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AUDIT AND STANDARDS COMMITTEE

Wednesday, 26th July, 2017
6.30 pm

AUDIT AND STANDARDS COMMITTEE

BURNLEY TOWN HALL

Wednesday, 26th July, 2017 at 6.30 pm

Members are reminded that if they have detailed questions on individual reports, they are advised to contact the report authors in advance of the meeting.

Members of the public may ask a question, make a statement, or present a petition relating to any agenda item or any matter falling within the remit of the committee.

Notice in writing of the subject matter must be given to the Head of Governance, Law & Regulation by 5.00pm on the day before the meeting. Forms can be obtained for this purpose from the reception desk at Burnley Town Hall or the Contact Centre, Parker Lane, Burnley. Forms are also available on the Council's website www.burnley.gov.uk/meetings.

AGENDA

MEMBERSHIP OF COMMITTEE

Councillors

Councillor Jean Cunningham (Chair)
Councillor Tony Harrison (Vice-Chair)
Councillor Joanne Greenwood
Councillor Mohammed Ishtiaq
Councillor Margaret Lishman
Councillor Andrew Newhouse
Councillor Ann Royle
Councillor Jeff Sumner
Councillor Andrew Tatchell

Co-opted Members

Colin Crowther, Burnley College
Louise Gaskell, East Lancashire Chamber of Commerce
Councillor Kathryn Haworth, Habergham Eaves Parish Council
Councillor Gill Smith, Cliviger Parish Council

External Auditor

Karen Murray, Grant Thornton - External Auditor
Marianne Dixon, Grant Thornton - External Auditor

Published: Tuesday, 18 July 2017

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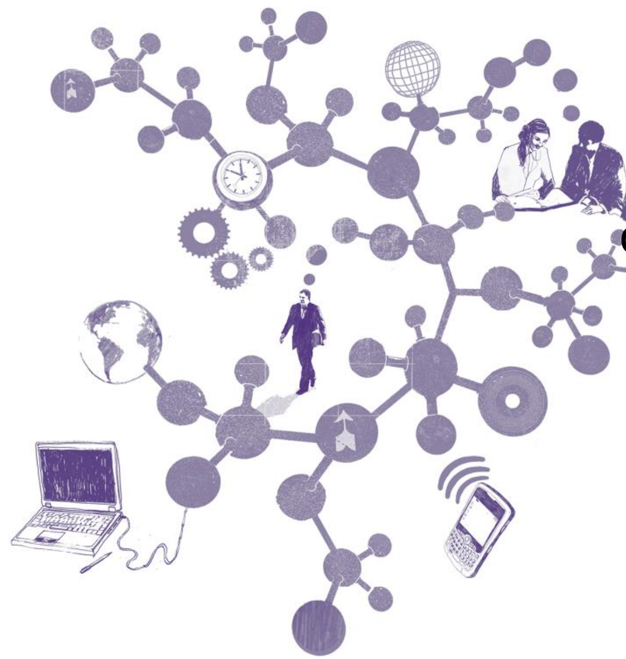
This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

The Audit Findings for Burnley Borough Council

Year ended 31 March 2017

26 July 2017



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26 July 2017

Dear Members of the Audit and Standards Committee

Audit Findings for Burnley Borough Council for the year ending 31 March 2017

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of Burnley Borough Council, the Audit and standards Committee), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with Head of Finance.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Karen Murray

Contents

Section 1: Executive summary

We anticipate providing an unqualified opinion on the financial statements and an unqualified value for money conclusion

Purpose of this report

This report highlights the key issues affecting the results of Burnley Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. .

We are also required to consider other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Council acquired in the course of performing our audit; or otherwise misleading.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion'). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 8 March 2017.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- our final internal review procedures
- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation
- review of revised versions of the Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion

We received draft financial statements on 31 May 2017 and accompanying working papers in advance of the commencement of our work on 1 June 2017

Key audit and financial reporting issues

Financial statements opinion

We have not identified any adjustments affecting the Council's reported financial position (details are recorded in section two of this report). Both the draft and audited financial statements for the year ended 31 March 2017 recorded net expenditure of £6,092k. We recommended a small number of adjustments to improve the presentation of the financial statements**.**

The key messages arising from our audit of the Council's financial statements are:

- the draft accounts were prepared to a good standard and provided for audit on 31st May;
- the accounts were supported by comprehensive and good quality working papers were available to us at the time the accounts were issued
- the finance team responded knowledgeably and promptly to audit queries
- there are no significant amendments required to the main financial statements

Further details are set out in section two of this report.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix A).

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the AGS and Narrative Report is misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Council's Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We are also satisfied that the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section two of this report.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Further detail of our work on Value for Money are set out in section three of this report.

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

Further details of our work on other statutory powers and duties is set out in section four of this report.

Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2017. We will report the outcome of this certification work through a separate report to the Audit and Standards Committee.

The way forward

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Head of Finance.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
July 2017

Section 2: Audit findings

The draft accounts were prepared to a good standard and there are no significant amendments identified as a result of our audit. We anticipate providing an unqualified opinion on the financial statements.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be£1,268k (being 2% of 2015/16 gross revenue expenditure). During the course of our audit we revised our overall materiality to £1,188k being 2% of planned gross revenue expenditure for 2016/17. We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £59.4k.. Our assessment of the value of clearly trivial matters has been adjusted to reflect our revised materiality calculation.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£1,000
Related Party Transactions	Due to public interest in these disclosures and the requirement for them to be made (misstatements will also be evaluated by reference to how material they are to the other party)	£20,000

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings against significant risks

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
The revenue cycle includes fraudulent transactions Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Burnley Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Burnley Borough Council, mean that all forms of fraud are seen as unacceptable.	Our audit work has not identified any issues in respect of revenue recognition.
Management over-ride of controls Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.	We have completed the following work:. • review of entity controls • review of journal entry process and selection of unusual journal entries for testing back to supporting documentation • review of accounting estimates, judgements and decisions made by management • review of unusual significant transactions.	Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review and testing of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgements.

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"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
The expenditure cycle includes fraudulent transactions Practice Note 10 requires us to consider the risk of material misstatement due to fraudulent financial reporting that may arise from manipulation of expenditure recognition, especially where the body is required to meet targets. For your Council, we have concluded that the greatest risk of material misstatement relates to the completeness of operating expenses and creditor balances.	This has been considered further below: • the Council has well established budget processes and forecast a balanced outturn position through achieving necessary savings targets. • the Council has achieved its planned outturn and savings (after allowing for in year cost pressures). • there is limited need or incentive for expenditure recognition to be manipulated. • there have been no changes to accounting system processes and controls during the accounting period. • there have been no changes in the Council's approach and methodology relating to the calculation of estimates used in the accounts. • The Head of Finance (CFO) does not have access to journals and cannot effect year end adjustments. • our testing or operating expenses, creditors and cut off testing has not identified any issues.	We are satisfied there is not a significant risk of material misstatement due to fraud arising from the manipulation of expenditure recognition.

Audit findings against significant risks continued

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
Valuation of property, plant and equipment The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.	We have completed the following work: • reviewed management's processes and assumptions for the calculation of the estimate. • reviewed of the competence, expertise and objectivity of the Valuer. • reviewed the instructions issued to valuation experts and the scope of their work • held discussions with the Council's valuer about the basis on which the valuation was carried out, challenging the key assumptions. • reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding. • tested revaluations made during the year to ensure they were input correctly into the Council's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value.	Our audit work has not identified any significant issues in relation to the risk identified
Valuation of pension fund net liability The Council's pension fund net liability, as reflected in its balance sheet ,represents a significant estimate in the financial statements.	We have completed the following work: • identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement. • obtained assurance from the auditor of the Pension Fund on the controls in place over accuracy of information provided to the actuary. • reviewed the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation. • gained an understanding of the basis on which the valuation is carried out. • carried out procedures to confirm the reasonableness of the actuarial assumptions, made including the use of an audit expert and considered whether known outturns are within acceptable tolerances to confirm the reasonableness of the actuary's approach • reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary.	Our audit work has not identified any significant issues in relation to the risk identified

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Payroll expenditure represents a significant percentage of the Council's gross expenditure. We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention: • Employee remuneration accruals understated (Remuneration expenses not correct)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken a walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • tested a sample of employee expenses to staff records, pay rates and classification in the general ledger • reconciled total payroll costs from the payroll subsystem to the general ledger • performed a monthly trend analysis to identify any months with unusually high or low pay levels	Our audit work has not identified any significant issues in relation to the risk identified
Operating expenses	Non-pay expenditure represents a significant percentage of the Council's gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs. We identified the completeness of non-pay expenditure in the financial statements as a risk requiring particular audit attention: • Creditors understated or not recorded in the correct period (Operating expenses understated)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken a walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • tested a sample of expenditure ensuring valid spend and appropriate categorisation within net cost of services headings in the comprehensive income and expenditure statement • tested a sample of payables and accrued expenditure including reviewing post year end invoices and payments	Our audit work has not identified any significant issues in relation to the risk identified

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

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Audit findings against other risks

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Changes to the presentation of local authority financial statements	CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 CIPFA Code of Practice. The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.	We have undertaken the following work in relation to this risk: • documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements • reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Council's internal reporting structure • reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS) • tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES • tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger • tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements • reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.	We did not identify any issues in respect of the reclassification of income and expenditure within the CIES and the associated restatement note or the revised grouping of entries within the MIRS.

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Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• Revenue from the provision of goods and services is recognised when the amount of revenue can be measured reliably and it is probable the revenue will be received by the Council. • Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. • Government grants are recognised only when there is reasonable assurance that the Council will comply with conditions attached to the payments, and the grants or contributions will be received.	• The Council's policy is appropriate and consistent with the relevant accounting framework – the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code). • The main elements of the Council's revenues are predictable and there is minimal judgement required from the Council. • The accounting policy for revenue recognition is appropriately disclosed	● Green
Judgements and estimates	Key estimates and judgements include • Business Rate appeals • Debt impairment • Net Pensions Liability • Useful lives of Property Plant and Equipment (PPE) • Revaluation and Impairment of PPE	• The Council's accounting policies for key estimates and judgements are appropriate and consistent with the CIPFA Code. • The Council's policies and judgements are reasonable and appropriately disclosed. Note 2 sets out critical judgements in applying accounting policies and Note 4 sets out assumptions made about future and other major sources of estimation uncertainty. • The Council has appropriately relied on the work of experts for material estimates of asset revaluations, business rate appeals provisions and pension fund revaluations.	● Green

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Assessment

● Marginal accounting policy which could potentially attract attention from regulators
● Accounting policy appropriate but scope for improved disclosure
● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements continued

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Accounting area	Summary of policy	Comments	Assessment
Going concern	The Head of Finance (s151 officer) has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	● Green
Other accounting policies	We have reviewed the Council's policies against the requirement of the CIPFA Code and accounting standards	The Council's accounting policies comply with the requirements of the CIPFA Code are appropriate and consistent with previous years.	● Green

Assessment
- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	• We have previously discussed the risk of fraud with the Audit and Standards Committee. • We have not been made aware of any incidents in the period. • No other issues have been identified during the course of our audit procedures.
2.	Matters in relation to related parties	• From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	Matters in relation to laws and regulations	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations. • We have not identified any incidences from our audit work.
4.	Written representations	• A standard letter of representation has been requested from the Council.
5.	Confirmation requests from third parties	• We requested from management permission to send confirmation requests to the Council's Bank for bank balance, and to several other institutions for investment confirmation. This permission was granted and the requests were sent. • We have received positive confirmations for all investment deposit requests.
6.	Disclosures	• Our review found no material omissions in the financial statements.
7.	Matters on which we report by exception	We have not identified any issues we would be required to report by exception in the following areas • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Council acquired in the course of performing our audit, or otherwise misleading.
8.	Specified procedures for Whole of Government Accounts	• We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. • In the case of Burnley Borough Council no work is required as the Council does not exceed the NAO's threshold specified for Income, Expenditure, Assets or Liabilities.

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Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration, Operating Expenses and Welfare Benefits as set out on page 10 to 13.

The controls were found to be operating effectively and we have no matters to report to the Audit and Standards Committee.

"The purpose of an audit is for the auditor to express an opinion on the financial statements.

Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

Adjusted or Unadjusted misstatements

There are no unadjusted or adjusted misstatements.

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Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Disclosure	N/A	MIRS	Addition of 'Total General Fund Balance' column to comply with changes to CIPFA Code and inclusion of footnote explaining reason for change.
2	Disclosure	N/A	Note 9	Addition of footnote to Note 9 to explain that £979k downward revaluation related to correction of prior year 'double counting' of part of Towneley Hall.
3	Disclosure	N/A	Note 29 table g LG Pension Scheme Assets	Inclusion of footnote to Table of Local Government Pension Scheme Assets confirming: that: • all direct equity holdings were transferred into the Local Pension Partnership Global Equities Pool with effect from 1/9/16 • Overseas Pooled Equity Funds include the LPP Global Equities Pool
4	Disclosure	31/3/16 - £5,315 31/3/17 - £4,934	Note 28 table (b) Property Leases	Correction of figures for minimum lease payments receivable for the period 'later the five years' to remove double counting' of amounts disclosed in previous rows for amounts receivable not later than five years.
5	Disclosure	N/A	Various	Small number changes to narrative disclosures to improves clarity of the financial statements.

Section 3: Value for Money

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2016. AGN 03 identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in March 2017 2017 and one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risk we identified from our initial and ongoing risk assessment.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- the Council has arrangements in place to address the future funding gap
- the Council is continuing to explore ways of achieving its projected savings and has already delivered saving going forward working with its Strategic Partner in the delivery of some services.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on page 23.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix A.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Management provide regular updates to members detailing the Council's medium-term financial position. Whilst the Council has been successful in recent years in reducing the Council's net expenditure, the Council still needs to find significant savings over the period 2018-2020. Initial plans have been developed to close this financial gap. This links to the Council's arrangements for sustainable resource deployment	Review the Outturn position for 2016/17 Review of the latest medium term financial plan to confirm that it reflects an accurate assessment of the Council's financial position and consideration of the progress made by officers in developing plans to address that gap. Review of evidence that the Council has taken sufficient steps to ensure it has a realistic expectation that the savings required can be achieved.	The Council has a good understanding of its financial position and has historically been able to deliver savings as required. In 2016/17 a significant part of the savings have been achieved through the delivery of a strategic partnership whereby a range of council services are now being delivered in partnership with an external service provider. The 2016/17 revenue outturn reported is generally consistent with that originally anticipated. In determining the Council's net budget of £15,223k, the Council had originally estimated the budget would be supported by £1,057k from general fund (earmarked) reserves although £839k would also be added to earmarked revenue reserves. During the year, the budget was revised to utilise a further £157k of reserves. The actual revenue outturn delivered a surplus of £377k which has been added to earmarked reserves to give a total at 31 March 2017 of £8,032k. The Council originally set a capital budget of £6,931k, subsequently revised to £7,501k following further approvals. The outturn was £6,789k, with almost all of the variance of £712k being carried forward to 2017/18. The Council set a balanced budget for 2017/18 at its meeting in February 2017. The net budget of £14,596k included updated forecasts for: necessary budget growth; business rates growth, council tax increases, new commercial approach to fees and charges and use of strategic earmarked reserves. The 2017/18 budget setting process also included updating the three year budget forecast for the Medium Term Financial Strategy (MTFS) to 2020/21. The MTFS sets out the required cumulative budget reduction of £4,016k which equates to 27.5% of the Net Budget over the 3 year period. The Medium Term Financial Strategy (MTFS) clearly sets out the assumptions that have been made about future levels of income and expenditure, clearly identifying any risks attached to them and demonstrating an accurate assessment of the Council's financial position. The Council has a strong track record of delivering efficiency savings and its commercial strategy which includes improving procurement and optimising income from fees and services, remains a key part of addressing the medium term budget shortfall. The ongoing drive to improve internal efficiencies through its plans for automation and 'self service' are part of the organisation development strategy. The Council's strong relationships with its strategic partner and other local authorities are helping develop the plan to achieve these objectives. We have concluded that the Council has effective arrangements in place for sustainable resource deployment.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Section 4: Other statutory powers and duties

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We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	**Public interest report**	• We have not identified any matters that would require a public interest report to be issued
2.	**Written recommendations**	• We have not made any written recommendations that the Council is required to respond to
3.	**Application to the court for a declaration that an item of account is contrary to law**	• We confirm we have not used this duty
4.	**Issue of an advisory notice**	• We confirm we have not used this duty
5.	**Application for judicial review**	• We confirm we have not used this duty

Section 5: Fees, non-audit services and independence

We confirm below our final fees charged for the audit and there were no fees for the provision of non audit services.

Fees

	Proposed fee £	Final fee £
Council audit	50,567	50,567
Grant certification	9,675*	TBA
Total audit fees (excluding VAT)	**60,242**	**TBA**

Indicative fee* - based on the assumption that no significant additional testing will be required for the 2016/17 claim.

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Fees for other services

- In our 2015/16 Audit Finding Report we confirmed we had provided Ethics and Governance workshops in 2016 for a fee of £6,776 (excluding VAT)
- We confirm that no other non-audit or audit related services have been undertaken for the Council.

Section 6: Communication of audit matters

Communication to those charged with governance

ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (https://www.nao.org.uk/code-audit-practice/about-code/). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

Appendices

A. Audit Opinion

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A: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BURNLEY BOROUGH COUNCIL

We have audited the financial statements of Burnley Borough Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

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

Respective responsibilities of the Authority and auditor

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

Karen Murray
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
Spinningfields
Manchester
M3 3EB

July 2017

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Grant Thornton

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Agenda Item 17

Burnley
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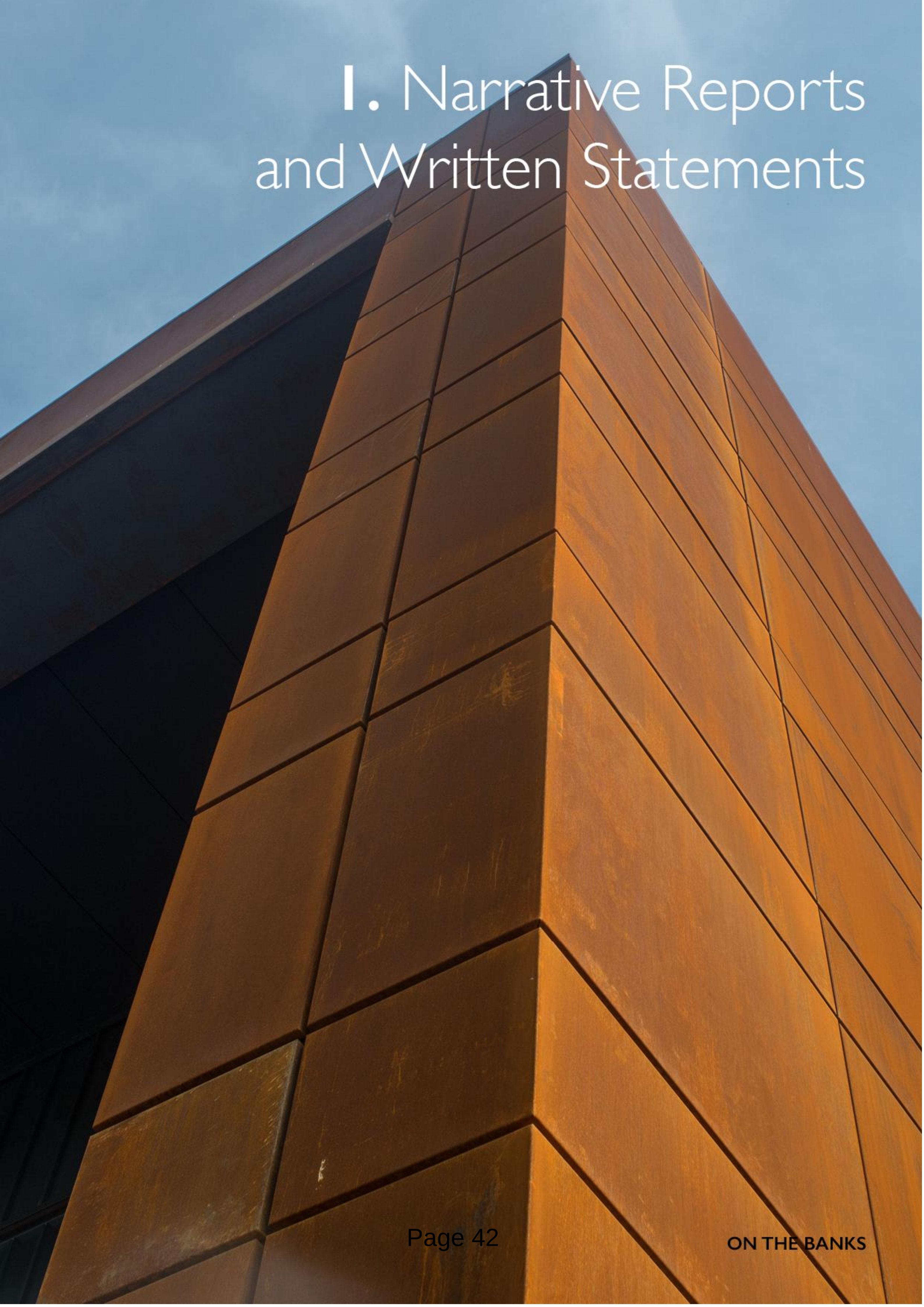
Statement of Accounts
2016/17

DRAFT (Subject to audit)

Contents

1. Narrative Reports and Written Statements



NARRATIVE REPORT

This booklet presents the Council's accounts for the year ended 31 March 2017. The accounts conform to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), which is based on International Financial Reporting Standards (IFRSs).

The layout and purpose of each statement is as follows:-

EXPLANATORY STATEMENTS

- **Narrative Report** - provides an easily understandable guide to the most significant matters reported in the accounts, including a summary of operating activity during the year.
- **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** – this shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement. The top half of the statement provides an analysis by service area whilst the bottom half deals with corporate transactions and funding. Changes to the Code in 2016/17 require the Council to analyse the cost of service in the same format reported during the year whereas previously this was analysed in accordance with the Service Reporting Code of Practice.
- **Movement in Reserves Statement** – this statement shows the movement in year on the different reserves held by the Council, analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves (i.e. those that cannot be applied to fund expenditure or reduce local taxation e.g. pensions reserve). The 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 movements in the year following those adjustments.
- **Balance Sheet** - this shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Authority (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories, usable and unusable. Usable 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 may only be used to fund capital expenditure or repay debt). Unusable reserves are those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement of Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- **Cash Flow Statement** – this statement shows the changes in cash and cash equivalents during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the

operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

NOTES TO THE CORE FINANCIAL STATEMENTS

All the notes to the core statements above are collected in one place. Later in this document there is an explanation of the policies used in the preparation of the figures in these accounts, especially changes made during the year.

OTHER STATEMENTS

The Collection Fund and notes – this 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

At the end of the booklet there is a glossary which explains some of the technical terms used in these accounts.

REVENUE INCOME AND EXPENDITURE

Revenue income and expenditure relates to the day-to-day running of all the services that the Council provides. Before the start of the financial year the Council prepares the annual revenue budget reflecting the estimated net expenditure to be incurred in the year on the provision of services. The budget is then regularly reviewed and revised during the year to incorporate known changes in planned and actual revenue income and expenditure.

REVENUE BUDGET

The revenue budget for 2016/17 was approved by Full Council on 24 February 2016 and amounted to a net figure of £15.223m. The revenue budget in 2016/17 delivered savings of £1.549m; this is on top of the £9.372m saved in the previous five years. This net budget figure was funded as follows:

	Net Budget £000s
Business Rates	4,356
Revenue Support Grant	3,660
Council Tax	6,130
Council Tax Surplus	81
New Homes Bonus	996
	15,223

In addition, the Council received requests for Council Tax precepts of £0.074m to fund expenditure by Parish and Town Councils. In total this resulted in a Council Tax precept of £6.204m.

REVENUE SURPLUS

In determining the budget for the year there was no planned transfer to or from accumulated general balances but there was a planned contribution of £1.057m from earmarked reserves. There were however further planned contributions from earmarked reserves of £0.157m arising from decisions made during the financial year as part of the revenue budget monitoring process. This gave a revised net planned overall contribution from earmarked reserves of £1.214m.

The Statement of Accounts shows that there was a revenue surplus for the year of £0.377m after taking into account an actual net contribution to earmarked reserves of £0.682m.

The table below details where the £0.377m is shown in these accounts:

	Net Surplus £000s
Comprehensive Income and Expenditure Statement - Surplus on provision of services	(1,032)
Adjustments between accounting basis and funding basis under regulations - General Fund balance (Note 7)	(27)
Net contribution to Earmarked Reserves in year (see note below)	682
Revenue surplus 2016/17	**(377)**

The revenue surplus of £0.377m has been transferred to earmarked reserves to give a net increase in earmarked reserves for the year of £1.059m to £8.032m as detailed below:

	Under Spending £000s	Earmarked Reserves Utilised £000s	Earmarked Reserves Balance £000s	General Fund Balance £000s
Balances brought forward 1 April 2016			(6,973)	(1,379)
Position as per Budget Monitoring Report – end December 2016				
Earmarked Reserves decrease		1,214	1,214	
Estimated underspending at year end	(276)		(276)	
Estimated year end Earmarked Reserves balance			**(6,035)**	
Year-end position				
Increase in net underspending at year end	(101)		(101)	
Earmarked Reserves – transfers to reserves		(1,896)	(1,896)	
			(8,032)	
Net underspend 2016/17	**(377)**			
Balance carried forward 31 March 2017			(8,032)	(1,379)
Less: Opening balances			6,973	
Balance transferred (to) / from Earmarked Reserves	**(377)**	**(682)**	**(1,059)**	

The level of the General Fund balance has remained at the prescribed level of £1.379m under the Council's Medium Term Financial Strategy. The main reasons for the net overall surplus of £0.377m generated on the revenue account are shown in the table below:

	Major Variances £000s
Underspends / Increased Income	
Treasury management expenses and income savings	(232)
Additional Planning income	(71)
Disabled renovations grant income increase	(43)
Utility cost savings	(199)
Reduced impairment allowance for general debtors	(66)
Other net underspending in services	(128)
Increased Expenditure / Reduced Income	
Increased provision for legal expenses	55
Revenue contributions to capital schemes	88
Employee redundancy costs	219
Total Underspend	(377)

CAPITAL EXPENDITURE

Capital expenditure relates to the cost of the provision of, or enhancement of, assets or other expenditure where the benefits last beyond the financial year in question. The precise definition of capital expenditure is set out in the Capital Finance Regulations. Capital and revenue transactions must be accounted for separately.

In 2016/17 the Council spent £6.8m on capital projects compared with a revised capital budget of £7.5m. During the year £1.6m was invested in workshop units in the Vision Park and £0.7m on the Burnley town centre pedestrianisation scheme in partnership with Lancashire County Council, in addition to £1.4m on housing renovations for disabled facilities. For 2017/18 the Council will invest a further £3.3m on the Vision Park, £0.8m on town centre schemes including the completion of the pedestrianisation upgrade, around £2m on disabled facilities and £1.6m on market safety works. This will complement all four themes of our strategic objective; people, places, prosperity and performance.

The differences on the various areas of the capital budget are summarised below. The shortfall in spending compared to that allowed for in the budget for the services shown was largely due to schemes which did not progress as quickly as anticipated and will now be carried out in 2017/18.

Capital Expenditure	Approved Budget 2016/17 £M	Actual 2016/17 £M	Variance £M
Regeneration and Planning Policy			
Burnley Vision Park	1.3	1.6	(0.3)
Market Safety Works	0.2	0.1	0.1
Other	0.3	0.1	0.2
Housing			
Disabled Facilities Renovations	1.4	1.4	0.0
Empty Homes Programme	0.9	0.9	0.0
Other	0.7	0.3	0.4
Streetscene			
Burnley Town Centre Pedestrianisation Upgrade	0.8	0.7	0.1
Other	0.3	0.2	0.1
Facilities Management			
Padiham Town Hall - Flood Works	0.7	0.6	0.1
Contribution to Shopping Centre Redevelopment	0.4	0.4	0.0
Other	0.1	0.1	0.0
Green Spaces and Amenities	0.3	0.3	0.0
Chief Executive	0.1	0.1	0.0
Total Capital Expenditure	7.5	6.8	0.7

BORROWING

The total amount outstanding as at 31 March 2017 on long-term loans borrowed from the Public Works Loan Board (PWLB) to finance capital expenditure was £19.6m. In addition there was at this date £1m of short-term PWLB loans borrowing. The sources of borrowing totalling £20.6m are identified in note 12f, and an analysis of the periods to repayment shown in note 31c in the notes to the core financial statements. This borrowing should be seen in the context of the total value of the Council's long-term assets which is shown in the balance sheet at £93m. The Prudential Code for Capital Finance in Local Authorities regulates local authority borrowing and gives freedom to councils to borrow as long as the revenue costs are capable of being met in the opinion of the Chief Financial Officer and are in keeping with prudential indicators and guidelines.

PENSIONS COSTS

The requirements of international accounting regulations (IAS19) in relation to post-employment benefits, i.e. pensions, have been fully incorporated into the Comprehensive Income and Expenditure Statement with actuarial gains and losses being recognised in Other Comprehensive Income and Expenditure, as Note 29 explains in detail.

A pensions reserve and a pensions liability are incorporated within the Council's accounts reflecting the amount by which the Burnley element of the Lancashire County Council pension fund is under-funded compared with the assessed payment liabilities to pensioners now and in the future.

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 overall pensions liability of the Council as at 31 March 2017 was £65.061m (£59.402m as at 31 March 2016). This increase of £5.659m is primarily as a result of a negative revaluation (£4.921m) by the Fund actuaries of the pension liability and plan assets. More information on the assumptions used by the actuaries can be found at Note 29f.

Pension costs and liabilities for employees transferred to our strategic partner are now incurred by Liberata plc. Any liabilities accumulated prior to transfer will remain with the Council.

ORGANISATIONAL PERFORMANCE

Burnley Council's corporate scorecard demonstrates that organisational performance has remained strong during the last 12 months. The Council surveys local residents each year to understand local priorities and levels of satisfaction with services. The last survey was completed in autumn 2016 and the headline findings were:

- Parks and sports facilities, the local countryside, and good neighbours/people are considered to be the best things about living in Burnley.
- Litter and dog fouling is perceived to be the biggest problem. In response to this, the Council entered into an initial one year pilot partnership with Kingdom Environmental Protection Services in the new financial year.
- 68% of residents were satisfied with household refuse collection, and 62% satisfied with doorstep recycling.
- 83% were satisfied with parks and open spaces. Of those that go to a park at least once a week, this figure increased to 92%.
- 63% were satisfied with sport and leisure facilities. Of those that use these facilities at least once a week, this increased to 82%.
- Of those citizens that have recently contacted the Council, 77% of respondents were satisfied with the overall customer service experience.

Contact centre responsiveness, as measured by telephone calls answered within target time, is improving and met the target of 80% in 2016/17 (compared to 63% in 2014/15 and 73% in 2015/16). Changes to the waste collection service resulted in larger call volumes which had an impact on the result. Nevertheless, this indicator is showing a positive upward trend over the last two years. In partnership with Liberata plc, the Council's contact centre service delivery partner, a strategy to digitise services will improve responsiveness to customers in the years ahead.

Economic development is a key Council priority. In 2016/17, against a target of 10 business relocation assists, the Council achieved 14. The Council also helped bring over £10m in private sector investment into the borough which met the target.

In 2016/17, the average number of sickness days per employee was 5.40 (8.29 in 2015/16). This is below the target of 6 and can be accounted for by reductions in both long term sickness absence and short term sickness absence. Attendance continues to be well managed.

The Council underwent a corporate peer challenge in September 2016. The key findings included:

- Burnley Council has strong political and managerial leadership in place.
- On this basis, its work makes a positive difference to the borough.
- The Council has put significant energy into supporting the growth of the local economy, and enabled or supported the expansion of local businesses and helped to draw new employers to the borough.
- Collectively, the elected Councillors have a strong understanding of the different aspects of Burnley.
- They have provided a clear steer on priorities and managers are focused on these.
- The performance of many core Council services is good. Staff are committed and loyal despite the workforce experiencing challenging reductions in their number.
- Though the Council's future funding position is challenging, it has clear plans in place and a record of strong financial management.
- The Council works closely with a wide range of other partner agencies to deal with shared issues.

STRATEGIC RISKS

The Council operates a risk management process at corporate and operational levels. The aim of this is to monitor and manage risk to attainment of corporate and operational objectives. Action is taken to manage these and a recursive process is undertaken to review the impact and deliberate on what if any further progress needs to be made.

The Council's risk management process has identified several strategic risks to the delivery of services to the Council. The highest risk concerns financial stability, loss of funding from income or Central Government and external cost pressures combine to impact on the Council's finances. To manage this risk we have taken steps to change how services are delivered (such as partnership working) and keep these elements monitored to identify action at an early stage. Service levels are not intended to be lowered despite costing less to deliver. Close monitoring arrangements and client-contractor dialogue is maintained at various levels of the partnership i.e. corporate, operational and specific projects.

The Council's position is dependent on decisions taken in other organisations, such as Central Government or regional partnerships. The risk is that these decisions do not take Burnley into account and adversely impact on the Council's services and ability to deliver. The Council seeks to be involved in partnerships to further encourage educational attainment, economic development and built environment of the borough. Furthermore the Council engages with Central Government decision makers to raise awareness of the impact of Government policies and where appropriate seek to lobby decisions for the benefit of residents and businesses.

CURRENT ECONOMIC CONDITIONS

The world economy is still subject to many uncertainties; the UK economy has been performing better than nearly all the other G7 countries with a UK GDP growth rate of 2% for 2016/17, although this now appears to be slowing down in 2017. Interest rates remain at record low levels but increased global competition means that many local businesses are under financial pressure and unemployment and relatively low rates of pay remain a problem in the local area. The Council continues to pay high levels of housing benefit and recent trends suggest that the Council's debt collection rate is under sustained pressure as additional people become liable to pay more Council Tax due to changes in Council Tax Benefit rules.

The low interest rate environment continues to substantially reduce the amount of interest earned on investments and cash surpluses which has been available previously to support overall spending. Interest rates are expected to rise gradually from 2019.

The income which the Council generates from fees and charges and which contributes to the cost of providing Council services remains under pressure due to the economic conditions currently prevailing, although overall income stabilised last year after significant falls in the past few years. The property market locally is still relatively low in terms of property values and rentals and this is reflected in the reduction in the Council's longer term assets value as shown in the Balance Sheet. In addition there is continued downward pressure on the rental income which the Council receives from its properties which again leads to a further lack of support for Council spending.

The overall position the Council faces is uncertain over the medium term (see Medium Term Financial Strategy 2018/21). The pressures mentioned above reduce the finance available to fund Council spending but the principal problem remains which is the continued severe reductions in Central Government funding. In 2015, the Government made decisions on future funding for local government more certain when it announced that austerity measures will remain until the end of the decade and that there will be at least similar reductions to the previous six years in funding for Government spending departments which have not been ring-fence protected against future reductions. The impact of a possible change in Government in June 2017 cannot be assessed at this time.

Strategic decisions for change have been taken including as mentioned earlier a major outsourcing of a range of the Council's services to an external service provider which took place at the beginning of 2016. This follows the transfer of leisure functions to a Trust in 2014 and the contracting out of waste collection and street cleaning services.

The 2017/18 budget has been approved and is now in place. Furthermore, the Council is already in motion to plan for the budget pressures over the medium term. This will be done in conjunction with Heads of Service to identify efficiencies and streamlining; ensuring to balance this with meeting strategic and service objectives.

The Council continues to take positive steps to assist in managing and revitalising the local and regional economy in partnership with the business community and other key agencies. There has been considerable investment in the town in recent years despite the current economic conditions and the soon to be completed work on the Vision Park workshop units scheme is among a range of high-profile regeneration initiatives aimed at stimulating growth and prosperity.

Brexit

Following the referendum result on 23 June 2016, which meant that the United Kingdom was to leave the European Union (EU), the Prime Minister triggered article 50 on 29 March 2017 formally beginning this process. The implications of leaving the EU are not fully known but there could be a potential impact for the Borough due to reductions in EU funding (although the Council does not currently receive any), a change in interest rates, an increase in expenditure and an increase in the costs of basic goods which could impact on residents.

The Council has already seen a reduction in investment income as a result of interest rate uncertainty. As there is still a degree of doubt, the risk associated with leaving the EU is not measurable. The impact will be closely monitored and any adverse effect considered and reported through the appropriate channels within the Council's governance structure.

ACCOUNTING POLICIES

The accounting policies adopted by the Council are explained later in the Statement of Accounts and follow the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. There has been no major impact to finances as a result of any change to accounting policy.

FURTHER INFORMATION

Further information about the Statement of Accounts is available from the Head of Finance, Town Hall, Manchester Road, Burnley, BB11 9SA. In addition, members of the public have the statutory right to inspect the Statement of Accounts and supporting documents at certain times prior to the audit being completed. For 2016/17 this right is to be exercised for 30 days beginning 12 June 2017. Residents of the Borough who are Council Tax payers may register any objection to the accounts in writing to the External Auditor. The Council also presents a number of other key documents throughout the year which would complement the Statement of Accounts. Some of these are listed below:

Key documents (All of the documents listed below can be accessed searching www.burnley.gov.uk)	
Medium Term Financial Strategy (MTFS) and Strategic Risk Register	Considers the medium term financial outlook, highlighting uncertainties, and underlying risk and makes recommendations to mitigate any risks.
Capital Budget (establishing and monitoring)	Sets out the capital budget for the new year and monitoring reports review the progress on the current year budget.
Revenue Budget (establishing and monitoring)	Sets out the revenue budget for the new year and monitoring reports review the progress on the current year budget.
Annual Governance Statement	Statutory document produced annually after reviewing governance and internal control aspects of the Council.
Code of Corporate Governance	Explains how the Council will carry out its functions in a way that demonstrates accountability, effectiveness, integrity and inclusivity.
Strategic Plan	Describes the Council's priorities and vision for the future.

EXTERNAL AUDIT

Grant Thornton have been appointed with the responsibility for the external audit of the Council's accounts. The Auditor's Report & Opinion is contained within the Statement of Accounts. The name and address of the Council's External Auditor is:

Karen Murray
Director
Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

STATEMENT OF RESPONSIBILITIES

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 – the statutory Chief Financial Officer. In this Authority that officer is the Head of Finance.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

THE CHIEF FINANCIAL OFFICER'S RESPONSIBILITIES

As Chief Financial Officer, I am responsible for the preparation of the Authority's Statement of Accounts which, in terms of the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("the Code"), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2017.

In preparing this statement I have:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;

I have also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATE OF CHIEF FINANCIAL OFFICER

I certify that the Statement of Accounts presents a true and fair view of the financial position of Burnley Borough Council at 31 March 2017 and its income and expenditure for the year then ended, including any known post balance sheet events at 31 May 2017.

Asad Mushtaq

Head of Finance
Section 151 Officer

31 May 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BURNLEY BOROUGH COUNCIL

(To be inserted following completion of the audit by the Council's External Auditors, Grant Thornton).

ST PETERS CHURCH

2. Core Financial Statements

Core Financial Statements

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		31 March 2016 Restated			31 March 2017		
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	Note	Gross Expend £000s	Income £000s	Net Expend £000s	Gross Expend £000s	Income £000s	Net Expend £000s
Continuing Services							
Management Team		451	-	451	470	-	470
Customer & IT Services *		858	(1)	857	-	-	-
Sport & Culture Leisure Client		3,028	(271)	2,757	2,137	(239)	1,898
Green Spaces & Amenities		3,731	(1,993)	1,738	3,805	(2,084)	1,721
Streetscene		5,481	(2,191)	3,290	5,334	(2,272)	3,062
Housing & Development Control		2,923	(1,108)	1,815	3,473	(1,106)	2,367
Regeneration & Planning Policy		3,038	(1,061)	1,977	2,741	(1,016)	1,725
Strategic Partnership Client *		1,208	(320)	888	4,244	(682)	3,562
Community, Performance & Policy		802	(235)	567	1,047	(488)	559
Revenues & Benefits *		36,155	(36,793)	(638)	33,871	(35,303)	(1,432)
Governance, Law, Property & Regulation *		4,271	(2,384)	1,887	5,237	(2,760)	2,477
People & Development *		362	-	362	274	-	274
Finance		811	(2)	809	867	(1)	866
Corporate Income & Expenditure		885	(28)	857	794	(32)	762
Cost of Services		64,004	(46,387)	17,617	64,294	(45,983)	18,311
Other Operating Expenditure & Income							
Parish Council Precepts		70	-	70	74	-	74
Pension Fund administration costs		30	-	30	31	-	31
(Gains)/Losses on the disposal of non current assets		1,004	(525)	479	740	(733)	7
Other Income		-	(484)	(484)	-	(388)	(388)
		1,104	(1,009)	95	845	(1,121)	(276)
Financing and Investments							
Pensions interest cost and expected return on pension		6,073	(3,872)	2,201	6,151	(4,121)	2,030
Interest payable and similar charges		891	-	891	887	-	887
Interest receivable and similar income		-	(257)	(257)	-	(178)	(178)
Investment and deposit (gains)/ losses		94	-	94	-	(273)	(273)
Income & expenditure in relation to investment properties		4	-	4	15	-	15
		7,062	(4,129)	2,933	7,053	(4,572)	2,481
Taxation and Non-Specific Grants							
Council Tax Income		-	(6,048)	(6,048)	-	(6,364)	(6,364)
Non-Domestic Rates Income and Expenditure	25	2,361	(3,330)	(969)	-	(6,734)	(6,734)
Revenue Support Grant	25	-	(4,743)	(4,743)	-	(3,660)	(3,660)
Non-Ringfenced government grants	25	-	(1,756)	(1,756)	-	(2,307)	(2,307)
Capital grants and contributions	25	-	(1,909)	(1,909)	-	(2,483)	(2,483)
		2,361	(17,786)	(15,425)	-	(21,548)	(21,548)
(Surplus) / Deficit on Provision of Services		74,531	(69,311)	5,220	72,192	(73,224)	(1,032)
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	9			(3,655)			2,203
Remeasurement of net defined liability (asset)	29a			(11,910)			4,921
Other Comprehensive (Income) / Expenditure				(15,565)			7,124
Total Comprehensive (Income) / Expenditure				(10,345)			6,092

Changes to the Code in 2016/17 require the Council to analyse the costs of service in the same management reporting format used during the year whereas previously this was analysed in accordance with the Service Reporting Code of Practice and has required a restatement of the 2015/16 figures above.

* Those services marked above have been affected by the out-sourcing of work to Liberata plc with effect from 1 January 2016 and therefore reflect only 3 months activity in 2015/16 and a full year in 2016/17. The costs of the transferred services are shown under the heading of Strategic Partnership Client.

MOVEMENT IN RESERVES STATEMENT

MOVEMENT IN RESERVES STATEMENT	General Fund £000s	Earmarked Reserves £000s	Total General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s2	Unusable Reserves £000s	Total Authority Reserves £000s
Balance at 31 March 2015	1,379	7,443	8,822	3,760	488	13,070	(4,494)	8,576
Movement in Reserves during 2015/16								
Surplus/(deficit) on the Provision of Services	(5,220)	-	(5,220)	-	-	(5,220)	-	(5,220)
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	15,565	15,565
Total Comprehensive Income & Expenditure	(5,220)	-	(5,220)	-	-	(5,220)	15,565	10,345
Adjustments between accounting basis & funding basis under regulations (Note 7)	4,750	-	4,750	28	(6)	4,772	(4,772)	-
Net increase/(decrease) before transfers to Reserves	(470)	-	(470)	28	(6)	(448)	10,793	10,345
Transfers to/from Earmarked Reserves (Note 8)	470	(470)	-	-	-	-	-	-
Increase/(decrease) in year	-	(470)	(470)	28	(6)	(448)	10,793	10,345
Balance at 31 March 2016	1,379	6,973	8,352	3,788	482	12,622	6,299	18,921
Movement in Reserves during 2016/17								
Surplus/(deficit) on the Provision of Services	1,032	-	1,032	-	-	1,032	-	1,032
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	(7,124)	(7,124)
Total Comprehensive Income & Expenditure	1,032	-	1,032	-	-	1,032	(7,124)	(6,092)
Adjustments between accounting basis & funding basis under regulations (Note 7)	27	-	27	(295)	406	138	(138)	-
Net increase/(decrease) before transfers to Reserves	1,059	-	1,059	(295)	406	1,170	(7,262)	(6,092)
Transfers to/from Earmarked Reserves (Note 8)	(1,059)	1,059	-	-	-	-		-
Increase/(decrease) in year	-	1,059	1,059	(295)	406	1,170	(7,262)	(6,092)
Balance at 31 March 2017	1,379	8,032	9,411	3,493	888	13,792	(963)	12,829

The Total General Fund Balance column has been included within the Movement in Reserves Statement to comply with changes to the Code in 2016/17.

BALANCE SHEET

BALANCE SHEET	Note	31st March 2016 £000s	31st March 2017 £000s
Property, Plant & Equipment	9	51,007	47,359
Heritage Assets	10	32,751	32,751
Investment Properties	11	11,594	11,698
Intangible Assets		23	12
Long-term Debtors	12d	1,155	1,243
Long-term Assets		**96,530**	**93,063**
Short-term Investments & Deposits	12c	7,000	2,000
Inventories		30	28
Short-term Debtors	13	2,455	3,663
Cash & Cash Equivalents	14	3,601	12,750
Current Assets		**13,086**	**18,441**
Short-term Borrowing	12e	(2,020)	(1,029)
Short-term Creditors	15	(6,014)	(8,684)
Current Provisions	16	(2,934)	(2,818)
Grants Receipts in Advance - Capital	25b	(705)	(571)
Current Liabilities		**(11,673)**	**(13,102)**
Long-term Borrowing	12a	(18,587)	(19,587)
Long-term Provisions	16	(644)	(640)
Net Pensions Liability	29e	(59,402)	(65,061)
Other Long-term Liabilities		(207)	(96)
Grants Receipts in Advance - Capital	25c	(182)	(189)
Long- term Liabilities		**(79,022)**	**(85,573)**
Net Assets		**18,921**	**12,829**
Represented by:			
Usable Reserves	17		
General Fund		1,379	1,379
Earmarked Reserves	8 & 17a	6,973	8,032
Capital Receipts Reserve	17b	3,788	3,493
Capital Grants Unapplied	17c	482	888
		12,622	**13,792**
Unusable Reserves	18		
Revaluation Reserve	18a	52,624	49,467
Capital Adjustment Account	18b	15,313	13,791
Pension Reserve	18c	(59,402)	(65,061)
Deferred Capital Receipts	18d	518	623
Collection Fund Adjustment Account	18e	(2,693)	268
Accumulated Absences Account	18f	(61)	(51)
		6,299	**(963)**
Total Reserves		**18,921**	**12,829**

CASH FLOW STATEMENT

CASH FLOW STATEMENT	Note	2015/16 £000s	2016/17 £000s
Net surplus / (deficit) on the provision of services		(5,220)	1,032
Adjust net (surplus) / deficit on the provision of services for non-cash movements	19a	8,004	4,669
Adjust for items in net (surplus) / deficit on the provision of services that are investing or financing activities	19b	(2,835)	(12,327)
Net cash inflows from operating activities		**(51)**	**(6,626)**
Investing activities	20	(2,084)	6,976
Financing Activities	21	802	8,799
Net increase or decrease in cash and cash equivalents		**(1,333)**	**9,149**
Cash and Cash Equivalents at the beginning of the reporting period		4,934	3,601
Cash and Cash Equivalents at the end of the reporting period		**3,601**	**12,750**

3. Notes to the Accounts

Notes to Core Financial Statements

These financial statements are for the year ended 31 March 2017 and are subject to audit.

Note 1 Accounting Standards Issued, Not 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.

There are a number of amendments to the Code for 2017/18 including reporting of pension scheme transaction costs and the reporting of investments. It is believed that they are not expected to have a material effect on the Council's Statement of Accounts.

The Code requires implementation from 1 April 2017 and there is therefore no impact on the 2016/17 Statement of Accounts.

Note 2 Critical judgements in applying accounting policies

The following are significant management judgements in applying the accounting policies of the Council that have the most significant effect on the financial statements. Critical estimation uncertainties are described in Note 4.

ARRANGEMENTS THAT CONTAIN A LEASE – IMPLIED LEASING

In applying the classification of implied leasing the Authority has assessed its outsourced contract with Urbaser Limited. The contract with the partner has been considered to be an operating lease.

FUNDING

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 as a result of a need to close facilities and reduce levels of service provision.

GROUP BOUNDARIES

The group boundaries have been estimated using the criteria associated with the Code. In line with the Code, the Council has not identified any companies within the group boundary that would require it to complete Group Accounts on grounds of materiality.

INVESTMENT PROPERTIES

Investment properties have been estimated using the identifiable criteria under IFRS of being held for rental income or for capital appreciation. These properties have been assessed using these criteria, which is subject to interpretation.

LEASES

The Council has examined its leases, and classified them as either operating or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgements in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.

COMPONENTISATION LIMITS

Componentisation limits have been set at a minimum value of £100k as it is believed that the effect of different asset lives on items valued at less than this would be trivial to the accounts (see Accounting Policies XVII Property, Plant and Equipment - Depreciation).

Note 3 Events after the reporting period

The Statement of Accounts was certified by the Head of Finance on 31 May 2017. 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 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 4 Assumptions made about the future and other major sources of estimation uncertainty

BUSINESS RATES

Since the introduction of the Business Rates Retention scheme, effective from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses in 2016/17 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2017. The estimate has been calculated using the latest Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2017. The balance of business rate appeals provision held by the Council at this date amounted to £2.688m, which is a decrease of £0.126m from the previous year.

DEBT IMPAIRMENT

At 31 March 2017 the Council has a balance of short-term debtors of £7.422m as per Note 13. A review of significant balances suggested that an impairment allowance for doubtful debts of £3.759m was appropriate. This is an increase of £0.091m from 31 March 2016 as per the table in Note 31. However, in the current climate it is not certain such an allowance would be sufficient. If collection rates were to deteriorate an increase in the amount of the impairment allowance for doubtful debts would be required.

PENSIONS

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

During 2016/17 the Council's actuaries advised that the net liability had increased by £5.659m due to the re-measurement of assets and liabilities. The previous year had seen a decrease of £10.914m.

PROPERTY, PLANT AND EQUIPMENT – (FUNDING IMPLICATIONS)

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. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase in these circumstances.

If funding streams were reduced, in so far that it results in the reduction of service delivery or closure of facilities, this could result in the impairment of assets due to obsolescence. However, the Authority has determined that the level of uncertainty at this time is not sufficient to indicate this course of action.

The items in the Council's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year 2017/18 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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that for every year that useful lives were reduced the annual depreciation charge would increase as follows: Buildings & infrastructure £106k Vehicles & equipment £98k
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 pension liability of changes in individual assumptions have been included in detail within Note 29. Any change in the uncertainties listed opposite would lead to a significant change in the estimated pensions liability reported.
Business Rates Appeals	The introduction of the Business Rates Retention scheme in 2013/14 means that the Council now bears part of the risk for business rates appeals as it retains 40% of all income collected. Previously the Government would have borne the full cost of any successful appeals. As at the end of March 2017, 365 appeals remain outstanding with the Valuation Office Agency. As stated on the previous page, provision has been made for the estimated success of future appeals for losses of income for the period to the end of March.	If the estimated success rate of appeals increased in monetary value by 10%, then this would require the Council to increase the provision for appeals by £269k.
Arrears	Each year the Council reviews the significant balances for Council Tax, Business Rates 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, a doubling of the amount of the impairment allowance for doubtful debts would require an additional £644k for Council Tax debts, £521k for business rates and £207k for sundry debts.

Note 5 Expenditure and Funding Analysis

	2015/16			2016/17		
Table a - EXPENDITURE AND FUNDING ANALYSIS	Net Expenditure chargeable to the General Fund Balance £000s	Adjustments between the Funding and Accounting Basis £000s	Net Expenditure in the Comprehensive Income and Expenditure Statement £000s	Net Expenditure chargeable to the General Fund Balance £000s	Adjustments between the Funding and Accounting Basis £000s	Net Expenditure in the Comprehensive Income and Expenditure Statement £000s
Continuing Services						
Management Team	437	14	451	471	(1)	470
Customer & IT Services *	834	23	857	-	-	-
Sport & Culture Leisure Client	1,054	1,703	2,757	746	1,152	1,898
Green Spaces & Amenities	1,177	561	1,738	1,096	625	1,721
Streetscene	3,061	229	3,290	2,740	322	3,062
Housing & Development Control	436	1,379	1,815	380	1,987	2,367
Regeneration & Planning Policy	1,174	803	1,977	947	778	1,725
Strategic Partnership Client *	888	-	888	3,562	-	3,562
Community, Performance & Policy	466	101	567	478	81	559
Revenues & Benefits *	(650)	12	(638)	(1,432)	-	(1,432)
Governance, Law, Property & Regulation *	1,163	724	1,887	524	1,953	2,477
People & Development *	355	7	362	274	-	274
Finance	792	17	809	867	(1)	866
Corporate Income & Expenditure	2,334	(1,477)	857	2,061	(1,299)	762
Net Cost of Services	13,521	4,096	17,617	12,714	5,597	18,311
Other Operating Income and Expenditure	624	(529)	95	2,667	(2,943)	(276)
Financing and Investments Income and Expenditure	638	2,295	2,933	724	1,757	2,481
Taxation and Non-Specific Grant Income and Expenditure	(14,783)	(642)	(15,425)	(16,105)	(5,443)	(21,548)
Other Income and Expenditure	(13,521)	1,124	(12,397)	(12,714)	(6,629)	(19,343)
(Surplus) or Deficit on Provision of Services	-	5,220	5,220	-	(1,032)	(1,032)
Opening General Fund Balance	1,379			1,379		
Less/Plus (Surplus) or Deficit on General Fund Balance in Year	-			-		
Closing General Fund Balance at 31 March	1,379			1,379		

	2015/16				2016/17			
Table b - EXPENDITURE AND FUNDING ANALYSIS - Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £000s	Net Change for Pensions Adjustments £000s	Other Differences £000s	Total Adjustments £000s	Adjustments for Capital Purposes £000s	Net Change for Pensions Adjustments £000s	Other Differences £000s	Total Adjustments £000s
Continuing Services								
Management Team	-	11	3	14	-	(1)	-	(1)
Customer & IT Services *	12	18	(7)	23	-	-	-	-
Sport & Culture Leisure Client	1,703	-	-	1,703	1,152	-	-	1,152
Green Spaces & Amenities	519	41	1	561	632	(3)	(4)	625
Streetscene	199	27	3	229	328	(2)	(4)	322
Housing & Development Control	1,348	27	4	1,379	1,993	(2)	(4)	1,987
Regeneration & Planning Policy	775	28	-	803	779	(2)	1	778
Strategic Partnership Client *	-	-	-	-	-	-	-	-
Community, Performance & Policy	91	11	(1)	101	80	-	1	81
Revenues & Benefits *	-	19	(7)	12	-	-	-	-
Governance, Law, Property & Regulation *	691	36	(3)	724	1,955	(1)	(1)	1,953
People & Development *	-	7	-	7	-	-	-	-
Finance	-	17	-	17	-	(1)	-	(1)
Corporate Income & Expenditure	-	(1,477)	-	(1,477)	12	(1,311)	-	(1,299)
Net Cost of Services	5,338	(1,235)	(7)	4,096	6,931	(1,323)	(11)	5,597
Other Income and Expenditure	(2)	30	(557)	(529)	(382)	31	(2,592)	(2,943)
Financing and Investments Income and Expenditure	94	2,201	-	2,295	(273)	2,030	-	1,757
Taxation and Non-Specific Grant Income and Expenditure	(1,908)	-	1,266	(642)	(2,482)	-	(2,961)	(5,443)
Other Income and Expenditure	(1,816)	2,231	709	1,124	(3,137)	2,061	(5,553)	(6,629)
Difference between (Surplus) or Deficit and the Comprehensive Income and Expenditure (Surplus) or Deficit on the Provision of Services	3,522	996	702	5,220	3,794	738	(5,564)	(1,032)

Table c - Income received on a segmental basis	2015/16 Income from Services £000s	2016/17 Income from Services £000s
Services		
Customer & IT Services *	(1)	-
Sport & Culture Leisure Client	(271)	(239)
Green Spaces & Amenities	(1,993)	(2,084)
Streetscene	(2,191)	(2,272)
Housing & Development Control	(1,108)	(1,106)
Regeneration & Planning Policy	(1,061)	(1,016)
Strategic Partnership Client *	(320)	(682)
Community, Performance & Policy	(235)	(488)
Revenues & Benefits *	(36,793)	(35,303)
Governance, Law, Property & Regulation *	(2,384)	(2,760)
People & Development *	-	-
Finance	(2)	(1)
Corporate Income & Expenditure	(28)	(32)
Total income analysed on a segmental basis	(46,387)	(45,983)

* Those services marked above have been affected by the out-sourcing of work to Liberata plc with effect from 1 January 2016 and therefore reflect only 3 months activity in 2015/16 and a full year in 2016/17. The costs of the transferred services are shown under the heading of Strategic Partnership Client.

Note 6 Expenditure and Income Analysed by Nature

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

Expenditure and Income	2015/16 £000s	2016/17 £000s
Expenditure		
Employee benefits expenses	13,107	11,223
Other services expenses	50,267	51,798
Support service recharges	11,025	11,541
Depreciation, amortisation, impairment	2,957	3,076
Interest payments	891	887
Precepts and levies	70	74
Gain on the disposal of assets	479	7
Total expenditure	78,796	78,606
Income		
Fees, charges and other service income	(8,455)	(8,864)
Support service recharges	(11,025)	(11,541)
Interest and investment income	(257)	(178)
Income from council tax and non-domestic rates	(7,017)	(14,392)
Government grants and contributions	(46,822)	(44,663)
Total income	(73,576)	(79,638)
(Surplus) or Deficit on the Provision of Services	5,220	(1,032)

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

GENERAL FUND

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

CAPITAL RECEIPTS RESERVE

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

CAPITAL GRANTS UNAPPLIED

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. This reserve holds the balance of grants unapplied at year-end. The Capital Grants Unapplied balance is for Disabled Facilities Grant that has not yet been utilised.

Table a - Adjustments between accounting basis and funding basis under regulations 2015/16 Comparative Figures	Usable Reserves General Fund Balance £000s	Usable Reserves Capital Receipts Reserve £000s	Usable Reserves Capital Grants Unapplied £000s	Movement in Usable Reserves £000s	Movement in Unusable Reserves £000s
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	1,695	-	-	1,695	(1,695)
Revaluation losses on Property, Plant and Equipment	1,156	-	-	1,156	(1,156)
Movements in the fair value of Investment Properties	94	-	-	94	(94)
Amortisation of intangible assets	12	-	-	12	(12)
Capital grants and contributions applied	(1,539)	-	-	(1,539)	1,539
Revenue expenditure funded from capital under statute	3,068	-	-	3,068	(3,068)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,004	-	-	1,004	(1,004)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				-	-
Statutory provision for the financing of capital investment	(695)	-	-	(695)	695
Capital expenditure charged against the General Fund	(332)	-	-	(332)	332
Adjustments primarily involving the Capital Adjustment Account	**4,463**	**-**	**-**	**4,463**	**(4,463)**
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(904)	971	-	67	(67)
Use of the Capital Receipts Reserve to finance new capital expenditure		(943)	-	(943)	943
Adjustments primarily involving the Capital Receipts Reserve	**(904)**	**28**	**-**	**(876)**	**876**
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(962)	-	962	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(968)	(968)	968
Adjustments primarily involving the Capital Grants Unapplied Account	**(962)**	**-**	**(6)**	**(968)**	**968**
Transfer of deferred loan repayments in respect of long-term debtors	(102)	-	-	(102)	102
Adjustments primarily involving the Deferred Capital Receipts Reserve	**(102)**	**-**	**-**	**(102)**	**102**
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,936	-	-	3,936	(3,936)
Employer's pension contributions and direct payments to pensioners payable in the year	(2,940)	-	-	(2,940)	2,940
Adjustments primarily involving the Pensions Reserve	**996**	**-**	**-**	**996**	**(996)**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,266	-	-	1,266	(1,266)
Adjustments primarily involving the Collection Fund Adjustment Account	**1,266**	**-**	**-**	**1,266**	**(1,266)**
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(7)	-	-	(7)	7
Adjustments primarily involving the Accumulated Absences Account	**(7)**	**-**	**-**	**(7)**	**7**
Total Adjustments	**4,750**	**28**	**(6)**	**4,772**	**(4,772)**

Table b - Adjustments between accounting basis and funding basis under regulations 2016/17	Usable Reserves General Fund Balance £000s	Usable Reserves Capital Receipts Reserve £000s	Usable Reserves Capital Grants Unapplied £000s	Movement in Usable Reserves £000s	Movement in Unusable Reserves £000s
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	1,705	-	-	1,705	(1,705)
Revaluation losses on Property, Plant and Equipment	1,633	-	-	1,633	(1,633)
Movements in the fair value of Investment Properties	(273)	-	-	(273)	273
Amortisation of intangible assets	12	-	-	12	(12)
Capital grants and contributions applied	(1,379)	-	-	(1,379)	1,379
Revenue expenditure funded from capital under statute	4,325	-	-	4,325	(4,325)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	740	-	-	740	(740)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	(780)	-	-	(780)	780
Capital expenditure charged against the General Fund	(754)	-	-	(754)	754
Adjustments primarily involving the Capital Adjustment Account	**5,229**	**-**	**-**	**5,229**	**(5,229)**
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(949)	1,017	-	68	(68)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(1,312)	-	(1,312)	1,312
Adjustments primarily involving the Capital Receipts Reserve	**(949)**	**(295)**	**-**	**(1,244)**	**1,244**
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,847)	-	1,847	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(1,441)	(1,441)	1,441
Adjustments primarily involving the Capital Grants Unapplied Account	**(1,847)**	**-**	**406**	**(1,441)**	**1,441**
					-
Transfer of deferred loan repayments in respect of long-term debtors	(173)	-	-	(173)	173
Adjustments primarily involving the Deferred Capital Receipts Reserve	**(173)**	**-**	**-**	**(173)**	**173**
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,544	-	-	3,544	(3,544)
Employer's pension contributions and direct payments to pensioners payable in the year	(2,806)	-	-	(2,806)	2,806
Adjustments primarily involving the Pensions Reserve	**738**	**-**	**-**	**738**	**(738)**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance	(2,961)	-	-	(2,961)	2,961
Adjustments primarily involving the Collection Fund Adjustment Account	**(2,961)**	**-**	**-**	**(2,961)**	**2,961**
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(10)	-	-	(10)	10
Adjustments primarily involving the Accumulated Absences Account	**(10)**	**-**	**-**	**(10)**	**10**
Total Adjustments	27	(295)	406	138	(138)

Note 8 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17.

		2015/16			2016/17		
Transfers to/from Earmarked Reserves Earmarked Reserves	Balance at 31 March 2015 £000s	Net transfers In/(Out) £000s	Movements between Reserves £000s	Balance at 31 March 2016 £000s	Net transfers In/(Out) £000s	Movements between Reserves £000s	Balance at 31 March 2017 £000s
Specific Reserves							
Taxi Licensing	25	(12)	-	13	(1)	-	12
Selective Licensing	344	94	-	438	(58)	-	380
Local Development Framework	71	96	-	167	(17)	-	150
Housing Benefit Admin Subsidy	176	(62)	-	114	9	(89)	34
Transport & Plant Replacement	51	45	-	96	(96)	-	-
Rail Services	90	(16)	-	74	-	(54)	20
Revenue Grants Unapplied	114	(3)	-	111	265	-	376
Flood	-	-	300	300	(65)	-	235
Primary Engineer	-	55	110	165	(30)	-	135
Town Centre Management	-	550	50	600	(225)	-	375
Town Centre Master Plan (New)	-	-	-	-	-	143	143
Burnley Bondholders (New)	-	-	-	-	2	36	38
	871	747	460	2,078	(216)	36	1,898
Strategic Reserves							
Transformation	2,945	14	(245)	2,714	35	-	2,749
Growth	2,415	(19)	(215)	2,181	481	(36)	2,626
	5,360	(5)	(460)	4,895	516	(36)	5,375
Collection Fund Reserve							
Business Rates Retention Volatility	1,212	(1,212)	-	-	759	-	759
Total	7,443	(470)	-	6,973	1,059	-	8,032

The Council's earmarked reserves are held for the following purposes:

SPECIFIC OPERATIONAL RESERVES

Ring-fenced reserves held for operational needs to provide for anticipated future liabilities and to support the operational delivery of specific services. These include:

Taxi Licensing Reserve - under the Local Government (Miscellaneous Provisions) Act 1976 the Council is only permitted to set licence fees to recover the costs of the Taxi Licensing Service, and the effect of this legislation is to prevent fees being set at a level that will result in a 'profit' to the Council. The annual licence fees are calculated in accordance with the three year pricing policy agreed by the Council's Executive to establish a consistent and fair mechanism for fee setting and avoid large fluctuations in running costs from one year to the next. Any surplus or deficit from previous financial years is transferred into the taxi licensing reserve, in order to maintain a cost-neutral effect on the Council's finances, which is then available for use as part of the three year pricing policy and assist in the equalisation of future licence fees.

Selective Licensing Reserve – this reserve is to accumulate the income from licences granted to landlords to cover the cost of administering the selective licensing initiative.

Local Development Framework Reserve – funded by savings and specific grants received in previous years, this reserve will meet additional costs through changes to the framework governing local planning and development control issues.

Housing Benefit Administration Subsidy Reserve – to support spending on the additional administration costs due to increased number of payments of housing benefit and the changes to the benefits system.

Transport & Plant Replacement Reserve – funded by savings on lease contracts, all transport and grounds maintenance equipment is now purchased through the use of this reserve which has generated longer term savings.

Rail Services Reserve – A contingency to underwrite the costs incurred in the Burnley to Manchester rail service in conjunction with Lancashire County Council (the Transport Authority).

Revenue Grants Unapplied Reserve – the Council established this reserve in 2014/15 containing Government grants and external contributions that have no conditions attached that are being set aside for spending on specific services.

Flood Reserve – this was created in 2015/16 to safeguard the Council against the costs of flood repairs to Council properties and to compensate individuals and businesses following the inclement weather in autumn 2015. The work in progress at Padiham Town Hall for flood damage is utilising this reserve.

Primary Engineer Reserve – this was created in 2015/16 to enable the Council to support a three-year training initiative in schools within Burnley.

Town Centre Management Reserve – this was created in 2015/16 to assist the Council in progressing further development works in the town centre.

Town Centre Masterplan Reserve – this has been created in 2016/17 to assist the Council in procuring the expertise to carry out a master planning exercise and is seeking to appoint a suitably qualified multi-disciplinary consultancy team to develop a vision and plan for the town centre. It will enable the Council to deliver a major town centre regeneration scheme.

Burnley Bondholders Reserve – this has been created in 2016/17 to manage the excess sponsorship contributions from the bondholders' organisations which are primarily used to fund the Burnley brand and marketing officer and marketing of the town to attract economic investment into the area. These monies were previously held in the Growth Reserve.

STRATEGIC RESERVES

Held to provide short-term investment for strategic priorities to give flexibility in the use of corporate resources and strategic service transformation and ability to ensure services remain fit for purpose and deliver value for money. The two reserves are:-

Transformation Reserve – this has been created to mitigate the impact of any one-off expenditure that arises from organisational and transformational change and to assist with organisational downsizing.

Growth Reserve – this is used to pump prime projects that deliver demonstrable wider strategic benefits that enable the Council to fulfil its place shaping role for Burnley.

COLLECTION FUND RESERVE

Business Rates Volatility Reserve – this is used to safeguard the Council against the timing differences within the business rates retention system.

Note 9 Property, Plant & Equipment

* The two figures in each of the tables below, totalling £2.203m deficit in 2016/17 (£3.655m surplus in 2015/16), reflect the deficit or surplus on revaluation that appears at the bottom of the Comprehensive Income and Expenditure Statement.

Table a - Property, Plant & Equipment Comparative Movements in 2015/16	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Surplus Assets £000s	Assets Under Construction £000s	Community Assets £000s	Total Property, Plant & Equipment £000s
Cost or Valuation						
At 1 April 2015	34,589	7,803	8,787	1,553	2,534	55,266
Additions	1,468	291	714	-	-	2,473
* Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,239	-	2,353	-	2	3,594
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(575)	-	(581)	-	-	(1,156)
Derecognition - disposals	-	(2,485)	(642)	-	-	(3,127)
Assets reclassified (to)/from Investment Properties	11	-	668	-	-	679
Other movements in cost or valuation	1,881	-	(328)	(1,553)	-	-
At 31 March 2016	38,613	5,609	10,971	-	2,536	57,729
Accumulated Depreciation and Impairment						
At 1 April 2015	(1,225)	(5,962)	-	-	(24)	(7,211)
Depreciation charge	(1,366)	(329)	-	-	-	(1,695)
* Depreciation written out to the Revaluation Reserve	61	-	-	-	-	61
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	2,123	-	-	-	2,123
At 31 March 2016	(2,530)	(4,168)	-	-	(24)	(6,722)
Net Book Value						
At 31 March 2016	36,083	1,441	10,971	-	2,512	51,007
At 31 March 2015	33,364	1,841	8,787	1,553	2,510	48,055

Table b - Property, Plant & Equipment Movements in 2016/17	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Surplus Assets £000s	Assets Under Construction £000s	Community Assets £000s	Total Property, Plant & Equipment £000s
Cost or Valuation						
At 1 April 2016	38,613	5,609	10,971	-	2,536	57,729
Additions	76	232	516	1,640	-	2,464
* Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,876)	-	(66)	(399)	(16)	(2,357)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(547)	-	(726)	(360)	-	(1,633)
Derecognition - disposals	-	-	(740)	-	-	(740)
Assets reclassified (to)/from Investment Properties	19	-	150	-	-	169
Other movements in cost or valuation	65	-	(824)	759	-	-
At 31 March 2017	36,350	5,841	9,281	1,640	2,520	55,632
Accumulated Depreciation and Impairment						
At 1 April 2016	(2,530)	(4,168)	-	-	(24)	(6,722)
Depreciation charge	(1,333)	(372)	-	-	-	(1,705)
* Depreciation written out to the Revaluation Reserve	154	-	-	-	-	154
At 31 March 2017	(3,709)	(4,540)	-	-	(24)	(8,273)
Net Book Value						-
At 31 March 2017	32,641	1,301	9,281	1,640	2,496	47,359
At 31 March 2016	36,083	1,441	10,971	-	2,512	51,007

DEPRECIATION

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Land and Buildings 20 – 60 years
- Vehicles, Plant and Equipment 3 – 10 years

CAPITAL COMMITMENTS

At 31 March 2017, the Authority has significant commitments for future capital expenditure in 2017/18 and future years budgeted to cost £7.330m. Similar commitments at 31 March 2016 were £2.970m. The commitments are:

Table c - Capital Commitments	£000s
Infrastructure & Highways Improvements	42
Burnley Town Centre Pedestrianisation	253
Padiham Town Hall Flood Works	320
Empty Homes Programme	1,297
Disabled Facilities Grant	89
Weavers Triangle - Starter Homes	386
Markets Safety Works	1,580
Vision Park	3,363
Total	7,330

REVALUATIONS

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. However in 2014/15 officers undertook a complete revaluation exercise and started the rolling programme again in 2015/16. All valuations were carried out internally by professionally qualified surveyors. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on historic cost.

Table d - Revaluations	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Surplus Assets £000s	Total £000s
Carried at historical cost	-	1,301	-	1,301
Valued at current value as at:				
31 March 2017	7,232	-	9,281	16,513
31 March 2016	25,409	-	-	25,409
Total Cost or Valuation at 31 March 2017	32,641	1,301	9,281	43,223

Note 10 Heritage Assets

RECONCILIATION OF THE CARRYING VALUE OF HERITAGE ASSETS HELD BY THE AUTHORITY

Heritage Assets Movements in 2015/16	Oil Paintings £000s	Water Colours £000s	Furniture £000s	Sculpture £000s	Ceramics £000s	Other £000s	Total Property, Plant & Equipment £000s
Cost or Valuation							
At 1 April 2015	25,908	1,546	2,024	1,218	601	1,454	32,751
At 31 March 2016	25,908	1,546	2,024	1,218	601	1,454	32,751

Heritage Assets Movements in 2016/17	Oil Paintings £000s	Water Colours £000s	Furniture £000s	Sculpture £000s	Ceramics £000s	Other £000s	Total Property, Plant & Equipment £000s
Cost or Valuation							
At 1 April 2016	25,908	1,546	2,024	1,218	601	1,454	32,751
At 31 March 2017	25,908	1,546	2,024	1,218	601	1,454	32,751

The Council's external valuer, Bonhams, carried out a full valuation of the collection of exhibits in November 2011 with a valuation date as at 31 March 2012. The valuations were based on commercial markets including recent transaction information from auctions where similar types of artefacts are regularly being purchased. In 2016/17 (as in 2015/16) there have been no material additions or disposals and the whole collection is not due to be revalued until 2022.

The Council's Heritage Assets are held at Towneley Hall Art Gallery & Museum and Burnley Town Hall. The collections (along with the percentage on display at any given time) can be broadly divided into:

Fine art – oil paintings (70%), watercolour paintings (0%), works on paper (2%) and book illustrations (1880-1920) (0%)

Furniture (99%)
Sculpture (98%)
Ceramics (10%), ivories (14%) and glass (5%)
Military medals (13%)
Numismatics (0%), medals (0%) and horology (2%)
Silver and silver plate (1%)
Costume and textiles (5%), including vestments (100%)
Arms and armour (3%)
Archaeology (local) (0%)
Egyptology (23%)
Ethnography (3%)
Natural history (15%) and geology (4%)
Local, social and industrial history (80%) (Artefacts, archives and photographs)
War memorials (100%)

Further details of the various collections can be found on the Council's website by following the link:
http://www.burnley.gov.uk/sites/default/files/Heritage%20Assets%20-%20Further%20Information.pdf

Note 11 Investment Properties

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

Table a - Investment Properties Income and Expenses	2015/16 £000s	2016/17 £000s
Rental income from investment property	1,005	956
Direct operating expenses arising from investment property	(80)	(63)
Net gain / (loss)	925	893

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

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

Table b - Investment Properties	2015/16 £000s	2016/17 £000s
Balance at start of the year	12,367	11,594
Net gains / (losses) from fair value adjustments	(94)	273
Transfers:		
(To) / from Property, Plant and Equipment	(679)	(169)
Balance at end of the year	11,594	11,698

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2017 shows that the fair value was £11.698m (31/3/16 = £11.594m) and that the assets were all commercial units / office units and valued using level 2 - other significant observable inputs. The fair values attributed to level 2 categorisation in the fair value hierarchy have been based upon the market approach using current market conditions and recent sales prices and other relevant transactional information for similar assets across the locality. In estimating the fair value of the Council's investment properties the highest and best use of the properties is their current use.

Note 12 Financial Instruments

CATEGORIES OF FINANCIAL INSTRUMENTS

The following categories of financial instrument are carried in the Balance Sheet. The PWLB Long-Term Loans of £19.587m (£18.587m in 2015/16) are described as Long-Term Borrowing.

Table a - Categories of Financial Instruments	Long-term 31 March 2016 £000s	Long-term 31 March 2017 £000s	Current 31 March 2016 £000s	Current 31 March 2017 £000s	Fair Value Hierarchy Catergorisation Level
Investments and Deposits (Note 12c)					
Loans and receivables	-	-	10,292	14,072	1
Bank Current Account	-	-	302	670	1
Total Investments and Deposits	**-**	**-**	**10,594**	**14,742**	
Debtors					
Long-Term Loans and receivables (Note 12d)	1,155	1,243	-	-	1
Financial Assets carried at contract amounts (Note 13)	-	-	1,835	2,754	1
Debtors that are not financial instruments	-	-	620	909	1
Total Debtors	**1,155**	**1,243**	**2,455**	**3,663**	
Borrowings					
PWLB Loans	(18,587)	(19,587)	(2,000)	(1,000)	2
Local Loans	-	-	(20)	(29)	1
Bank Overdraft	-	-	-	-	1
Total Borrowings	**(18,587)**	**(19,587)**	**(2,020)**	**(1,029)**	
Creditors (Note 15)					
Financial liabilities carried at contract amount	-	-	(5,501)	(3,832)	1
Creditors that are not financial instruments			(513)	(4,852)	1
Total Creditors	**-**	**-**	**(6,014)**	**(8,684)**	

INCOME, EXPENSE, GAINS AND LOSSES

Table b - Income, Expense, Gains and Losses	2015/16 Financial Liabilities measured at amortised cost £000s	2015/16 Financial Assets: Loans and receivables £000s	2015/16 Financial Assets: Available for sale £000s	2015/16 Total £000s	2016/17 Financial Liabilities measured at amortised cost £000s	2016/17 Financial Assets: Loans and receivables £000s	2016/17 Financial Assets: Available for sale £000s	2016/17 Total £000s
Interest expense	(891)	-	-	**(891)**	(887)	-	-	**(887)**
Total expense in Surplus or Deficit on the Provision of Services	**(891)**	**-**	**-**	**(891)**	**(887)**	**-**	**-**	**(887)**
Interest income	-	257	-	**257**	-	178	-	**178**
Total income in Surplus or Deficit on the Provision of Services	**-**	**257**	**-**	**257**	**-**	**178**	**-**	**178**
Net gain/(loss) for the year	**(891)**	**257**	**-**	**(634)**	**(887)**	**178**	**-**	**(709)**

INVESTMENTS AND DEPOSITS

Table c - Investments and Deposits	Long-term 31 March 2016 £000s	Long-term 31 March 2017 £000s	Current 31 March 2016 £000s	Current 31 March 2017 £000s
Loans and receivables				
Short-term deposits with other banks between 3 and 12 months	-	-	7,000	2,000
Total Short-term Investments and Deposits	-	-	7,000	2,000
Cash and Cash Equivalents (Note 14)				
Short-term deposits in call account with Council's bank (HSBC)	-	-	3,292	9,072
Short-term deposits with other banks < 3 months	-	-	-	3,000
Current Account with HSBC bank	-	-	302	670
Total Investments and Deposits in Cash and Cash Equivalents	-	-	3,594	12,742

LONG-TERM DEBTORS

Table d - Long-Term Debtors	Pendle Council transferred services debt £000s	Mortgages - Muir Housing Association £000s	Mortgages - Royal British Housing Association £000s	Empty Homes Loans £000s	Total £000s
Balance at 1 April 2016	140	378	119	518	1,155
Advances	-	-	-	173	173
Receipts	(7)	(9)	(1)	(68)	(85)
Balance at 31 March 2017	133	369	118	623	1,243

SHORT-TERM BORROWING

Table e - Short-Term Borrowing	31 March 2016 £000s	31 March 2017 £000s
Financial liabilities at amortised cost		
PWLB Loans	(2,000)	(1,000)
Local Loans	(20)	(29)
Total Short-Term Borrowing	(2,020)	(1,029)

FAIR VALUES OF ASSETS AND LIABILITIES

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

- The fair value of our Public Works Loan Board (PWLB) loans is the amount that would have been payable had those loans been repaid to the PWLB on the balance sheet date rather than on their contracted future maturity date. This valuation takes into account the premiums that would be payable or discounts receivable on early repayment of loans to the PWLB. These premiums and discounts depend on the rate and period of each individual loan and on rates for loans with similar periods to maturity prevailing at the balance sheet date. Accrued interest is also included in the fair value.

- The valuations use the Net Present Value (NPV) approach, which provides an estimate of the value of payments in the future in today's terms. This is a widely accepted valuation technique commonly used by the private sector. The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market. In such cases, we have used the prevailing rate of a similar instrument with a published market rate, as the discount factor.
- 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 billing amount.

FAIR VALUES OF ASSETS AND LIABILITIES

Table f - Fair Values of Assets and Liabilit	31 March 2016 Carrying amount £000s	31 March 2016 Fair value £000s	31 March 2017 carrying amount £000s	31 March 2017 Fair value £000s
Financial liabilities				
PWLB borrowing	(20,587)	(23,654)	(20,587)	(24,520)
Other borrowing	(20)	(20)	(29)	(29)
Total financial liabilities	**(20,607)**	**(23,674)**	**(20,616)**	**(24,549)**
Loans and receivables				
Long-term debtors	1,155	1,155	1,243	1,243
Total financial assets	**1,155**	**1,155**	**1,243**	**1,243**

In terms of the Public Works Loan Board (PWLB) debt the fair value is different than the carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. As the purpose of the fair value disclosure is primarily to provide a comparison with the carrying amount in the balance sheet and as this contains accrued interest then the fair value figure also includes accrued interest.

When calculating the fair value of PWLB debt our Treasury Management consultants have used the borrowing rate for new PWLB loans as the discount factor for all borrowing whereas the PWLB use the premature repayment rates for their values. The Code Guidance Notes for Practitioners confirms that it is acceptable for either or both valuations to be used. In 2016/17, applying premature repayment rates results in a fair value figure for PWLB borrowing of £27.780m rather than the value of £24.520m shown in the table above.

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

Note 13 Short-term Debtors

The short-term debtors shown in the table below are net of impairment allowance for doubtful debts.

Table a - Short-Term Debtors	31 March 2016	31 March 2017
Central Government Bodies	421	493
Other Local Authorities	356	1,030
NHS Bodies	3	1
Public Corporations	-	-
Other Entities and Individuals	1,675	2,139
Total	2,455	3,663

A breakdown of the impairment allowance for doubtful debts figures reflected in the table above is as follows:

Table b - Impairment Allowance for Doubtful Debts	31 March 2016 £000s	31 March 2017 £000s
NDR	(544)	(521)
Council Tax	(557)	(644)
Court Fees	(967)	(1,030)
Housing Benefits	(1,197)	(1,274)
General	(403)	(290)
Total	(3,668)	(3,759)

The gross total of the short-term debtors as at the 31 March 2017 is £7.422m (31 March 2016 was £6.123m).

Note 14 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

Cash and Cash Equivalents	31 March 2016	31 March 2017
Cash held by the Authority	7	8
Bank current account	302	670
Short-term deposits in call account with Council's bank	3,292	9,072
Short-term deposits with other banks < 3 months	-	3,000
Total Cash and Cash Equivalents	3,601	12,750

Note 15 Short-term Creditors

Short-Term Creditors	31 March 2016	31 March 2017
Central Government Bodies	(850)	(4,049)
Other Local Authorities	(974)	(1,558)
Other Entities & Individuals	(4,190)	(3,077)
Total	(6,014)	(8,684)

Note 16 Provisions

Table a - Current Provisions	Provision for Legal Expenses £000s	NDR Appeals £000s	Total £000s
Balance at 1 April 2016	(120)	(2,814)	(2,934)
Additional provisions made in 2016/17	(55)	(523)	(578)
Amounts used in 2016/17	45	649	694
Balance at 31 March 2017	(130)	(2,688)	(2,818)

Table b - Long-Term Provisions	Overarching Development costs £000s	Bonds and deposits £000s	Total £000s
Balance at 1 April 2016	(550)	(94)	(644)
Additional provisions made in 2016/17	-	(49)	(49)
Amounts used in 2016/17	-	53	53
Balance at 31 March 2017	(550)	(90)	(640)

Provisions have been made in the current and previous Statement(s) of Account to set aside amounts to meet future expenditure. These provisions are made at the point where a given liability arises but where the expenditure relating to the liability has not yet been made. The balance on the provisions account therefore reflects the balance of unpaid known liabilities which have already been charged to the Council's revenue account. When the liability is paid the expenditure is charged against the provision. The four outstanding provisions shown above are:

LEGAL EXPENSES

A provision has now been made for the Council's estimated legal costs for litigation in court proceedings (or in contemplation thereof) resulting from a number of potential legal disputes.

OVERARCHING DEVELOPMENT AGREEMENT

A provision has been made for the Council's estimated share of the costs of recent housing site developments around Burnley. The payment is due in 2018 but will be dependent on whether the planned number of properties will be achieved. This is the maximum sum to which the Council may be liable.

BONDS AND DEPOSITS

The Council has many contracts with third parties where the outcome of the contract is partially guaranteed by performance bonds or cash in lieu of such bonds. This ensures that remedial works can be undertaken in the event of any failure by the contractor to complete the works. The bonds and deposits are usually repaid upon completion of the works or exceptionally used to fund remedial works.

NON-DOMESTIC RATES APPEALS

This provision for Business Rates Appeals was created as a result of the adoption in 2013/14 of the Business Rates Retention scheme which means that the Council now bears part of the risk for future appeals. These were borne by the Government under the old scheme. The Councils' estimate of the value of outstanding appeals up to 31 March 2017 is £6,719,502 (£7,036,319 as at 31 March 2016), the value of appeals used in completing the collection fund position as at 31 March 2017. The Council has made a provision for 40% of this figure totalling £2,687,801 (£2,814,528 in 2015/16) within the provisions in the 2016/17 accounts.

Note 17 Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Notes 7 and 8.

Table a - Usable Reserves	31 March 2016	31 March 2017
General Fund	1,379	1,379
Earmarked Reserves	6,973	8,032
Capital Receipts Reserve	3,788	3,493
Capital Grants Unapplied Reserve	482	888
Total Usable Reserves	**12,622**	**13,792**

Table b - Capital Receipts Reserve	2015/16 £000s	2016/17 £000s
Balance at 1 April	**3,760**	**3,788**
Capital receipts in year		
Sale of Assets	525	733
Other Income	379	216
Transfer from Deferred Capital Receipts Reserve	67	68
Capital receipts used to fund capital expenditure	(943)	(1,312)
Balance at 31 March	**3,788**	**3,493**

Table c - Capital Grants Unapplied Reserve	2015/16 £000s	2016/17 £000s
Balance at 1 April	**488**	**482**
Receipts in year	962	1,847
Receipts Applied in year	(968)	(1,441)
Balance at 31 March	**482**	**888**

CAPITAL GRANTS UNAPPLIED

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. This reserve holds the balance of grants unapplied at year-end. The Capital Grants Unapplied balance is for Disabled Facilities Grant that has not yet been utilised.

Note 18 Unusable Reserves

Unusable Reserves	2015/16 £000s	2016/17 £000s
Revaluation reserve	52,624	49,467
Capital Adjustment Account	15,313	13,791
Pensions Reserve	(59,402)	(65,061)
Deferred Capital Receipts Reserve	518	623
Collection Fund Adjustment Account	(2,693)	268
Accumulated Absences Account	(61)	(51)
Total Unusable Reserves	**6,299**	**(963)**

REVALUATION RESERVE (NOTE 18A)

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

- Revalued downwards or impaired and the gains are lost.
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

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

Revaluation Reserve	2015/16 £000s	2016/17 £000s
Balance at 1 April	**49,437**	**52,624**
Upward revaluation of assets	4,412	539
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(757)	(2,742)
Surplus or (deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**3,655**	**(2,203)**
Difference between fair value depreciation and historical cost depreciation	(280)	(616)
Accumulated gains on assets sold or scrapped	(188)	(338)
Amounts written off to the Capital Adjustment Account	**(468)**	**(954)**
Balance at 31 March	**52,624**	**49,467**

CAPITAL ADJUSTMENT ACCOUNT (NOTE 18B)

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

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

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

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

.

Capital Adjustment Account	2015/16 £000s	2016/17 £000s
Balance at 1 April	**17,397**	**15,313**
Writing out of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(1,695)	(1,705)
Revaluation losses on Property, Plant and Equipment	(1,156)	(1,633)
Amortisation of intangible assets	(12)	(12)
Revenue expenditure funded from capital under statute	(3,068)	(4,325)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,004)	(740)
Adjusting amounts written out of the Revaluation Reserve	468	954
Net written out amount of the cost of non-current assets consumed in the year	**(6,467)**	**(7,461)**
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	943	1,312
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,539	1,379
Application of grants to capital financing from the Capital Grants Unapplied Account	968	1,441
Statutory provision for the financing of capital investment charged against the General Fund balance	695	780
Capital expenditure charged against the General Fund balance	332	754
Capital financing applied in the year	**4,477**	**5,666**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(94)	273
Balance at 31 March	**15,313**	**13,791**

PENSIONS RESERVE (NOTE 18C)

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

Pensions Reserve	2015/16 £000s	2016/17 £000s
Balance at 1 April	(70,316)	(59,402)
Actuarial gains or (losses) on pensions assets and liabilities	11,910	(4,921)
Reversal of items relating to retirement benefits debited or credited	(3,936)	(3,544)
Employer's pensions contributions and direct payments to pensioners payable in year	2,940	2,806
Balance at 31 March	(59,402)	(65,061)

DEFERRED CAPITAL RECEIPTS RESERVE (NOTE 18D)

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts.

Deferred Capital Receipts Reserve	2015/16 £000s	2016/17 £000s
Balance at 1 April	483	518
Transfer of deferred loan repayments in respect of long-term debtors credited to the Comprehensive Income and Expenditure Statement	102	173
Transfer to the Capital Receipts Reserve upon receipt of cash	(67)	(68)
Balance at 31 March	518	623

COLLECTION FUND ADJUSTMENT ACCOUNT (NOTE 18E)

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

Collection Fund Adjustment Account	2015/16 £000s	2016/17 £000s
Balance at 1 April	(1,427)	(2,693)
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(1,266)	2,961
Balance at 31 March	(2,693)	268

ACCUMULATED ABSENCES ACCOUNT (NOTE 18F)

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

Accumulated Absences Account	2015/16 £000s	2016/17 £000s
Balance at 1 April	(68)	(61)
Settlement or cancellation of accrual made at the end of the preceding year	68	61
Amounts accrued at the end of the current year	(61)	(51)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	7	10
Balance at 31 March	(61)	(51)

Note 19 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

Table a - Adjust Net (Surplus) / Deficit on the Provision of Services for Non-Cash Movements	2015/16 £000s	2016/17 £000s
Depreciation	1,695	1,704
Impairment & downward valuations	1,156	1,633
Amortisations	12	12
(Increase) / decrease in impairment allowance for doubtful debts	313	114
Increase / (decrease) in creditors	3,037	2,776
(Increase) / decrease in debtors	(765)	(2,658)
(Increase) / decrease in stock	22	2
Movement in pension liability	996	738
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	1,004	740
Movements in value of investment properties	93	(273)
Movement in provisions	441	(121)
Other non-cash items	-	2
Net cash flows from operating activities	8,004	4,669

Table b - Adjust Net (Surplus) / Deficit on the Provision of Services that are Investing or Financing Activities	2015/16 £000s	2016/17 £000s
Proceeds from sale of property, plant and equipment, investment property and intangible assets	(904)	(1,055)
Grants received for the financing of capital expenditure	(1,908)	(2,482)
Billing Authorities - Council Tax and NDR adjustments	(23)	(8,790)
Net cash flows from operating activities	(2,835)	(12,327)

Note 20 Cash Flow Statement – Investing Activities

Investing Activities	2015/16 £000s	2016/17 £000s
Purchase of property, plant and equipment, investment property and intangible assets	(2,473)	(2,464)
Purchase of short-term and long-term investments	(99,093)	(96,037)
Proceeds from sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets	906	1,055
Proceeds from short-term and long-term investments	97,080	101,037
Capital grants received	1,496	3,385
Net cash flows from investing activities	(2,084)	6,976

Note 21 Cash Flow Statement – Financing Activities

Financing Activities	2015/16 £000s	2016/17 £000s
Cash receipts of short-term and long-term borrowing	1,803	2,047
Billing Authorities - Council Tax and NDR adjustments	23	8,790
Repayments of short-term and long-term borrowing	(1,024)	(2,038)
Net cash flows from financing activities	**802**	**8,799**

Note 22 Members' Allowances

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

Table a - Members Allowances	2015/16 £	2016/17 £
Allowance Payments	173,151	185,451
Expenses Payments	783	1,081
Total	**173,934**	**186,532**

Payments of allowances to elected Members are made in accordance with the scheme approved annually by the Authority and are detailed below:

Table b - Members' Allowances	2015/16 £	2016/17 £
Allowance rate paid per annum		
Basic Allowance	2,700	3,000
Executive Member	4,050	3,750
Leader Supplement	10,800	10,500
Deputy Leader Supplement	2,700	3,000
Other Group Leaders	1,350	1,500
Scrutiny Chair	4,050	3,750
Development Control Chair	2,700	2,400
Licensing Committee Chair	1,350	1,500
Development Control Vice Chair	1,350	1,200
Audit and Standards Committee Chair	1,350	1,500
Scrutiny Vice Chair	1,350	1,200
Independent Persons	500	500

Note 23 Officers' Remuneration

The remuneration paid to the Authority's senior employees with a salary of £50,000 or more is shown below.

Table a - Directors and Statutory Officers		Salary, Fees and Allowances £	Elections £	Compensation for loss of office £	Pension contribution £	Total £
Head of Paid Service						
Chief Executive	2015/16	105,000			13,965	**118,965**
	2016/17	106,457			14,105	**120,562**
Chief Finance Officer						
Director of Resources	2015/16	74,622			9,925	**84,547**
	2016/17	52,414		50,000	6,683	**109,097**
Accountancy Division Manager (Acting S151 Officer 01/12/16 to 08/01/17)	2016/17	5,733			763	**6,496**
Head of Finance (S151 Officer) (from 09/01/2017)	2016/17	12,949			1,722	**14,671**
Non-Statutory Directors						
Director of Community Services	2015/16	72,501	6,245		10,417	**89,163**
Director of Community Services / Chief Operating Officer from 01/01/2017	2016/17	76,077	9,718		10,389	**96,184**
Monitoring Officer						
Head of Governance, Law & Regulation (from 27/07/2015)	2015/16	37,540			5,075	**42,615**
	2016/17	55,841	2,947		7,537	**66,325**
Senior Solicitor (Acting Monitoring Officer 01/04/2015 to 31/08/2015)	2015/16	19,036			2,532	**21,568**

The rate of pension contribution is 13.3% for both 2015/16 and 2016/17.
The Director of Resources post was disestablished from 30 November 2016.

The number of employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) is shown below. The remuneration includes payments to officers for election duties and compensation for loss of office. The table excludes those officers included in the table above.

Table b - Remuneration band	2015/16 Number of Employees	2016/17 Number of Employees
£50,000 - £54,999	5	4
£55,000 - £59,999	2	1
Total	7	5

The number of exit packages with total cost per band and total cost of redundancies are set out in the table below:

Table c

(a) Exit package cost band (including special payments)	(b) Number of compulsory departures	(b) Number of compulsory departures	(c) Number of other departures agreed	(c) Number of other departures agreed	(d) Total number of exit packages by cost band [(b) + (c)]	(d) Total number of exit packages by cost band [(b) + (c)]	(e) Total cost of exit packages	(e) Total cost of exit packages
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16 £	2016/17 £
£0 - £20,000	-	10	-	-	-	10	-	87,517
£20,001 - £40,000	2	1	-	-	2	1	43,959	39,455
£40,001 - £60,000	-	2	-	-	-	2	-	92,104
Total	2	13	-	-	2	13	43,959	219,076

Note 24 External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Authority's external auditors:

External Audit Costs	2015/16 £000	2016/17 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	51	51
Fees payable to Grant Thornton for the certification of grant claims and returns for the year	7	11
Total	58	62

Planned audit services cost £51k in line with the agreed plan and budget. An estimated creditor of £4k has been included under grant claims for additional work undertaken on behalf of the Department of Works and Pensions.

Note 25 Grant Income

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement (CIES) in 2016/17. The total credited to taxation and non-specific grant income differs from the CIES because it excludes Council Tax income of £6.364m and retained business rates of £6.734m.

Table a - Grant Income		2015/16 £000	2016/17 £000
Credited to Taxation and Non-Specific Grant Income			
Revenue Support Grant		(4,743)	(3,660)
Non-ringfenced Government Grants			
Small Business Rates Relief and Other Business Rate Grant		(884)	(1,295)
New Homes Bonus		(854)	(1,012)
Efficiency Support Grant		(18)	-
Capital Grants & Contributions			
Disabled Facilities Grant		(962)	(1,847)
Heritage Lottery Fund		(10)	-
Market Renewal Programme		(67)	(66)
Homes and Communities Agency		(322)	-
Housing Capital Grant		(260)	-
Lancashire Enterprise Partnership		-	(558)
Other Capital Grants & Contributions		(288)	(12)
Total	*	**(8,408)**	**(8,450)**
Credited to Services			
Housing Benefit & Council Tax Benefit Subsidy		(35,204)	(33,829)
Housing Benefit Administration Subsidy		(864)	(743)
Lancashire County Council		(883)	(1,126)
Arts Council		(4)	(9)
Pendle Borough Council		(74)	(44)
Home Office Grant		(324)	(267)
Other Revenue Grants		(464)	(709)
Homelessness Grant		(3)	(40)
Capital Grants & Contributions (see note below)			
Market Renewal Programme		(260)	(59)
Housing Capital Grant		(42)	(9)
Heritage Lottery Fund		(109)	(33)
Homes and Communities Agency		(28)	(60)
Other Capital Grants & Contributions		(153)	(584)
Total		**(38,412)**	**(37,512)**

In accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 capital grants which are used to finance capital expenditure are now recognised in the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement.
* The grants credited to the Taxation and Non-Specific Grant income has been restated in 2015/16 to remove the Retained Business Rates figure of £3.33m as it relates to taxation rather than grant income.

The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver. The balances at the year-end are as follows:

CURRENT LIABILITIES

Table b - Current Liabilities Capital Grants Receipts in Advance	Balance 31 March 2016 £000	Receipts £000	Applied £000	Balance 31 March 2017 £000
Housing Capital Grant	(76)	-	9	(67)
Housing Market Renewal	(629)	-	125	(504)
Total	(705)	-	134	(571)

LONG-TERM LIABILITIES

Table c - Long Term Liabilities Capital Grants Receipts in Advance	Balance 31 March 2016 £000	Receipts £000	Applied £000	Balance 31 March 2017 £000
Section 106 Contributions	(182)	(17)	10	(189)
Total	(182)	(17)	10	(189)

Note 26 Related Parties

The Council is required to disclose material transactions with related parties, bodies or individuals that may have the potential to control or influence how the Council fulfils its statutory duties or to be controlled or influenced by the Council.

Disclosure of these transactions with related parties provides transparency which 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 a significant influence over the general operations of the Council – it is responsible for providing the statutory frame-work within which it operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grants received from Government departments are set out in the Grant Income Note 25.

ELECTED MEMBERS

Members of the Council have direct control over the Council's financial management and operating policies, for which they were paid allowances and expenses. Members' allowances and expenses paid in 2016/17 totalling £186,532 (£173,934 in 2015/16) are shown in Note 22.

In 2016/17 £34,864 (£34,240 in 2015/16) was paid for goods and services provided to the Council by companies in which members had related interests.

In 2016/17 grants totalling £223,699 (£150,971 in 2015/16) were paid by the Council to external organisations in which Members had either related interests or where the Council had appointed them as their elected representative.

There are five Members of the Council who are also Members of Lancashire County Council (LCC).

In 2016/17 £1,103,973 (£473,886 in 2015/16) was paid for goods and services provided to the Council by LCC.

In 2016/17 income of £2,826,405 (£2,811,287 in 2015/16) was received from LCC for services provided by the Council.

Details of all these related parties interests and record of appointments to external organisations are recorded in either the Council's register of Members' interests or the Council's minutes, both of which are available for public inspection.

COUNCIL OFFICERS

Chief Officers of the Council also hold positions in other organisations.

In 2016/17, there were no grants or payments for goods and services paid to companies in which officers had a declared interest other than those included in this statement.

CALICO HOMES LIMITED

The Chief Operating Officer of the Council holds voting rights at Calico Homes Limited's annual general meeting.

In 2016/17 £36,286 (nil in 2015/16) was paid to Calico Homes Ltd for goods and services provided to the Council.

In 2016/17 income of £209,712 (£83,329 in 2015/16) was received from Calico Homes Ltd for services provided by the Council.

OTHER PUBLIC BODIES (SUBJECT TO COMMON CONTROL BY CENTRAL GOVERNMENT)

Lancashire County Council

Until July 2016, the Council had a contractual agreement with Lancashire County Council for the provision of its payroll services.

Blackburn with Darwen Borough Council

There is a joint service delivery arrangement in place with Blackburn with Darwen Borough Council for the provision of a building control service within Burnley.

In 2016/17 £94,325 (£123,987 in 2015/16) was paid to Blackburn with Darwen Borough Council for the provision of this service during the year.

In 2016/17 income of £22,894 (£24,259 in 2015/16) was received from Blackburn with Darwen BC for services provided by the Council.

ENTITIES CONTROLLED OR SIGNIFICANTLY INFLUENCED BY THE AUTHORITY

Burnley Leisure

This is a leisure trust and limited company that operates several services related to sport, healthy lifestyles, leisure and culture on behalf of the Council, who have two elected Members on its Board. The Council had an initial three year service level agreement with Burnley Leisure to supply services to the leisure trust, which ended on the 31 March 2017.

A further service level agreement is due to be drawn up in 2017/18, which will include an additional service for the management of Towneley Golf Club, and until then, the existing agreement remains in place.

In 2016/17 £910,837 (£1,248,524 in 2015/16) was paid to Burnley Leisure for the provision of services to the Council. This includes a Management Fee paid to the trust of £611,069 (£703,300 in 2015/16).

In 2016/17 income of £295,813 (£293,089 in 2015/16) was received from Burnley Leisure for services provided by the Council. The included charges by the Council for service level agreements with the trust of £237,547 (£237,547 in 2015/16).

Barnfield and Burnley (Developments) Ltd

This is a joint venture company between the Council and Barnfield Investment Properties Ltd. The Council has a 50% share of the company and has two representatives on its Board; the Council's Leader and its Chief Operating Officer.

In 2016/17 (£10,000 in 2015/16) the Council made no payments to Barnfield and Burnley (Developments) Ltd.

In 2016/17 (nil in 2015/16) the Council received no income from Barnfield and Burnley (Developments) Ltd.

Barnfield Investment Properties Ltd

Barnfield Investment Properties Ltd also has a 50% share of Barnfield and Burnley (Developments) Ltd and has three directors on its Board, with two of these also being directors of Barnfield Developments Ltd and Barnfield Construction Ltd.

In 2016/17 £55,607 (£198,496 in 2015/16) was paid to Barnfield Investment Properties Ltd for goods and services provided to the Council.

In 2016/17 income of £1,764 (£1,435 in 2015/16) was received from Barnfield Investment Properties Ltd for services provided by the Council.

During 2016/17 the Council partnered with Barnfield Investment Properties Ltd to deliver the Homes and Communities Agency funded Starter Homes site at Clock Tower Mill, Sandygate, Burnley. Barnfield Investment Properties Ltd has also been selected to partner the Council on a 10 year joint venture to develop homes in the borough.

Barnfield Construction Ltd

In 2016/17 £112,536 (£1,477,004 in 2015/16) was paid to Barnfield Construction Ltd for goods and services provided to the Council.

In 2016/17 income of £2,445 (£4,890 in 2015/16) was received from Barnfield Construction Ltd for services provided by the Council.

Barnfield Developments Ltd

In 2016/17 (£20 in 2015/16) there were no payments made to Barnfield Developments Ltd by the Council.

In 2016/17 (nil in 2015/16) no income was received by the Council from Barnfield Developments Ltd.

REGISTERS OF MEMBERS/OFFICERS INTERESTS

Members of the Council are required by section 30 of the Localism Act 2011 and the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, to disclose outside interests and these are recorded in a register (the records of these disclosures are recorded on the Council's website) and the Code of Conduct for Members operated by the Council requires Members to disclose any related interests they have, and to take no part in meetings or decisions on issues which pertain to those related interests.

A register of chief officers' interests has been established in which their outside interests are recorded. Officers are required to comply with a Code of Conduct for officers and to declare interests and remove themselves from activities which may be a conflict of interests, including procurement.

Note 27 Capital Expenditure and Capital Financing

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

Capital Expenditure and Capital Financing	2015/16 £000	2016/17 £000
Opening Capital Financing Requirement	26,373	27,437
Capital Investment:		
Property, Plant and Equipment	2,473	2,464
Revenue Expenditure Funded from Capital under Statute	3,068	4,325
Sources of finance:		
Capital receipts	(943)	(1,312)
Government grants and other contributions	(2,507)	(2,820)
Sums set aside from revenue:		
Direct revenue contributions	(332)	(754)
Minimum Revenue Provision	(695)	(780)
Closing Capital Financing Requirement	**27,437**	**28,560**
Explanation of movements in year:		
(Decrease) / Increase in underlying need to borrow (unsupported by Government financial assistance)	1,064	1,123
Increase / (decrease) in Capital Financing Requirement	**1,064**	**1,123**

Note 28 Leases

AUTHORITY AS LESSEE

Operating Leases

The Authority leases a building on Parker Lane which houses its contact centre, Contact Burnley, on a lease which has less than 3 years remaining until it expires on the 31 December 2019.

The minimum lease payments on this lease in future years are:

Table a - Operating Lease - Contact Centre	31 March 2016 £000s	31 March 2017 £000s
Not later than one year	86	67
Later than one year and not later than five years	252	163
Later than five years	-	-
Minimum lease payments *	338	230

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to this lease was £108,490 (£83,912 in 2015/16).

* The figure at 31 March 2016 has been restated from £399k to reflect the actual amounts due at that date.

AUTHORITY AS LESSOR

Operating Leases

The Authority leases out property under operating leases for the following purposes:

- For the provision of community services, such as sports facilities, tourism services and community centres.
- For economic development purposes to provide suitable affordable accommodation for local businesses.

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

Table b - Property	31 March 2016 £000s	31 March 2017 £000s
Not later than one year	(1,430)	(1,331)
Later than one year and not later than five years	(3,885)	(3,603)
Later than five years	(91,741)	(90,840)
Minimum lease payments	(97,056)	(95,774)

Note 29 Defined Benefit Pension Schemes

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

At 31 March 2017 the Authority's principal pension arrangement for its employees was the Lancashire County Pension Fund, which is part of the Local Government Pension Scheme (LGPS). The LGPS is a funded defined benefit pension arrangement for local authorities and related employers, and is governed by statute (principally now the Local Government Pension Scheme Regulations 2013).

The Lancashire County Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension costs, 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 2016, and at that date showed a funding level of 90% (up from 78% at the last valuation - assets of £6.0bn against accrued liabilities of about £6.7bn). The weighted average duration of the liabilities of the fund as a whole is 18 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.

GOVERNANCE AND RISK MANAGEMENT

The liability associated with the Council's pension arrangements is material to the Council, as is the cash funding required. The detail in relation to the Lancashire County Pension Fund, including the relevant provisions for governance and risk management, are set out below.

NATURE OF THE FUND

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.

GOVERNANCE

Management of the Fund is vested in Lancashire County Council as Administering Authority of the Fund. Lancashire County Council has appointed a Pension Fund Committee (compromised of a mixture of County Councillors and representatives from other employers) to manage the Fund. The Committee is assisted by an investment panel which advises the Committee on its investment strategy and risk management provisions.

FUNDING THE LIABILITIES

Regulations governing the Fund require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the funds solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement. The most recent valuation was carried out as at 31 March 2016, which showed a shortfall of assets against liabilities of £0.69 billion as at that date, equivalent to a funding level of 90%. The Fund's employers are paying additional contributions over a period of between 16 and 19 years in order to meet the shortfall.

RISK AND INVESTMENT STRATEGY

The Fund's primary long-term risk is that the Fund's assets will fall short of the liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to balance the minimisation of the risk of an overall reduction in the value of the Fund with maximising the opportunity for gains across the whole Funds portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and keep credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Funds forecast cash flow.

MARKET RISK

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmarking analysis.

OTHER PRICE RISK

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of a change in market prices (other than those arising from interest rate risk and foreign exchange risk). The Fund's investment managers mitigate this price risk through diversification. The selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the Fund investment strategy.

INTEREST RATE RISK

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risks that the fair value of future cash flow of a financial instrument will fluctuate because of the changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Investment Panel and its investment advisors.

CURRENCY RISK

Currency risk represents the risk that the fair value cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund's currency rate risk is routinely monitored by the Fund and its investment advisors in accordance with the Fund's risk management strategy.

CREDIT RISK

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur financial loss. Credit risk is minimised by ensuring that the counterparties meet the Fund's credit criteria. The Fund has also set limits as to the maximum percentage of the deposits placed with any class of financial institution.

LIQUIDITY RISK

Liquidity risk represents the risk that the Fund will not be able to meets its financial obligations as they fall due. The Fund therefore takes steps to ensure that there are adequate cash resources to meet its commitments, and the Fund has immediate access to its cash holdings.

OTHER RISKS

Actions taken by the Government, or changes to European legislation, could result in stronger local funding standards, which could materially affect the Authority's cash flow.

There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation and/or the liabilities for actuarial valuation purposes. Other assumptions used to value the defined material benefit obligation are also uncertain, although their effect is less material. The sensitivity analysis above indicates the change in the defined benefit obligation for changes in the key assumptions.

AMENDMENTS, CURTAILMENTS AND SETTLEMENTS

The provisions of the Fund were amended with effect from 1 April 2014. As explained above, for service up to 31 March 2014 benefits were based on salaries when members leave the scheme, whereas the service after that date benefits are based on a career average salary. Further details of the changes are available from the Funds administering Authority.

Curtailments shown in the accounting figures relate to the cost of providing retirement benefits for members who retire early, to the extent that the provision has not already been made for the relevant defined benefit obligations.

Settlements shown in the accounting figures relate to the admission of new employers into the Fund, and who take on part of the Authority's assets and liabilities as a result of employing members who have accrued benefits with the Authority.

TRANSACTIONS RELATING TO POST-EMPLOYMENT BENEFITS

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

Table a - Reconciliation of the Movement in the Pension Fund	2015/16 £000s	2016/17 £000s
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service costs	1,973	1,427
Admin Costs	30	31
Past service costs and settlements and curtailments	(268)	56
Financing and Investment Income and Expenditure		
Interest cost	2,201	2,030
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**3,936**	**3,544**
Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined liability comprising :-		
Return on plan assets	-	14,198
Actual gains and losses arising on changes in demographic assumptions	-	1,531
Actual gains and losses arising on changes in financial assumptions	10,237	(35,688)
Remeasurements (assets) gain/(loss)	1,673	15,038
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**11,910**	**(4,921)**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	3,936	3,544
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to the scheme	(2,940)	(2,806)
In Year Increase/(Decrease) in Pension Reserve	**996**	**738**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement on pension assets and liabilities at 31 March 2017 was a loss of £3.544m compared with a loss of £3.936m as at 31 March 2016.

ASSETS AND LIABILITIES IN RELATION TO POST-EMPLOYMENT BENEFITS

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

Table b - Reconciliation of Present Value of the Scheme Liabilities	2015/16 £000s	2016/17 £000s
Opening balance at 1 April	**195,344**	**178,775**
Current service cost	1,973	1,427
Interest cost	6,073	6,151
Contributions by scheme participants	494	411
Remeasurement (gains) and losses:-		
Experience (gains) / loss	-	(14,198)
Actuarial (gains) and losses from changes in financial assumptions	(10,237)	35,688
Actuarial (gains) and losses from changes in demographic assumptions	-	(1,531)
Benefits paid	(6,598)	(6,448)
Curtailments	53	56
Liabilities on Settlements	(8,327)	-
Closing balance at 31 March	**178,775**	**200,331**

PENSION ASSETS AND LIABILITIES RECOGNISED IN THE BALANCE SHEET

The amount included in the balance sheet arising from the Authority's obligation in respect of its defined benefit plan is as follows:

Table c - Pensions Assets and Liabilities Recognised in the Balance Sheet	2015/16 £000s	2016/17 £000s
Present Value of the Defined Benefit Obligation	178,775	200,331
Fair Value of Scheme Assets	(119,373)	(135,270)
Sub-total	**59,402**	**65,061**
Other Movements in the Liability	-	-
Net Liability arising from defined benefit obligation	**59,402**	**65,061**

Reconciliation of fair value of the scheme (plan) assets:

Table d - Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	2015/16 £000s	2016/17 £000s
Opening fair value of scheme assets	125,028	119,373
Interest Income	3,872	4,121
Remeasurement (assets) gain/(loss)	1,673	15,038
Contributions from employer	2,940	2,806
Contributions from employees into the scheme	494	411
Benefits paid	(6,598)	(6,448)
Other	(8,036)	(31)
Closing fair value of scheme assets	**119,373**	**135,270**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £19.159m (£5.545m in 2015/16).

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Table e - Pension Assets and Liabilities Recognised in the Balance Sheet	2015/16 £000s	2016/17 £000s
Present value of the funded benefit obligation	171,805	192,625
Present value of the unfunded benefit obligation	6,970	7,706
Fair value of plan assets	(119,373)	(135,270)
Net Liability arising from defined benefit obligation	59,402	65,061

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total net liability of £65.061m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a net overall balance of £12.829m. 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 (i.e. before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2018 is £2.556m.

BASIS FOR ESTIMATING ASSETS AND LIABILITIES

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimation of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Mercer Human Resource Consulting, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2016.

The principal assumptions used by the actuary have been:

Table f - Basis for Estimating Assets and Liabilities	2015/16	2016/17
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	23.0	22.6
Women	25.6	25.2
Longevity at 65 for future pensioners:		
Men	25.2	24.9
Women	27.9	27.9
Rate of inflation - CPI	2.00%	2.30%
Rate of increase in salaries	3.50%	3.80%
Rate of increase in pensions	2.00%	2.30%
Rate for discounting scheme liabilities	3.50%	2.50%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Table g - Local Government Pension Scheme assets comprised:-	2015/16 £000s	2016/17 £000s
Cash & Cash Equivalents	4,105	1,404
Equity Investments		
Consumer	12,964	-
Manufacturing	6,650	-
Energy & Utilities	1,502	-
Financial Institutions	7,241	-
Health & Care	4,332	-
Information Technology	8,337	-
Sub-total Equity Investments	41,026	-
Bonds		
Corporate	2,432	2,221
UK Fixed Gilts	-	259
UK Index Linked	2,399	2,418
Sub-total Bonds	4,831	4,898
Property		
Retail	4,090	3,682
Commercial	7,386	8,235
Sub-total Property	11,476	11,917
Private Equity		
UK	1,947	1,534
Overseas	5,242	7,173
Sub-total Private Equity	7,189	8,707
Other Investment Funds		
Infrastructure	9,538	16,322
Credit Funds	30,039	30,312
Property	1,648	1,907
Overseas Pooled Equity Funds	9,521	59,803
Sub-total Other Investment Funds	50,746	108,344
Total Assets	119,373	135,270

All direct equity holdings were transferred into the Local Pension Partnership (LPP) Global Equities Pool with effect from 1 November 2016.
Overseas Pooled Equity Funds include the LPP Global Equities Pool.

Under IFRS the assumptions made by the actuary must be subjected to a sensitivity analysis. Below are the main assumptions used by the actuary and the effects on the pension fund accounts if those assumptions are changed.

Table h - Local Government Pension Scheme Sensitivity Analysis	Increase in Assumptions £000s	Decrease in Assumptions £000s
Longevity (increase or decrease in 1 Year)	4,116	(4,116)
Rate of Inflation (increase or decrease by 1%)	3,063	(3,063)
Rate of Increase in Salaries (increase or decrease by 1%)	360	(360)
Rate of Discounting Scheme Liabilities (increase or decrease by 1%)	3,017	(3,017)

The methods used to carry out the sensitivity analyses are presented above for the material assumptions which are the same as those the Authority has used previously. The calculations alter the relevant assumption by the amount specified, whilst assuming that all the other variables remain the same. The approach is not necessarily realistic, since some assumptions are related: for example, if the scenario is to show the effect in inflation is higher than expected, it might be reasonable to expect that nominal yields on corporate bonds will increase also. However, it enables the reader to isolate one effect from another.

Note 30 Contingent Liabilities

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The Council has identified the following contingent liability as at 31 March 2017:

PENSION GUARANTEES

The Council has entered into a number of long-term contracts for services that have been outsourced to service providers. These often involve the transfer of Council employees to the new service provider. Employee's rights are protected under the provision in Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). However, pension rights are not fully covered within TUPE regulations. For contracts with non-public bodies the responsibility for pension obligations remains with the sponsoring body. This guarantee means that if an admitted body fails to pay its pension obligations to Lancashire Pensions Fund then the Council will be responsible for taking on those pension obligations.

Note 31 Nature and Extent of Risks arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

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

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Finance Unit, under policies approved by Burnley Borough Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

CREDIT RISK

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks and financial institutions unless they are rated independently. The Authority has a policy of not lending more than a certain amount to any one institution dependent upon the rating of that institution as approved by Capita Asset Services (formerly Sector). The maximum amounts invested in any institution was £4m. In the case of the Council's own bankers the limit is set at £15m.

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

The Authority's maximum exposure to credit risk in relation to its deposits in banks and building societies of £14.7m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for British based banks and building societies to be unable to meet their

commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2017 that this was likely to occur.
The following analysis summarises the Authority's potential maximum exposure to credit risk on financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions. The Council's impairment allowance for doubtful debts at 31 March 2017 totals £3.759m. Included within this amount is a general provision of £2.594m for customers such as trade debtors, excluding Council Tax and business rate payers. It is believed that the Council has provided more than sufficient to cover for future losses due to default.

	A	B	C	(AxC)	
Table a - Credit Risk	Amount at 31 March 2017 £000s	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2017 %	Estimated maximum exposure to default and un-collectability at 31 March 2017 £000s	Estimated maximum exposure at 31 March 2016 £000s
Deposits with other banks and financial institutions (see note 12a)	14,742	0.00%	0.00%	-	-
Customers (see note 13)	7,422	51.91%	50.65%	3,759	3,668
				3,759	3,668

The Authority expects settlement terms from debtors of no greater than 14 days, such that £4.057m of the £7.422m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

Table b - Customer Debt Past Due Date	31 March 2016 £000s	31 March 2017 £000s
Less than three months	300	174
Three to six months	71	74
Six months to one year	1,539	863
More than one year	2,139	2,946
	4,049	4,057

LIQUIDITY RISK

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. For loans with more than one year to maturity, the strategy is to ensure that not more than £2m of loans are due to mature within any one year through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

Table c - Liquidity Risk	31 March 2016 £000s	31 March 2017 £000s
Less than one year	2,020	1,029
Between one and two years	1,000	1,015
Between two and five years	4,424	4,613
Between five and ten years	7,194	5,990
Between ten and fifteen years	1,037	1,037
More than fifteen years	4,932	6,932
	20,607	20,616

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

MARKET RISK

Interest Rate Risk

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

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

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

The Council has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 25% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is reduced by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the Authority’s cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget periodically during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Table d - Market Risk	31 March 2016 £000s	31 March 2017 £000s
Increase in interest receivable on variable rate investments	(142)	(159)
Impact on Surplus or Deficit on the Provision of Services	**(142)**	**(159)**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure) *	2,399	2,649

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

* The figure at 31 March 2016 has been restated from £4,825k to reflect the change in methodology in calculating fair values.

4. Supplementary Accounts and Explanatory Notes

Supplementary Financial Statement

THE COLLECTION FUND STATEMENT

Business Rates £	Council Tax £	31 March 2016 Total £	COLLECTION FUND 2016/17	Business Rates £	Council Tax £	31 March 2017 Total £
			Income			
-	(36,311,201)	(36,311,201)	Council Tax Receivables	-	(38,714,184)	(38,714,184)
(28,152,562)	-	(28,152,562)	Business Rates Receivables	(29,967,611)	-	(29,967,611)
87,080	344	87,424	Transitional Relief Payments (Receivable)/Payable	14,022	(78)	13,944
(28,065,482)	(36,310,857)	(64,376,339)		(29,953,589)	(38,714,262)	(68,667,851)
			Expenditure			
			Apportionment of Previous Year Surplus / (Deficit)			
393,045	-	393,045	Central Government	(2,951,154)	-	(2,951,154)
314,436	68,122	382,558	Burnley Borough Council	(2,360,923)	81,364	(2,279,559)
70,748	282,099	352,847	Lancashire County Council	(531,208)	337,236	(193,972)
7,861	16,209	24,070	Lancashire Fire & Rescue Authority	(59,023)	19,361	(39,662)
-	39,717	39,717	Police and Crime Commissioner for Lancashire	-	47,479	47,479
786,090	406,147	1,192,237		(5,902,308)	485,440	(5,416,868)
			Precepts, Demands and Shares			
14,001,289	-	14,001,289	Central Government	14,073,832	-	14,073,832
11,201,031	5,965,549	17,166,580	Burnley Borough Council	11,259,066	6,204,544	17,463,610
2,520,232	24,437,141	26,957,373	Lancashire County Council	2,533,290	25,930,335	28,463,625
280,026	1,402,922	1,682,948	Lancashire Fire & Rescue Authority	281,477	1,445,651	1,727,128
-	3,440,468	3,440,468	Police and Crime Commissioner for Lancashire	-	3,580,358	3,580,358
28,002,578	35,246,080	63,248,658		28,147,665	37,160,888	65,308,553
			Charges to the Collection Fund			
(16,970)	70,995	54,025	Less write offs of uncollectable amounts	481,603	(1,560)	480,043
463,796	496,335	960,131	Less: Increase / (Decrease) in Bad Debt Provision	(58,075)	584,181	526,106
1,642,799	-	1,642,799	Less: Increase / Decrease in Provision for Appeals	(316,817)	-	(316,817)
149,071	-	149,071	Less: Cost of Collection	151,284	-	151,284
239,759	-	239,759	Less: Renewable Energy Schemes	238,391	-	238,391
115	-	115	Less: Interest on Refunds	3,683	-	3,683
2,478,570	567,330	3,045,900		500,069	582,621	1,082,690
			COLLECTION FUND BALANCE			
3,201,756	(91,300)	3,110,456	(Suplus) / Deficit arising during the year	(7,208,163)	(485,313)	(7,693,476)
3,863,137	(707,351)	3,155,786	(Surplus) / Deficit b/fwd 1 April	7,064,893	(798,651)	6,266,242
7,064,893	(798,651)	6,266,242	(Surplus) / Deficit c/fwd 31 March	(143,270)	(1,283,964)	(1,427,234)
			Allocated to:			
2,825,958	(133,138)	2,692,820	Burnley	(57,308)	(210,468)	(267,776)
635,840	(556,227)	79,613	Lancashire County Council	(12,894)	(901,446)	(914,340)
-	(77,716)	(77,716)	Police and Crime Commissioner for Lancashire	-	(122,987)	(122,987)
70,649	(31,570)	39,079	Lancashire Fire & Rescue Authority	(1,433)	(49,063)	(50,496)
3,532,446	-	3,532,446	Government	(71,635)	-	(71,635)
7,064,893	(798,651)	6,266,242		(143,270)	(1,283,964)	(1,427,234)

Notes to the Collection Fund Statement

Note 1 General

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR) and its distribution to precepting bodies and the Government. For Burnley the precepting bodies are Lancashire County Council (LCC), the Police and Crime Commissioner for Lancashire (PCCL) and the Lancashire Fire and Rescue Authority (LFRA).

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and National Non-Domestic Business Rates. The administration costs associated with the collection process are charged to the General Fund.

Note 2 Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands (A to 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 numbers of Band D dwellings).

The Council Tax base was 22,071 for 2016/17 (21,630 for 2015/16). The increase between financial years evidences the success of the local policy to regenerate the borough by the continued growth of new builds and occupied properties within the local tax base.

The basic amount of Council Tax for a Band D property (£1,680.34 for 2016/17 (£1,626.28 for 2015/16)) is multiplied by the proportion specified for the particular band to give an individual amount due.

The balance on the Council Tax element of the Collection Fund at 31 March 2017 was a surplus of £1,283,964 which includes a surplus for the year of £485,313.

COUNCIL TAX BASE

The Council Tax base for 2016/17 was approved at the Council meeting on 24 February 2016. Details are shown below:

Band	Ratio	Number of properties	Band D equivalent
A Reduced	5/9	31	17
A	6/9	15,361	10,241
B	7/9	4,315	3,356
C	8/9	5,212	4,633
D	9/9	2,495	2,495
E	11/9	1,140	1,393
F	13/9	289	417
G	15/9	109	181
H	18/9	11	21
Total		**28,963**	**22,754**
Less: Allowance for non-collection		3.0%	**683**
Taxbase for year			22,071

Note 3 Council Tax Due

The calculation of the tax due is derived from the Council Tax base for the year calculated in accordance with the provisions of the Local Government Finance Act 1992. The Band D Council Tax for the year 2016/17 was calculated as follows:

Council Tax Due	2016/17 £
Lancashire County Council	25,930,335
Police and Crime Commissioner for Lancashire	3,580,358
Lancashire Fire and Rescue Service	1,445,651
Burnley Borough Council	6,130,441
Briercliffe with Extwistle Parish Council	10,000
Cliviger Parish Council	10,000
Habergham Eaves Parish Council	3,103
Hapton Parish Council	9,000
Padiham Town Council	35,000
Worsthorne with Hurstwood Parish Council	7,000
Total to be met from Council Tax	37,160,888

Divided by the Council Tax Base (22,071) this gives an average Band D Council Tax for the year 2016/17 of £1,683.70 (£1,629.50 in 2015/16). This is slightly higher than the figure in Note 2 due to the inclusion above of the parish and town Council precept amounts.

Note 4 Non-Domestic Rates

The Council collects Non-Domestic Business Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set by Central Government.

The scheme allows the Council to retain a proportion of the total NDR received. The Burnley share is 40% with the remainder paid to the precepting bodies. For Burnley the NDR precepting bodies are Central Government (50% share), LCC (9% Share) and LFRA (1% Share).

For 2016/17, the total non-domestic rateable value for the Council's area at 31 March 2017 was £74,932,876 (£74,081,111 at 31 March 2016). The national multipliers for 2016/17 were 48.4p for qualifying small businesses (48.0p in 2015/16) and the standard multiplier being 49.7p for all other businesses (49.3p in 2015/16).

NDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

Note 5 Lancashire Business Rates Pool

During 2016/17 this Council was part of the Lancashire Business Rates Pool which began on 1 April 2016. In a Business Rate Pool, tariffs, top-ups, levies and safety nets can be combined. This can result in a significantly lower levy rate or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government.
The Lancashire Business Rates Pool, which includes most but not all of the local authorities in Lancashire, has been designated by the Secretary of State for Communities and Local Government and the retained levy in Lancashire 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 levy.

With regard to this Council, the retained levy would be £678,064, hence under pooling we have benefited from extra income of £610,258. Lancashire County Council has received the remaining 10% of retained levy.

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 £2,000 is payable by each pool member to Ribble Valley Borough Council in their role as lead.

In the Lancashire Business Rates Pool each Council bears its own risk and takes its own reward under the pool agreement, i.e. no sharing of a volatility reserve.

Below is a summary of the Lancashire Business Rates Pool members and relevant transactions.

Lancashire Business Rates Pool Members 2016/17	Authority Type	In-Year Transactions Relating to Tariffs and Top-Ups £	Retained Levy on Growth 2016/17 £	10% Retained Levy Payable to/received by Lancashire County Council £	Net Retained Levy 2016/17 £
Burnley Borough Council	Tariff	7,173,471	(678,064)	67,806	(610,258)
Chorley Borough Council	Tariff	7,856,662	(918,171)	91,817	(826,354)
Hyndburn Borough Council	Tariff	5,063,238	(305,161)	30,516	(274,645)
Pendle Borough Council	Tariff	4,093,827	(530,870)	53,087	(477,783)
Ribble Valley Borough Council	Tariff	4,361,492	(376,131)	37,613	(338,518)
Rossendale Borough Council	Tariff	3,305,780	(400,847)	40,085	(360,762)
South Ribble Borough Council	Tariff	11,954,757	(1,116,335)	111,633	(1,004,702)
West Lancashire Borough Council	Tariff	9,633,376	(482,066)	48,207	(433,859)
Wyre Borough Council	Tariff	7,352,522	(319,521)	31,952	(287,569)
Lancashire County Council	Top-Up	(140,072,421)	-	(512,716)	(512,716)
Central Government	-	79,277,296	-	-	-
Total		-	(5,127,166)	-	(5,127,166)

The Net Retained Levy for the Council is shown within Business Rates Retention income on the Comprehensive Income and Expenditure Statement, along with the Council's own share of growth achieved in the year.

5. Accounting Policies

REEDLEY MARINA

Accounting Policies

I. GENERAL PRINCIPLES

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) supported by International Financial Reporting Standards (IFRS).

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

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

II. ACCRUALS OF EXPENDITURE & INCOME

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

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

III. CASH AND CASH EQUIVALENTS – (SEE NOTE 14)

Cash is represented by cash in hand and deposits held at financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

IV. PRIOR PERIOD ADJUSTMENTS AND CHANGES IN ACCOUNTING POLICIES

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

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

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

V. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision (MRP)) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

VI. COUNCIL TAX AND NON-DOMESTIC RATES

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

ACCOUNTING FOR COUNCIL TAX AND NDR

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

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

VII. EMPLOYEE BENEFITS – (SEE NOTES 18F, 23 AND 29)

BENEFITS PAYABLE DURING EMPLOYMENT

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year, see Note 18f. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to 'Surplus or Deficit on the Provision of Services', but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the absence occurs.

Full details of employee benefits paid during employment for senior officers are shown at Note 23.

TERMINATION BENEFITS – (SEE NOTE 23)

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable , to the non-distributed costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer.

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

POST-EMPLOYMENT BENEFITS – (SEE NOTE 29)

Most employees of the Council are members of the Local Government Pension Scheme, administered by Lancashire County Council. It is accounted for as a defined benefits scheme providing retirement lump sums and pensions earned as employees working for the Council:

THE LOCAL GOVERNMENT PENSION SCHEME

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

- The liabilities of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – this entails an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based upon assumptions about mortality rates, employee turnover rates and projected future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.5% (based upon the indicative rate of return on an AA corporate bond - not the highest quality AAA bond but nevertheless a "high grade" bond).
- The assets of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet at their fair value – quoted securities at current bid price, unquoted securities by means of a professional estimate, unitised securities at the current bid price and property at market value.

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

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned in the year and allocated to the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. This is debited to the surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
  - Net interest on the net defined benefit liability (asset), ie net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - The return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Lancashire County Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

VIII. EVENTS AFTER THE REPORTING PERIOD – (SEE NOTE 3)

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

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

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

IX. FINANCIAL INSTRUMENTS – (SEE NOTES 12 AND 31)

FINANCIAL LIABILITIES

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

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

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

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

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.
- Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

LOANS AND RECEIVABLES

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the assets original effective interest rate.

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

AVAILABLE FOR SALE ASSETS

Available-for-sale assets 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. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

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

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-sale Assets. The exception is where the impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of the likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge is made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.
Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

X. GOVERNMENT GRANTS AND CONTRIBUTIONS – (SEE NOTE 25)

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

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

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

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

XI. HERITAGE ASSETS – (SEE NOTES 10)

Tangible and Intangible Heritage Assets

The Council's Heritage Assets are held at Towneley Hall Art Gallery & Museum and Burnley Town Hall. The Council has seven collections of heritage assets which are held principally for their contribution to knowledge, understanding and appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed allowing the Council's heritage assets to be included on the balance sheet at their insured value where available.

Heritage assets are deemed to have an indefinite life, and therefore are not depreciated as the charge would be minimal and immaterial. Nevertheless, where there is evidence of physical deterioration, or doubts arise as to its authenticity, the value of the asset has to be reviewed.

XII. INTANGIBLE ASSETS

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

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

This Council does not have any internally generated assets.

Expenditure on the development of website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible Assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. The useful lives and associated amortisation rates of computer software have been estimated at 5 years. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

XIII. INVENTORIES AND LONG TERM CONTRACTS

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO/weighted average costing formula. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

XIV. INVESTMENT PROPERTY – (SEE NOTE 11)

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be receivable to sell such an asset in an orderly transaction between market participants at measurement date. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

XV. LEASES – (SEE NOTE 28)

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.

Assets held by the Council for use in operating leases (acting as a lessor) are recorded in the Balance Sheet as fixed assets and depreciated over their useful life. 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 the incomes receivable are disclosed in Note 28.

A finance lease is where the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the Council. There are no such arrangements at the present.

XVI. OVERHEADS AND SUPPORT SERVICES

The cost of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2016/17 (SeRCoP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCoP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

XVII. PROPERTY, PLANT AND EQUIPMENT – (SEE NOTE 9)

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.

RECOGNITION

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

MEASUREMENT

Assets are initially measured at cost comprising:

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Dwellings - fair value, determined using the basis of existing use value for social housing (EUV-SH)
- Investment properties and surplus asset – fair value, determined by the measurement of the highest and best value of the asset
- 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 fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. [Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.]

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

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

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

IMPAIRMENT

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

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

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

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

DEPRECIATION

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.
- Infrastructure – straight-line allocation over 25 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately if they have different economic useful lives. The minimum value for separate components has been set at £100k as it is believed that anything below this would result in a trivial impact on the Council's accounts. However, the major components of land and buildings have already been separated for many years, with no depreciation being applied to the land element.

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

DISPOSALS AND NON-CURRENT ASSETS HELD FOR SALE

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets held for Sale.

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The receipt is required to be credited to the Capital Receipts reserve, and can then only be used for new capital investment [or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement)]. Receipts are appropriated to the reserve from the General Fund Balance in the Movement in Reserves Statement.

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

XVIII. PROVISIONS AND CONTINGENT LIABILITIES

PROVISIONS – (SEE NOTE 16)

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

Provisions for Impairment has also been made for doubtful debts and known uncollectable debts have been written off during the year. The balance of the doubtful debt provision is used to reduce the overall level of Short-Term Debtors is disclosed in Note 13.

CONTINGENT LIABILITIES – (SEE NOTE 30)

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

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

XIX. RESERVES

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

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

XX. REVENUE RECOGNITION

Revenue is a sub-set of income and is defined as the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth. Revenue is measured at the fair value of the consideration received or receivable. In most cases, the consideration receivable is in the form of cash and cash equivalents and the amount of revenue is the amount of cash and cash equivalents receivable. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

Revenue relating to the sale of goods is recognised when the amount of revenue can be measured reliably, it is probable the revenue will be received by the Council and the risks and rewards of ownership have passed to the purchaser. Revenue relating to the provision of services is recognised when the amount of revenue can be measured reliably, it is probable the revenue will be received by the Council and the stage of completion of the service can be measured.

XXI. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

This is expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset. It has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax - see workings at Note 7.

XXII. 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. VAT receivable is excluded from income.

XXIII. FAIR VALUE MEASUREMENT

The Council measures some of its non-financial assets and liabilities such as surplus assets and investment properties at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction 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 uses in-house valuers to provide a valuation of its assets and liabilities, for recognition or disclosure as appropriate, in line with the highest and best use definition within IFRS 13 Fair Value Measurement. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant. Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority 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.

6. Glossary

THOMPSON PARK

Glossary of Terms

ACCOUNTING PERIOD

The period of time covered by the accounts, 12 months commencing on 1 April and ending on 31 March (the balance sheet date).

ACCRUAL

The concept is that income and expenditure are recognised as they are earned or incurred and not as money is received or paid.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or the actuarial assumptions have changed.

AGENCY SERVICES

Services provided by the Council, as an agent on behalf of the responsible body, where that body reimburses the Council for the cost of the work carried out.

ANNUAL GOVERNANCE STATEMENT (AGS)

The formal statement that recognises, records and publishes a local Authority's governance arrangements.

ASSET

A resource controlled by the Authority as a result of past events and from which future economic or service potential is expected to flow to the Authority.

AUDITOR'S OPINION

The opinion required by statute, from the Council's external auditors, indicating whether the statement of accounts give a true & fair view of the financial position of the Authority.

BALANCE SHEET

A statement of recorded assets, liabilities and other balances at the end of the accounting period.

BALANCES

The capital or revenue reserves of the Council made up of the accumulated surplus of income over expenditure on the General Fund or any other fund.

BUDGET

A statement of The Council's spending plans for revenue and capital expenditure over a specified period of time.

CAPITAL ADJUSTMENT ACCOUNT

Represents the amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or to make repayments relating to external loans or other types of capital finance.

CAPITAL CHARGE

A charge to revenue accounts to reflect the cost of fixed assets used in the provision of services.

CAPITAL EXPENDITURE

Spending on the acquisition and substantial renovation of assets either directly by the Council or indirectly in the form of grants to other persons or bodies. The Code of Practice on Local Authority Accounting in the UK defines “expenditure for capital purposes”. Expenditure which does not fall within the definition must be charged to a revenue account.

CAPITAL FINANCING COSTS

The annual cost of borrowing (principal repayments and interest charges), leasing charges and other costs of funding capital expenditure.

CAPITAL GRANTS UNAPPLIED

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. This reserve holds the balance of grants unapplied at year-end.

CAPITAL RECEIPTS

Income from the sale of capital assets. Such income may only be used for purposes authorised by regulations under Local Government Act 2003, for example to repay loan debt and to finance new capital expenditure.

CAPITAL RECEIPTS - DEFERRED

These represent amounts derived from the sale of assets, which will be received in instalments over agreed periods of time.

CARRYING AMOUNT

Is the amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

CIPFA

The Chartered Institute of Public Finance and Accountants is the accountancy body which recommends accounting practice for the preparation of local Authority accounts.

CIPFA PRUDENTIAL CODE

This Code was introduced from 1 April 2004. The basic principle of the Code is that local authorities will be free to invest so long as their capital spending plans are affordable, prudent and sustainable. The Code sets out indicators that the Authority must use and factors that they must take into account to demonstrate that they have fulfilled this objective.

CODE OF PRACTICE

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) specifies the principles and practices of accounting required to give a ‘true and fair’ view of the financial position and transactions of a local Authority.
The Code sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to:

- Statements of Accounts prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2011.
- The audit of those accounts undertaken in accordance with the statutory framework established by section 5 of the Audit Commission Act 1998 for England.

The Code prescribes the accounting treatment and disclosures for all normal transactions of a local Authority, and is based on the following hierarchy of standards:

- International Financial Reporting Standards (IFRSs) (including International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) interpretations) as adopted by the European Union (i.e. EU-adopted IFRS).
- International Public Sector Accounting Standards (IPSASs).
- UK Generally Accepted Accounting Practice (GAAP) (Financial Reporting Standards (FRSs), Statements of Standard Accounting Practice (SSAPs) and Urgent Issues Task Force (UITF) Abstracts).

The Code has effect for financial years commencing on or after 1 April 2010.

COLLECTION FUND

The Collection Fund shows the transactions of the Council in relation to the collection from taxpayers and distribution to precepting authorities, the Council and the Government of Council Tax and Non-Domestic Rates. The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing Authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

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.

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

CONSOLIDATED BALANCE SHEET

The combined fund balance sheets of the Council.

CONTINGENCY SUM

A sum set aside to provide for foreseen but unquantifiable future commitments or for unforeseen expenditure which may become necessary during the year.

CONTINGENT LIABILITY

A contingent liability is either:

(a) A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control, or

(b) A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE GOVERNANCE

The authoritative rules and controls in place within the Council required to promote openness, inclusivity, integrity and accountability.

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.

CREDITORS

Are financial liabilities arising from the contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied and have been invoiced or formally agreed with the supplier.

CURRENT ASSET

Is an asset that is intended to be sold within the normal operating cycle; the asset is held primarily for the purpose of trading or the Authority expects to realise the asset within 12 months after the reporting date.

CURRENT LIABILITY

An amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

DEBT REDEMPTION

The repayment of external loans previously raised to finance capital expenditure.

DEBTOR

Are financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents.

DEFERRED CHARGES

Expenditure 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. Deferred charges are written off to the revenue account in the year of account.

DEFERRED DEBTORS

Debts of a capital nature repayable over a period of time in excess of one accounting period e.g. mortgages.

DEPRECIATION

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

EXCEPTIONAL ITEMS

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

EXPECTED RATE OF RETURN ON PENSIONS ASSETS

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

EXPENSES

Are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or increases of liabilities that result in decreases in reserves. Expenses include expenses that arise in the course of the ordinary activities and losses such as revaluation of fixed assets.

FAIR VALUE

Is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms-length transaction.

FINANCE LEASE

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment amounts to substantially all (normally 90% or more) of the fair value of the leased asset.

FINANCIAL YEAR

In the context of a local Authority this means the period from 1 April to the following 31 March inclusive.

FIXED ASSETS

Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

FORMULA GRANT

General Government Grant towards the Councils net revenue budget; and which comprises entitlements of Revenue Support Grant and the Council's business rates retained.

GENERAL FUND

The main revenue fund of the Council. Day-to-day spending on services is met from the fund.

GOING CONCERN

The Authority's financial statements have been prepared on a going concern basis; that is, the accounts have been prepared on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

GROSS EXPENDITURE

The cost of service provision before allowing for Government grants, council taxes and other income.

HISTORICAL COST

Is deemed to be the carrying amount of an asset as at 1 April 2007 (i.e. b/f from 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment (if applicable).

IMPAIRMENT

This is where the useful working life of an asset is significantly reduced – for example, because of damage to a piece of equipment or changes in technology which mean that a service can be provided more efficiently in other ways.

INCOME

Is the gross inflow of economic benefits or service potential during the reporting period when those inflows or enhancements of assets or decreases of liabilities result in an increase in reserves. Income includes both revenue arising in the course of ordinary activities and gains such as the revaluation of fixed assets.

INFRASTRUCTURE ASSETS

Fixed 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 ASSET

An intangible asset is an identifiable non-monetary asset without physical substance. It must be controlled by the Authority as a result of past events, and future economic or service benefits must be expected to flow from the intangible asset to the Authority. The most common class of intangible asset in local authorities is computer software.

INTEREST COST (PENSIONS)

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

INVESTMENT PROPERTY

An investment property is one that is used solely to earn rentals or for capital appreciation or both.

LEASING

A method of utilising assets where a rental charge is paid for a specified period of time, instead of outright purchase.

LIABILITIES

Are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

LOANS OUTSTANDING

The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the balance sheet date.

MATERIALITY

The relevance of information contained in the financial statements is affected by its nature and materiality. Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Therefore materiality provides a threshold or cut-off point rather than a primary qualitative characteristic which information must have if it is to be useful. An Authority need not comply with the Code, as to both disclosure and accounting principles, if the information is not material to the true and fair view of the financial statements and to the understanding of users.

MINIMUM REVENUE PROVISION

The minimum amount that the Council must charge to the income and expenditure account to provide for the repayment of debt.

NON-DOMESTIC RATES (NDR)

With effect from April 1990 all non-domestic properties were revalued and the Government determines a national non-domestic rating multiplier every year which is applicable to all local authorities. The rateable values are set by the Valuation Office Agency of HM Revenue & Customs, and there is a statutory revaluation every 5 years. The proceeds of the business rates are partly retained by the Council and the balance is redistributed to the Government, Lancashire County Council and Lancashire Fire and Rescue Authority.

NET EXPENDITURE

Gross expenditure less specific Government grants and other income.

NET BOOK VALUE

The amount at which fixed 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

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment property and assets that are surplus to requirements, pending sale or redevelopment.

OPERATING LEASE

A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.

OPERATIONAL ASSETS

Fixed 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.

PAST SERVICE COST

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PRECEPT

The levy made by precepting authorities (Lancashire County Council, Police and Crime Commissioner for Lancashire, Lancashire Fire and Rescue Authority, Town & Parish Councils) on the Council, requiring the Council to collect income from Council taxpayers on behalf of the precepting authorities and paying over the cash collected to them.

PROVISION

An amount set aside in the accounts for liabilities which are certain to be incurred in the future, but cannot be quantified accurately at the balance sheet date.

PRUDENCE

Accounts should be prepared in accordance with the concept of prudence. Income should only be anticipated to the extent that it will be received, as cash or other assets, with reasonable certainty and full and proper allowance should be made for all known and foreseeable losses and liabilities.

PRUDENTIAL FRAMEWORK

One of the principal features of the Local Government Act 2003 was to provide the primary legislative requirements to introduce a new prudential regime for the control of Local Authority capital expenditure. The regime relies upon both secondary legislation in the form of regulations, and a prudential code which has been published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Under the prudential framework local authorities are free to borrow without specific Government consent if they can afford to service the debt without extra Government support. The basic principle is that authorities will be free to invest as long as their capital spending plans are affordable, sustainable and prudent. As a control mechanism to ensure this occurs all authorities must follow the prudential code published by CIPFA. This involves setting various prudential limits and indicators that must be approved by the Council.

PUBLIC WORKS LOAN BOARD (PWLB)

A body, now part of the Debt Management Office (a Government agency), which lends money to public bodies for capital purposes. At present nearly all borrowers are local authorities. Monies are drawn from the National Loans Fund and rates of interest are determined by the Treasury.

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same source; or
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursing at all times its own separate interests; or

- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

RELATED PARTY TRANSACTIONS

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for, a related party irrespective of whether a charge is made. The materiality of related party transactions should be judged not only in terms of their significance to the Authority, but also in relation to its related party.

RENT ALLOWANCE

A subsidy payable by the Council to low-income tenants in private rented accommodation.

RESERVE

The residual interest in the assets of the Authority after deducting all its liabilities. The Movement in Reserves Statement shows the true economic cost of providing the Authority’s services, represented by the line ‘Surplus or (deficit) on the provision of services’. Some income and expenditure is required to be recognised on a different basis or in a different accounting period (i.e. in accordance with legislation) in the General Fund. These differences are shown in the line ‘Adjustments between accounting basis and funding basis under regulations’. Voluntary transfers to or from the General Fund Balance also affect the amount to be funded from Council Tax; these are shown in the line ‘Transfers to or from reserves available to fund services’. The Movement in Reserves Statement also shows Other Comprehensive Income and Expenditure, for example revaluation gains.

RESIDUAL VALUE

Of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

REVALUATION RESERVE

From April 2007, this replaced the former Fixed Asset Restatement Account. The Revaluation Reserve will, like the Fixed Asset Restatement Account, measure the gains or losses on assets where a revaluation has taken place.

REVENUE ACCOUNT

An account that records an Authority’s day-to-day expenditure and income on such items as salaries and wages and other running costs of services.

REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE (REFFCUS)

Expenditure to be classified as capital for funding purposes when it does not result in it being carried on the balance sheet as a fixed asset.

REVENUE SUPPORT GRANT (RSG)

A grant paid by Central Government to every Local Authority to help to finance its expenditure generally and not specific services. It is based on the Government’s assessment of how much the Council needs to spend in order to provide a standard level of service.

STOCKS AND WORK IN PROGRESS

Items of stores and raw materials which have been procured for use on an on-going basis and which have not yet been used at the end of the accounting period.

TEMPORARY LOANS

Loans where repayment is due to be made or repayment can be demanded, within one year from the date of advance.

TREASURY MANAGEMENT

This relates to Borrowing and Cash activities (including Investment) of the Authority, and the effective management of any associated risks. Local authorities' treasury management activities are prescribed by statute – in England & Wales the source of such powers is the Local Government Act 2003, which simplified past complexities and gave further clarification. A local Authority may borrow or invest for any purpose relevant to its functions, under any enactment (law) for the purpose of the prudent management of its financial affairs. The Council also applies the CIPFA code of practice on treasury management in public services.

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