional Reserve – This reserve is to support the Council in its medium-term financial strategy.

Individual Registration Reserve – Individual electoral registration implementation began in summer 2014 and this reserve was established to hold grant funds received during 2013/14 to be matched against costs as they arose over the subsequent years.

Business Rates Retention Reserve – Following the localisation of non-domestic rates in April 2013, this reserve was established with the additional grant received for Small Business Rate Relief to support any future volatility of this new resource stream. The balance on this reserve will also be required to support the deficit on the Collection Fund Adjustment Account. Under the timings permitted by the Code each year's surplus or deficit will not impact on the CIES until the following year.

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Planning Strategy Reserve – This reserve is to cover the costs of public scrutiny associated with reviews of planning strategy in the future.

Tourism Strategy Reserve – Since the Tourism Officer post was disestablished in 2011/12, monies have been set aside to allow the Council to support various events/ activities.

Haslingden Regeneration Reserve – The Council has previously set aside £100k to provide pump-priming funds for the wider regeneration of Haslingden.

Rawtenstall Bus Station Reserve – This reserve holds the commuted sum received from Lancashire County Council to cover future maintenance costs associated with the Rawtenstall Bus Station.

Response and Recovery Reserve – The Council received a number of grants in response to Covid19 to support service delivery and the community through the pandemic.

Earmarked Reserves	Balance 31 <sup>st</sup> March 2022 £000s	Income & Transfer to Reserves £000s	Transfers between Reserves £000s	Utilised from Reserves £000s	Balance 31 <sup>st</sup> March 2023 £000s
Employment & Transport	270		(260)	(10)	-
Leisure Reserve	47			(17)	30
Directorate Investment	74		(74)		-
Directorate Operational Reserves	929	423		(156)	1,196
Homelessness	371	50			421
Vehicle Repairs & Replacement	189			(189)	-
Transitional Reserve	1,895		2,362	(1,194)	3,063
Individual Registration	89	35			124
Business Rates Retention	4,394	646	(2,028)	(1,984)	1,028
Planning Strategy	65				65
Tourism Strategy	28				28
Haslingden Regeneration	38			(4)	34
Rawtenstall Bus Station	517			(17)	500
Response and Recovery	660	94		(45)	709
Asylum Dispersal Funds		135			135
Ukraine Guests		151			151
	<b>9,566</b>	<b>1,534</b>	<b>-</b>	<b>(3,616)</b>	<b>7,484</b>



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## Note 30b - Capital Receipts Reserve

These are capital receipts (net of asset values) which have not yet been used to finance capital expenditure or repay debt.

Usable Capital Receipts Reserve	2021/22 £000s	2022/23 £000s
Balance at 1st April	3,085	2,447
Capital receipts in year	396	84
Capital receipts used to fund capital expend	(1,034)	(600)
<b>Non Empty Homes sub-total</b>	<b>2,447</b>	<b>1,931</b>
<b>Empty Homes</b>		
Balance at 1st April	2	2
Capital receipts in year	-	-
Capital receipts used to fund capital expend	-	-
<b>Empty Homes sub-total</b>	<b>2</b>	<b>2</b>
<b>Balance at 31st March</b>	<b>2,449</b>	<b>1,933</b>

## Note 30c - Capital Grants Unapplied Account

Capital grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with.

Capital Grants Unapplied Account	Balance 31 <sup>st</sup> March 2022 £000s	Grants Received £000s	Grants Applied £000s	Balance 31 <sup>st</sup> March 2023 £000s
Disabled Facilities Grants	2,222	1,160	(804)	2,578
	<b>2,222</b>	<b>1,160</b>	<b>(804)</b>	<b>2,578</b>





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## Note 31 Unusable Reserves

### 31a Revaluation Reserve

The Revaluation Reserve contains unrealised revaluation gains, net of depreciation and disposals on that revaluation amount, on a strict per-asset basis. This Reserve is matched by fixed assets within the Balance Sheet. It does not represent resources available to the authority.

Revaluation Reserve	2021/22 £000s	2022/23 £000s
Balance at 1st April	10,189	14,592
Surplus/(Deficit) on revaluation of assets in the year		
Property, Plant & Equipment	4,664	329
Value of assets disposed of in the year	(5)	(2)
Depreciation in the year	(223)	(230)
(Impairments)/Impairment Reversals in the year	(33)	(24)
<b>Balance at 31st March</b>	<b>14,592</b>	<b>14,665</b>

### 31b Capital Adjustment Account

The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls mechanism.

In the main this account holds the gains on historical revaluations of the assets still held by the Council, depreciated over the life of the assets. It is managed as a total figure, not on a per-asset basis, and does not represent cash resources available to the authority.

Capital Adjustment Account	2021/22 £000s	2022/23 £000s
Balance at 1st April	11,405	13,451
Revenue and Capital Receipts used to finance capital		
Revenue Contributions	26	-
Useable Capital Receipts	1,033	600
Capital Grants and Contributions	3,040	1,560
Losses on Revaluation of assets		
Property, Plant & Equipment	(432)	(212)
Write off NBV of disposals (net of Revaluation Reserve)	(68)	(29)
Minimum Revenue Provision for repayment of debt	483	413
Depreciation of Property, Plant and Equipment	(646)	(830)
Amortisation of Intangible Assets	(16)	-
Impairment of Property, Plant & Equipment assets	(44)	(51)
Revenue Expenditure funded from Capital under statute	(1,330)	(1,142)
<b>Non Empty Homes sub-total</b>	<b>13,451</b>	<b>13,760</b>
<b>Empty Homes</b>		
Balance at 1st April	(1,017)	(1,180)
Revenue and Capital Receipts used to finance capital		
Revenue Contributions	-	-
Useable Capital Receipts	-	-
Revenue Expenditure funded from Capital under statute	(163)	(396)
<b>Empty Homes sub-total</b>	<b>(1,180)</b>	<b>(1,576)</b>
<b>Balance at 31st March</b>	<b>12,271</b>	<b>12,184</b>

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## 31c Deferred Capital Receipts Account

The Deferred Capital Receipts holds the value of renovation loans on the East Lancs Empty Homes properties.

Deferred Capital Receipts Account	31 <sup>st</sup> March	31 <sup>st</sup> March
	2022	2023
	£000s	£000s
<b>East Lancs Empty Homes Scheme Loans</b>		
Balance at 1st April	1,324	1,265
New Deferred Receipts	10	-
Amounts received	(69)	-
<b>Balance at 31st March</b>	<b>1,265</b>	<b>1,265</b>

## 31d Collection Fund Adjustment Account

The Collection Fund Adjustment Account allows for differences between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund. The balance on the account represents the Council's share of the Collection Fund surplus or deficit. The large balance relating to Business Rates is offset by Section 31 grants received from Central Government.

Rosendale Borough Council - Collection Fund Adjustment Account	2021/22		2022/23	
	Council Tax	Business Rates	Council Tax	Business Rates
	£000	£000	£000	£000
Accumulated Surplus/(Deficit) at 1st April	(101)	(2,813)	(18)	(1,531)
Prior year (Surplus)/Deficit transferred to/from revenue	58	2,048	(64)	906
Apportioned Estimated Surplus/(Deficit) for the year	(65)	(906)	125	(479)
Apportioned Final Surplus/(Deficit) for the year	90	140	(41)	1,092
<b>Accumulated Surplus/(Deficit) at 31st March</b>	<b>(18)</b>	<b>(1,531)</b>	<b>2</b>	<b>(12)</b>

## Note 32 Local Government Pension Scheme – a defined benefit scheme

The following note explains the terms and conditions of the retirement benefits of the Council officers and other employees. 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 the employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme administered by Lancashire County Council – this is a funded 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.

The Lancashire County Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension cost, liabilities and funding risks relating to its own employees and former employees. Each employer's contributions to the Fund are calculated in accordance with the LGPS Regulations, which require an actuarial valuation to be carried out every three years.

The latest actuarial valuation of the Fund was carried out as at 31 March 2022, and at that date showed a funding level of 115% (up from 100% at the last valuation - assets of £10.7bn against accrued liabilities of about £9.3bn). The weighted average duration of the liabilities of the fund is 10

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years, measured on the IAS19 assumptions. The duration of the liabilities for the individual employers which participate in the scheme can be significantly different from this, reflecting the profile of its employees and former employees.

The Fund targets a pension paid throughout life. The amount of the pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a “final salary” scheme) for service up to 31 March 2014 and a re-valued average salary (a “career average” scheme) for service from 1 April 2014 onwards.

## Impact of McCloud judgement

On 16 July 2020 the Minister for Housing Communities and Local Government (MHCLG) released the consultation on the McCloud remedy for the LGPS in England and Wales. The key feature of the proposed remedy was broadly as expected in that the final salary scheme underpin is to be extended to a wider group of members for service up to 31 March 2022 but there are a small number of areas of detail which will need further consideration.

An allowance for the McCloud remedy is included in the 31 March 2023 figures, and will be included in future calculations on an ongoing basis (unless there are specific reasons or instruction not to do so). The calculations of the additional liabilities and service costs have generally been done in line with the proposed underpin in the consultation. However there are some minor changes to the underpin for all members who were active on or before 31 March 2012 (e.g. it can now apply historically to members leaving service after 1 April 2014), and the calculation will apply retrospectively even in those cases where a member no longer has a benefit entitlement from the Fund. Other than in exceptional circumstances the impact of these minor proposed changes is expected to be nil.

Furthermore when calculating the potential cost of the McCloud Judgement as part of the 2022 actuarial valuations the Funds Actuary (Mercers) have carried out a stand-alone estimate of the cost of the McCloud Judgement. It is estimated that the cost is an increase in past service liabilities at the valuation date of £107m and has been included in the 2022 liability figure.

## 32a – Pension Assets and Liabilities Recognised in the Balance Sheet

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

Pension Assets and Liabilities recognised in the Balance Sheet	2021/23 £000s	2022/23 £000s
Present value of the defined benefit obligation	(108,435)	(76,054)
Fair value of plan assets	86,998	86,523
<b>Net Asset/(Liability) arising from defined benefit obligation</b>	<b>(21,437)</b>	<b>10,469</b>
Asset Ceiling Adjustment	-	(10,469)
<b>Net Asset/(Liability) after asset ceiling adjustment</b>	<b>(21,437)</b>	<b>-</b>

### Asset Ceiling

Following the pensions valuation by the Council actuary, the Council determined that the fair value of its pension plan assets outweighed the present value of the plan obligations at 31 March 2023, resulting in a pension plan asset for the first time. IAS 19 Employee Benefits requires that, where a pension plan asset exists, it is measured at the lower of:

- The surplus in the defined benefit plan; and
- The asset ceiling.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The Council’s actuary calculated the asset

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ceiling as the net present value of future service costs less the net present value of future contributions.

The Council has therefore limited the pension asset recognised in the balance sheet to the asset ceiling. The adjustment has been recognized within the comprehensive income and expenditure in the CIES.

### 32b - Present Value of Scheme Liabilities

The following table reconciles the opening and closing values of the scheme liabilities.

Scheme Liabilities	2021/22 £000s	2022/23 £000s
Scheme Liabilities as at 1 <sup>st</sup> April	108,200	108,435
Current Service Cost	1,694	1,785
Interest on Pension Liabilities	2,239	2,987
Member Contributions	285	301
Past Service cost/(gain)	-	-
Remeasurement of liabilities	(523)	(33,624)
Benefits/transfers paid	(3,460)	(3,830)
<b>Scheme Liabilities as at 31<sup>st</sup> March</b>	<b>108,435</b>	<b>76,054</b>

Of the above liabilities there is an unfunded element, for which the value at 31<sup>st</sup> March 2023 was £1,315k (£1,389k at 31<sup>st</sup> March 2022).

### 32c - Present Value of Scheme Assets

The following table reconciles the opening and closing values of the scheme assets.

Scheme Assets	2021/22 £000s	2022/23 £000s
Scheme Assets as at 1 <sup>st</sup> April	78,052	86,998
Interest on plan assets	1,626	2,413
Remeasurement of assets	9,448	(361)
Administration expenses	(26)	(28)
Employer contributions	1,073	1,030
Member contributions	285	301
Benefits/transfers paid	(3,460)	(3,830)
<b>Scheme Assets as at 31<sup>st</sup> March</b>	<b>86,998</b>	<b>86,523</b>

### 32d - Major Categories of Scheme Assets

Scheme Assets	31 <sup>st</sup> March 2022		31 <sup>st</sup> March 2023	
	£000s	%	£000s	%
Equities	104	0.1%	101	0.1%
Bonds	678	0.8%	178	0.2%
Property	1,389	1.6%	1,303	1.5%
Alternatives	82,637	95.0%	84,253	97.4%
Cash & Cash equivalents	2,190	2.5%	688	0.8%
<b>Total Scheme Assets</b>	<b>86,998</b>		<b>86,523</b>	

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## 32e - Scheme Membership

The membership of the scheme was as follows:-

Scheme Membership	31st March	31 <sup>st</sup> March
	2022	2023
Active Members	155	156
Deferred Members	244	241
Pensioners	421	424
Spouses / dependents	107	110

## 32f - Comprehensive Income and Expenditure Account

Authorities recognise the cost of retirement benefits in the Comprehensive Income and Expenditure Statement 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 that the real cost of retirement benefits is reversed out in the Movement in Reserves Statement and replaced with the cash paid in the year.

The table below shows transactions within the Comprehensive Income and Expenditure Statement and the corresponding adjustments made in the Movement in Reserves Statement.

Reconciliation of the movement in the Pension Fund Reserve	2021/22	2022/23
	£000s	£000s
<b>Comprehensive Income and Expenditure Statement</b>		
Net Costs of Services - Current Service Cost	1,694	1,785
Past Service cost/(gain)	-	-
Financing and Investment Income and Expenditure		
Interest cost	613	574
Expected return on assets in the scheme	(9,448)	361
Administration expenses	26	28
<b>Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>(7,115)</b>	<b>2,748</b>
<b>Other Comprehensive Income and Expenditure</b>		
Actuarial (gains)/losses	(523)	(33,624)
<b>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(7,638)</b>	<b>(30,876)</b>
<b>Movement in Reserves Statement</b>		
Reverse net charges for retirement benefits in accordance with the Code	7,115	(2,748)
<b>Actual charge to the General Fund Balance in the year</b>		
Employer's contributions payable to the scheme	1,073	1,030

## 32g – Re-measurement impacts in the Other Comprehensive Income & Expenditure Statement

Remeasurement Gains/(Losses)	2021/22	2022/23
	£000s	£000s
Experience gains/(losses)	294	6,605
Gains/(losses) on financial assumptions	-	(37,709)
Gains/(losses) on demographic assumptions	(817)	(2,520)
Remeasurement of Liabilities gains/(losses)	(523)	(33,624)
<b>Net Actuarial gains/(losses) in current year</b>	<b>(523)</b>	<b>(33,624)</b>

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## 32h – Actual gains and losses on plan assets

The actual gains measured against experience gains/(losses) in the year can be seen in the following table, along with the relevant percentages of period-end assets and liabilities which these values represent:

Actual Gains/(Losses)	2021/22		2022/23	
	£000s	%	£000s	%
Actual Return on Plan Assets	11,075	12.7%	2,730	3.2%

## 32i - Actuarial Assumptions

The Borough Council fund liabilities and assets have been assessed by Mercer Human Resource Consulting, an independent firm of actuaries. The main assumptions used in their calculations at the beginning and end of the year are shown below, with an effective date of 31<sup>st</sup> March 2023.

The 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.

Assets in the Lancashire Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion with their expected rates of return at the beginning and end of the year:

Actuarial Assumptions	Beginning of Period %	End of Period %
<b>Duration information as at the end of the accounting period</b>		
Estimated Macaulay duration of liabilities	14 yrs	15 yrs
Duration profile used to determine assumptions	Retired	Very Mature
<b>Financial Assumptions</b>		
Rate of CPI inflation	3.40%	2.70%
Rate of increase in salaries	4.90%	4.20%
Rate of increase in pensions	3.50%	2.80%
Discount rate	2.80%	4.80%
<b>Post retirement mortality assumptions</b>		
Non-retired members (retiring in the future in normal health)	S3PA CMI_2021_1.75% (110% M, 94% F)	S3PA CMI_2021_1.5% (119% M, 105% F)
Current pensioners (retired in normal health)	S3PA CMI_2021_1.75% (103% M, 91% F)	S3PA CMI_2021_1.5% (113% M, 105% F)
<b>Life expectancy</b>		
of a male (female) future pensioner aged 65 in 20 yrs	23.7 (26.8) yrs	22.8 (25.6) yrs
of a male (female) current pensioner aged 65	22.3 (25) yrs	21.5 (23.8) yrs
<b>Takeup of option to convert annual pension into lump sum at retirement</b>	50% take maximum cash, 50% take 3/80ths cash	
<b>Market value of total fund assets</b>		
	£10,712m	£10,712m
Last actuarial valuation 31st March 2022	bid value at 31st March 2022	bid value at 28th February 2023

## 32j – Sensitivity Analysis of Actuarial Assumptions

Under IFRS the assumptions made by the actuary must be submitted to a sensitivity analysis. Below are the main assumptions used by the actuary and the effects on the pension fund accounts if those assumptions changed.

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Sensitivity analysis based on assumptions as at 31st March 2023	Central Estimates for 2022/23	Sensitivity 1	Sensitivity 2	Sensitivity 3	Sensitivity 4	Sensitivity 5	
		+ 0.1% p.a. discount rate	+ 0.1% p.a. inflation	+ 0.1% p.a. salary inflation	+ 1 yr to member's life expect	change in investment returns	
		£000s	£000s	£000s	£000s	+1% £000s	-1% £000s
Liabilities	76,054	71,019	78,747	76,282	77,691	76,054	76,054
Assets	(86,523)	(86,523)	(86,523)	(86,523)	(86,523)	(87,380)	(85,666)
Deficit/(Surplus)	(10,469)	(15,504)	(7,776)	(10,241)	(8,832)	(11,326)	(9,612)
Projected current service cost	788	669	856	788	809	788	788
Projected net interest cost	(523)	(844)	(389)	(508)	(440)	(564)	(482)
Projected Employer contributions	(838)	(838)	(838)	(838)	(838)	(838)	(838)

## 32k – Budgeting figures used in the Assumptions

Budgets used in assumptions for following year	2021/22 £000s	2022/23 £000s
<b>Projected Pension cost next year</b>		
Estimated Pay	4,355	4,614
Service Cost (% of pay)	37.2%	16.7%
Implied Service Cost including interest	1,645	788
Net Interest Cost	585	(523)
Administration Expenses	26	28
	<b>2,256</b>	<b>293</b>
<b>Projected employer contributions next year</b>		
Normal contributions	(956)	(674)
£ for £ recharges	(147)	(164)
	<b>(1,103)</b>	<b>(838)</b>
<b>Projected deficit/(surplus) for operations next year</b>	1,153	(545)
<b>Projected deficit/(surplus)</b>	21,437	(10,469)
<b>Projected deficit/(surplus) at end of next year</b>	<b>22,590</b>	<b>(11,014)</b>

### Note 33 Contingent Assets & Liabilities

#### Contingent Assets

There are no known contingent assets.

#### Contingent Liabilities

There are no known contingent liabilities.

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Note 34 Cash Flow notes

## Note 34a Reconciliation of Revenue Surplus to Net Cash Flow

Reconciliation of I&E Surplus to Net Cash Flow from revenue activities	RBC	
	31st March 2022 £000s	31st March 2023 £000s
<b>Adjustments for non-cash movements</b>		
Depreciation and Impairments	946	1,135
Amortisation of Intangible Assets	16	-
Revaluation losses charged to Revenue	432	212
Carrying amount of non-current assets sold	73	31
Pension Fund Adjustment	1,260	1,357
<b>Adjustments between accruals and cash accounting</b>		
(Incr)/Decr in Long Term Debtors	50	30
(Incr)/Decr in Inventories	(34)	(60)
(Incr)/Decr in Debtors	1,207	(1,779)
Incr/(Decr) in Creditors	1,882	(6,955)
Less cash (Outflows)/Inflows from agency operations	113	(369)
Incr/(Decr) in Grant Receipts in Advance	-	112
Incr/(Decr) in Provisions	(79)	(1,027)
Incr/(Decr) in Pension Fund Prepayment	(864)	(900)
<b>Adjust net surplus or deficit on the provision of services for non-cash movements</b>	<b>5,002</b>	<b>(8,213)</b>
<b>Adjustments for investing and financing activities</b>		
Additions to PPE & intangible assets	3,998	2,038
Proceeds from the sale of PPE	(401)	(85)
Other income	(1,822)	(453)
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>	<b>1,775</b>	<b>1,500</b>

## Note 34b Net Change in Liquid Resources

Net change in liquid resources	31 <sup>st</sup> March 2022 £000s	31 <sup>st</sup> March 2023 £000s	Movement £000s
Cash in Hand	1	1	-
Cash at Bank	11,234	6,212	(5,022)
<b>Net Book Value at 31st March</b>	<b>11,235</b>	<b>6,213</b>	<b>(5,022)</b>



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## **Note 35 Accounting Standards Issued, but not yet adopted**

The Council is required to disclose the impact on an accounting change required by a new accounting standard that has been issued on or before 1 January but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

The 2023/24 Code will introduce the following amendments:

- IFRS 16 Leases
- Definition of Accounting Estimates (Amendments to IAS 8)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

These changes are not anticipated to have a material impact on the Council's accounts.

## **Note 36 Critical judgements in applying accounting policies**

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in preparing this Statement of Accounts are:

- Estimates for depreciation of assets in any one year depend upon the forecast life of the assets. The asset life of buildings is determined by a qualified valuer at each revaluation date and in the case of vehicles, equipment and intangible assets by Council staff.
- Estimates for impairment of assets are performed by a qualified valuer at the end of each year to reflect any abnormal changes in property values between full formal reviews within the 5-year rolling revaluation programme.
- Following the introduction of the Business Rates Retention Scheme in April 2013, Local Authorities are liable for a share of the cost of successful appeals by businesses against their rateable value in 2022/23 and earlier financial years. A provision has been calculated based on information provided by Analyse Local who use the latest Valuation Office Agency (VOA) ratings list of appeals and an analysis of successful appeals to date. The Council's share of the business rate appeals provisions at 31 March 2023 was £877k.

## **Note 37 Events after the Balance Sheet date**

This DRAFT Statement of Accounts was authorised for release by the Chief Finance Officer on 31<sup>st</sup> January 2024. Events taking place after this date are not reflected in the financial statement or notes. Where events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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## Note 38 Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Council's Balance Sheet at 31<sup>st</sup> March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	The Council's fixed assets are valued on the balance sheet in accordance with the statement of asset valuation principles and guidance notes issued by the Royal Institute of Chartered Surveyors (RICS). The Council carries out a rolling programme that ensures all Plant, Property and Equipment required to be measured at fair value is revalued within a five year cycle. All assets reviewed had a valuation date of 1 April 2022. Any material changes after the valuation date have been accounted for.	The Council's property assets that are vulnerable to uncertainty are those valued under Current Value and Fair Value. There is the possibility that these values may change and as an illustration a 1% variation in these valuations could affect the assets values by £341k. The Council will continue to review their current valuation programme and reflect any changes in future valuation reports.
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns in pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p> <p>During 2022/23 the Council's actuaries advised that the net liability had decreased due to the re-measurement of assets and liabilities and the fund is now in surplus at £10.5k (at 2021/22 it was a £20.5k deficit). The recovery of the fall in equity markets due to the Covid-19 pandemic have been reflected in the accounting figures provided by the actuary.</p>	Sensitivity to the factors contributing to this estimate is shown in Note 32. Small changes have major impacts on the pension liability. A 0.1% per annum increase in the discount rate assumption would result in a decrease in the pension liability of £1.5m. A one year addition to the members' life expectancy would result in an increase in the pension liability of £3.3m

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<p>Business Rates - NNDR</p>	<p>Since the introduction of the Business Rates Retention Scheme effective 1 April 2013, Local Authorities are liable for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. A provision has been recognised for these liabilities up to and including 31 March 2022. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals and with support from LG Futures. The costs will be shared between Central Government, Rosendale Borough Council, Lancashire County Council and Lancashire Combined Fire Authority.</p>	<p>The Council's share of the business rate appeals provision is £877k, this has decreased by £796k from the previous year. The decrease is due to several successful large appeals during 2022/23.</p>
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## Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate collection fund. The statement below 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.

COLLECTION FUND	2021/22		2022/23	
	Council Tax £000	Business Rates £000	Council Tax £000	Business Rates £000
<b>Income</b>				
Council Tax	43,309	-	45,199	-
Non Domestic Rates	-	10,687	-	10,614
<b>Apportionment of Previous Year (Surplus)Deficit</b>				
Central Government	-	2,809	-	1,132
Rosendale Borough Council	58	2,048	(64)	906
Lancashire County Council	294	434	(325)	204
Police & Crime Commissioner for Lancashire	44	-	(51)	-
Lancashire Combined Fire Authority	15	51	(16)	23
<b>Total Income</b>	<b>43,720</b>	<b>16,029</b>	<b>44,743</b>	<b>12,879</b>
<b>Expenditure</b>				
Precepts paid out				
Central Government	-	6,010	-	5,646
Lancashire County Council	29,677	1,082	31,164	1,016
Rosendale Borough Council	5,811	4,808	5,985	4,517
Lancashire Police Authority	4,615	-	4,866	-
Lancashire Fire Authority	1,473	120	1,590	113
Whitworth Town Council	56	-	58	-
<b>Charges to the Collection Fund</b>				
Write off of uncollectable amounts	155	120	253	29
Increase/(Decrease) in Bad/Doubtful Debts impairment allowan	1,368	(87)	683	(106)
Increase/(Decrease) in Provision for Appeals	-	342	-	(1,989)
Cost of Collection Allowance	-	96	-	96
NNDR Transitional Protection Payments	-	(63)	-	(418)
Renewable energy	-	175	-	178
<b>Total Expenditure</b>	<b>43,155</b>	<b>12,603</b>	<b>44,599</b>	<b>9,082</b>
<b>Surplus/(Deficit) for the Year</b>	<b>565</b>	<b>3,426</b>	<b>144</b>	<b>3,797</b>
<b>Surplus/(Deficit) Brought Forward</b>	<b>(697)</b>	<b>(7,761)</b>	<b>(132)</b>	<b>(4,335)</b>
<b>Surplus/(Deficit) Carried Forward</b>	<b>(132)</b>	<b>(4,335)</b>	<b>12</b>	<b>(538)</b>
<b>Allocated to</b>				
Central Government	-	(2,098)	-	(200)
Lancashire County Council	(93)	(414)	12	(72)
Rosendale Borough Council	(18)	(1,778)	-	(259)
Lancashire Police Authority	(16)	-	-	-
Lancashire Fire Authority	(5)	(45)	-	(7)
	<b>(132)</b>	<b>(4,335)</b>	<b>12</b>	<b>(538)</b>

# Collection Fund

## Collection Fund Note 1 Council Tax Base

Council Tax derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base i.e. the equivalent number of Band D dwellings.

The basic amount of Council Tax for a Band D property rose in 2022/23 from £2,040.85 to £2,118.81 following increases by all preceptors.

The council tax base has been calculated as follows:-

Band	Ratio to Band D	Total No. Properties	Total equiv No. after Discounts & Exemptions	2022/23 Band D Equivalent	2021/22 Band D Equivalent
Special	5/9		43.5	24.2	30.1
A	6/9	16,332	11,408.0	7,605.3	9,412.2
B	7/9	5,077	4,179.5	3,250.7	3,535.0
C	8/9	4,294	3,780.4	3,360.4	3,503.1
D	1	3,416	3,149.9	3,149.9	3,181.5
E	11/9	2,003	1,859.9	2,273.2	2,303.6
F	13/9	695	663.3	958.1	949.4
G	15/9	455	417.1	695.2	693.3
H	2	39	27.3	54.5	51.5
		<b>32,311</b>	<b>25,528.7</b>	<b>21,371.5</b>	<b>23,659.7</b>
Less adjustments for anticipated changes to the base and losses on collection				(791.5)	(3,279.7)
<b>Band D equivalent number of properties</b>				<b>20,580.0</b>	<b>20,380.0</b>

## Collection Fund Note 2 Provision for Rating Appeals

Provision for Rating Appeals	2021/22		2022/23	
	Council Tax	Business Rates	Council Tax	Business Rates
	£000s	£000s	£000s	£000s
Balance as 1st April	-	3,840	-	4,182
Provision made in year	-	511	-	150
Provision utilised in year	-	(169)	-	(2,139)
<b>Balance at 31st March</b>	<b>-</b>	<b>4,182</b>	<b>-</b>	<b>2,193</b>
<b>Balance at 31st March - Rossendale only</b>	<b>-</b>	<b>1,673</b>	<b>-</b>	<b>877</b>

## Collection Fund Note 3 Provision for Bad Debts

Bad Debts Provision	2021/22		2022/23	
	Council Tax	Business Rates	Council Tax	Business Rates
	£000s	£000s	£000s	£000s
Balance as 1st April	4,101	1,770	5,469	1,563
Write-offs during year for previous years	(155)	(120)	(253)	(29)
Contribution to provisions during year	1,523	(87)	936	(108)
Net increase/(decrease) in provision	1,368	(207)	683	(137)
<b>Balance at 31st March</b>	<b>5,469</b>	<b>1,563</b>	<b>6,152</b>	<b>1,426</b>
<b>Balance at 31st March - Rossendale only</b>	<b>786</b>	<b>626</b>	<b>836</b>	<b>570</b>

# Collection Fund

## Collection Fund Note 4 Arrears

Arrears	2021/22		2022/23	
	Council Tax £000s	Business Rates £000s	Council Tax £000s	Business Rates £000s
Balance as 1st April	6,739	1,780	7,100	1,577
Change in year	361	(203)	1,674	(58)
<b>Balance at 31st March</b>	<b>7,100</b>	<b>1,577</b>	<b>8,774</b>	<b>1,519</b>
<b>Balance at 31st March - Rossendale only</b>	<b>1,020</b>	<b>631</b>	<b>1,193</b>	<b>608</b>

## Collection Fund Note 5 RBC's Shares

RBC's Shares	2021/22		2021/22	
	Council Tax £000s	Business Rates £000s	Council Tax £000s	Business Rates £000s
<b>Within Debtors</b>				
Arrears	1,020	631	1,193	608
Less Provision for Bad Debts	(786)	626	(836)	570
	234	1,257	357	1,178
<b>Within Creditors</b>				
Advance Receipts	(95)	(22)	(110)	(94)
<b>Within Provisions</b>				
Provisions for Rating Appeals	-	1,673	-	877

## Collection Fund Note 6 National Non-Domestic Rates (NNDR)

Under the current Business Rate model Rossendale Borough Council retain 40% of the business rates collected locally. Since 1<sup>st</sup> April 2016 Rossendale Borough Council has been a member of the Lancashire Business Rates Pool. The tariff payment into the Pool for 2022/23 was £2,714k (in 2021/22 this was £2,714k).

Non-domestic rates are organized on a national basis. Central Government specifies an amount (51.2p in 2022/23 and 51.2p in 2021/22) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying the rateable value of their property by that amount. The rateable value for business premises in Rossendale increased to £36,253k by March 2023, up from £36,175k in March 2022.

Since 2016/17 Rossendale Borough Council is entitled to keep 100% of the business rates from renewable energy installations. In 2022/23 renewable energy element of the business rates scheme was £178k, compared to £175k in 2021/22.

The net business rates collected within Rossendale (after provision for bad debts and appeals) were £12,680k compared with £10,441k in 2021/22.

# Collection Fund

## Collection Fund Note 7 Lancashire Business Rates Pool

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

The Lancashire Business Rates Pool, includes most but not all of the local authorities in Lancashire.

The business rates income allocations in 2022/23 are shown in the table below:

Lancashire Business Rates Pool - Income Allocations for 2021/22 and 2022/23	
District Authorities	40%
Lancashire County Council	9%
Lancashire Combined Fire Authority	1%
	50%
Central Government	50%
<b>Total</b>	<b>100%</b>

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

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

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

Lancashire Business Rates Pool Members 2022/23	Authority Type	Tariffs and Top-ups in respect of 2022/23	Retained Levy on Growth 2022/23	10% retained Levy Payable to/received by LCC	Net Retained Levy 2022/23
		£	£	£	£
Burnley Borough Council	Tariff	6,043,499	(1,230,976)	123,098	(1,107,878)
Chorley Borough Council	Tariff	6,503,220	(1,101,286)	110,129	(991,157)
Fylde Borough Council	Tariff	8,101,273	(612,380)	61,238	(551,142)
Hyndburn Borough Council	Tariff	3,969,106	(1,538,593)	153,859	(1,384,734)
Pendle Borough Council	Tariff	3,388,618	(772,596)	77,260	(695,336)
Ribble Valley Borough Council	Tariff	4,311,424	(917,609)	91,761	(825,848)
Rosendale Borough Council	Tariff	2,713,519	(724,988)	72,499	(652,489)
South Ribble Borough Council	Tariff	10,327,203	(1,750,582)	175,058	(1,575,524)
West Lancashire Borough Council	Tariff	8,698,358	(754,599)	75,460	(679,139)
Wyre Borough Council	Tariff	6,837,509	(735,928)	73,593	(662,335)
Lancashire County Council (LCC)	Top-Up	(158,098,681)		(1,013,955)	(1,013,955)
Central Government	-	97,204,952		-	-
<b>Total</b>		-	(10,139,537)	-	(10,139,537)

# Collection Fund

## Collection Fund Note 8

## Council Tax for all Precepting Bodies 2022/23

Precepting Bodies	2021/22	Change	2022/23							
	Band D		Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£		£	£	£	£	£	£	£	£
Rosendale	285.13	1.99%	193.87	226.18	258.49	290.80	355.42	420.04	484.67	581.60
LCC	1,305.55	1.99%	889.69	1,037.97	1,186.25	1,334.53	1,631.09	1,927.65	2,224.22	2,669.06
LCC - Adult Social C	150.64	2.00%	119.84	139.81	159.79	179.76	219.71	259.65	299.60	359.52
Fire	72.27	6.92%	51.51	60.10	68.68	77.27	94.44	111.61	128.78	154.54
Police	226.45	4.42%	157.63	183.91	210.18	236.45	288.99	341.54	394.08	472.90
<b>Total (excl parish)</b>	<b>2,040.04</b>	<b>3.86%</b>	<b>1,412.54</b>	<b>1,647.97</b>	<b>1,883.39</b>	<b>2,118.81</b>	<b>2,589.65</b>	<b>3,060.49</b>	<b>3,531.35</b>	<b>4,237.62</b>
Whitworth Parish	25.81	4.42%	17.91	20.90	23.88	26.87	32.84	38.81	44.78	53.74
<b>Total (incl parish)</b>	<b>2,065.85</b>	<b>3.92%</b>	<b>1,430.45</b>	<b>1,668.87</b>	<b>1,907.27</b>	<b>2,145.68</b>	<b>2,622.49</b>	<b>3,099.30</b>	<b>3,576.13</b>	<b>4,291.36</b>





## Glossary

**Accounting Policies** - The rules and practices adopted that determine how transactions and other events are reflected in financial statements

**Accruals** - The concept is that income is recorded when it is earned rather than when it is received and expenses are recorded when goods or services are received rather than when the payment is made.

**Agency Services** - Services provided by the Council, as an agent on behalf of the responsible body, where the principal reimburses the Council for the cost of the work carried out.

**Auditor's Opinion** - The opinion required by statute from the Council's external auditors, indicating whether the statement of accounts presents a true and fair view of the financial position of the authority.

**Budget** - A statement of the Council's spending plans for revenue and capital expenditure over a specified period of time.

**Business Rates** - From the 1<sup>st</sup> April 2013 non-domestic rates, or Business Rates, were localised. In the past all business rates were collected locally but then paid over to central government and each authority was paid a share of the national pool based upon their population and circumstances.

**Capital expenditure** - Spending on the acquisition or maintenance of assets either directly by the Council or indirectly in the form of grants to other persons or bodies. Section 40 of the Local Government and Housing Act 1989 defines 'expenditure for capital purposes'. Expenditure that does not fall within the definition must be charged to a revenue account.

**Capital Receipts** - Proceeds from the sale of fixed assets, such as land or buildings, or the repayment of capital grants or advances.

**Chartered Institute of Public Finance and Accountancy (CIPFA)** - CIPFA is one of the leading professional accountancy bodies in the UK and the only one which specialises in the public sector. It is responsible for the education and training of professional accountants and for their regulation through the setting and monitoring of professional standards. Uniquely among the professional accountancy bodies in the UK, CIPFA has responsibility for setting accounting standards for a significant part of the economy, namely local government.

**Code of Practice on Local Authority Accounting (the Code)** - The Code incorporates guidance in line with International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS). It sets out the proper accounting practice to be adopted for the statement of accounts to ensure they give a 'true and fair' view of the financial position, financial performance and cash flows of the Council.

**Collection Fund** - The Collection Fund is a separate statutory fund which Billing Authorities have to maintain. It shows the transactions in relation to collection from taxpayers of National Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to Precepting Authorities and the General Fund.



# Glossary

**Collection Fund Adjustment Account** - Holds that portion of the Collection Fund cumulative balance attributable solely to Rosendale Borough Council.

**Community Assets** - Assets that the Council 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.

**Department for Levelling Up, Housing and Communities (DLUHC)** - The Department for Levelling Up, Housing and Communities, formerly the Ministry for Housing, Communities and Local Government, is the Government department responsible for housing, communities, local government in England and the levelling up policy

**Creditor** - An amount owed by the Council for goods received, or services rendered to it within the accounting period, but for which payment has not been made.

**Debtor** - An amount of income due to the Council within the accounting period but not received at the balance sheet date.

**Deferred capital receipts** - Capital receipts to be received by instalments over agreed periods of time.

**Depreciation** - The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset.

**DWP** - The Department of Work and Pensions funds the Housing and Council Tax Benefits payable to borough residents and also funds the administration of those benefits.

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

**Events after the Balance Sheet Date** - These are events, favourable or adverse, that occur between the Balance Sheet date and the date when the Statement of Accounts are authorised for issue.

**External Audit** - The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

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

**Financial instruments** - Financial instruments are cash, evidence of an ownership interest in an entity, or a contractual right to receive, or deliver, cash or another financial instrument. Financial instruments can refer to both receivables (including debtors and other investments) and payables (including creditors and other liabilities or borrowings).

**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 Council, specific Government and other grants and receipts from the Collection Fund.

**Governance Framework** - Authorities have a responsibility to ensure that their 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 governance framework comprises the systems and processes, and culture and values by which the Council is directed and controlled and its activities through which it accounts to and engages with and leads the community.

## Glossary

The principles of this framework were laid down by the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government.

**Heritage Assets** - These assets are held due to their historical, artistic, scientific, technological, geophysical or environmental qualities. They are intended to be preserved in trust for future generations, which are held and maintained for its contribution to knowledge and culture.

**Impairment** - A measure of abnormal consumption of the economic benefit of an asset over and above the normal annual depreciation.

**Infrastructure assets** - 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** - Intangible assets are non-financial assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights, such as software. Intangible assets are capitalised at cost and depreciated to the revenue account over their useful economic life.

**Internal Borrowing** - Whilst capital resources cannot be used to fund revenue works, revenue reserves can be used to support the costs of capital projects, either permanently, or temporarily. Temporary revenue funding is known as Internal Borrowing and these funds are repaid over the life of the asset in a process called the Minimum Revenue Provision (MRP). When the Council has the revenue reserves to do this it is usually a cheaper option than external borrowing.

**Joint Venture** - A joint venture is a joint arrangement whereby the parties who have joint control of the arrangement have rights to the net assets of the arrangement.

**Leasing** - A method of utilising assets where a rental charge is paid for a specified period of time, instead of outright purchase.

**Loans outstanding** - The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the balance sheet date.

**Materiality** - Materiality is a concept within auditing and accounting relating to the importance of an amount, transaction, or discrepancy. Information is material if its omission or misstatement could influence the economic decision of users taken on the basis of the financial statements and depends on the size of the item or the particular circumstances of its omission or misstatement.

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

**National non-domestic rates (NNDR)** – NNDR 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.



## Glossary

**Net book value** - The amount at which assets are included in the balance sheet, i.e. their historical cost of current value, less the cumulative amounts provided for depreciation.

**Operational assets** - Assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

**Precept** - The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council Tax payers on their behalf, for example Lancashire County Council is a precepting authority which requires Rosendale Borough Council to collect an amount from each householder within the borough.

**Prior Period Adjustment** - Prior period adjustments are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

**Provision** - An amount set aside in the accounts for liabilities which are likely or certain to be incurred but the exact amount and dates are not currently known.

**Public Works Loan Board (PWLB)** - An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities

**Related Parties** - Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, and all senior officers. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

**Reserve** - 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.

**Revenue Expenditure Funded from Capital under Statute (REFCUS)** - Expenditure that does not result in creation of a non-current asset, but can be classified as capital for funding purposes. Such expenditure is charged to the Comprehensive Income and Expenditure Statement and an adjustment made in the Movement in Reserves Statement to enable the expenditure to be funded from capital resources rather than impact on the Council Tax. Examples include works on property owned by other parties, renovation grants and capital grants to other organisations.



<b>Subject:</b>	Corporate Risk Register Update Quarter 2 2024/25 (July, August and September)	<b>Status:</b>	For Publication
<b>Report to:</b>	Audit and Accounts Committee	<b>Date:</b>	3rd December 2024
<b>Report of:</b>	Director of Resources	<b>Lead Member:</b>	Resources
<b>Key Decision:</b>	<input type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	General Exception <input type="checkbox"/>	Special Urgency <input type="checkbox"/>
<b>Equality Impact Assessment:</b>	Required: No	Attached:	No
<b>Biodiversity Impact Assessment:</b>	Required: No	Attached:	No
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## 1. RECOMMENDATIONS

- 1.1 That the Audit and Accounts Committee note the Council's Corporate Risk Register as detailed in this report.
- 1.2 That members note the risk consequence, mitigation action and level of risk as detailed in Appendix 1.

## 2. EXECUTIVE SUMMARY

- The Quarter 2 (Q2) Corporate Risks Register Update is reporting for months July, August and September 2024.
- The report includes updates for the Council's 10 Corporate Risks.
- Overall, the Council's performance is strong but the financial pressures for the Rosendale Leisure Trust and the Council are creating cost pressures which the Council must monitor closely as the financial year progresses.
- The report concluded 2 Corporate Risks rated as 'red' on the RAG status.

## 3. BACKGROUND

- 3.1 The Council details its approach to managing risk in its Risk Management Strategy. This was updated in March 2016.
- 3.2 The strategy details the Council's risk monitoring and reporting framework. The Council has identified 10 Corporate Risks and these are monitored via the quarterly performance management reporting schedule using a RAG rating dashboard to report the risk status. These are reported to both the Overview and Scrutiny Committee and Cabinet.
- 3.3 If a potential issue was identified during the periodic monitoring of the risk, the responsible officer would be required to identify the risk and note the actions needed to mitigate the level of risk.

## 4. DETAILS

- 4.1 The Council has reviewed and continues to monitor the Corporate Risk Register.
- 4.2 An additional risk has been added to the Corporate Risk Register:
  - Corporate Risk 10 – Staffing Provision within Economic Development

This risk will monitor the staffing provision within Economic Development to ensure the Council is able to allocate and manage resources to effectively monitor ongoing projects and capital programmes.

4.3 Corporate Risk 3 – Incident resulting in death or serious injury or HSE investigation has been updated to reflect legislation and compliance that may impact staff, financial loss, and/or enforcement action.

4.4 The Councils Corporate Risks are categorised at the end of Q2 as follows:

	Quarter 2 2024/25
Low	5
Medium	2
High	2

4.5	Corporate Risk 1	Likelihood	Impact	Overall	Status
	Stability of the Medium Term Financial Strategy	B	1	B1	RED

The Council is in the process of zero basing its budget in collaboration with budget holders to more effectively deploy expenditure and align resources to meet business need. We also continue to monitor the likelihood of positive commercial activity and ensure the impacts of these are reflected prudently and noted within the Medium Term Financial Strategy updates.

Uncertainty around the national funding picture remains, and so the risk will remain at its current evaluated level.

4.6	Corporate Risk 9	Likelihood	Impact	Overall	Status
	Financial Sustainability of Council Owned Leisure Assets	B	1	B1	RED

The Council has engaged with the management of Rossendale Leisure Trust and have obtained further segmented detail from the Trust on its Q1 performance and have requested more forward-looking information from Q2 onwards.

Q1 performance was more encouraging showing a slight surplus, although the activity needs to remain under review and we need to ensure that there is a clear route to a sustainable business model with provision to pay down the existing debt out of operating cash flows. This will need to be in accordance with desired leisure/health outcomes. Until this is developed and deployed the risk will remain as currently evaluated.

## 5. RISK

5.1 The Council's Corporate Risk Register continues to be monitored by the Corporate Management Team on a regular basis.

## 6. FINANCE

6.1 Financial implications and risks arising are identified within this report.

## 7. LEGAL

7.1 There are no immediate legal considerations attached to the recommendations within this report.

**8. POLICY AND EQUALITIES IMPLICATIONS**

8.1 Effective risk management is very important to the council, and the council is committed to improving on an on-going basis how it manages and mitigates risk. A very important part of this process is robust and transparent scrutiny and taking timely, corrective action to improve risk management.

**9. REASON FOR DECISION**

9.1 The Corporate Risk Register is dynamic. The updates to the risks demonstrate active mitigation of the existing risks. The Committee will want to explore the implications of each corporate risk in the appendices.

Background Papers	
Q2 Corporate Risk Register	Appendix 1



# Corporate Risk Register

Risks are those things which might present a barrier to us delivering the things we have undertaken to achieve. Each year the Council reviews the potential risks it is facing and looks at what it might do to minimise the occurrence of such risks. This information is then regularly monitored and reviewed.

We profile our risks using a matrix (shown below) which is based on our making two judgments about each potential risk faced by the Council. The definition of the likelihood and impact can be found in the Council’s Risk Management Strategy 2016.

## The Council’s Risk Matrix

<b>Likelihood</b>	<b>A</b>					
	<b>B</b>					
	<b>C</b>					
	<b>D</b>					
	<b>E</b>					
	<b>F</b>					
		<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
	<b>Impact</b>					

**Likelihood**

How likely is it that the risk may occur (rated A-F, A being the most likely)

**Impact**

How serious might the consequences of the impact be (rated 1-5, 1 being the highest consequence). Therefore, a risk rated A1 is the highest risk rating and a risk of F5 is the lowest risk rating.

Risk RAG (Red, Amber and Green) rating status indicators	
Risk Status	Status description
<b>GREEN</b>	The likelihood and impact of the risk is low
<b>AMBER</b>	The likelihood and impact of the risk is medium
<b>RED</b>	The likelihood and impact of the risk is high

**Risk 1 – Sustainability of the Medium Term Financial Strategy****Responsible Officer - Chris Warren****Description**

The Council's latest Medium Term Financial Strategy update indicates an underlying funding gap of c£600k per annum from 2023/24 onwards. The Council must take appropriate action in order to balance its annual expenditure against its available annual income and other revenue resources. The Council has a legal obligation to publish an annual balanced budget; this means its budget expenditure must equal its available income and any available reserves. Council reserves are limited and equate to only circa 3 years given the anticipated funding gap. Therefore, additional income must be identified or annual costs reduced in future years. The current cost of living crisis may also add to the pressure on the Medium Term Financial Strategy through pay award, utility costs, contract inflation and Council Tax/NNDR collection rates.

**Risk Consequence**

If the Council is not able to prepare a balanced budget there would be legal ramifications, but would ultimately impact on the level of services the Council is able to deliver to Rossendale residents and would result in major reputational damage.

**Initial risk assessment RAG status (without mitigation)**

Likelihood	Impact	Overall Risk	Status
B	2	B2	RED

**Mitigation**

The Medium Term Financial Strategy does not indicate a significant narrowing of the gap in the next four years. New income generating opportunities will need to be identified to generate additional revenue, along with improved efficiency and effectiveness of service delivery. Departments across the council will need to be challenged to become more effective.

**Risk assessment RAG status (after mitigation)**

Likelihood	Impact	Overall Risk	Status
C	2	C2	AMBER

**Q2 Update**

The Council is in the process of zero basing its budget in collaboration with budget holders to more effectively deploy expenditure and align resources to meet business need. We also continue to monitor the likelihood of positive commercial activity and ensure the impacts of these are reflected prudently and noted within the Medium Term Financial Strategy updates.

Uncertainty around the national funding picture remains, and so the risk will remain at its current evaluated level.

**Q2 risk assessment RAG status (current)**

Likelihood	Impact	Overall Risk	Status
B	2	B2	RED

**Risk 2 – Major Disaster affecting the Delivery of Council Services****Responsible Officer - Clare Law****Description**

The Council has statutory duties under the Civil Contingencies Act (2004) and to carry out emergency planning and business continuity management activities to minimise the impact of a civil emergency or business interruption on people living, working and visiting the borough.

**Risk Consequence**

Failure to have robust contingency plans in place could result in the failure to deliver Council services, such as, the collection of residential and trade waste, burial services and payment of suppliers and benefits.

**Initial risk assessment RAG status (without mitigation)**

Likelihood	Impact	Overall Risk	Status
C	1	C1	AMBER

**Mitigation**

A robust Council Emergency and Business Continuity Plan is in place. Service continuity plans are updated and tested regularly through a quarterly Emergency Planning meeting. The plans are embedded with the Corporate Management Team as critical working documents to support the continued delivery of essential council services. All managers have a copy of the overall plan and their service plan and keep them under review. The Council is a member of Lancashire County Council Local Resilience Forum. Officers attend meetings and undertake regular training exercises. The council plans are available on the Resilience Direct website. Mutual aid agreements are in place with all Local Authorities across Lancashire.

**Risk assessment RAG status (after mitigation)**

Likelihood	Impact	Overall Risk	Status
C	2	C2	AMBER

**Q2 Update**

The Emergency Plan and Flood Plan are regularly reviewed to ensure processes and contacts are up to date. Both plans are available to the internal Emergency Planning Team to aid any emergency response.

The Emergency Planning Team continues to meet quarterly to discuss any current issues relating to response and business continuity, the last meeting being in July 2024. IT systems for business continuity are tested regularly, with the next test scheduled for Q3.

Officers continue to attend relevant Lancashire Resilience Forum meetings to ensure that emergency planning activities are co-ordinated with the rest of Lancashire. The Council now has access to an emergency radio on loan which is connected to the Emergency Radio Area Link Network, to enable communications if the mobile network or internet is down. The Lancashire Mutual Aid Agreement is under review and is expected to be signed by all Local Authority Chief Executives during Q3.

**Q2 risk assessment RAG status (current)**

Likelihood	Impact	Overall Risk	Status
C	2	C2	AMBER

**Risk 3 – Incident resulting in Death or Serious Injury or HSE Investigation**

Responsible Officer - Clare Law

**Description**

Under the Health and Safety at Work Act (1974), the Council has a duty of care towards the health, safety and wellbeing of its employees and others who may be affected by our work. In the event of a RIDDOR reportable accident, there is a risk of a Health and Safety Executive investigation and potential for a civil claim for damages.

**Risk Consequence**

Failure to comply with current legislation and demonstrate compliance may result in harm to staff and others, financial loss and enforcement action.

Initial risk assessment RAG status (without mitigation)	Likelihood	Impact	Overall Risk	Status
	D	2	D2	AMBER

**Mitigation**

The Council has health and safety policies and procedures including a Health and Safety Incident Reporting Procedure in place along with a safe working culture. Actions need to be completed to address and implement a consistent approach across the Council in order to secure compliance.

Risk assessment RAG status (after mitigation)	Likelihood	Impact	Overall Risk	Status
	E	2	E2	GREEN

**Q2 Update**

The implementation of the Health and Safety 4-year action plan has continued on target.

Consultation on health and safety has continued through the Joint Consultative Committee and Operations Health and Safety Committee. A lunchtime learning session was delivered to encourage reporting of incidents and hazards using the Council's 'Report-It' card incident reporting process. Progress on the implementation of risk management systems has stalled as it is reliant on the Corporate Risk Management Strategy, which is currently being refreshed ready for approval.

Q2 risk assessment RAG status (current)	Likelihood	Impact	Overall Risk	Status
	D	2	D2	AMBER

**Risk 4 – Changes to Government policy on the delivery of the Council’s services****Responsible Officer - Rob Huntington****Description**

Like all local authorities the Council is a statutory body that is subject to changes being consulted upon and or implemented by central government that might affect how we operate and serve our residents/businesses.

**Risk Consequence**

The risk that the Council fails to react and be prepared for any changes being proposed or implemented by central government.

**Initial risk assessment RAG status (without mitigation)**

Likelihood	Impact	Overall Risk	Status
E	2	E2	GREEN

**Mitigation**

The Council is a member of the Local Government Association and District Councils Network who keep us informed of government policy and consultations and lobby on behalf of councils to mitigate the impact of any change. The Council is also signed up to receive daily emails from Local Government Information Unit who provide daily government news and other Local Government Information Unit policy briefings. The Chief Executive and Leader of the Council meets regularly with our two MPs. The Council’s Corporate Management Team monitor and assess government’s position on funding to be distributed to local authorities and other Government announcements that impact funding.

**Risk assessment RAG status (after mitigation)**

Likelihood	Impact	Overall Risk	Status
E	2	E2	GREEN

**Q2 Update**

The Council is a member of both the Local Government Association and District Councils Network. The Corporate Management Team and Policy and Performance Officer receive regular policy bulletins and updates in relation to legislation and government departments. A weekly policy/horizon scanning bulletin is shared to the Senior Leadership Team and cascaded to officers where relevant.

‘Horizon Scanning and Policy’ is an agenda item on the Corporate Management Team’s weekly meeting to promote ongoing discussions in relation to recent announcements, funding opportunities and other relevant information from government departments, to determine if any action required is required. Staff attend various webinars and meetings in relation to their service area and the Chief Executive regularly attends the North West Chief Executive, and Lancashire Chief Executive meetings, both having representation from the Local Government Association.

**Q2 risk assessment RAG status (current)**

Likelihood	Impact	Overall Risk	Status
E	2	E2	GREEN

<b>Risk 5 – Sustainable Workforce</b>		<b>Responsible Officer - Clare Law</b>		
<b>Description</b> There is a requirement to have a sustainable workforce to deliver the Council services to residents and customers.				
<b>Risk Consequence</b> Failure to have a fully resourced, trained staff could result in the failure to deliver statutory and non-statutory service in a safe and professional manner to residents and customers.				
<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b> D	<b>Impact</b> 3	<b>Overall Risk</b> D3	<b>Status</b> AMBER
<b>Mitigation</b> The Council has robust HR policies and procedures, an agreed Authorised Establishment, performance management framework and Service Area Business Continuity Plans in place to mitigate any staffing challenges such as loss of staff due to the impact of an epidemic or pandemic. HR will work with managers to develop workforce succession planning. The Council provides an attractive benefit package including final pension scheme, flexible working, generous annual leave, a purchase leave scheme, free onsite parking, family friendly policies, discounted gym memberships and a cycle scheme to attract and retain staff.				
<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b> E	<b>Impact</b> 3	<b>Overall Risk</b> E3	<b>Status</b> GREEN
<b>Q2 Update</b>  During Q2, there has been an increase in the number of employee leavers; one employee resigned during a disciplinary investigation, one employee leaver moved house and secured a job closer to their new home, one employee was on sickness absence and resigned due to ill health, the five remaining employee leavers have left to further their careers (with the exception of two employees) within local government. Exit interviews were carried out to identify any patterns or concerns in relation to the reasons for leaving.  The level of sickness absence has slightly reduced during Q2, and has significantly reduced when compared to the Q2 2023-24 performance (7.02 days per FTE). Five employees (2.70 days per FTE) are absent due to long-term other musculo-skeletal stated as the main cause of absence, these being managed under the Council’s Absence Management Policy. Two employees have now returned to work and one employee has resigned.  The main reason for short term sickness absence (2.60 days per FTE) is infections, colds, and flu. Flu jabs have been offered to all staff to mitigate further absences during the colder months.				
<b>Q2 risk assessment RAG status (current)</b>	<b>Likelihood</b> E	<b>Impact</b> 3	<b>Overall Risk</b> E3	<b>Status</b> GREEN

**Risk 6 – Insufficient data and cyber security****Responsible Officer - Andrew Buckle****Description**

Cyber security presents one of the most challenging areas for both the public and private sectors. With the proliferation and severity of attacks constantly increasing this represents a major threat.

**Risk Consequence**

Cyber-attack resulting in a complete loss of all systems coupled with malware being spread across the entire network. Data breach resulting in information loss causing reputational damage and resulting in a financial penalty due to non-compliance with statutory requirements such as General Data Protection Regulation, Payment Card Industry Data Security.

**Initial risk assessment RAG status (without mitigation)**

Likelihood	Impact	Overall Risk	Status
C	1	C1	AMBER

**Mitigation**

To protect against a data breach the Council, host all council data in Tier 3 Data Centres located in different geographical regions and are backed up daily. The Council's Data Centres hold the following accreditations: ISO27001:2013 and the Payment Card Industry Data Security. The Council adopts a Risk Insight approach to determine the threat Landscape and more importantly its evolution. The Council has received notification of meeting the Public Services Network which means the Councils' infrastructure met all the security requirements to allow connection to the Public Services Network. A cyber security training is to be provided for all staff.

**Risk assessment RAG status (after mitigation)**

Likelihood	Impact	Overall Risk	Status
D	1	D1	AMBER

**Q2 Update**

Recently there have been a number of targeted cyber-attacks against high-risk individuals in the UK, to attempt to gain access to their accounts and devices. This has resulted in the theft and publication of sensitive information, which can also cause reputational damage. As part of our security approach and ongoing continual development. The Council has continued to develop its cyber security and compliance to protect systems against any potential data breaches or attacks. Progress during Q2 includes:

- A multi-factor authentication (Cisco DUO) has been implemented for all users, including Capita staff, to promote greater security when accessing Council systems.
- A new security gateway has been installed for both Henrietta Street and the Futures Park tenants following the increased bandwidth being deployed.
- Active directory accounts have been reviewed ensuring strong passwords are in place for all active directory accounts.
- Preparation for the Q3 security audit has commenced.
- The review of all data sources and legal gateways has been completed and submitted to the Department for Work and Pensions.

**Q2 risk assessment RAG status (current)**

Likelihood	Impact	Overall Risk	Status

	<b>D</b>	<b>1</b>	<b>D1</b>	<b>AMBER</b>
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<b>Risk 7 – Poor communications and public relations</b>	<b>Responsible Officer - Clare Law</b>
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**Description**  
 Good communication and public relations is essential to inform, maintain and develop relationships with residents, customers and partners to provide effective and efficient Council services.

**Risk Consequence**  
 Failure to communicate and respond to issues as they develop and inadequately or inappropriately communicating could lead to a major loss of reputation for the Council on a local, regional and national level. A loss of reputation can damage staff morale, trust between the Council and residents and impair the relationship between the Council and its partners meaning projects and services delivery is damaged.

<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>B</b>	<b>1</b>	<b>B1</b>	<b>RED</b>

**Mitigation**  
 Communication methods are in place to support face to face, mail or electronic communications with a developed website and social media channels to provide 24/7 communication service. The Council has an experienced public relation and communications function to support officers to deal with communications in a timely manner and promote the work of the Council.

<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>D</b>	<b>1</b>	<b>D1</b>	<b>AMBER</b>

**Q2 Update**

Viva PR has continued to deliver the agreed communications including updates to the Council's website and social media posts to residents, businesses and communities.

The Corporate Management Team receive a weekly update, which includes horizon scanning and potential risks. 15 positive press releases have been issued resulting in 93 pieces of further media coverage. There has also been positive coverage on ITV Granada Reports and BBC Radio Lancashire. All of these proactive positive releases help to promote the Council externally.

<b>Q2 risk assessment RAG status (current)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>E</b>	<b>1</b>	<b>E1</b>	<b>GREEN</b>



**Risk 8 – Non – Delivery of Corporate Programmes****Responsible Officer - Rob Huntington****Description**

The Council has agreed the 6 corporate programmes for 2023/24 to support the delivery of Corporate Plan.

**Risk Consequence**

Failure to deliver the corporate programmes would have a detrimental impact on the delivery of the Council's Valley Plan 2021-25, Our Place, Our Plan, and result in a reputational risk to the Council's commitment to the residents. The failure to deliver the corporate programmes could potentially have a negative impact on the council's revenue budgets (by failure to deliver income generating projects) and delivery of the medium term financial strategy, and the associated economic and social benefits may not be realised.

**Initial risk assessment RAG status (without mitigation)**

Likelihood	Impact	Overall Risk	Status
C	2	C2	AMBER

**Mitigation**

Each corporate project has a Project Sponsor (member of the Corporate Management Team), a Project Manager and Finance Officer. Each corporate programme will have a robust project plan and live risk register. The Programme Sponsor will be responsible for the strategic overview of the corporate programme, and the Programme Manager will be responsible for the day-to-day management of the corporate programme. The Council's Programme Board meets quarterly to review the progress of the corporate programmes. The Programme Sponsor will be responsible for highlighting any concerns to the Corporate Management Team throughout the life of the corporate programme.

**Risk assessment RAG status (after mitigation)**

Likelihood	Impact	Overall Risk	Status
E	2	E2	GREEN

**Q2 Update**

A revised programme to support the delivery of the Valley Plan 2021-25 (Our Place, Our Plan) has been embedded. The Programme Board now reports on the Council's six overarching programmes, individual projects are monitored at an operational level. The Corporate Management Team, Programme Sponsors and the Policy and Performance Officer attend Programme Board on a quarterly basis. Programme Managers are invited by exception if required by the Programme Sponsor.

The previous meeting was held on 13<sup>th</sup> August 2024. Two programmes were reported in the 'red' RAG status. The risks within these programmes are monitored regularly and any issues are reported within the weekly Corporate Management Team meeting.

**Q2 risk assessment RAG status (current)**

Likelihood	Impact	Overall Risk	Status
E	2	E2	GREEN

**Risk 9 – Financial Sustainability of Council Owned Leisure Assets**

Responsible Officer – Chris Warren

**Description**

National lockdowns due to Covid-19 resulted in Council owned leisure facilities closing for extended periods. During closure no income was received and outside of lockdown periods, income was significantly reduced. The cost of living crisis will have a significant negative impact on utility and salary costs for the Trust. This has impacted the financial sustainability of the Trust.

**Risk Consequence**

If the Council owned leisure assets are to be sustained in the longer term, the operators of the facilities have little recourse to additional funding to survive other than through the Council. This financial impact was managed in 2021/22 through additional government grants and Council support, however the real impact is likely to be felt in 2022/23, 2023/24 and continues in 2024/25.

**Initial risk assessment RAG status (without mitigation)**

Likelihood	Impact	Overall Risk	Status
A	2	A2	RED

**Mitigation**

A report on the impact of all facilities has been produced by KKP and recommendations to minimise impact have been implemented. Senior Council officers are attending the Trust Board to ensure we work together to minimise costs and an intensive monitoring process is in place. Funding through a Covid-19 specific Sport England Fund has been received though this is limited in its amount and did not cover retrospective losses. Constant monitoring of future business plans and work in partnership to maximise income and reduce costs continues.

**Risk assessment RAG status (after mitigation)**

Likelihood	Impact	Overall Risk	Status
A	2	A2	RED

**Q2 Update**

We have engaged with the management of Rossendale Leisure Trust and have obtained further segmented detail from the Trust on its Q1 performance and have requested more forward-looking information from Q2 onwards.

Q1 performance was more encouraging showing a slight surplus, although the activity needs to remain under review and we need to ensure that there is a clear route to a sustainable business model with provision to pay down the existing debt out of operating cash flows. This will need to be in accordance with desired leisure/health outcomes. Until this is developed and deployed the risk will remain as currently evaluated.

**Q2 risk assessment RAG status (current)**

Likelihood	Impact	Overall Risk	Status
A	2	A2	RED

**Risk 10 – Staffing provision within Economic Development**

**Responsible Officer – David Smurthwaite**

**Description**

There is an over reliance on short-term contracted staff to support the Council's Economic Development provision and project delivery.

**Risk Consequence**

Failure to have sufficient resources to effectively manage the Council's ongoing projects and capital programme. This leading to late or non-delivery of projects, cost overruns and/or inappropriate spend against external funder conditions. As well as resulting in poor outcomes for the borough and non-delivery of Council priorities.

<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	B	2	B2	RED

**Mitigation**

The Council has a single source collaborative plan review document which will be updated and actioned on a monthly basis. A permanent resource requirement is being assessed for the Economic Development team and will feed into the budget setting process for 2025-26. On the assumption that this is accepted, recruitment of permanent, qualified staff will support delivery.

<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	E	4	E4	GREEN

**Q2 Update**

During Q2, the Council has recruited a Programme Manager following the resignation from the current position holder. Recruitment to this post has alleviated immediate concern in relation to programme delivery. The successful recruitment ensures a handover period between the current and new post holder, allowing for the transfer of historical information and knowledge to ensure a smooth transition.

Economic Development are currently working with Finance to review the current budget for service delivery, and are seeking resources to implement a new, more permanent structure.

<b>Q2 risk assessment RAG status (current)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	C	3	C3	AMBER