Public Document Pack

# AUDIT AND STANDARDS COMMITTEE

## BURNLEY TOWN HALL

### Wednesday, 17th July, 2019 at 6.30 pm

## SUPPLEMENTARY AGENDA



**PUBLISHED** Friday,12th July 2019

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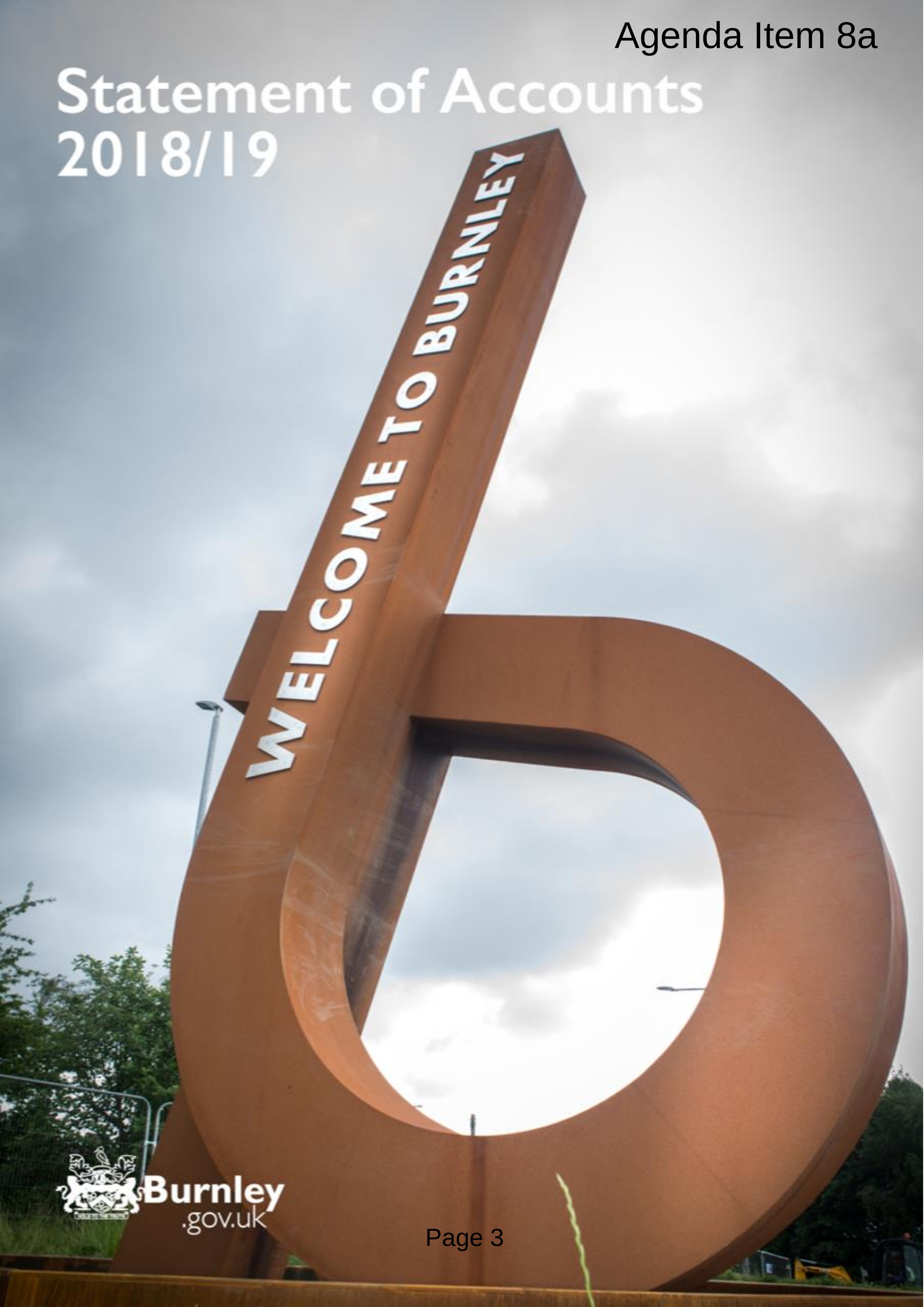
# Statement of Accounts 2018/19

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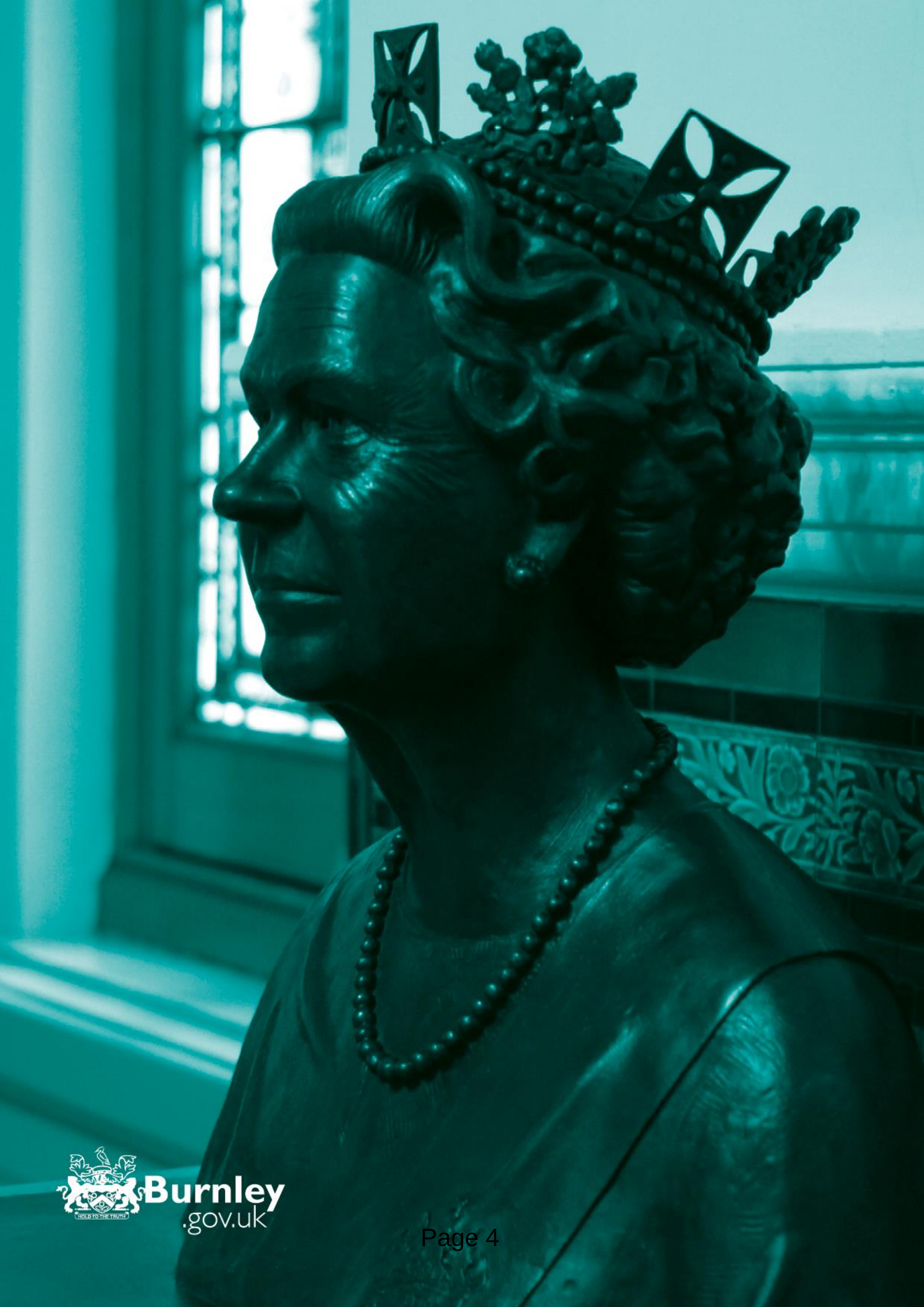
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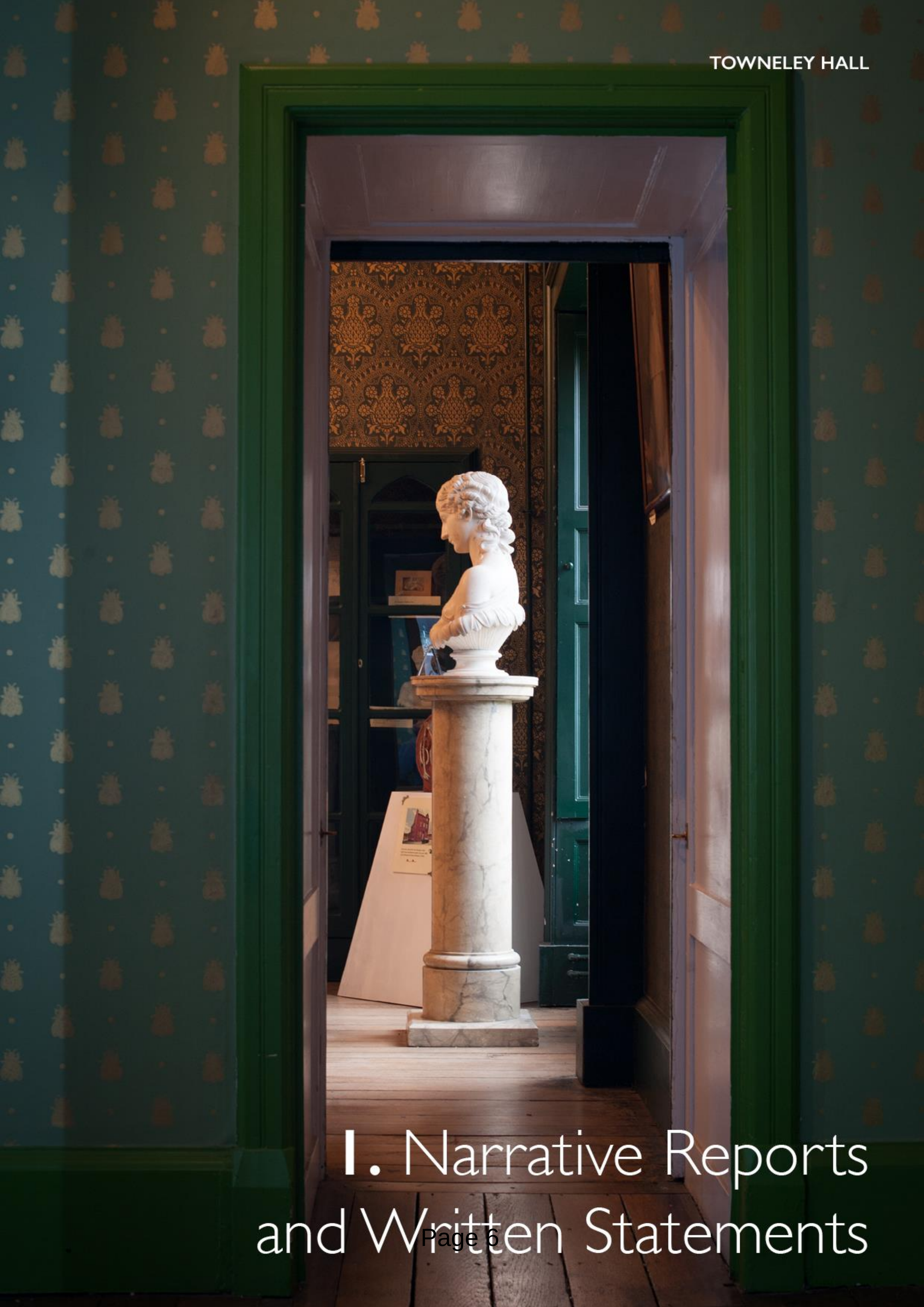
# Contents





# 1. Narrative Reports and Written Statements

# NARRATIVE REPORT

This booklet presents the Council's accounts for the year ended 31 March 2019. The accounts conform to the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (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. The Code requires the Council to analyse the cost of service in the same format reported during the year.
- **Movement in Reserves Statement** – this statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other '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 Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). Unusable reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement of Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- **Cash Flow Statement** – this statement shows the changes in cash and cash equivalents during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients

of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

## 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 2018/19 was approved by Full Council on 21 February 2018 and amounted to a net figure of £15.090m. The revenue budget in 2018/19 delivered savings of £1.862m; this is on top of the £12.613m saved in the previous seven years. This net budget figure was funded as follows:

| | Net Budget £000s |
|---|---|
| Business Rates | 5,473 |
| Revenue Support Grant | 2,228 |
| Council Tax | 6,739 |
| Council Tax Surplus | 89 |
| New Homes Bonus | 561 |
| | 15,090 |

In addition, the Council received requests for Council Tax precepts of £0.110m to fund expenditure by Parish and Town Councils. In total this resulted in a Council Tax precept of £6.849m.

## 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 £0.083m to earmarked reserves. There were further planned contributions from earmarked reserves of £0.955m 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 £0.872m.

The Statement of Accounts shows that there was a revenue break-even position for the year after taking into account an actual net contribution to earmarked reserves of £0.468m.

The table below details where the break-even position is shown in these accounts:

| | Net Surplus £000s |
|---|---|
| Comprehensive Income and Expenditure Statement<br>- Deficit on provision of services | 7,328 |
| Adjustments between accounting basis and funding basis under regulations<br>- General Fund balance (Note 7) | (7,796) |
| Net contribution to Earmarked Reserves in year (see note below) | 468 |
| **Revenue surplus 2018/19** | **0** |

The revenue net contribution to earmarked reserves of £0.468m gives an increase in earmarked reserves for the year to £7.246m as detailed below:

| | Under Spending £000s | Earmarked Reserves Utilised £000s | Earmarked Reserves Balance £000s | General Fund Balance £000s |
|---|---|---|---|---|
| Balances brought forward 1 April 2018 | | | (6,778) | (1,379) |
| **Position as per Budget Monitoring Report – end December 2018** | | | | |
| Earmarked Reserves decrease | 0 | 872 | 872 | 0 |
| Estimated break-even position at year end | 0 | 0 | 0 | 0 |
| **Estimated year end Earmarked Reserves balance** | | | **(5,906)** | **(1,379)** |
| **Year-end position** | | | | |
| Change to break-even position at year end | 0 | 0 | 0 | 0 |
| Movement in transfer (to)/from Earmarked Reserves | 0 | (1,340) | (1,340) | 0 |
| | **0** | **(468)** | **(7,246)** | **(1,379)** |
| **Net underspend 2018/19** | | | | |
| Balance carried forward 31 March 2019 | 0 | 0 | ( 7,246) | (1,379) |
| Less: Opening balances | 0 | 0 | 6,778 | 1,379 |
| **Balance transferred (to) / from Earmarked Reserves** | | | **(468)** | **0** |

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 break-even position generated on the revenue account are shown in the table below:

| | Major Variances £000s |
|---|---|
| Underspends / Increased Income | |
| Net decrease in provisions | (361) |
| External Audit fees savings | (20) |
| Other net underspending in services | (160) |
| Increased Expenditure / Reduced Income | |
| Increased business rate collection costs | 169 |
| Net workforce planning costs * | 174 |
| Net decrease in income | 198 |
| Total Break-Even | 0 |

* Workforce planning costs total £400,000 of which £226,000 funded from earmarked reserves. Balance of £174,000 charged to services

## 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 2018/19 the Council spent £6.422m on capital projects compared with a revised capital budget of £7.823m. During the year £0.3m was invested on the NW Burnley Growth Corridor, £0.6m spent on the Open Market and Former Cinema Block, £0.6m on the restoration of Thompson Park and £1.4m on housing renovations for disabled facilities.

For 2019/20 the Council will invest £1.4m on the Empty Homes Programme, £2.5m on the NW Burnley Growth Corridor, £5.7m on Sandygate Square, and around £3.3m on Better Care grants. 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 in the following table. 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 2019/20.

| Capital Expenditure | Approved Budget 2018/19 £M | Actual 2018/19 £M | Variance £M |
|---|---|---|---|
| Regeneration and Planning Policy | | | |
| Burnley Vision Park | 0.3 | 0.1 | 0.2 |
| Former Open Market and Former Cinema Block | 0.6 | 0.6 | 0 |
| NW Burnley Growth Corridor | 0.8 | 0.3 | 0.5 |
| Town Centre & Weavers Triangle Project Work | 0.4 | 0.3 | 0.1 |
| Other | 0.1 | 0.1 | 0 |

| Capital Expenditure | Approved Budget 2018/19 £M | Actual 2018/19 £M | Variance £M |
|---|---|---|---|
| Housing | | | |
| Disabled Facilities Renovations | 1.5 | 1.4 | 0.1 |
| Empty Homes Programme | 1.1 | 1.0 | 0.1 |
| Other | 0.3 | 0.3 | 0 |
| Streetscene | | | |
| CCTV Infrastructure | 0.1 | 0.1 | 0 |
| Other | 0.1 | 0.1 | 0 |
| Facilities Management | | | |
| Building Infrastructure Works | 0.6 | 0.4 | 0.2 |
| Contribution to Shopping Centre Redevelopment | 0.4 | 0.4 | 0 |
| Other | 0.2 | 0.2 | 0 |
| Green Spaces and Amenities | | | |
| Thompson Park – Restoration Project | 0.7 | 0.6 | 0.1 |
| Other | 0.3 | 0.3 | 0 |
| Chief Executive | | | |
| Ward Opportunities Fund | 0.1 | 0 | 0.1 |
| Leisure Client | | | |
| St Peters LC – Gym Refurbishment | 0.2 | 0.2 | 0 |
| Total Capital Expenditure | 7.8 | **6.4** | 1.4 |

## BORROWING

The total amount outstanding as at 31 March 2019 on long-term loans borrowed from the Public Works Loan Board (PWLB) to finance capital expenditure was £21.7m. In addition there was at this date £1.8m of short-term PWLB loans borrowing. The sources of borrowing totalling £23.5m are identified in note 12e, and an analysis of the periods to repayment shown in note 31e 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 £93.2m. 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 2019 was £58.672m (£57.995m as at 31 March 2018). More information on the assumptions used by the actuaries can be found at Note 29e.

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

The Council, each year, has proactively prepared a cost reduction programme to ensure a balanced budget. Nevertheless, the Council's performance scorecard data suggests that cost saving decisions have not significantly diminished performance in key service areas.

In 2018/19, the council has successfully retained its Gold Investors in People accreditation and Health and Wellbeing Award. Only 15% of organisations assessed under the updated and more rigorous IiP version 6 Standard have attained gold status. The independent Practitioner particularly commended the outcome given, "the added stretch that the new version 6 Standard provides and given the significant amount of change the organisation continues to go through, including the requirement to continue to make significant financial savings and to deliver services with a reducing workforce."

The table below shows Burnley Council's achievements in 2018/19:

| Measure | Target | Result |
|---|---:|---:|
| Average number of days per employee lost to sickness absence<br><br>(Burnley staff attendance is amongst the highest in Lancashire) | 6 | 5.69 |
| Percentage of calls answered within the target response time | 80% | 80% |
| Average number of days to process benefit new claims and changes of circumstances * | 9 | 4.77 |
| Current year council tax collection | 94.50% | 95.11% |
| Street cleanliness and enforcement | Survey results show that the targets for litter, detritus, graffiti and flyposting were met during 2018/19 | |
| Housing and Development Control – vacant properties brought back into use (strategic objective) | 40 | 84 |
| Job growth and inward investment (Key strategic priority) | £28m | £41.5m |

** The latest available data for comparison with other areas is from Q3 2018/19 (this measures housing benefit processing only) and shows that Burnley's housing benefit processing time overall was 5 days in that quarter, compared to a statistical nearest neighbour average of 8 days.*

In September 2018, the LGA Corporate Peer Challenge review team reported that "The council has made significant progress in relation to a range of economic, housing and regeneration projects…There was evidence of a strong shared vision for the borough, with the council viewed as a respected and valued partner. Crucially, jobs growth in the borough has outstripped many parts of the country."

## 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 by 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

Economic growth was weak at 0.2% in the first quarter of the calendar year 2018, before picking up to 0.7% in quarter 3. This growth trend reversed in quarter 4 with growth returning to the start of the year level of 0.2%, mainly as a result of all the uncertainties over Brexit.

The Monetary Policy Committee raised Bank Rate from 0.5% to 0.75% in August 2018, and it is felt unlikely that there will be any further action from the MPC until the uncertainties over Brexit clear. Wage inflation peaked at a new post financial crisis high of 3.5% (excluding bonuses) in the 3 months to the end of December 2018, with British employers ramping up their hiring rate at the fastest pace in more than 3 years as the country's labour market defied the broader weaknesses in the overall economy as Brexit approached. The number of people in work helped push down the unemployment rate to 3.9%, its lowest since 1975.

CPI inflation reached a new low of 1.8% in January 2019 before increasing slightly to 1.9% in February 2019.

The rise in wage inflation and fall in CPI inflation increases consumer spending power, with the difference between the two now around 1.5% which is a real term increase. As the UK economy is very much services sector driven, an increase in household spending power is likely to provide some support to the overall rate of economic growth in the coming months.

Any increase in interest rates will provide additional income through interest earned on investments and cash surpluses held by the Council. This would assist in funding the cost of services provided by the Council, but the impact is likely to be modest as rate increases are likely to be small and gradual.

Any benefit from increases in interest rates will, however, be more than offset by continued pressure on income from fees and charges due to the reduction in consumer spending power, by increased costs of delivering services, due to relatively high inflation and increasing demand, and the continuing reductions in Government funding.

The Council's Medium Term Financial Strategy 2019/24 takes all known factors which affect the finances of the Council, including those set out above, into account but there are also significant uncertainties, not least of which are the impact of the UK leaving the European Union and the forthcoming Local Government Funding Reform and Spending Review which will affect funding available to the sector. The strategy highlights a continuation of financial pressures with the Council having to find further significant savings for the foreseeable future. Savings will be delivered through strategic prioritisation to protect key services, service transformation, continuous improvement and an increasingly commercial approach.

Against this background the Council has approved a balanced budget for 2019/20 and is pro-actively considering measures to address forecast budget gaps in future years.

Despite these considerable financial challenges, the Council continues to take forward initiatives designed to revitalise the local economy and promote growth and prosperity. Complementing a range of high profile regeneration initiatives in recent years, the Council has recently approved entering into an agreement for the development of a leisure and retail scheme in the town centre on the former Pioneer site in Curzon Street, which would include a cinema, restaurants, a public plaza, shops and car park.

A key focus for the authority is to grow the local economy and attract investment into the borough. The creation of 'Vision Park' incorporating modern units for hi-tech digital and manufacturing businesses provides an opportunity to bring high quality jobs into Burnley. The Council works closely with private sector partners, including local businesses through the Burnley Bondholders Scheme, to promote growth and create jobs in the borough in a challenging economic climate.

The Council is also working with key strategic partners, including the University of Central Lancashire (UCLAN) and East Lancashire NHS trusts, to support expansion plans and facilitate their ambitions for Burnley to be a 'University Town'.

## 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 2018/19. 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 and Property, 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 2018/19 this right is to be exercised for 30 working days beginning 30 May 2019. 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:

**Mark Heap**
**Engagement Lead**
**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 and Property.
- 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 in accordance with proper practices as set out in CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code").

In preparing this Statement of Accounts I have:

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

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.

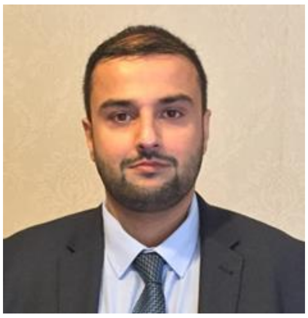
## CERTIFICATE OF CHIEF FINANCIAL OFFICER

I certify that the Statement of Accounts presents a true and fair view of the financial position of Burnley Borough Council at 31 March 2019 and its income and expenditure for the year then ended, including any known post balance sheet events at 31 July 2019.

**Asad Mushtaq**

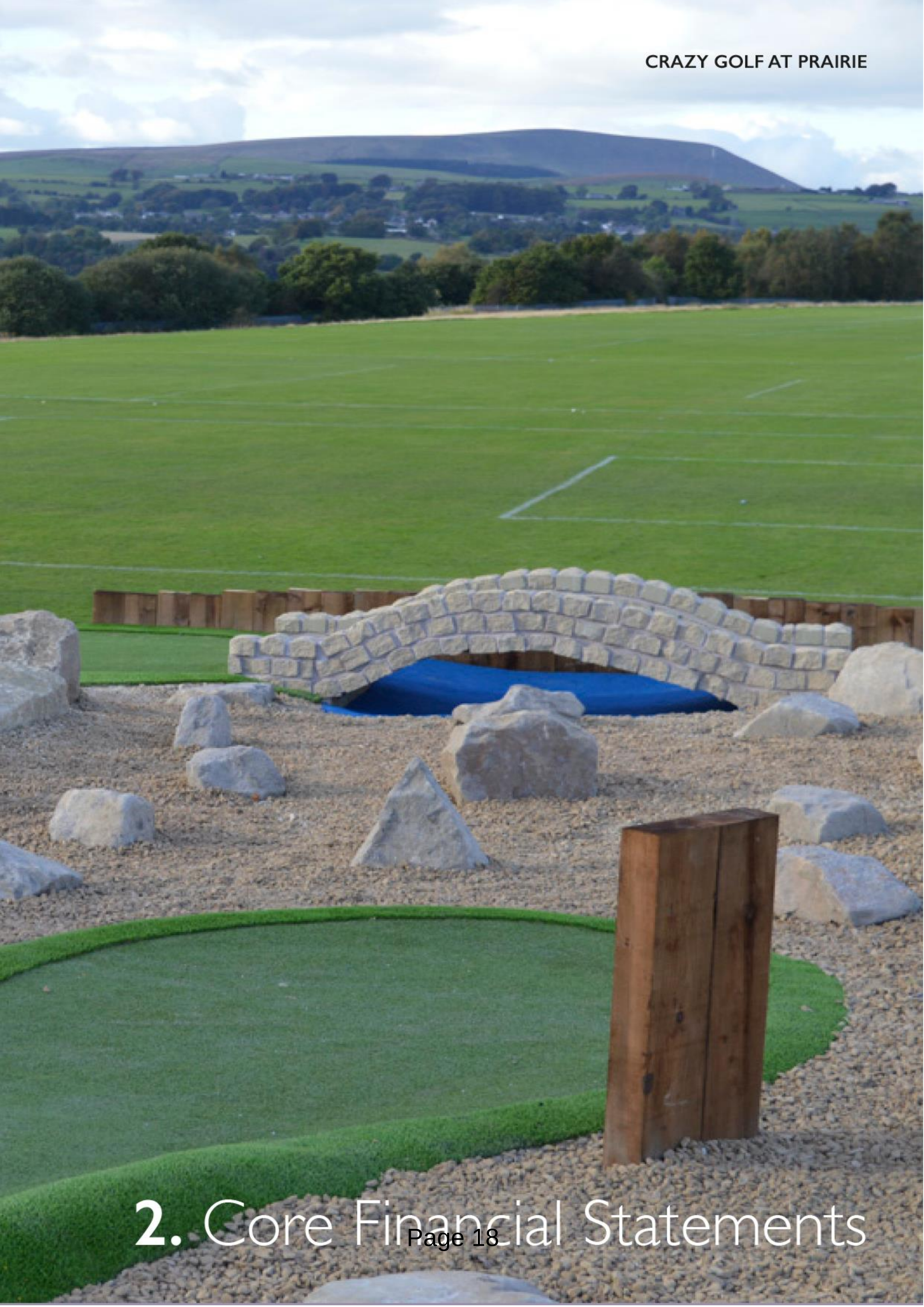
Head of Finance and Property
Chief Financial Officer (Section 151 Officer)

31 July 2019



# 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).



CRAZY GOLF AT PRAIRIE

# 2. Core Financial Statements

# Core Financial Statements

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| | | 31 March 2018 Restated | | | 31 March 2019 | | |
|---|---|---|---|---|---|---|---|
| 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 | | 440 | - | 440 | 332 | - | 332 |
| Policy and Engagement | | 1,024 | (365) | 659 | 898 | (399) | 499 |
| People and Development | | 340 | - | 340 | 265 | - | 265 |
| Green Spaces and Amenities | | 4,004 | (2,268) | 1,736 | 4,233 | (2,350) | 1,883 |
| Legal and Democratic Services | | 1,293 | (337) | 956 | 1,256 | (187) | 1,069 |
| Finance and Property | | 5,666 | (578) | 5,088 | 4,231 | (361) | 3,870 |
| Revenues and Benefits | | 31,701 | (33,208) | (1,507) | 27,745 | (29,051) | (1,306) |
| Leisure Trust Client | | 1,902 | (242) | 1,660 | 2,523 | (248) | 2,275 |
| Streescene | | 5,169 | (2,530) | 2,639 | 5,090 | (1,974) | 3,116 |
| Housing and Development Control | | 4,142 | (1,319) | 2,823 | 3,698 | (1,241) | 2,457 |
| Economy and Growth | | 3,113 | (1,130) | 1,983 | 3,331 | (1,162) | 2,169 |
| Strategic Partnership | | 4,281 | (676) | 3,605 | 4,225 | (597) | 3,628 |
| Corporate Budgets | | 1,405 | (28) | 1,377 | 1,514 | (48) | 1,466 |
| **Cost of Services** | | 64,480 | (42,681) | 21,799 | 59,341 | (37,618) | 21,723 |
| **Other Operating Expenditure & Income** | | | | | | | |
| Parish Council Precepts | | 93 | - | 93 | 110 | - | 110 |
| Pension Fund Administration Costs | | 30 | - | 30 | 29 | - | 29 |
| (Gains)/Losses on the Disposal of Non-Current Assets | | - | - | - | (582) | - | (582) |
| Other Income | | (476) | (2) | (478) | - | - | - |
| | | (353) | (2) | (355) | (443) | - | (443) |
| **Financing and Investment Income & Expenditure** | | | | | | | |
| Net Interest on the Net Defined Benefit Liability | | 1,503 | - | 1,503 | 1,428 | - | 1,428 |
| Interest Payable and Similar Charges | | 931 | - | 931 | 925 | - | 925 |
| Interest Receivable and Similar Income | | - | (317) | (317) | - | (159) | (159) |
| Impairment Losses | | - | - | - | (4) | - | (4) |
| Other Investment Income and Expenses | | - | - | - | 111 | (23) | 88 |
| Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value | 11 | (51) | (1,003) | (1,054) | 360 | (955) | (595) |
| | | 2,383 | (1,320) | 1,063 | 2,820 | (1,137) | 1,683 |
| **Taxation and Non-Specific Grants** | | | | | | | |
| Council Tax Income | | - | (6,550) | (6,550) | - | (6,763) | (6,763) |
| Non-Domestic Rates Income and Expenditure | | - | (3,799) | (3,799) | - | (4,206) | (4,206) |
| Non-Ringfenced Government Grants | 25 | - | (4,866) | (4,866) | - | (4,049) | (4,049) |
| Capital Grants and Contributions | 25 | - | (3,740) | (3,740) | - | (2,601) | (2,601) |
| | | - | (18,955) | (18,955) | - | (17,619) | (17,619) |
| **(Surplus) / Deficit on Provision of Services** | | 66,510 | (62,958) | 3,552 | 61,718 | (56,374) | 5,344 |
| (Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets | 9 | | | 1,017 | | | (3,383) |
| Remeasurement of the Net Defined Benefit Liability / (Asset) | 29 | | | (7,879) | | | (279) |
| **Other Comprehensive (Income) / Expenditure** | | | | (6,862) | | | (3,662) |
| **Total Comprehensive (Income) / Expenditure** | | | | (3,310) | | | 1,682 |

*Note: the 2017/18 continuing services figures have been restated to reflect the new management reporting format in 2018/19 and a transpostion error of the 2017/18 Income and Expenditure in Relation to Investment Properties has been corrected*

## MOVEMENT IN RESERVES STATEMENT

| | Revenue Reserves | | | Capital Reserves | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 £000s | Revaluation Reserve £000s | Capital Adjustment Account £000s | Deferred Capital Receipts £000s | Pooled Investment Funds Adjustment Account £000s | Pensions Reserve £000s | Collection Fund Adjustment Account £000s | Accumulated Absences Account £000s | Total Unusable Reserves £000s | Total Authority Reserves £000s |
| Balance at 31 March 2017 | 1,379 | 8,032 | 9,411 | 3,493 | 888 | 13,792 | 49,467 | 13,791 | 623 | - | (65,061) | 268 | (51) | (963) | 12,829 |
| Movement in Reserves during 2017/18 | | | | | | | | | | | | | | | |
| Total Comprehensive Income & Expenditure | (3,552) | - | (3,552) | - | - | (3,552) | (1,017) | - | - | - | 7,879 | - | - | 6,862 | 3,310 |
| Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 7) | 2,298 | - | 2,298 | 301 | 244 | 2,843 | - | (2,372) | 6 | - | (813) | 335 | 1 | (2,843) | - |
| Net Increase/(Decrease) before Transfers to Reserves | (1,254) | - | (1,254) | 301 | 244 | (709) | (1,017) | (2,372) | 6 | - | 7,066 | 335 | 1 | 4,019 | 3,310 |
| Transfers to/from Reserves | 1,254 | (1,254) | - | - | - | - | (833) | 833 | - | - | - | - | - | - | - |
| Increase/(Decrease) in Year | - | (1,254) | (1,254) | 301 | 244 | (709) | (1,850) | (1,539) | 6 | - | 7,066 | 335 | 1 | 4,019 | 3,310 |
| Balance at 31 March 2018 | 1,379 | 6,778 | 8,157 | 3,794 | 1,132 | 13,083 | 47,617 | 12,252 | 629 | - | (57,995) | 603 | (50) | 3,056 | 16,139 |
| Movement in Reserves during 2018/19 | | | | | | | | | | | | | | | |
| Total Comprehensive Income & Expenditure | (5,344) | - | (5,344) | - | - | (5,344) | 3,383 | - | - | - | 279 | - | - | 3,662 | (1,682) |
| Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 7) | 5,812 | - | 5,812 | (636) | 986 | 6,162 | - | (3,676) | - | 3 | (1,232) | (1,236) | (21) | (6,162) | - |
| Net Increase/(Decrease) before Transfers to Reserves | 468 | - | 468 | (636) | 986 | 818 | 3,383 | (3,676) | - | 3 | (953) | (1,236) | (21) | (2,500) | (1,682) |
| Transfers to/from Reserves | (468) | 468 | - | - | - | - | (908) | 1,537 | (629) | - | - | - | - | - | - |
| Increase/(Decrease) in Year | - | 468 | 468 | (636) | 986 | 818 | 2,475 | (2,139) | (629) | 3 | (953) | (1,236) | (21) | (2,500) | (1,682) |
| Balance at 31 March 2019 | 1,379 | 7,246 | 8,625 | 3,158 | 2,118 | 13,901 | 50,092 | 10,113 | - | 3 | (58,948) | (633) | (71) | 556 | 14,457 |

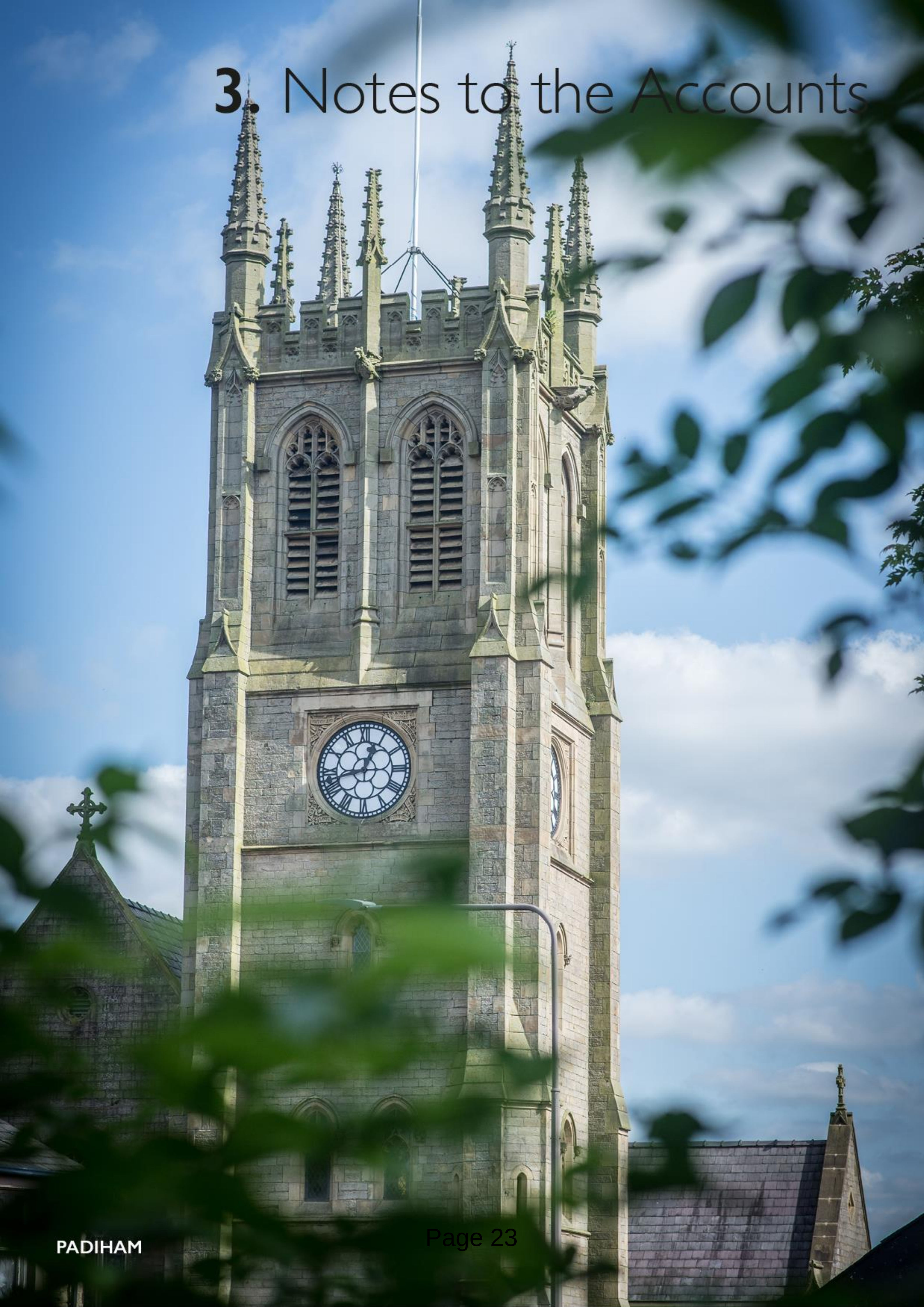
## BALANCE SHEET

| BALANCE SHEET | Note | 31st March 2018 £000s | 31st March 2019 £000s |
|---|---|---|---|
| Property, Plant & Equipment | 9 | 45,544 | 45,732 |
| Heritage Assets | 10 | 32,751 | 32,751 |
| Investment Properties | 11 | 11,806 | 11,498 |
| Intangible Assets | | - | - |
| Long-Term Investments | | - | 1,908 |
| Long-Term Debtors | 12a | 1,232 | 1,277 |
| **Long-term Assets** | | **91,333** | **93,166** |
| Short-Term Investments & Deposits | 12a | 8,000 | 3,002 |
| Inventories | | 28 | 27 |
| Short-Term Debtors | 13 | 4,231 | 3,856 |
| Cash & Cash Equivalents | 14 | 4,446 | 5,856 |
| **Current Assets** | | **16,705** | **12,741** |
| Short-Term Borrowing | 12a | (1,062) | (1,868) |
| Short-Term Creditors | 15 | (7,812) | (4,993) |
| Current Provisions | 16 | (3,229) | (3,563) |
| Grants Receipts in Advance - Revenue | 25b | (513) | (657) |
| **Current Liabilities** | | **(12,616)** | **(11,081)** |
| Long-Term Borrowing | 12a | (23,072) | (21,663) |
| Long-Term Provisions | 16 | (653) | (522) |
| Net Pensions Liability | 29c | (55,263) | (57,587) |
| Other Long-Term Liabilities | | (65) | (213) |
| Grants Receipts in Advance - Capital | 25c | (230) | (384) |
| **Long- term Liabilities** | | **(79,283)** | **(80,369)** |
| **Net Assets** | | **16,139** | **14,457** |
| Represented by: | | | |
| **Usable Reserves** | | | |
| General Fund | | 1,379 | 1,379 |
| Earmarked Reserves | 8 | 6,778 | 7,246 |
| Capital Receipts Reserve | 7 | 3,794 | 3,158 |
| Capital Grants Unapplied | 7 | 1,132 | 2,118 |
| | | **13,083** | **13,901** |
| **Unusable Reserves** | 18 | | |
| Revaluation Reserve | 18a | 47,617 | 50,092 |
| Capital Adjustment Account | 18b | 12,252 | 10,113 |
| Deferred Capital Receipts | 18d | 629 | - |
| Pooled Investment Funds Adjustment Account | 18e | - | 3 |
| Pension Reserve | 18c | (57,995) | (58,948) |
| Collection Fund Adjustment Account | 18f | 603 | (633) |
| Accumulated Absences Account | 18g | (50) | (71) |
| | | **3,056** | **556** |
| **Total Reserves** | | **16,139** | **14,457** |

## CASH FLOW STATEMENT

| CASH FLOW STATEMENT | Note | 2017/18 £000s | 2018/19 £000s |
|---|---|---|---|
| Net (Surplus) / Deficit on the Provision of Services | | 3,552 | 5,344 |
| Adjustments to Net (Surplus) / Deficit on the Provision of Services for Non-Cash Movements | 19a | (2,487) | (8,109) |
| Adjustments for Items Included in Net (Surplus) / Deficit on the Provision of Services that are Investing or Financing Activities | 19a | 4,899 | 4,331 |
| **Net Cash Inflows from Operating Activities** | | **5,964** | **1,566** |
| Investing Activities | 19b | 5,859 | (6,349) |
| Financing Activities | 19c | (3,519) | 3,373 |
| **Net (Increase) or Decrease in Cash and Cash Equivalents** | | **8,304** | **(1,410)** |
| Cash and Cash Equivalents at the Beginning of the Reporting Period | | (12,750) | (4,446) |
| **Cash and Cash Equivalents at the End of the Reporting Period** | | **(4,446)** | **(5,856)** |

# 3. Notes to the Accounts



# Notes to Core Financial Statements

# **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 accounting standard that has been issued but not yet adopted.

Accounting Standards that have been issued but not yet adopted, include:

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

None of which are likely to have a material effect upon the 2019/20 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 Council 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 Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council 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 XVIII Property, Plant and Equipment).

# Note 3 Events after the reporting period

The Statement of Accounts was certified by the Head of Finance and Property on 31 July 2019. Events taking place after this date are not reflected in the financial statement or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no non-adjusting events after the Balance Sheet date.

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

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

The items in the authority's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

### 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 2018/19 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 2019. 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 2019. The balance of business rate appeals provision held by the Council at this date amounted to £3.008m, which is an increase of £0.366m from the previous year.

### DEBT IMPAIRMENT

At 31 March 2019 the Council has a gross balance of short-term debtors of £7.909m as per Note 13. A review of significant balances suggested that an impairment allowance for doubtful debts of £4.053m was appropriate, an increase of £0.105m from 31 March 2018. 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 2018/19 the Council's actuaries advised that the net liability had increased by £0.677m due to the re-measurement of assets and liabilities. The previous year had seen a decrease of £7.066m.

## 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 Council 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 2019 for which there is a significant risk of material adjustment in the forthcoming financial year 2019/20 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:<br><br>Buildings & infrastructure £183k<br><br>Vehicles & equipment £143k |
| Fair Value Measurements | When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for *similar* assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.<br><br>Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's internal valuers.<br><br>Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in Notes 11 and 12 below. | The Council uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets.<br><br>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets).<br><br>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investments properties and financial assets. |

| | | |
|---|---|---|
| **Pensions Liability** | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. | The effects on the net pension liability of changes in individual assumptions have been included in detail within Note 29.<br><br>Any change in the uncertainties listed opposite would lead to a significant change in the estimated pensions liability reported. |
| | The impact of the McCloud ruling that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. However there is still a significant amount of detail to be resolved in terms of what the exact impact will be on members' benefits as it does not necessarily follow that the existing protections would automatically be extended to all members affected by the reforms in 2014. | The Government Actuary's Department (GAD) has carried out some costings of the potential effect of McCloud on the LGPS as a whole.<br><br>The actuaries have also carried out some costings based on individual member data, which in very broad terms calculates the cost of applying a 'final salary underpin' (on a member by member basis) to those active members who joined the Fund before 1 April 2012 and would not otherwise have benefited from the underpin. The potential balance sheet effect of additional past service liabilities at 31 March 2019 is £620k.<br><br>This figure is very sensitive to assumptions made, for example the figure is based on an assumed future real pay growth of 1.5% p.a. above CPI. If assumed future real pay growth was 0.75% this would reduce the potential balance sheet effect of additional past service liabilities to approximately £310k. |
| **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 2019, 70 appeals remain outstanding with the Valuation Office Agency against the 2010 list. As stated on the previous page the 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 £301k. |
| **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 of doubtful debts would require an additional £1.900m for Council Tax debts, £851k for business rates and £267k for sundry debts to be set aside as an allowance. |

# **Note 5** Expenditure and Funding Analysis

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

| | 2018/19 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Table 5a | Outturn as Reported to the Executive £000s | Adjustments to Management Reporting (EFA Note 1) £000s | Net Expenditure Chargeable to the General Fund Balance £000s | Adjustments for Capital Purposes (EFA Note 2) £000s | Net Change for Pensions Adjustments (EFA Note 3) £000s | Other Statutory Differences (EFA Note 4) £000s | Adjustments between the Funding and Accounting Basis (see note 7) £000s | Net Expenditure in the Comprehensive Income and Expenditure Statement £000s |
| Continuing Services | | | | | | | | |
| Management Team | 327 | - | 327 | - | 6 | (1) | 5 | 332 |
| Policy and Engagement | 433 | - | 433 | 58 | 8 | - | 66 | 499 |
| People and Development | 262 | - | 262 | - | 3 | - | 3 | 265 |
| Green Spaces and Amenities | 976 | - | 976 | 871 | 32 | 4 | 907 | 1,883 |
| Legal and Democratic Services | 1,055 | - | 1,055 | - | 13 | 1 | 14 | 1,069 |
| Finance and Property | 1,281 | 46 | 1,327 | 2,523 | 15 | 5 | 2,543 | 3,870 |
| Revenues and Benefits | (1,306) | - | (1,306) | - | - | - | - | (1,306) |
| Leisure Trust Client | 639 | - | 639 | 1,636 | - | - | 1,636 | 2,275 |
| Streescene | 2,986 | - | 2,986 | 110 | 19 | 1 | 130 | 3,116 |
| Housing and Development Control | 387 | - | 387 | 2,041 | 23 | 6 | 2,070 | 2,457 |
| Economy and Growth | 1,145 | (22) | 1,123 | 1,023 | 20 | 3 | 1,046 | 2,169 |
| Strategic Partnership | 3,627 | - | 3,627 | - | - | 1 | 1 | 3,628 |
| Corporate Budgets | 3,278 | (1,448) | 1,830 | - | (364) | - | (364) | 1,466 |
| Net Cost of Services | 15,090 | (1,424) | 13,666 | 8,262 | (225) | 20 | 8,057 | 21,723 |
| Other Income and Expenditure | (15,090) | 956 | (14,134) | (4,936) | 1,457 | 1,234 | (2,245) | (16,379) |
| (Surplus) or Deficit on Provision of Services | - | (468) | (468) | 3,326 | 1,232 | 1,254 | 5,812 | 5,344 |
| Opening General Fund Balance 1 April 2018 | | | (8,157) | | | | | |
| Less/Plus (Surplus) or Deficit on General Fund Balance In-Year | | | (468) | | | | | |
| Reserve Transfers | | | - | | | | | |
| Closing General Fund Balance at 31 March 2019 | | | (8,625) | | | | | |

| Table 5b | 2017/18 Outturn as Reported to the Executive £000s | Adjustments to Management Reporting (EFA Note 1) £000s | Net Expenditure Chargeable to the General Fund Balance £000s | Adjustments for Capital Purposes (EFA Note 2) £000s | Net Change for Pensions Adjustments (EFA Note 3) £000s | Other Statutory Differences (EFA Note 4) £000s | Adjustments between the Funding and Accounting Basis (see note 7) £000s | Net Expenditure in the Comprehensive Income and Expenditure Statement £000s |
|---|---|---|---|---|---|---|---|---|
| Continuing Services | | | | | | | | |
| Management Team | 426 | - | 426 | - | 12 | 2 | 14 | 440 |
| Policy and Engagement | 555 | - | 555 | 87 | 17 | - | 104 | 659 |
| People and Development | 333 | - | 333 | - | 8 | (1) | 7 | 340 |
| Green Spaces and Amenities | 998 | - | 998 | 678 | 61 | (1) | 738 | 1,736 |
| Legal and Democratic Services | 933 | - | 933 | - | 24 | (1) | 23 | 956 |
| Finance and Property | 1,171 | 333 | 1,504 | 3,555 | 30 | (1) | 3,584 | 5,088 |
| Revenues and Benefits | (1,507) | - | (1,507) | - | - | - | - | (1,507) |
| Leisure Trust Client | 584 | - | 584 | 1,076 | - | - | 1,076 | 1,660 |
| Streescene | 2,316 | - | 2,316 | 285 | 38 | - | 323 | 2,639 |
| Housing and Development Control | 343 | - | 343 | 2,432 | 47 | 1 | 2,480 | 2,823 |
| Economy and Growth | 1,181 | - | 1,181 | 763 | 39 | - | 802 | 1,983 |
| Strategic Partnership | 3,605 | - | 3,605 | - | - | - | - | 3,605 |
| Corporate Budgets | 2,777 | (416) | 2,361 | 12 | (996) | - | (984) | 1,377 |
| Net Cost of Services | 13,715 | (83) | 13,632 | 8,888 | (720) | (1) | 8,167 | 21,799 |
| Other Income and Expenditure | (13,807) | 1,429 | (12,378) | (7,067) | 1,533 | (335) | (5,869) | (18,247) |
| (Surplus) or Deficit on Provision of Services | (92) | 1,346 | 1,254 | 1,821 | 813 | (336) | 2,298 | 3,552 |
| Opening General Fund Balance 1 April 2017 | | | (9,411) | | | | | |
| Less/Plus (Surplus) or Deficit on General Fund Balance In-Year | | | 1,254 | | | | | |
| Reserve Transfers | | | - | | | | | |
| Closing General Fund Balance at 31 March 2018 | | | (8,157) | | | | | |

## EFA NOTE 1: ADJUSTMENTS TO MANAGEMENT REPORTING

This column adjusts the outturn figures reported to management for items chargeable to the General Fund for:

**Reserves** – the removal of transfers to/from reserves included in the management outturn report as these are not shown on the face of the Comprehensive Income and Expenditure Account.

**Investment Properties and Financing & Investment Income & Expenditure** – the reallocation of Investment Properties and Financing & Investment Income & Expenditure to/from the Net Cost of Services to Other Operating Income and Expenditure.

## EFA NOTE 2: ADJUSTMENT FOR CAPITAL PURPOSES

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

**Other Operating Expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

**Financing and Investment Income and Expenditure** – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

**Taxation and Non-Specific Grant Income and Expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## EFA NOTE 3: NET CHANGES FOR THE PENSIONS ADJUSTMENTS

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

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

For **Financing and Investment Income and Expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

## EFA NOTE 4: OTHER STATUTORY ADJUSTMENTS

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

For **Financing and Investment Income and Expenditure** the other differences column recognises adjustments to the General Fund for the statutory override in place to reverse fair value movements in pooled investment funds.

For **Taxation and Non-Specific Grant Income and Expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

# **Note 6** Expenditure and Income Analysed by Nature

| | 2018/19 | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Table 6a | Management Team | Policy and Engagement | People and Development | Green Spaces and Amenities | Legal and Democratic Services | Finance and Property | Revenues and Benefits | Leisure Trust Client | Streescene | Housing and Development Control | Economy and Growth | Strategic Partnership | Corporate Budgets | Other Income and Expenditure | Outturn as Reported to the Executive £000s | Adjustments to Management Reporting (EFA Note 1) £000s | Net Expenditure Chargeable to the General Fund Balance £000s | Adjustments between the Funding and Accounting Basis (see note 7) £000s | Net Expenditure in the Comprehensive Income and Expenditure Statement £000s |
| Fees & Charges | - | (92) | - | (1,913) | (139) | (1,317) | 11 | (248) | (1,799) | (1,043) | (671) | (597) | (48) | - | (7,856) | 955 | (6,901) | - | (6,901) |
| Other Service Income | - | (38) | - | (71) | (11) | - | (1,199) | - | (110) | (32) | (77) | - | - | - | (1,538) | - | (1,538) | - | (1,538) |
| Financing and Investment Income | - | - | - | - | - | (179) | - | - | - | - | - | - | - | - | (179) | (955) | (1,134) | (3) | (1,137) |
| Government Grants and Contributions | - | (269) | - | - | (37) | - | (27,863) | - | (65) | (148) | (42) | - | (1,053) | (2,995) | (32,472) | - | (32,472) | (3,359) | (35,831) |
| Income from Council Tax | - | - | - | - | - | - | - | - | - | - | - | - | (110) | (6,828) | (6,938) | - | (6,938) | 176 | (6,762) |
| Income from Business Rates | - | - | - | - | - | - | - | - | - | - | - | - | - | (5,267) | (5,267) | - | (5,267) | 1,062 | (4,205) |
| **Total Income** | - | (399) | - | (1,984) | (187) | (1,496) | (29,051) | (248) | (1,974) | (1,223) | (790) | (597) | (1,211) | (15,090) | (54,250) | - | (54,250) | (2,124) | (56,374) |
| Employee Benefits Expenses | 320 | 510 | 193 | 1,883 | 812 | 787 | - | - | 982 | 1,329 | 1,080 | 432 | 1,908 | - | 10,236 | - | 10,236 | (176) | 10,060 |
| Other Service Expenses | 7 | 322 | 69 | 1,077 | 430 | 953 | 27,745 | 887 | 3,978 | 281 | 832 | 3,792 | (30) | - | 40,343 | (52) | 40,291 | - | 40,291 |
| Depreciation, Amortisation, Revaluations and Impairment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,980 | 3,980 |
| Capital Expenditure Financed from Revenue Balances | - | - | - | - | - | - | - | - | - | - | - | - | 1,246 | - | 1,246 | - | 1,246 | (1,246) | - |
| Revenue Expenditure Funded from Capital Under Statute | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 5,239 | 5,239 |
| Financing and Investment Expenses | - | - | - | - | - | 1,037 | - | - | - | - | 23 | - | 787 | - | 1,847 | 52 | 1,899 | 614 | 2,513 |
| Precepts and Levies | - | - | - | - | - | - | - | - | - | - | - | - | 110 | - | 110 | - | 110 | - | 110 |
| (Gain) or Loss on Disposal of Non-Current Assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (475) | (475) |
| **Total Expenditure** | 327 | 832 | 262 | 2,960 | 1,242 | 2,777 | 27,745 | 887 | 4,960 | 1,610 | 1,935 | 4,224 | 4,021 | - | 53,782 | - | 53,782 | 7,936 | 61,718 |
| Contributions to/from Reserves | - | - | - | - | - | - | - | - | - | - | - | - | 468 | - | 468 | (468) | - | - | - |
| **(Surplus) or Deficit on the Provision of Services** | 327 | 433 | 262 | 976 | 1,055 | 1,281 | (1,306) | 639 | 2,986 | 387 | 1,145 | 3,627 | 3,278 | (15,090) | - | (468) | (468) | 5,812 | 5,344 |

| | 2017/18 | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Table 6b | Management Team | Policy and Engagement | People and Development | Green Spaces and Amenities | Legal and Democratic Services | Finance and Property | Revenues and Benefits | Leisure Trust Client | Streescene | Housing and Development Control | Economy and Growth | Strategic Partnership | Corporate Budgets | Other Income and Expenditure | Outturn as Reported to the Executive £000s | Adjustments to Management Reporting (EFA Note 1) £000s | Net Expenditure Chargeable to the General Fund Balance £000s | Adjustments between the Funding and Accounting Basis (see note 7) £000s | Net Expenditure in the Comprehensive Income and Expenditure Statement £000s |
| Fees & Charges | - | (88) | - | (1,865) | (130) | (1,312) | (520) | (243) | (1,671) | (1,116) | (617) | (676) | (28) | - | (8,266) | 1,003 | (7,263) | - | (7,263) |
| Other Service Income | - | (58) | - | (60) | (75) | - | (947) | - | (859) | (38) | (68) | - | - | - | (2,105) | - | (2,105) | - | (2,105) |
| Financing and Investment Income | - | - | - | - | - | (317) | - | - | - | - | - | - | - | - | (317) | (1,003) | (1,320) | - | (1,320) |
| Government Grants and Contributions | - | (219) | - | - | (132) | - | (31,742) | - | - | (40) | (55) | - | (982) | (3,886) | (37,056) | - | (37,056) | (4,866) | (41,922) |
| Income from Council Tax | - | - | - | - | - | - | - | - | - | - | - | - | (93) | (6,472) | (6,565) | - | (6,565) | 15 | (6,550) |
| Income from Business Rates | - | - | - | - | - | - | - | - | - | - | - | - | - | (3,449) | (3,449) | - | (3,449) | (349) | (3,798) |
| **Total Income** | - | (365) | - | (1,925) | (337) | (1,629) | (33,209) | (243) | (2,530) | (1,194) | (740) | (676) | (1,103) | (13,807) | (57,758) | - | (57,758) | (5,200) | (62,958) |
| Employee Benefits Expenses | 420 | 574 | 243 | 1,824 | 783 | 945 | - | - | 1,015 | 1,309 | 1,048 | 440 | 1,866 | - | 10,467 | - | 10,467 | (690) | 9,777 |
| Other Service Expenses | 6 | 346 | 90 | 1,099 | 487 | 925 | 31,702 | 827 | 3,831 | 228 | 873 | 3,841 | 523 | - | 44,778 | (57) | 44,721 | - | 44,721 |
| Depreciation, Amortisation, Revaluations and Impairment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,997 | 4,997 |
| Capital Expenditure Financed from Revenue Balances | - | - | - | - | - | - | - | - | - | - | - | - | 1,944 | - | 1,944 | - | 1,944 | (1,944) | - |
| Revenue Expenditure Funded from Capital Under Statute | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,908 | 4,908 |
| Financing and Investment Expenses | - | - | - | - | - | 930 | - | - | - | - | - | - | 800 | - | 1,730 | 57 | 1,787 | 703 | 2,490 |
| Precepts and Levies | - | - | - | - | - | - | - | - | - | - | - | - | 93 | - | 93 | - | 93 | - | 93 |
| (Gain) or Loss on Disposal of Non-Current Assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (476) | (476) |
| **Total Expenditure** | 426 | 920 | 333 | 2,923 | 1,270 | 2,800 | 31,702 | 827 | 4,846 | 1,537 | 1,921 | 4,281 | 5,226 | - | 59,012 | - | 59,012 | 7,498 | 66,510 |
| Contributions to/from Reserves | - | - | - | - | - | - | - | - | - | - | - | - | (1,346) | - | (1,346) | 1,346 | - | - | - |
| **(Surplus) or Deficit on the Provision of Services** | 426 | 555 | 333 | 998 | 933 | 1,171 | (1,507) | 584 | 2,316 | 343 | 1,181 | 3,605 | 2,777 | (13,807) | (92) | 1,346 | 1,254 | 2,298 | 3,552 |

# **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 arrive at 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 BALANCE

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

## CAPITAL RECEIPTS RESERVE

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

## CAPITAL GRANTS UNAPPLIED

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

| Table 7a - 2018/19 | Usable Reserves | | | | Unusable Reserves | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | General Fund Balance £000s | Capital Receipts Reserve £000s | Capital Grants Unapplied £000s | Movement in Usable Reserves £000s | Capital Adjustment Account £000s | Deferred Capital Receipts £000s | Pooled Investment Funds Adjustment Account £000s | Pensions Reserve £000s | Collection Fund Adjustment Account £000s | Accumulated Absences Account £000s | Movement in Unusable Reserves £000s | Total Movement in Reserves |
| **Adjustments to the Revenue Resources** | | | | | | | | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | | | | | | | | | |
| Pensions costs (transferred to / (from) the Pensions Reserve) | 1,232 | - | - | 1,232 | - | - | - | (1,232) | - | - | (1,232) | - |
| Financial Instruments (transferred to the Financial Instruments Adjustments Account) | (3) | - | - | (3) | - | - | 3 | - | - | - | 3 | - |
| Council tax and NDR (transfer to / (from) the Collection Fund Adjustment Account) | 1,236 | - | - | 1,236 | - | - | - | - | (1,236) | - | (1,236) | - |
| Holiday pay (transferred to / (from) the Accumulated Absences Reserve) | 21 | - | - | 21 | - | - | - | - | - | (21) | (21) | - |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | 6,374 | - | 2,118 | 8,492 | (8,492) | - | - | - | - | - | (8,492) | - |
| **Total Adjustments to Revenue Resources** | 8,860 | - | 2,118 | 10,978 | (8,492) | - | 3 | (1,232) | (1,236) | (21) | (10,978) | - |
| **Adjustments between Revenue and Capital Resources** | | | | | | | | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (972) | 972 | - | - | - | - | - | - | - | - | - | - |
| Administrative Costs of Non-Current Asset Disposals (funded by a contribution from the Capital Receipts Reserve) | - | - | - | - | - | - | - | - | - | - | - | - |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | (830) | - | - | (830) | 830 | - | - | - | - | - | 830 | - |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | (1,246) | - | - | (1,246) | 1,246 | - | - | - | - | - | 1,246 | - |
| **Total Adjustments between Revenue and Capital Resources** | (3,048) | 972 | - | (2,076) | 2,076 | - | - | - | - | - | 2,076 | - |
| **Adjustments to Capital Resources** | | | | | | | | | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | - | (1,735) | - | (1,735) | 1,735 | - | - | - | - | - | 1,735 | - |
| Application of capital grants to finance capital expenditure | - | - | (1,132) | (1,132) | 1,132 | - | - | - | - | - | 1,132 | - |
| Cash payments in relation to deferred capital receipts | - | - | - | - | - | - | - | - | - | - | - | - |
| Cash Payments in Relation to Long-Term Debtor Loans | - | 127 | - | 127 | (127) | - | - | - | - | - | (127) | |
| **Total Adjustments to Capital Resources** | - | (1,608) | (1,132) | (2,740) | 2,740 | - | - | - | - | - | 2,740 | - |
| **Total Adjustments** | 5,812 | (636) | 986 | 6,162 | (3,676) | - | 3 | (1,232) | (1,236) | (21) | (6,162) | - |

| | Usable Reserves | | | | Unusable Reserves | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Table 7b - 2017/18 | General Fund Balance £000s | Capital Receipts Reserve £000s | Capital Grants Unapplied £000s | Movement in Usable Reserves £000s | Capital Adjustment Account £000s | Deferred Capital Receipts £000s | Pooled Investment Funds Adjustment Account £000s | Pensions Reserve £000s | Collection Fund Adjustment Account £000s | Accumulated Absences Account £000s | Movement in Unusable Reserves £000s | Total Movement in Reserves |
| **Adjustments to the Revenue Resources** | | | | | | | | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | | | | | | | | | |
| Pensions costs (transferred to / (from) the Pensions Reserve) | 813 | - | - | 813 | - | - | - | (813) | - | - | (813) | - |
| Financial Instruments (transferred to the Financial Instruments Adjustments Account) | - | - | - | - | - | - | - | - | - | - | - | - |
| Council tax and NDR (transfer to / (from) the Collection Fund Adjustment Account) | (335) | - | - | (335) | - | - | - | - | 335 | - | 335 | - |
| Holiday pay (transferred to / (from) the Accumulated Absences Reserve) | (1) | - | - | (1) | - | - | - | - | - | 1 | 1 | - |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | 5,818 | - | 2,253 | 8,071 | (8,071) | - | - | - | - | - | (8,071) | - |
| **Total Adjustments to Revenue Resources** | **6,295** | **-** | **2,253** | **8,548** | **(8,071)** | **-** | **-** | **(813)** | **335** | **1** | **(8,548)** | **-** |
| **Adjustments between Revenue and Capital Resources** | | | | | | | | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (1,253) | 1,253 | - | - | - | - | - | - | - | - | - | - |
| Administrative Costs of Non-Current Asset Disposals (funded by a contribution from the Capital Receipts Reserve) | - | - | - | - | - | - | - | - | - | - | - | - |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | (800) | - | - | (800) | 800 | - | - | - | - | - | 800 | - |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | (1,944) | - | - | (1,944) | 1,944 | - | - | - | - | - | 1,944 | - |
| **Total Adjustments between Revenue and Capital Resources** | **(3,997)** | **1,253** | **-** | **(2,744)** | **2,744** | **-** | **-** | **-** | **-** | **-** | **2,744** | **-** |
| **Adjustments to Capital Resources** | | | | | | | | | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | - | (946) | - | (946) | 946 | - | - | - | - | - | 946 | - |
| Application of capital grants to finance capital expenditure | - | - | (2,009) | (2,009) | 2,009 | - | - | - | - | - | 2,009 | - |
| Cash payments in relation to deferred capital receipts | - | (6) | - | (6) | - | 6 | - | - | - | - | 6 | - |
| **Total Adjustments to Capital Resources** | **-** | **(952)** | **(2,009)** | **(2,961)** | **2,955** | **6** | **-** | **-** | **-** | **-** | **2,961** | **-** |
| **Total Adjustments** | **2,298** | **301** | **244** | **2,843** | **(2,372)** | **6** | **-** | **(813)** | **335** | **1** | **(2,843)** | **-** |

# Note 8 Movements In 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 2018/19.

| | | 2017/18 | | | 2018/19 | | |
|---|---|---|---|---|---|---|---|
| Transfers to/from Earmarked Reserves<br>Earmarked Reserves | Balance at 31 March 2017 £000s | Net transfers In/(Out) £000s | Movements between Reserves £000s | Balance at 31 March 2018 £000s | Net transfers In/(Out) £000s | Movements between Reserves £000s | Balance at 31 March 2019 £000s |
| Specific Reserves | | | | | | | |
| Taxi Licensing | 12 | (5) | - | 7 | (3) | - | 4 |
| Selective Licensing | 380 | 66 | - | 446 | 33 | - | 479 |
| Local Development Framework | 150 | (50) | - | 100 | (78) | - | 22 |
| Housing Benefit Admin Subsidy | 34 | - | - | 34 | - | (34) | - |
| Transport & Plant Replacement | - | 28 | - | 28 | (3) | - | 25 |
| Rail Services | 20 | - | - | 20 | - | (20) | - |
| Revenue Grants Unapplied | 376 | (212) | - | 164 | 77 | - | 241 |
| Flood | 235 | (166) | - | 69 | (69) | - | - |
| Primary Engineer | 135 | (43) | - | 92 | (55) | - | 37 |
| Town Centre Management | 375 | - | - | 375 | (375) | - | - |
| Town Centre Master Plan | 143 | (30) | - | 113 | (18) | - | 95 |
| Burnley Bondholders | 38 | 16 | - | 54 | (10) | - | 44 |
| Business Rates Retention Volatility | 759 | 63 | (610) | 212 | 1,897 | (250) | 1,859 |
| Cremator Relining | - | 15 | - | 15 | 15 | - | 30 |
| Revenue Support (New) | - | - | - | - | - | 304 | 304 |
| Carry Forwards (New) | - | - | - | - | 128 | - | 128 |
| | 2,657 | (318) | (610) | 1,729 | 1,539 | - | 3,268 |
| Strategic Reserves | | | | | | | |
| Transformation | 2,749 | (918) | - | 1,831 | (503) | - | 1,328 |
| Growth | 2,626 | (18) | 610 | 3,218 | (568) | - | 2,650 |
| | 5,375 | (936) | 610 | 5,049 | (1,071) | - | 3,978 |
| | | | | | | | |
| Total | 8,032 | (1,254) | - | 6,778 | 468 | - | 7,246 |

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 works at Padiham Town Hall for flood damage completed during 2018/19.

**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** – this was 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 was 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.

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

**Cremator Relining Reserve** – this was created in 2017/18 to provide an annual contribution to fund the planned relining of the Council's cremators when each relining becomes due.

**Revenue Support Reserve** – this was created in 2018/19 to provide funding for unanticipated reductions in income and initiatives to offset budget reductions.

**Carry Forwards Reserve** – this was created in 2018/19 to allow approved budget underspends to be carried forward from one financial year and to be spent in future financial years.

## 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.

# **Note 9** Property, Plant & Equipment

* The two figures in each of the tables below, totalling £3.383m surplus in 2018/19 (£1.017m deficit in 2017/18), reflect the deficit or surplus on revaluation that appears at the bottom of the Comprehensive Income and Expenditure Statement.

| Property, Plant & Equipment Movements in 2018/19 | 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 2018 | 37,883 | 6,206 | 8,882 | - | 2,520 | 55,491 |
| Additions | - | 513 | 462 | - | - | 975 |
| * Revaluation increases/(decreases) recognised in the Revaluation Reserve | 130 | - | (496) | - | 18 | (348) |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (143) | - | (1,522) | - | (46) | (1,711) |
| Derecognition - disposals | (12) | - | (378) | - | - | (390) |
| Assets reclassified (to)/from Held for Sale | - | - | - | - | - | - |
| Assets reclassified (to)/from Investment Properties | - | - | - | - | - | - |
| Other movements in cost or valuation | - | - | - | - | - | - |
| At 31 March 2019 | 37,858 | 6,719 | 6,948 | - | 2,492 | 54,017 |
| Accumulated Depreciation and Impairment | | | | | | |
| At 1 April 2018 | (5,008) | (4,915) | - | - | (24) | (9,947) |
| Depreciation charge | (1,653) | (416) | - | - | - | (2,069) |
| * Depreciation written out to the Revaluation Reserve | 3,726 | - | - | - | 5 | 3,731 |
| Recognition - disposals | - | - | - | - | - | - |
| Other movements in depreciation and impairment | - | - | - | - | - | - |
| At 31 March 2019 | (2,935) | (5,331) | - | - | (19) | (8,285) |
| Net Book Value | | | | | | |
| At 31 March 2019 | 34,923 | 1,388 | 6,948 | - | 2,473 | 45,732 |
| At 31 March 2018 | 32,875 | 1,291 | 8,882 | - | 2,496 | 45,544 |

| Property, Plant & Equipment Comparative Movements in 2017/18 | 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 2017 | 36,350 | 5,841 | 9,281 | 1,640 | 2,520 | 55,632 |
| Additions | 1,437 | 365 | 3,272 | - | - | 5,074 |
| * Revaluation increases/(decreases) recognised in the Revaluation Reserve | 107 | - | (1,162) | - | - | (1,055) |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (111) | - | (3,271) | - | - | (3,382) |
| Derecognition - disposals | - | - | (778) | - | - | (778) |
| Other movements in cost or valuation | 100 | - | 1,540 | (1,640) | - | - |
| At 31 March 2018 | 37,883 | 6,206 | 8,882 | - | 2,520 | 55,491 |
| Accumulated Depreciation and Impairment | | | | | | |
| At 1 April 2017 | (3,709) | (4,540) | - | - | (24) | (8,273) |
| Depreciation charge | (1,337) | (375) | - | - | - | (1,712) |
| * Depreciation written out to the Revaluation Reserve | 38 | - | - | - | - | 38 |
| At 31 March 2018 | (5,008) | (4,915) | - | - | (24) | (9,947) |
| Net Book Value | | | | | | |
| At 31 March 2018 | 32,875 | 1,291 | 8,882 | - | 2,496 | 45,544 |
| At 31 March 2017 | 32,641 | 1,301 | 9,281 | 1,640 | 2,496 | 47,359 |

## 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 2019, the Council has significant commitments for future capital expenditure in 2019/20 and future years budgeted to cost £2.999m. Similar commitments at 31 March 2018 were £3.877m. The commitments are:

| Schemes | £000s |
|---|---|
| Thompson Park Restoration | 192 |
| Former Open Market and Former Cinema B | 810 |
| Vision Park | 153 |
| Empty Homes Programme | 1,051 |
| Disabled Facilities Grant | 489 |
| Prairie Artificial Turf Pitch | 90 |
| Building Alteration Works | 214 |
| Total | 2,999 |

### REVALUATIONS

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every 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.

| Revaluations | Other Land & Buildings £000s | Vehicles, Plant & Equipment £000s | Surplus Assets £000s | Total £000s |
|---|---|---|---|---|
| Carried at historical cost | - | 1,388 | - | 1,388 |
| Valued at current value as at: | | | | |
| 31 March 2019 | 20,805 | - | 6,948 | 27,753 |
| 31 March 2018 | 2,073 | - | - | 2,073 |
| 31 March 2017 | 4,848 | - | - | 4,848 |
| 31 March 2016 | 5,032 | - | - | 5,032 |
| 31 March 2015 | 2,165 | - | - | 2,165 |
| Total Cost or Valuation | 34,923 | 1,388 | 6,948 | 43,259 |

# **Note 10** Heritage Assets

### RECONCILIATION OF THE CARRYING VALUE OF HERITAGE ASSETS HELD BY THE COUNCIL

| Heritage Assets Movements in 2018/19 | 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 2018 | 25,908 | 1,546 | 2,024 | 1,218 | 601 | 1,454 | 32,751 |
| At 31 March 2019 | 25,908 | 1,546 | 2,024 | 1,218 | 601 | 1,454 | 32,751 |

| Heritage Assets Movements in 2017/18 | 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 2017 | 25,908 | 1,546 | 2,024 | 1,218 | 601 | 1,454 | 32,751 |
| At 31 March 2018 | 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 2018/19 (as in 2017/18) 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%)

# **Note 11** Investment Properties

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

| Table 11a - Investment Properties Income and Expenses | 2017/18 £000s | 2018/19 £000s |
|---|---|---|
| Rental income from investment property | (1,003) | (955) |
| Direct operating expenses arising from investment property | 57 | 52 |
| Net gain / (loss) | (946) | (903) |

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 11b - Investment Properties | 2017/18 £000s | 2018/19 £000s |
|---|---|---|
| Balance at start of the year | 11,698 | 11,806 |
| Disposals | - | (107) |
| Net gains / (losses) from fair value adjustments | 108 | (201) |
| Transfers: | | |
| (To) / from property, plant and equipment | - | - |
| Balance at end of the year | 11,806 | 11,498 |

## FAIR VALUE HEIRARCHY

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2019 shows that the fair value was £11.498m (£11.806m as at 31 March 2018) 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 in the local authority area. In estimating the fair value of the Council's investment properties the highest and best use of the properties is their current use.

## REVALUATIONS

There has been no change in the valuation techniques used during the year for investment properties. Gains or losses arising from changes in the fair value of the investment property are recognised in the Surplus or Deficit on the Provision of Services on the Financing and Investment Income and Expenditure line.

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out internally by professionally qualified surveyors in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

# **Note 12** Financial Instruments

## CATEGORIES OF FINANCIAL INSTRUMENTS (12A)

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

| FINANCIAL ASSETS | 31 March 2018 | | | | | 31 March 2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Non-Current | | Current | | | Non-Current | | Current | | |
| | Investments £000s | Debtors £000s | Investments £000s | Debtors £000s | TOTAL £000s | Investments £000s | Debtors £000s | Investments £000s | Debtors £000s | TOTAL £000s |
| Fair Value Through Profit or Loss | - | - | - | - | - | 1,908 | - | - | - | 1,908 |
| Amortised Cost | - | 1,232 | 14,052 | 561 | 15,845 | - | 1,277 | 8,849 | 1,016 | 11,142 |
| **Total Financial Assets** | **-** | **1,232** | **14,052** | **561** | **15,845** | **1,908** | **1,277** | **8,849** | **1,016** | **13,050** |
| Non-Financial Assets | - | - | - | 3,670 | 3,670 | - | - | - | 2,840 | 2,840 |
| **Total** | **-** | **1,232** | **14,052** | **4,231** | **19,515** | **1,908** | **1,277** | **8,849** | **3,856** | **15,890** |

| FINANCIAL LIABILITIES | 31 March 2018 | | | | | 31 March 2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Non-Current | | Current | | | Non-Current | | Current | | |
| | Borrowings £000s | Creditors £000s | Borrowings £000s | Creditors £000s | TOTAL £000s | Borrowings £000s | Creditors £000s | Borrowings £000s | Creditors £000s | TOTAL £000s |
| Amortised Cost | (23,073) | - | (2,676) | (2,090) | **(27,839)** | (21,663) | - | (1,868) | (1,273) | **(24,804)** |
| **Total Financial Liabilities** | **(23,073)** | **-** | **(2,676)** | **(2,090)** | **(27,839)** | **(21,663)** | **-** | **(1,868)** | **(1,273)** | **(24,804)** |
| Non-Financial Liabilities | - | - | - | (5,722) | **(5,722)** | - | - | - | (3,720) | **(3,720)** |
| **Total** | **(23,073)** | **-** | **(2,676)** | **(7,812)** | **(33,561)** | **(21,663)** | **-** | **(1,868)** | **(4,993)** | **(28,524)** |

## FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (12B)

The Council has acquired property units in two property funds during the year and are shown in the table below. These units were acquired for the purpose of increasing the investment income receivable by the Council to help alleviate revenue budget pressures. The fair value of each investment is shown in the table below. Fair Value Movement, Dividend and Entry Fee amounts are included within the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

| FAIR VALUE THROUGH PROFIT or LOSS | Initial Measurement £000s | Fair Value 31 March 2019 £000s | Movement in Fair Value During 2018/19 £000s | Entry Fees in 2018/19 £000s | Dividends in 2018/19 £000s |
|---|---|---|---|---|---|
| **Property Investment Funds:** | | | | | |
| Church Commissioners Local Authority (CCLA) Property Fund | 937 | 940 | 3 | (63) | 14 |
| Hermes Property Unit Trust | 952 | 952 | - | (48) | 6 |
| **Total** | **1,889** | **1,892** | **3** | **(111)** | **20** |

## INCOME, EXPENSE, GAINS AND LOSSES (12C)

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

| INCOME, EXPENSES, GAINS & LOSSES | 2017/18 | | 2018/19 | |
|---|---|---|---|---|
| | Surplus or Deficit on the Provision of Services £000 | Other Comprehensive Income and Expenditure £000 | Surplus or Deficit on the Provision of Services £000 | Other Comprehensive Income and Expenditure £000 |
| **Net Gains/Losses On:** | | | | |
| Financial Assets Measured at Fair Value Through Profit or Loss | - | - | 88 | - |
| Financial Assets Measured at Amortised Cost | - | - | (4) | - |
| **Total Net Gains/Losses** | **-** | **-** | **84** | **-** |
| **Interest Revenue:** | | | | |
| Financial Assets Measured at Amortised Cost | (317) | - | (159) | - |
| **Total Interest Revenue** | **(317)** | **-** | **(159)** | **-** |
| **Interest Expense** | **931** | **-** | **925** | **-** |

## FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (12D)

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

**FINANCIAL ASSETS MEASURED at FAIR VALUE**

| Recurring Fair Value Measurements | Input Level in Fair Value Hierarchy | Valuation Technique Used to Measure Fair Value | As At 31 March 2018 | As At 31 March 2019 |
|---|---|---|---|---|
| **Fair Value Through Profit and Loss:** | | | | |
| Church Commissioners Local Authority (CCLA) Property Fund | Level 1 | Unadjusted Quoted Prices in Active Markets for Identical Shares | - | 940 |
| Hermes Property Unit Trust | Level 1 | Unadjusted Quoted Prices in Active Markets for Identical Shares | - | 952 |
| **Total** | | | **-** | **1,892** |

Church Commissioners Local Authority (CCLA) Property Fund: In November 2018 the Council purchased 306,316 units for £1m (including entry costs of £63k) in CCLA Local Authorities Property Fund, prices are published in the Financial Times and on the CCLA website.

Hermes Property Unit Trust: In January 2019 the Council purchased 139,912 units for £1m (including entry costs of £48k) in Hermes Property Unit Trust, prices are published in the Financial Times and on the Trust's website.

## THE FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE (BUT FOR WHICH FAIR VALUE DISCLOSURES ARE REQUIRED) (12E)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on 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:

- For loans from the PWLB payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures.

- No early repayment or impairment is recognised;

- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;

- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

| FINANCIAL LIABILITIES | 31 March 2018 Carrying Amount £000 | 31 March 2018 Fair Value £000 | 31 March 2019 Carrying Amount £000 | 31 March 2019 Fair Value £000 |
|---|---|---|---|---|
| PWLB Debt | (24,087) | (27,511) | (23,520) | (26,816) |
| Short-Term Borrowing | (1,661) | (1,661) | (11) | (11) |
| Short-Term Creditors | (2,090) | (2,090) | (1,273) | (1,273) |
| **Total Liabilities** | **(27,838)** | **(31,262)** | **(24,804)** | **(28,100)** |

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £26.816m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

| FINANCIAL ASSETS | 31 March 2018 Carrying Amount £000 | 31 March 2018 Fair Value £000 | 31 March 2019 Carrying Amount £000 | 31 March 2019 Fair Value £000 |
|---|---|---|---|---|
| Short-Term Investments | 14,052 | 14,052 | 8,849 | 8,849 |
| Short-Term Debtors | 561 | 561 | 1,016 | 1,016 |
| Long-Term Debtors | 1,232 | 1,232 | 1,277 | 1,277 |
| **Total Assets** | **15,845** | **15,845** | **11,142** | **11,142** |

Short-term investments & borrowing, long-term debtors and short-term debtors & creditors are all carried at cost as this is a fair approximation of their value.

## FAIR VALUE HIERARCHY FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE (12F)

| RECURRING FAIR VALUE MEASUREMENTS USING: | 31 March 2019 Quoted Prices in Active Markets for Identical Assets (Level 1) £000 | Other Significant Observable Inputs (Level 2) £000 | Significant Unobservable Inputs (Level 3) £000 | TOTAL £000 |
|---|---|---|---|---|
| **Financial Liabilities** | | | | |
| *Financial Liabilities Held at Amortised Cost:* | | | | |
| PWLB Debt | | (26,816) | | **(26,816)** |
| **TOTAL** | **-** | **(26,816)** | **-** | **(26,816)** |

| RECURRING FAIR VALUE MEASUREMENTS USING: | 31 March 2018 Quoted Prices in Active Markets for Identical Assets (Level 1) £000 | Other Significant Observable Inputs (Level 2) £000 | Significant Unobservable Inputs (Level 3) £000 | TOTAL £000 |
|---|---|---|---|---|
| **Financial Liabilities** | | | | |
| *Financial Liabilities Held at Amortised Cost:* | | | | |
| PWLB Debt | | (27,511) | | **(27,511)** |
| **TOTAL** | **-** | **(27,511)** | **-** | **(27,511)** |

# Note 13 **Debtors**

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

| Short-Term Debtors | 31 March 2018 £000s | 31 March 2019 £000s |
|---|---|---|
| Gross Trade Receivables | 2,789 | 984 |
| less Trade Receivables Impairment Allowance | (289) | (267) |
| Net Trade Receivables | 2,500 | 717 |
| Pre-Payments | 81 | 61 |
| Gross NNDR Payers | 604 | 1,312 |
| less NNDR Payers Impairment Allowance | (573) | (851) |
| Net NNDR Payers | 31 | 461 |
| Gross Council Tax Payers | 2,428 | 2,581 |
| less Council Tax Payers Impairment Allowance | (1,862) | (1,900) |
| Net Council Tax Payers | 566 | 681 |
| Collection Fund Preceptors | - | 1,123 |
| Housing Benefit | 1,289 | 1,094 |
| less Housing Benefit Impairment Allowance | (1,224) | (1,035) |
| Net Housing Benefit | 65 | 59 |
| Gross Other Receivables | 988 | 754 |
| less Other Receivables Impairment Allowance | - | - |
| Net Other Receivables | 988 | 754 |
| Total Short-Term Debtors | 4,231 | 3,856 |

The gross total of the short-term debtors as at the 31 March 2019 is £7.909m (31 March 2018 was £8.179m).

# **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 2018 £000s | 31 March 2019 £000s |
|---|---|---|
| Cash Held by the Authority | 8 | 8 |
| Bank Current Account | (1,614) | 440 |
| Short-Term Deposits | 6,052 | 5,408 |
| Total Cash and Cash Equivalents | 4,446 | 5,856 |

# **Note 15** Short-term Creditors

| Short-Term Creditors | 31 March 2018 £000s | 31 March 2019 £000s |
|---|---|---|
| Trade Payables | (1,562) | (1,018) |
| Receipts in Advance | (477) | (184) |
| NNDR Payers | (117) | (246) |
| Council Tax Payers | (111) | (136) |
| Collection Fund Preceptors | (5,495) | (3,339) |
| Other Payables | (50) | (70) |
| Total | (7,812) | (4,993) |

# **Note 16** Provisions

| Current Provisions | Legal Expenses £000s | Non-Domestic Rate Appeals £000s | Overarching Development Agreement £000s | Total £000s |
|---|---|---|---|---|
| Balance at 1 April 2017 | (130) | (2,688) | - | (2,818) |
| Additional provisions made in 2017/18 | - | (575) | - | (575) |
| Unused amounts reversed in 2017/18 | 90 | - | - | 90 |
| Transferred from Long-Term Provisions | - | - | (550) | (550) |
| Amounts used in 2017/18 | 3 | 621 | - | 624 |
| Balance at 31 March 2018 | (37) | (2,642) | (550) | (3,229) |

| Current Provisions | Legal Expenses £000s | Non-Domestic Rate Appeals £000s | Overarching Development Agreement £000s | Total £000s |
|---|---|---|---|---|
| Balance at 1 April 2018 | (37) | (2,642) | (550) | (3,229) |
| Additional provisions made in 2018/19 | - | (532) | - | (532) |
| Unused amounts reversed in 20189/19 | 31 | - | - | 31 |
| Transferred from Long-Term Provisions | - | - | - | - |
| Amounts used in 2018/19 | 1 | 166 | - | 167 |
| Balance at 31 March 2019 | (5) | (3,008) | (550) | (3,563) |

| Long-Term Provisions | Overarching Development Agreement £000s | Bonds and deposits £000s | Contractual obligations £000s | MMI Insurance £000s | Pension guarantees £000s | Total £000s |
|---|---|---|---|---|---|---|
| Balance at 1 April 2017 | (550) | (90) | - | - | - | (640) |
| Additional provisions made in 2017/18 | - | (41) | (450) | (95) | (50) | (636) |
| Unused amounts reversed in 2017/18 | - | 29 | - | - | - | 29 |
| Transferred to Current Provisions | 550 | - | - | - | - | 550 |
| Amounts used in 2017/18 | - | 44 | - | - | - | 44 |
| Balance at 31 March 2018 | - | (58) | (450) | (95) | (50) | (653) |

| Long-Term Provisions | Overarching Development Agreement £000s | Bonds and deposits £000s | Contractual obligations £000s | MMI Insurance £000s | Pension guarantees £000s | Total £000s |
|---|---|---|---|---|---|---|
| Balance at 1 April 2018 | - | (58) | (450) | (95) | (50) | (653) |
| Additional provisions made in 2018/198 | - | (32) | (50) | - | (5) | (87) |
| Unused amounts reversed in 2018/19 | - | - | 150 | - | - | 150 |
| Transferred to Current Provisions | - | - | - | - | - | - |
| Amounts used in 2018/19 | - | 68 | - | - | - | 68 |
| Balance at 31 March 2019 | - | (22) | (350) | (95) | (55) | (522) |

Provisions have been made in the current and previous financial years 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 seven outstanding provisions shown above are:

## LEGAL EXPENSES

This provision relates to the Council's estimated legal costs for litigation in court proceedings (or in contemplation thereof) resulting from a number of potential legal disputes.

### 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 the appeals provision requirement up to 31 March 2019 is £7,521,219 (£6,604,920 as at 31 March 2018). The Council has made a provision for 40% of this figure totalling £3,008,487 (£2,641,968 as at 31 March 2018) within the 2018/19 accounts.

### 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 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.

### CONTRACTUAL OBLIGATIONS

A provision has been created to cover potential payments by the Council under existing contractual obligations.

### MMI INSURANCE

This provision relates to estimated outstanding payments on insurance claims for which the Council is responsible. These claims were previously covered by Municipal Mutual Insurance Limited which is in liquidation.

### 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. Employees' rights are protected under the provision in the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). However, pension rights are not fully covered within the 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 County Pension Fund then the Council will be responsible for taking on those obligations. The risk of default is considered to be small and a provision is included in the accounts to recognise this risk.

## **Note 17** Usable Reserves

Movements in the authority's usable reserves are detailed in the Movement in Reserves Statement, Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations and Note 8 Movements in Earmarked Reserves.

# **Note 18** Unusable Reserves

| Unusable Reserves | 2017/18 £000s | 2018/19 £000s |
|---|---|---|
| Revaluation reserve | 47,617 | 50,092 |
| Capital Adjustment Account | 12,252 | 10,113 |
| Deferred Capital Receipts Reserve | 629 | - |
| Pooled Investment Funds Adjustment Account | - | 3 |
| Pensions Reserve | (57,995) | (58,948) |
| Collection Fund Adjustment Account | 603 | (633) |
| Accumulated Absences Account | (50) | (71) |
| Total Unusable Reserves | 3,056 | 556 |

## REVALUATION RESERVE (NOTE 18A)

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

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

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

| Revaluation Reserve | 2017/18 £000s | 2018/19 £000s |
|---|---|---|
| Balance at 1 April | 49,467 | 47,617 |
| Upward revaluation of assets | 960 | 4,308 |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | (1,977) | (925) |
| Surplus or (deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | (1,017) | 3,383 |
| Difference between fair value depreciation and historical cost depreciation | (424) | (825) |
| Accumulated gains on assets sold or scrapped | (409) | (83) |
| Amounts written off to the Capital Adjustment Account | (833) | (908) |
| Balance at 31 March | 47,617 | 50,092 |

## 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 subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical costs basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

The account contains accumulated gains and losses on investment properties that have yet to be consumed by the Council.

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 | 2017/18 £000s | 2018/19 £000s |
|---|---|---|
| **Balance at 1 April** | **13,791** | **12,252** |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | |
| Charges for depreciation and impairment of non-current assets | (1,712) | (2,069) |
| Charges for impairment of long-term debtor capital loans | - | (16) |
| Revaluation losses on property, plant and equipment | (3,382) | (1,711) |
| Amortisation of intangible assets | (12) | - |
| Revenue expenditure funded from capital under statute | (4,908) | (5,239) |
| 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 | (778) | (497) |
| **Sub-total** | **(10,792)** | **(9,532)** |
| Adjusting amounts written out of the Revaluation Reserve | 833 | 908 |
| **Net written out amount of the cost of non-current assets consumed in the year** | **(9,959)** | **(8,624)** |
| Capital financing applied in the year: | | |
| Use of Capital Receipts Reserve to finance new capital expenditure | 947 | 1,735 |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 2,612 | 1,241 |
| Application of grants to capital financing from the Capital Grants Unapplied Account | 2,009 | 1,132 |
| Statutory provision for the financing of capital investment charged against the General Fund Balance | 800 | 830 |
| Capital expenditure charged against the General Fund Balance | 1,944 | 1,246 |
| **Capital financing applied in the year** | **8,312** | **6,184** |
| Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement | 108 | (201) |
| Cash Payments in Relation to Long-Term Debtor Loans | - | (127) |
| Transfers between reserves (Deferred Capital Receipts) | - | 629 |
| **Balance at 31 March** | **12,252** | **10,113** |

## 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 Council 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 Council makes employer's contributions to pension funds or eventually pay 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 Council 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 | 2017/18 £000s | 2018/19 £000s |
|---|---|---|
| Balance at 1 April | (65,061) | (57,995) |
| Remeasurements of the net defined benfit liability / (asset) | 7,879 | 279 |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | (3,702) | (4,203) |
| Employer's pensions contributions and direct payments to pensioners payable in year | 2,889 | 2,971 |
| Balance at 31 March | (57,995) | (58,948) |

## 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 Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

| Deferred Capital Receipts Reserve | 2017/18 £000s | 2018/19 £000s |
|---|---|---|
| Balance at 1 April | 623 | 629 |
| Transfer of deferred loan repayments in respect of long-term debtors credited to the Comprehensive Income and Expenditure Statement | 95 | - |
| Transfer to the Capital Receipts Reserve upon receipt of cash | (89) | - |
| Transfers between reserves (Capital Adjustment Account) | - | (629) |
| Balance at 31 March | 629 | - |

## POOLED INVESTMENT FUNDS ADJUSTMENT ACCOUNT (NOTE 18E)

The Pooled Investment Funds Adjustment Account contains the fair value gains on the Council two property funds measured at fair value through profit and loss losses in accordance with the statutory override.

| Pooled Investment Funds Adjustment Account | 2017/18 £000s | 2018/19 £000s |
|---|---|---|
| Balance at 1 April | - | - |
| Movements in the market value of pooled investment funds debited or credited to the Comprehensive Income and Expenditure Statement | - | 3 |
| Balance at 31 March | - | 3 |

## COLLECTION FUND ADJUSTMENT ACCOUNT (NOTE 18F)

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

| Collection Fund Adjustment Account | 2017/18 £000s | 2018/19 £000s |
|---|---|---|
| Balance at 1 April | 268 | 603 |
| 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 | 335 | (1,236) |
| Balance at 31 March | 603 | (633) |

## ACCUMULATED ABSENCES ACCOUNT (NOTE 18G)

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 | 2017/18 £000s | 2018/19 £000s |
|---|---|---|
| Balance at 1 April | (51) | (50) |
| Settlement or cancellation of accrual made at the end of the preceding year | 51 | 50 |
| Amounts accrued at the end of the current year | (50) | (71) |
| 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 | 1 | (21) |
| Balance at 31 March | (50) | (71) |

# Note 19 **Cash Flow Statements**

## OPERATING ACTIVITIES (NOTE 19A)

The cash flows for operating activities include the following items:

| The (Surplus)/Deficit on the Provision of Services has been Adjusted for the Following Non-Cash Movements: | 2017/18 £000s | 2018/19 £000s |
|---|---|---|
| Depreciation, Amortisations, Impairment & Downward Valuations | (5,106) | (3,796) |
| (Increase)/Decrease in Impairment for Bad Debts | (164) | (106) |
| (Increase)/Decrease in Creditors | 714 | 492 |
| Increase/(Decrease) in Debtors | 1,244 | (1,196) |
| Increase/(Decrease) in Inventories | - | (1) |
| Movement in Pension Liability | 1,919 | (2,603) |
| Carrying Amount of Non-Current Assets and Non-Current Assets Held for Sale, Sold or Derecognised | (778) | (497) |
| (Increase)/Decrease in Provisions | (424) | (204) |
| Movements in the Value of Investment Properties | 108 | (201) |
| Movements in the Value of Pooled Investment Funds | | 3 |
| Other Non-Cash Items | - | |
| Net cash flows from operating activities | (2,487) | (8,109) |

| The (Surplus)/Deficit on the Provision of Services has been Adjusted for the Following Items that are Investing and Financing Activities: | 2017/18 £000s | 2018/19 £000s |
|---|---|---|
| Proceeds from the Sale of Property Plant and Equipment, Investment Property and Intangible Assets | 1,159 | 972 |
| Grant Receipts for the Financing of New Capital Expenditure | 3,740 | 3,359 |
| Net cash flows from operating activities | 4,899 | 4,331 |

## INVESTING ACTIVITIES (NOTE 19B)

The cash flows for investing activities include the following items:

| Investing Activities | 2017/18 £000s | 2018/19 £000s |
|---|---|---|
| Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets | 5,074 | 1,186 |
| Purchase of Short-Term and Long-Term Investments | 10,000 | 4,889 |
| Payments for Other Long Term Loans | - | 208 |
| (Proceeds) From the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets | (1,159) | (972) |
| (Proceeds) from Short-Term and Long-Term Investments | (4,000) | (8,000) |
| (Proceeds) from Other Long Term Loans | - | (147) |
| Grant (Receipts) for the Financing of New Capital Expenditure | (4,056) | (3,513) |
| **Net cash flows from investing activities** | **5,859** | **(6,349)** |

## FINANCING ACTIVITIES (NOTE 19C)

The cash flows for financing activities include the following items:

| Financing Activities | 2017/18 £000s | 2018/19 £000s |
|---|---|---|
| Cash (Receipts) of Short-Term and Long-Term Borrowing | (4,500) | (5) |
| Cash (Receipts) from Other Short-Term and Long-Term Liabilities | - | (148) |
| Repayments of Short-Term and Long-Term Borrowing | 982 | 1,055 |
| Repayments of Other Short-Term and Long-Term Liabilities | - | - |
| Billing Authorities - Council Tax and NDR Adjustments | (1) | 2,471 |
| **Net cash flows from financing activities** | **(3,519)** | **3,373** |

# **Note 20** Reconciliation of liabilities arising from Financing Activities

| | | | Non-Cash Changes | | |
|---|---|---|---|---|---|
| | 1 April 2018 £000s | Financing Cash Flows £'000s | Acquisition £'000s | Other £'000s | 31 March 2019 £000s |
| Long-Term Borrowings - PWLB | (23,073) | 1,410 | - | - | (21,663) |
| Short-Term Borrowings - PWLB | (1,015) | (842) | - | - | (1,857) |
| Short-Term Borrowings - Other | (1,661) | 1,650 | - | - | (11) |
| Total Liabilities from Financing Activities | (25,749) | 2,218 | - | - | (23,531) |

# Note 21 Members' Allowances

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

| Table 21a<br>Members Allowances | 2017/18<br>£ | 2018/19<br>£ |
|---|---|---|
| Allowance Payments | 198,998 | 215,026 |
| Expenses Payments | 582 | 475 |
| Total | 199,580 | 215,501 |

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

| Table 21b<br>Members' Allowances | 2017/18<br>£ | 2018/19<br>£ |
|---|---|---|
| Allowance rate paid per annum | | |
| Basic Allowance | 3,250 | 3,500 |
| Executive Member | 4,063 | 4,375 |
| Leader Supplement | 11,375 | 12,250 |
| Deputy Leader Supplement | 3,250 | 3,500 |
| Other Group Leaders | 1,625 | 1,750 |
| Scrutiny Chair | 4,063 | 4,375 |
| Development Control Chair | 2,600 | 2,800 |
| Licensing Committee Chair | 1,625 | 1,750 |
| Development Control Vice Chair | 1,300 | 1,400 |
| Audit and Standards Committee Chair | 1,625 | 1,750 |
| Scrutiny Vice Chair | 1,300 | 1,400 |
| Independent Persons | 500 | 500 |

# Note 22 Officers' Remuneration

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

| Table 22a Statutory and Non-Statutory Chief Officers | | Salary, Fees and Allowances £ | Elections £ | Compensation for Loss of Office £ | Pension Contribution £ | Total £ |
|---|---|---|---|---|---|---|
| **Head of Paid Service** | | | | | | |
| Chief Executive to 31/08/17 | 2017/18 | 43,609 | | | 6,873 | 50,482 |
| Chief Executive from 07/09/17 | 2017/18 | 60,998 | | | 9,347 | 70,345 |
| Chief Executive | 2018/19 | 110,481 | 3,091 | | 17,301 | 130,873 |
| **Monitoring Officer** | | | | | | |
| Head of Governance, Law, Property & Regulation to 19/11/17 | 2017/18 | 38,158 | 3,262 | | 5,876 | 47,296 |
| Chief Operating Officer from 20/11/17 | 2017/18 | 28,105 | | | 4,475 | 32,580 |
| Chief Operating Officer | 2018/19 | 86,750 | 984 | | 13,333 | 101,067 |
| **Chief Finance Officer** | | | | | | |
| Head of Finance | 2017/18 | 57,449 | | | 8,814 | 66,263 |
| Head of Finance and Property | 2018/19 | 60,346 | | | 9,288 | 69,634 |
| **Non-Statutory Chief Officers** | | | | | | |
| Chief Operating Officer to 06/09/17 | 2017/18 | 36,782 | 9,625 | | 5,665 | 52,072 |
| Strategic Head of Economy and Growth | 2018/19 | 70,490 | | | 10,828 | 81,318 |
| Head of Policy and Engagement | 2018/19 | 54,739 | | | 8,430 | 63,169 |

The rate of pension contribution is 15.4% for 2017/18 and 15.4% for 2018/19.

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 22b Remuneration band | 2017/18 Number of Employees | 2018/19 Number of Employees |
|---|---|---|
| £50,000 - £54,999 | 3 | 1 |
| £55,000 - £59,999 | 1 | 3 |
| £60,000 - £64,999 | - | 2 |
| £65,000 - £69,999 | - | 2 |
| £70,000 - £74,999 | - | - |
| £75,000 - £79,999 | - | 1 |
| £80,000 - £84,999 | - | - |
| £85,000 - £89,999 | - | 1 |
| £90,000 - £94,999 | 1 | - |
| £125,000-£129,999 | - | 1 |
| £155,000-£159,999 | 1 | - |
| Total | 6 | 11 |

# **Note 23** Termination Benefits

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

| (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 |
|---|---|---|---|---|---|---|---|---|
| | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 £ | 2018/19 £ |
| £0 - £20,000 | 1 | 6 | - | - | 1 | 6 | 2,780 | 70,158 |
| £20,001 - £40,000 | 3 | 3 | - | - | 3 | 3 | 71,910 | 87,582 |
| £40,001 - £60,000 | 3 | 3 | - | - | 3 | 3 | 142,935 | 148,222 |
| £60,001 - £80,000 | - | - | - | - | - | - | - | - |
| £80,001 - £100,000 | - | 1 | - | - | - | 1 | - | 87,021 |
| £100,001 - £150,000 | 1 | - | - | - | 1 | - | 111,845 | - |
| Total | 8 | 13 | - | - | 8 | 13 | 329,470 | 392,983 |

Termination benefits consist of redundancy payments to employees and pension strain costs payable to the Lancashire County Pension Fund, which arise from an employee retiring earlier than anticipated on the grounds of redundancy, without an actuarial reduction of their pension.

# **Note 24** External Audit Costs

The Council 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 Council's external auditors:

| External Audit Costs | 2017/18 £000 | 2018/19 £000 |
|---|---|---|
| Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year | 51 | 39 |
| Fees payable to Grant Thornton for non-audit services | - | - |
| Fees payable to Grant Thornton for the certification of grant claims and returns for the year | 9 | 7 |
| Public Sector Audit Appointments (PSAA) rebate | (8) | - |
| Total | 52 | 46 |

Planned audit services cost £39k in line with the agreed plan and budget.

# Note 25 Grant Income

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement.

| Table a - Grant Income | 2017/18 £000 | 2018/19 £000 |
|---|---|---|
| **Credited to Services** | | |
| Housing Benefit & Council Tax Support Subsidy | (30,979) | (27,157) |
| Housing Benefit Administration Subsidy | (762) | (706) |
| Lancashire County Council | (880) | - |
| Arts Council | (9) | - |
| Pendle Borough Council | (3) | - |
| Home Office Grant | (341) | (308) |
| Other Revenue Grants | (475) | (193) |
| Homelessness Grant | (40) | (59) |
| Capital Grants & Contributions (see note below) | | - |
| Market Renewal Programme | (54) | - |
| Housing Capital Grant | (66) | - |
| Heritage Lottery Fund | (313) | - |
| Homes and Communities Agency | (334) | - |
| Other Capital Grants & Contributions | (358) | (758) |
| **Total** | **(34,614)** | **(29,181)** |
| **Credited to Taxation and Non-Specific Grant Income** | | |
| Revenue Support Grant | (2,777) | (2,228) |
| Non-ringfenced Government Grants | | |
| Section 31 Business Rates Compensation | (1,110) | (1,243) |
| New Homes Bonus | (979) | (561) |
| EU Exit Funding | | (17) |
| Capital Grants & Contributions | | |
| Disabled Facilities Grant | (2,288) | (2,503) |
| Market Renewal Programme | (450) | - |
| Lancashire Enterprise Partnership | (1,002) | - |
| Other Capital Grants & Contributions | - | (98) |
| **Total** | **(8,606)** | **(6,650)** |

In accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 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 Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

## CURRENT LIABILITIES

| Table b - Revenue Grants Receipts in Advance | Balance 31 March 2017 £000 | Receipts 2017/18 £000 | Applied 2017/18 £000 | Balance 31 March 2018 £000 | Receipts 2018/19 £000 | Applied 2018/19 £000 | Balance 31 March 2019 £000 |
|---|---|---|---|---|---|---|---|
| Housing Benefit & Council Tax Support Subsidy | **(191)** | (270) | - | **(461)** | (196) | - | **(657)** |
| Homes England | **(386)** | - | 334 | **(52)** | - | 52 | **-** |
| **Total** | **(577)** | **(270)** | **334** | **(513)** | **(196)** | **52** | **(657)** |

## LONG-TERM LIABILITIES

| Table c - Capital Grants Receipts in Advance | Balance 31 March 2017 £000 | Receipts 2017/18 £000 | Applied 2017/18 £000 | Balance 31 March 2018 £000 | Receipts 2018/19 £000 | Applied 2018/19 £000 | Balance 31 March 2019 £000 |
|---|---|---|---|---|---|---|---|
| Housing Capital Grant | **(67)** | - | 67 | **-** | - | - | **-** |
| Housing Market Renewal | **(504)** | - | 504 | **-** | - | - | **-** |
| Heritage Lottery Fund | **-** | - | - | **-** | (462) | 356 | **(106)** |
| Section 106 Contributions | **(189)** | (41) | - | **(230)** | (109) | 61 | **(278)** |
| **Total** | **(760)** | **(41)** | **571** | **(230)** | **(571)** | **417** | **(384)** |

# **Note 26** Related Parties

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

Disclosure of these transactions 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 significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides a significant amount 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 polices, for which they are paid allowances and expenses. Members' allowances and expenses paid in 2018/19 totalling £215,501 (£199,580 in 2017/18) are shown in Note 21.

In 2018/19 works, goods and services to the value of £19,128 (£59,565 in 2017/18) were commissioned from companies and organisations in which Members had related interests. The Council received £55,283 (£13,892 in 2017/18). Contracts were entered into in full compliance with the Council's standing orders.

In 2018/19 grants totalling £207,621 (£214,831 in 2017/18) 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. The grants were made with proper consideration of declarations of interests and in compliance with the Council's policies and procedures. The relevant members did not take part in any discussion or decision relating to the grants.

There are five Members of the Council who are also members of Lancashire County Council.

In 2018/19 £1,024,068 (£808,679 in 2017/18) was paid for works, goods and services provided to the Council by Lancashire County Council.

In 2018/19 income of £246,594 (£1,094,216 in 2017/18) 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 2018/19, 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.

### Clarets in the Community Ltd

In 2018/19 £12,000 grant was paid to Clarets in the Community Ltd as a contribution to the Schools Mental Health Project.

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

### 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 2018/19 £93,746 (£84,879 in 2017/18) was paid to Blackburn with Darwen Borough Council for the provision of this service during the year.

In 2018/19 income of £16,463 (£19,599 in 2017/18) was received from Blackburn with Darwen Borough Council for services provided by the Council.

## ENTITIES CONTROLLED OR SIGNIFICANTLY INFLUENCED BY THE COUNCIL

### 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, which has two elected Members on its Board. The Council has a three year service level agreement with Burnley Leisure to supply services to the leisure trust, which ends on the 31 March 2020.

In 2018/19 £725,379 (£754,838 in 2017/18) was paid to Burnley Leisure for the provision of services to the Council. This includes a management fee paid to the trust of £443,664 (£423,272 in 2017/18).

In 2018/19 income of £279,658 (£282,373 in 2017/18) was received from Burnley Leisure for services provided by the Council. This included charges made by the Council for service level agreements with the trust of £246,793 (£239,681 in 2017/18).

The Council appointed Burnley Leisure to take over the management of Towneley golf courses from 1 April 2017.

### 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 2018/19 no payments (nil in 2017/18) were made by the Council to Barnfield and Burnley (Developments) Ltd.

In 2018/19 no income (nil in 2017/18) was received from Barnfield and Burnley (Developments) Ltd by the Council.

### 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 2018/19 £83,788 (£323,491 in 2017/18) was paid to Barnfield Investment Properties Ltd for goods and services provided to the Council.

In 2018/19 income of £1,001 (£1,639 in 2017/18) 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 2018/19 no payments (nil in 2017/18) were made to Barnfield Construction Ltd for goods and services provided to the Council.

In 2018/19 income of £7,369 (£2,615 in 2017/18) was received from Barnfield Construction Ltd for services provided by the Council.

### Barnfield Developments Ltd

In 2018/19 no payments (nil in 2017/18) were made by the Council to Barnfield Developments Ltd.

In 2018/19 no income (£507 in 2017/18) 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 (details 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, 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. The CFR is analysed in the second part of this note.

| Capital Expenditure and Capital Financing | 2017/18 £000 | 2018/19 £000 |
|---|---|---|
| **Opening Capital Financing Requirement** | **28,560** | **30,230** |
| Capital Investment: | | |
| Property, plant and equipment | 5,074 | 975 |
| Investment Properties | - | - |
| Intangible Assets | - | - |
| Long Term Debtor Loans | - | 208 |
| Revenue expenditure funded from capital under statute | 4,908 | 5,239 |
| Sources of finance: | | |
| Capital receipts | (947) | (1,735) |
| Government grants and other contributions | (4,621) | (2,373) |
| Sums set aside from revenue: | | |
| Direct revenue contributions | (1,944) | (1,246) |
| Minimum Revenue Provision | (800) | (830) |
| **Closing Capital Financing Requirement** | **30,230** | **30,468** |
| Explanation of movements in year: | | |
| (Decrease) / Increase in underlying need to borrow (unsupported by Government financial assistance) | 1,670 | 238 |
| **Increase / (decrease) in Capital Financing Requirement** | **1,670** | **238** |

# Note 28 Leases

## AUTHORITY AS LESSEE

### Operating Leases

The Council leases a building on Parker Lane which houses its contact centre, Contact Burnley, on a lease which has less than 1 year remaining until it expires on the 31 December 2019.

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

| Table a - Operating Lease - Contact Centre | 31 March 2018 £000s | 31 March 2019 £000s |
|---|---|---|
| Not later than one year | 91 | 72 |
| Later than one year and not later than five years | 72 | - |
| **Minimum lease payments** | **163** | **72** |

## AUTHORITY AS LESSOR

### Operating Leases

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

| Table b - Property | 31 March 2018 £000s | 31 March 2019 £000s |
|---|---|---|
| Not later than one year | 977 | 982 |
| Later than one year and not later than five years | 3,389 | 3,532 |
| Later than five years | 73,040 | 72,547 |
| **Minimum lease payments** | **77,406** | **77,061** |

# **Note 29** Defined Benefit Pension Schemes

## PARTICIPATION IN PENSION SCHEMES (29A)

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

At 31 March 2019 the Council'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.

## NATURE

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.

## REGULATORY FRAMEWORK

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 (comprised 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

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 £0.7 billion as at that date, equivalent to a funding level of 90%.

## RISKS

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, discount rate, bond yields, market prices and the performance of investments held by the scheme.

These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

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.

## 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 for 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 Council's assets and liabilities as a result of employing members who have accrued benefits with the Council.

## TRANSACTIONS RELATING TO POST-EMPLOYMENT BENEFITS (29B)

The cost of retirement benefits in the reported cost of services is recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made 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 29b | 2017/18 £000s | 2018/19 £000s |
|---|---|---|
| Comprehensive Income and Expenditure Statement | | |
| *Cost of Services:* | | |
| Current service costs | 2,017 | 1,843 |
| Administration Costs | 30 | 29 |
| Past service costs and settlements and curtailments | 152 | 903 |
| *Financing and Investment Income and Expenditure* | | |
| Net interest expense | 1,503 | 1,428 |
| **Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services** | **3,702** | **4,203** |
| *Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement* | | |
| Remeasurement of the net defined benefit liability comprising :- | | |
| Return on plan assets | (1,493) | (12,369) |
| Actual gains and losses arising on changes in demographic assumptions | - | - |
| Actual gains and losses arising on changes in financial assumptions | (6,386) | 12,090 |
| **Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement** | **(4,177)** | **3,924** |
| *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 | (3,702) | (4,203) |
| *Actual amount charged against the General Fund Balance for pensions in the year:* | | |
| Employers' contributions payable to the scheme | 2,889 | 2,971 |

## PENSIONS ASSETS AND LIABILITIES RECOGNISED IN THE BALANCE SHEET (29C)

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

| Table 29c i) | 2017/18 £000s | 2018/19 £000s |
|---|---|---|
| Present Value of the defined benefit obligation | 194,604 | 207,845 |
| Fair value of plan assets | (136,609) | (148,897) |
| **Sub-total** | **57,995** | **58,948** |
| Other movements in the liability / (asset) | - | - |
| **Net Liability arising from defined benefit obligation** | **57,995** | **58,948** |

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

| Table 29c. ii) | 2017/18 £000s | 2018/19 £000s |
|---|---|---|
| **Opening fair value of scheme assets** | **135,270** | **136,609** |
| Interest Income | 3,423 | 3,546 |
| Remeasurement gain/(loss) on the return on plan assets | 1,493 | 12,369 |
| Contributions from employer | 2,889 | 2,971 |
| Contributions from employees into the scheme | 400 | 391 |
| Benefits paid | (6,836) | (6,960) |
| Other | (30) | (29) |
| **Closing fair value of scheme assets** | **136,609** | **148,897** |

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

| Table 29c. iii) | 2017/18 £000s | 2018/19 £000s |
|---|---|---|
| **Opening balance at 1 April** | **200,331** | **194,604** |
| Current service cost | 2,017 | 1,843 |
| Interest cost | 4,926 | 4,974 |
| Contributions from scheme participants | 400 | 391 |
| Remeasurement (gains) and losses:- | | |
| Experience (gains) / loss | - | - |
| Actuarial (gains) and losses from changes in financial assumptions | (6,386) | 12,090 |
| Actuarial (gains) and losses from changes in demographic assumptions | - | - |
| Benefits paid | (6,836) | (6,960) |
| Past Service Cost | - | 620 |
| Losses / (gains) on curtailments | 152 | 283 |
| Liabilities extinguished on settlements | - | - |
| **Closing balance at 31 March** | **194,604** | **207,845** |

**Pre-Payment of the Past Service Deficit**

As part of the 2016 valuation of the Fund, the Fund Administrator and Fund Actuary allowed some fund employers the option of pre-paying specified sums in exchange for a discount on the amounts to be paid. As part of the Council's budget plans for 2017/18 the Council agreed to prepay the past service deficit in full for three years as follows:

| Table 29c iv) | £000s |
|---|---|
| 2017/18 Past Service Deficit | 1,380 |
| 2018/19 Past Service Deficit | 1,371 |
| 2019/20 Past Service Deficit | 1,361 |
| **Total Payment in 2017/18** | **4,112** |

The past service deficit payments relating to 2017/18 and 2018/19 have been charged against the General Fund Balance. However, the payment in respect of 2019/20 cannot be charged to the General Fund Balance until 2019/20. The payment has therefore been charged directly to the pension liability. As a result the Pension Liability disclosed on the Balance Sheet at 31st March 2019 differs from the balance on the Pension Reserve owing to this arrangement as summarised below:

| Table 29c v) | 2018/19<br>£000s |
|---|---|
| Fund Assets | 148,897 |
| Fund Liabilities | (207,845) |
| **Net Liability** | **(58,948)** |
| less: | |
| Advance Payment of Past Service Deficit for 2019/20 | 1,361 |
| **Adjusted Net Liability as per Balance Sheet** | **(57,587)** |
| **Balance on Pension Reserve as at 31st March 2019** | **58,948** |
| **Difference Relating to Advance Payments** | **1,361** |

## STATEMENTS LOCAL GOVERNMENT PENSION SCHEME ASSETS COMPRISED (29D)

| Table 29d<br>Fair Value of Scheme Assets | 2017/18<br>£000s | 2018/19<br>£000s |
|---|---|---|
| Cash & Cash Equivalents | (571) | 865 |
| Bonds | | |
| UK Corporate | 779 | 1,010 |
| Overseas Corporate | 1,622 | 736 |
| UK Fixed Gilts | - | - |
| UK Index Linked | 3,260 | 5,234 |
| Overseas Fixed Interest | 132 | - |
| Sub-total Bonds | 5,793 | 6,980 |
| Property | | |
| Retail | 3,757 | 3,585 |
| Commercial | 2,363 | 2,500 |
| Industrial | 3,789 | 4,498 |
| Offices | 2,939 | 3,296 |
| Sub-total Property | 12,848 | 13,879 |
| Private Equity | | |
| UK | - | - |
| Overseas | 9,916 | 11,443 |
| Sub-total Private Equity | 9,916 | 11,443 |
| Other Investment Funds | | |
| Infrastructure | 17,312 | 21,048 |
| Credit Funds | 25,171 | 10,572 |
| Emerging Markets ETF | - | - |
| Pooled Fixed Income | 3,370 | 16,196 |
| Indirect Property Funds | 2,075 | 2,279 |
| UK Pooled Equity Funds | - | - |
| Overseas Pooled Equity Funds | 60,695 | 65,635 |
| Sub-total Other Investment Funds | 108,623 | 115,730 |
| Total Assets | 136,609 | 148,897 |

## BASIS FOR ESTIMATING ASSETS AND LIABILITIES (29E)

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme has been estimated 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 significant assumptions used by the actuary have been:

| Table 29e i) | 2017/18 | 2018/19 |
|---|---|---|
| Long-term expected rate of return on assets in the scheme: | | |
| Longevity at 65 for current pensioners: | | |
| Men | 22.7 | 22.8 |
| Women | 25.4 | 25.5 |
| Longevity at 65 for future pensioners: | | |
| Men | 25.0 | 25.1 |
| Women | 28.0 | 28.2 |
| Rate of inflation - CPI | 2.10% | 2.30% |
| Rate of increase in salaries | 3.60% | 3.80% |
| Rate of increase in pensions | 2.20% | 2.40% |
| Rate for discounting scheme liabilities | 2.60% | 2.40% |

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above.

The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method.

The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

| Table 29e ii) | Increase in Assumptions £000s | Decrease in Assumptions £000s |
|---|---|---|
| Longevity (increase or decrease in 1 Year) | 4,271 | (4,271) |
| Rate of Inflation (increase or decrease by 0.1%) | 3,178 | (3,178) |
| Rate of increase in salaries (increase or decrease by 0.1%) | 288 | (288) |
| Rate of discounting scheme liabilities (increase or decrease by 0.1%) | (3,130) | 3,130 |

## IMPACT ON THE AUTHORITY’S CASH FLOWS (29F)

The objectives of the scheme are to keep employers’ contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme’s actuary to achieve a funding level of 100% over the next 16 years. Funding levels are monitored on an annual basis.

The next triennial valuation is due to be completed on 31 March 2019

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014.

The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority anticipated to pay £2.724m expected contributions to the scheme in 2019/2020.

The weighted average duration of the defined benefit obligation for scheme members is 15 years, 2018/19 (15 years 2017/2018).

# **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. Pension guarantees previously reported as a contingent liability are now accounted for as a provision (see Note 16). The Council has identified no contingent liabilities as at 31$^{st}$ March 2019.

# **Note 31** Nature and Extent of Risks arising from Financial Instruments

## THE FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE (BUT FOR WHICH FAIR VALUE DISCLOSURES ARE REQUIRED) (31A)

The authority's activities expose it to a variety of financial risks, including:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the authority
- Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Re-Financing Risk - the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market Risk – the possibility that financial loss may arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council'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 and Property 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 Council's customers.

**Credit Risk Management Practices**
The authority's credit risk management practices are set out on pages 5 to 6 of the Annual Treasury Management Strategy.

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

This Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2018/19 was approved by Full Council on 21/02/2018 and is available on the Council's website.

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 investments in financial institutions of £8.8m 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 such entities 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 2019 that this was likely to crystallise.

## AMOUNTS ARISING FROM EXPECTED CREDIT LOSSES (31B)

The changes in loss allowance during the year are as follows:

| **LOSS ALLOWANCE by ASSET CLASS (amortised cost) [separate disclosure will be required for relevant asset class]** | **Lifetime Expected Credit Losses – Simplified Approach £000s** | **TOTAL £000s** |
|---|---|---|
| **Opening Balance as at 1 April 2018** | 289 | 289 |
| **Transfers:** | | |
| Amounts Written-Off | (18) | (18) |
| Changes Due to Modifications That Did Not Result in Derecognition | (20) | (20) |
| Changes in Models/Risk Parameters | 16 | 16 |
| Other Changes | - | - |
| **Closing Balance as at 31 March 2019** | **267** | **267** |

During the year, the authority wrote off financial assets with a contractual amount outstanding of £18k (£9k in 2017/18) that are still subject to enforcement activity.

| **LOSS ALLOWANCE by ASSET CLASS (amortised cost) [separate disclosure will be required for relevant asset class]** | **Lifetime Expected Credit Losses – Simplified Approach £000s** | **TOTAL £000s** |
|---|---|---|
| **Opening Balance as at 1 April 2017** | 290 | 290 |
| **Transfers:** | | - |
| Amounts Written-Off | (9) | (9) |
| Changes Due to Modifications That Did Not Result in Derecognition | 8 | 8 |
| Changes in Models/Risk Parameters | - | - |
| Other Changes | - | - |
| **Closing Balance as at 31 March 2018** | **289** | **289** |

## CREDIT RISK EXPOSURE (31C)

The Council has the Following Exposure to Credit Risk at 31 March 2019:

| | Credit Risk Rating | Gross Carrying Amount |
|---|---|---|
| 12-Month Expected Credit Losses | AAA | - |
| | AA | 5,849 |
| | A | 3,000 |
| | BBB | - |
| | Sub BBB | - |

## COLLATERAL AND OTHER CREDIT ENHANCEMENTS (31D)

Collateral – During the reporting period the council held no collateral as security.

## LIQUIDITY RISK (31E)

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

| | 31 March 2018 £000s | 31 March 2019 £000s |
|---|---|---|
| Less Than 1 Year | 1,062 | 1,868 |
| Between 1 and 2 Years | 1,410 | 2,000 |
| Between 2 and 5 Years | 4,276 | 5,128 |
| Between 5 and 10 Years | 5,954 | 3,103 |
| Between 10 and 15 Years | - | - |
| More Than 15 Years | 11,432 | 11,432 |
| **Total** | **24,134** | **23,531** |

All trade payables are paid in less than one year.

## REFINANCING & MATURITY RISK (31F)

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:
- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Full Council in the Treasury Management Strategy, on 21/02/2018):

| | Approved Minimum Limits | Approved Maximum Limits | 31 March 2018 £000s | 31 March 2019 £000s |
|---|---|---|---|---|
| Less Than 1 Year | 0% | 35% | 4.40% | 6.16% |
| Between 1 and 2 Years | 0% | 20% | 5.84% | 8.66% |
| Between 2 and 5 Years | 10% | 30% | 17.72% | 22.22% |
| Between 5 and 10 Years | 10% | 55% | 24.67% | 13.44% |
| More Than 10 Years | 15% | 60% | 47.37% | 49.52% |
| **Total** | | | **100.00%** | **100.00%** |

## MARKET RISK (31G)

**Interest Rate Risk**
The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the 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 the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

According to this assessment strategy, at 31 March 2019, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

| | £000s |
|---|---|
| Increase in Interest Receivable on Variable Rate Investments | (152) |
| **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)** | **3,681** |

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair Value of Assets and Liabilities carried at Amortised Cost

**Price Risk**

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

The Council holds £1.89m in property/multi-asset funds, and their price varies. However, any movements in price will not impact on the General Fund Balance as regulations are in force to ameliorate the impact of fair value movements.

**Foreign Exchange Risk**

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

# Note 32 **Prior Period Adjustments**

## 32A PPE VALUATION

A downward revaluation of £3.028m had been omitted from the 2017/18 accounts, the adjustments to the 2017/18 figures in the notes below, reflects the correct accounting treatment and restated 2017/18 figures.

Consolidated Income & Expenditure Statement

| COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT | Note | 31 March 2018 Gross Expend £000s | 31 March 2018 Income £000s | 31 March 2018 Net Expend £000s | Adjustment £000s | 31 March 2018 Restated Gross Expend £000s | 31 March 2018 Restated Income £000s | 31 March 2018 Restated Net Expend £000s |
|---|---|---|---|---|---|---|---|---|
| Finance and Property | | 2,794 | (578) | 2,216 | 2,872 | 5,666 | (578) | 5,088 |
| (Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets | 9 | | | 861 | 156 | | | 1,017 |

Movement in Reserves Statement

| MOVEMENT IN RESERVES STATEMENT | Movement in Reserves during 2017/18 General Fund £000s | Movement in Reserves during 2017/18 Revaluation Reserve £000s | Movement in Reserves during 2017/18 Capital Adjustment Account £000s | Adjustment £000s | Movement in Reserves during 2017/18 Restated General Fund £000s | Movement in Reserves during 2017/18 Restated Revaluation Reserve £000s | Movement in Reserves during 2017/18 Restated Capital Adjustment Account £000s |
|---|---|---|---|---|---|---|---|
| Total Comprehensive Income & Expenditure | (680) | (861) | - | 2872 & 156 | (3,552) | (1,017) | - |
| Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 7) | (574) | - | 500 | 2,872 | 2,298 | - | (2,372) |

Balance Sheet

| BALANCE SHEET | Note | 31st March 2018 £000s | Adjustment | 31st March 2018 Restated £000s |
|---|---|---|---|---|
| Property, Plant & Equipment | 9 | 48,572 | 3,028 | 45,544 |
| Revaluation Reserve | 18a | 47,773 | 156 | 47,617 |
| Capital Adjustment Account | 18b | 15,124 | 2,872 | 12,252 |

Cash Flow Statement

| CASH FLOW STATEMENT | Note | 2017/18 £000s | Adjustment | 2017/18 Restated £000s |
|---|---|---|---|---|
| Adjustments to Net (Surplus) / Deficit on the Provision of Services for Non-Cash Movements | 19a | 385 | 2,872 | (2,487) |

Note 5 - Expenditure & Funding Analysis

| Table 5b | 2017/18 Adjustments for Capital Purposes (EFA Note 2) £000s | Adjustment | 2017/18 Restated Adjustments for Capital Purposes (EFA Note 2) £000s |
|---|---|---|---|
| Finance and Property | 683 | 2,872 | 3,555 |

Note 6 - Expenditure & Funding Analysis

| Table 6b | 2017/18 Adjustments between the Funding and Accounting Basis (see note 7) £000s | Adjustment | 2017/18 Restated Adjustments between the Funding and Accounting Basis (see note 7) £000s |
|---|---|---|---|
| Depreciation, Amortisation, Revaluations and Impairment | 2,125 | 2,872 | 4,997 |

Note 7 - Adjustments between accounting basis and funding basis under regulations

| Table 7b | 2017/18 General Fund Balance £000s | 2017/18 Capital Adjustment Account £000s | Adjustment | 2017/18 Restated General Fund Balance £000s | 2017/18 Restated Capital Adjustment Account £000s |
|---|---|---|---|---|---|
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | 2,946 | (5,199) | 2,872 | 5,818 | (8,071) |

Note 9a - Property, Plant & Equipment

| Property, Plant & Equipment Comparative Movements in 2017/18 | 2017/18 Surplus Assets £000s | Adjustment | 2017/18 Restated Surplus Assets £000s |
|---|---|---|---|
| * Revaluation increases/(decreases) recognised in the Revaluation Reserve | (1,006) | 156 | (1,162) |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (399) | 2,872 | (3,271) |

Note 18 - Unusable Reserves

| Revaluation Reserve | 2017/18 £000s | Adjustment | 2017/18 Restated £000s |
|---|---|---|---|
| Upward revaluation of assets | 1,116 | 156 | 960 |

| Capital Adjustment Account | 2017/18 £000s | Adjustment | 2017/18 Restated £000s |
|---|---|---|---|
| Revaluation losses on property, plant and equipment | (510) | 2,872 | (3,382) |

Note 19a - Cash Flow Statement - Operating Activities

| The (Surplus)/Deficit on the Provision of Services has been Adjusted for the Following Non-Cash Movements: | 2017/18 £000s | Adjustment | 2017/18 Restated £000s |
|---|---|---|---|
| Depreciation, Amortisations, Impairment & Downward Valuations | (2,234) | 2,872 | (5,106) |

## 32B SHORT-TERM INVESTMENT

Cash and Cash Equivalents in the 2017/18 accounts included £2m of short-term investments which matured greater than 3 months from the date of acquisition, the adjustments to the 2017/18 figures in the notes below, reflects the correct accounting treatment and restated 2017/18 figures.

Balance Sheet

| BALANCE SHEET | Note | 31st March 2018 £000s | Adjustment | 31st March 2018 Restated £000s |
|---|---|---|---|---|
| Short-Term Investments & Deposits | 12a | 6,000 | 2,000 | 8,000 |
| Cash & Cash Equivalents | 18a | 6,446 | 2,000 | 4,446 |

Cash Flow Statement

| CASH FLOW STATEMENT | Note | 2017/18 £000s | Adjustment | 2017/18 Restated £000s |
|---|---|---|---|---|
| Investing Activities | 19b | 3,859 | 2,000 | 5,859 |
| Cash and Cash Equivalents at the End of the Reporting Period | | (6,446) | 2,000 | (4,446) |

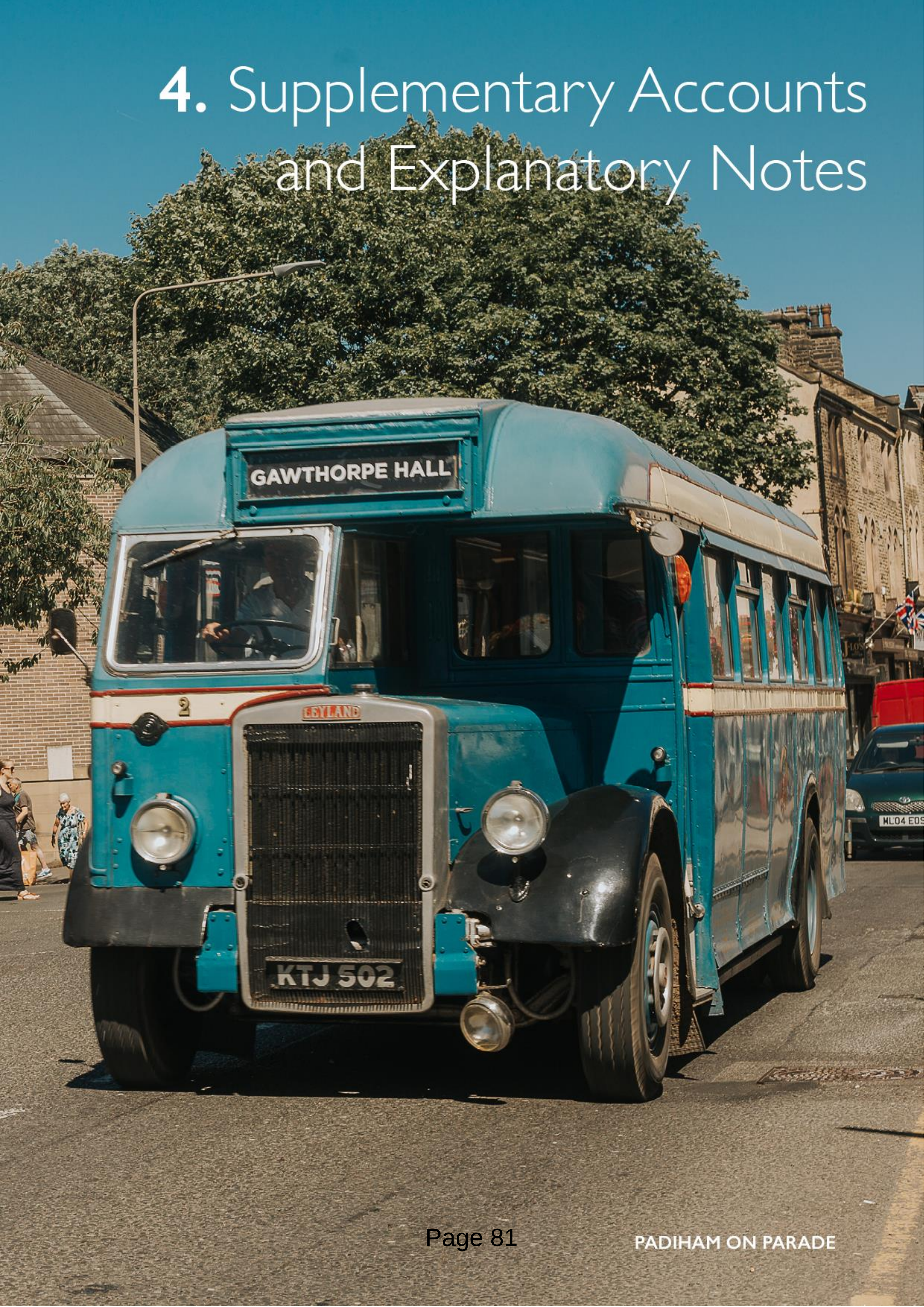
Note 14 - Cash and Cash Equivalents

| Cash and Cash Equivalents | 31 March 2018 £000s | Adjustment | 31 March 2018 Restated £000s |
|---|---|---|---|
| Short-Term Deposits | 8,052 | 2,000 | 6,052 |

Note 19b - Cash Flow Statement - Investing Activities

| Investing Activities | 2017/18 £000s | Adjustment | 2017/18 Restated £000s |
|---|---|---|---|
| Purchase of Short-Term and Long-Term Investments | 8,000 | 2,000 | 10,000 |

# 4. Supplementary Accounts and Explanatory Notes



# Supplementary Financial Statement

## THE COLLECTION FUND STATEMENT

| Business Rates £ | Council Tax £ | 31 March 2018 Total £ | COLLECTION FUND 2017/18 | Business Rates £ | Council Tax £ | 31 March 2019 Total £ |
|---|---|---|---|---|---|---|
| | | | Income | | | |
| - | (40,578,610) | (40,578,610) | Council Tax Receivables | - | (42,889,135) | (42,889,135) |
| (29,070,602) | - | (29,070,602) | Business Rates Receivables | (29,385,159) | - | (29,385,159) |
| (29,070,602) | (40,578,610) | (69,649,212) | | (29,385,159) | (42,889,135) | (72,274,294) |
| | | | Expenditure | | | |
| | | | Contribution Towards Previous Year Estimated Surplus / (Deficit) | | | |
| (594,424) | - | (594,424) | Central Government | 646,714 | - | 646,714 |
| (475,538) | 81,364 | (394,174) | Burnley Borough Council | 517,370 | 88,815 | 606,185 |
| (106,996) | 343,337 | 236,341 | Lancashire County Council | 116,408 | 383,368 | 499,776 |
| (11,888) | 19,141 | 7,253 | Lancashire Fire & Rescue Authority | 12,934 | 20,553 | 33,487 |
| - | 47,407 | 47,407 | Police and Crime Commissioner for Lancashire | - | 51,916 | 51,916 |
| (1,188,846) | 491,249 | (697,597) | | 1,293,426 | 544,652 | 1,838,078 |
| | | | Precepts, Demands and Shares | | | |
| 12,331,845 | - | 12,331,845 | Central Government | 13,674,178 | - | 13,674,178 |
| 9,865,476 | 6,483,324 | 16,348,800 | Burnley Borough Council | 10,939,343 | 6,848,753 | 17,788,096 |
| 2,219,732 | 27,585,667 | 29,805,399 | Lancashire County Council | 2,461,352 | 29,935,961 | 32,397,313 |
| 246,637 | 1,478,925 | 1,725,562 | Lancashire Fire & Rescue Authority | 273,484 | 1,559,540 | 1,833,024 |
| - | 3,735,696 | 3,735,696 | Police and Crime Commissioner for Lancashire | - | 4,102,289 | 4,102,289 |
| 24,663,690 | 39,283,612 | 63,947,302 | | 27,348,357 | 42,446,543 | 69,794,900 |
| | | | Charges to the Collection Fund | | | |
| - | - | - | Less write offs of uncollectable amounts | 43,197 | 35,927 | 79,124 |
| 492,826 | 870,655 | 1,363,481 | Less: Increase / (Decrease) in Bad Debt Provision | 882,964 | 940,827 | 1,823,791 |
| 1,753,095 | - | 1,753,095 | Less: Increase / Decrease in Provision for Appeals | 1,332,406 | - | 1,332,406 |
| 2,093,134 | - | 2,093,134 | Transitional Protection Payments (Receivable)/Payable | 755,060 | - | 755,060 |
| 148,995 | - | 148,995 | Less: Cost of Collection | 148,187 | - | 148,187 |
| 234,277 | - | 234,277 | Less: Renewable Energy Schemes | 234,779 | - | 234,779 |
| - | - | - | Less: Interest on Refunds | - | - | - |
| 4,722,327 | 870,655 | 5,592,982 | | 3,396,593 | 976,754 | 4,373,347 |
| | | | COLLECTION FUND BALANCE | | | |
| (143,270) | (1,283,964) | (1,427,234) | (Surplus) / Deficit b/fwd 1 April | (1,016,701) | (1,217,058) | (2,233,759) |
| (1,016,701) | (1,217,058) | (2,233,759) | (Surplus) / Deficit c/fwd 31 March | 1,636,516 | (138,244) | 1,498,272 |
| (873,431) | 66,906 | (806,525) | (Surplus) / Deficit on Fund | 2,653,217 | 1,078,814 | 3,732,031 |
| | | | Allocated to: | | | |
| (406,680) | (195,844) | (602,524) | Burnley Borough Council | 654,606 | (21,116) | 633,490 |
| (91,503) | (858,821) | (950,324) | Lancashire County Council | 147,286 | (96,085) | 51,201 |
| - | (117,070) | (117,070) | Police and Crime Commissioner for Lancashire | - | (16,156) | (16,156) |
| (10,167) | (45,323) | (55,490) | Lancashire Fire & Rescue Authority | 16,365 | (4,887) | 11,478 |
| (508,351) | - | (508,351) | Central Government | 818,258 | - | 818,258 |
| (1,016,701) | (1,217,058) | (2,233,759) | | 1,636,515 | (138,244) | 1,498,271 |

# 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 Business 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 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 number of Band D dwellings).

The Council Tax base was 23,118 for 2018/19 (22,579 for 2017/18). 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 (£1,831.33 for 2018/19 (£1,735.73 for 2017/18)) 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 2019 was a surplus of £138,244 which includes a deficit for the year of £1,078,814.

### COUNCIL TAX BASE

The Council Tax base for 2018/19 was approved at the Council meeting on 21 February 2018. Details are shown below:

| Band | Ratio | Number of properties | Band D equivalent |
|---|---|---|---|
| A Reduced | 5/9 | 29 | 16 |
| A | 6/9 | 16,327 | 10,885 |
| B | 7/9 | 4,572 | 3,556 |
| C | 8/9 | 5,336 | 4,743 |
| D | 9/9 | 2,561 | 2,561 |
| E | 11/9 | 1,168 | 1,428 |
| F | 13/9 | 304 | 439 |
| G | 15/9 | 115 | 191 |
| H | 18/9 | 8 | 15 |
| Total | | 30,420 | 23,834 |
| Less: Allowance for non-collection | | 3.0% | 716 |
| Taxbase for year | | | 23,118 |

# 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 2018/19 was calculated as follows:

| Council Tax Due | 2018/19 £ |
|---|---|
| Lancashire County Council | 29,935,961 |
| Police and Crime Commissioner for Lancashire | 4,102,289 |
| Lancashire Fire and Rescue Authority | 1,559,540 |
| Burnley Borough Council | 6,738,897 |
| Briercliffe with Extwistle Parish Council | 20,000 |
| Cliviger Parish Council | 10,000 |
| Habergham Eaves Parish Council | 4,492 |
| Hapton Parish Council | 15,000 |
| Ightenhill Parish Council | 2,000 |
| Padiham Town Council | 38,364 |
| Worsthorne with Hurstwood Parish Council | 20,000 |
| Total to be met from Council Tax | 42,446,543 |

Divided by the Council Tax Base 23,118 (22,579) this gives an average Band D Council Tax for the year 2018/19 of £1,836.08 (£1,739.83 in 2017/18). 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 2017/18, the total non-domestic rateable value for the Council's area at 31 March 2019 was £76,343,445 (£74,979,210 at 31 March 2018). The national multipliers for 2018/19 were 48.0p for qualifying small businesses (46.6p in 2017/18) and the standard multiplier being 49.3p for all other businesses (47.9p in 2017/18).

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

This Council is 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 Housing, 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,

In 2017/18 this Council decided to withdraw from the Lancashire Business Rates Pool. As a result the Council did not benefit from any retained levy.

In 2018/19 this Council re-joined the Lancashire Business Rates Pool, the total retained levy is £779,370, hence under pooling we have benefitted from extra income of £701,433. 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 total fee of £20,000 is payable, charged equally to all members of the pool to Ribble Valley Borough Council in their role as lead.

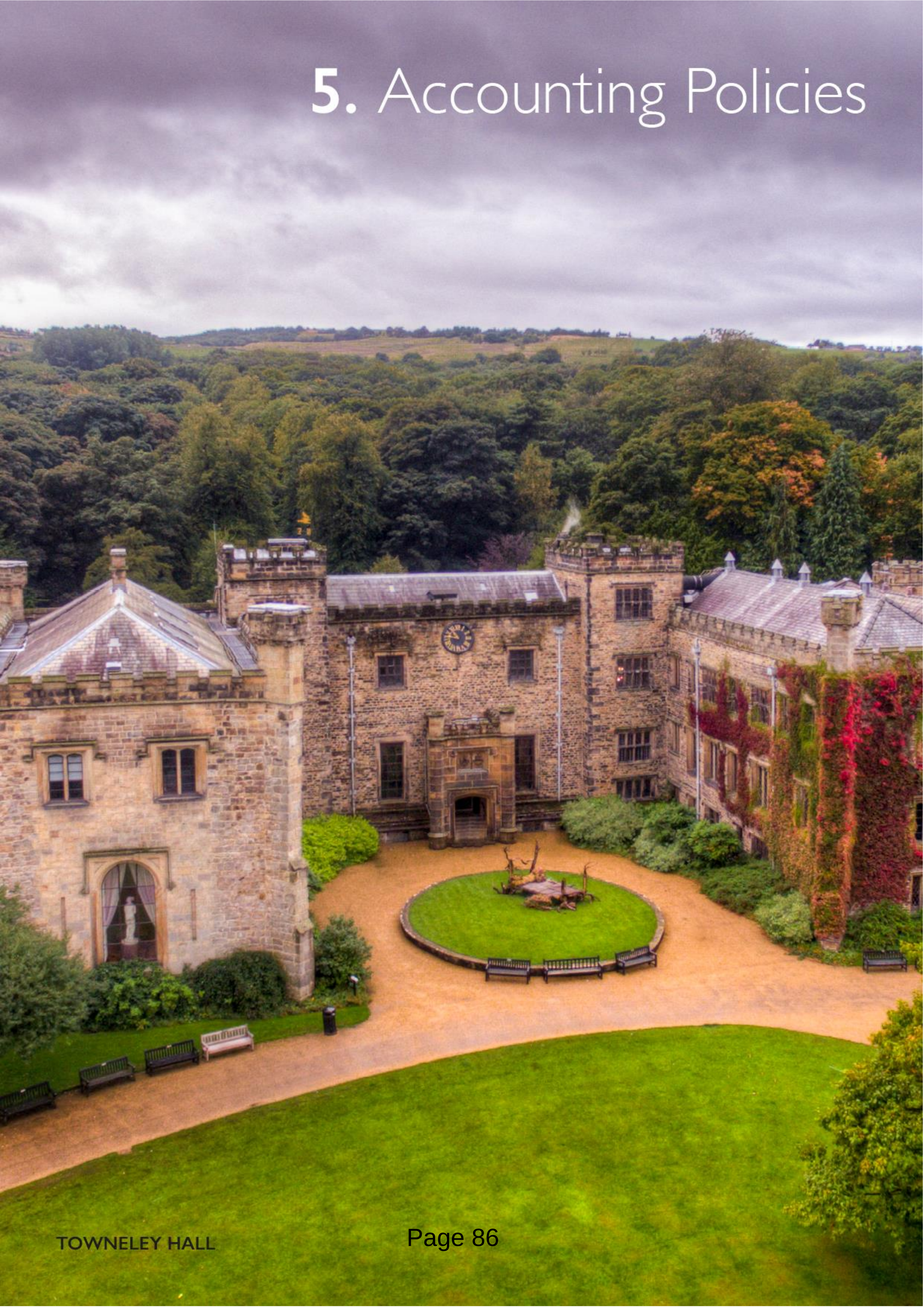
In the Lancashire Business Rates Pool each council bears its own risk and takes its own reward under the pool agreement, i.e. no sharing of a volatility reserve.

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

| Lancashire Business Rates Pool Members 2018/19 | Authority Type | In-Year Transactions Relating to Tariffs and Top-Ups £ | Retained Levy on Growth 2018/19 £ | Levy Payable to/received by Lancashire County Council £ | Net Retained Levy 2018/19 £ |
|---|---|---|---|---|---|
| Burnley Borough Council | Tariff | 5,813,386 | (779,370) | 77,937 | (701,433) |
| Chorley Borough Council | Tariff | 6,255,602 | (798,029) | 79,803 | (718,226) |
| Fylde Borough Council | Tariff | 7,792,807 | (640,137) | 64,014 | (576,123) |
| Hyndburn Borough Council | Tariff | 3,817,977 | (554,502) | 55,450 | (499,052) |
| Pendle Borough Council | Tariff | 3,259,593 | (355,927) | 35,593 | (320,334) |
| Ribble Valley Borough Council | Tariff | 4,147,262 | (725,653) | 72,565 | (653,088) |
| Rossendale Borough Council | Tariff | 2,610,199 | (603,452) | 60,345 | (543,107) |
| South Ribble Borough Council | Tariff | 9,933,983 | (1,190,680) | 119,068 | (1,071,612) |
| West Lancashire Borough Council | Tariff | 8,367,158 | (889,169) | 88,917 | (800,252) |
| Wyre Borough Council | Tariff | 6,577,163 | (608,534) | 60,853 | (547,681) |
| Lancashire County Council | Top-Up | (152,078,891) | - | (714,545) | (714,545) |
| Central Government | - | 93,503,761 | - | - | - |
| Total | | - | (7,145,453) | - | (7,145,453) |

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



TOWNELEY HALL

# Accounting Policies

## I. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council 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 2018/19 (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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 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 Council's cash management.

## IV. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

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

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

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

## V. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

The Council 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 18G, 23 AND 29)

### BENEFITS PAYABLE DURING EMPLOYMENT

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave 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 18g. 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 holiday absence occurs.

Full details of employee benefits paid during employment for senior officers are shown at Note 22.

### TERMINATION BENEFITS – (SEE NOTE 23)

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable , to the non-distributed costs line in the Comprehensive Income and Expenditure Statement when the Council 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 Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### POST-EMPLOYMENT BENEFITS – (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 – i.e. 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), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- 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 Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at 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, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

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

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

## IX. FINANCIAL INSTRUMENTS – (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.

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 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

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI).

### FINANCIAL ASSETS MEASURED AT AMORTISED COST

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

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.

### EXPECTED CREDIT LOSS MODEL

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

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

### FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

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

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

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (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 NOTE 10)

### TANGIBLE AND INTANGIBLE HERITAGE ASSETS

The Council's Heritage Assets are held at Towneley Hall Art Gallery & Museum and Burnley Town Hall. The museum 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 the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules 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 Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from intangible asset to the Council.

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

This Council does not have any internally generated assets.

Expenditure on the development of website is not capitalised if the website is solely or primarily intended to promote or advertise the Council'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 Council can be determined by reference to an active market. In practice, no intangible asset held by the Council 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 consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient 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 received to sell such an asset in an orderly transaction between market participants at measurement date. As a non-financial asset, investment properties are measured at highest and best use. 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. JOINT OPERATIONS

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

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

## XVI. LEASES – (SEE NOTE 28)

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

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

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

## THE AUTHORITY AS LESSEE

**Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

**Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

## THE AUTHORITY AS LESSOR

**Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the

Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve. When future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

**Operating Leases**
Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income. 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.

## XVII. OVERHEADS AND SUPPORT SERVICES

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

## XVIII. 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 Council 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 Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

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)
- Surplus asset – the current value measurement base is fair value, estimated at highest and best use from a market participants perspective
- All other assets – current value , determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every 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 line(s) in the Comprehensive Income and Expenditure Statement.

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

## IMPAIRMENT

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

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

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

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

### 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 (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment – 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 the 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 Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of 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.

## XIX. PROVISIONS AND CONTINGENT LIABILITIES

### PROVISIONS – (SEE NOTE 16)

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

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

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

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

### CONTINGENT LIABILITIES – (SEE NOTE 30)

A contingent liability arises where an event has taken place that gives the Council 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 Council. 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.

## XX. RESERVES

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

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

## XXI. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax - see workings at Note 6 & 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 such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at the end of the reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

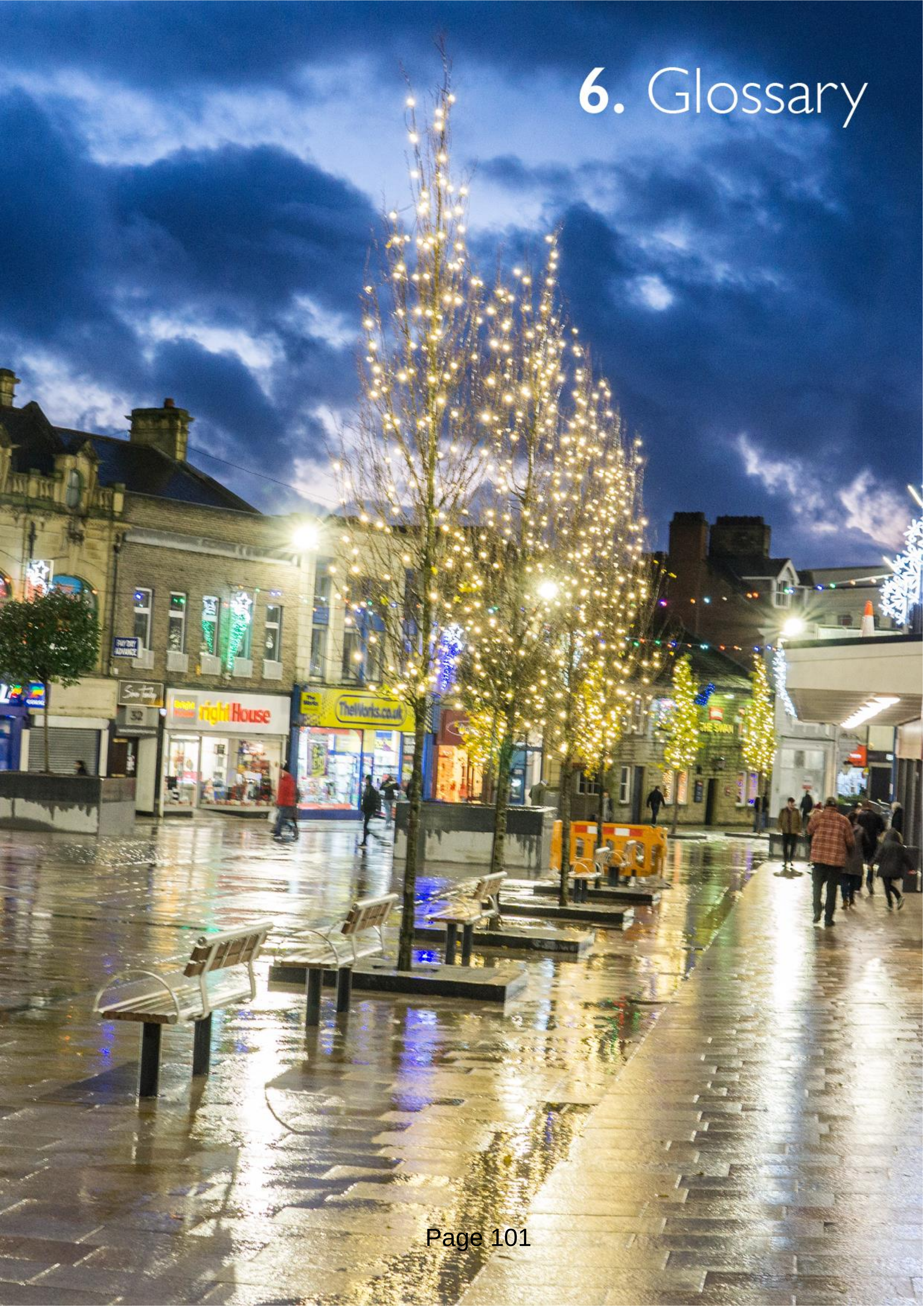
When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which suitable data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

# 6. Glossary



# 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 2015.
- 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 pursuing 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

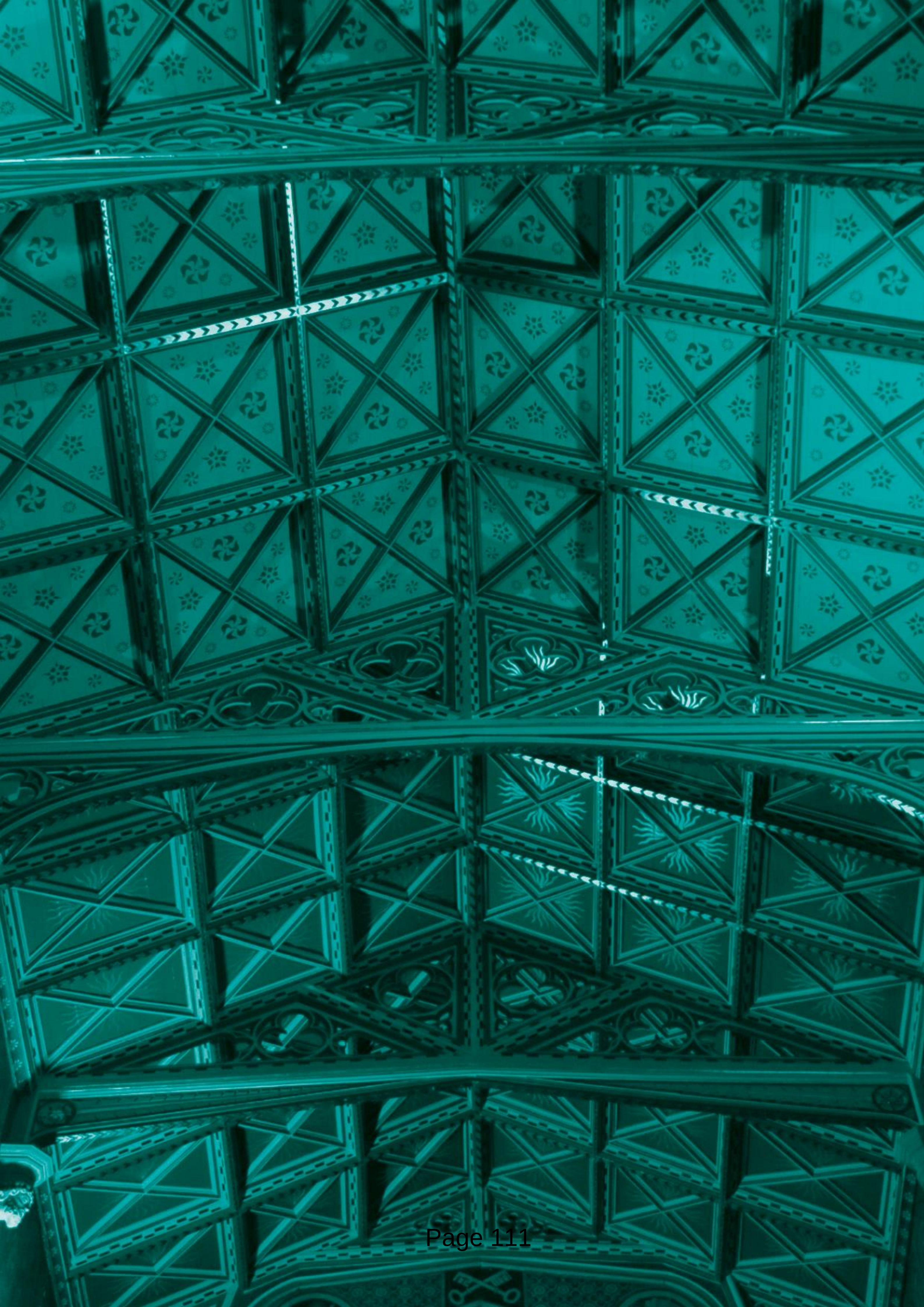
Items of stores and raw materials which have been procured for use on an on-going basis and which have not yet been used at the end of the accounting period.

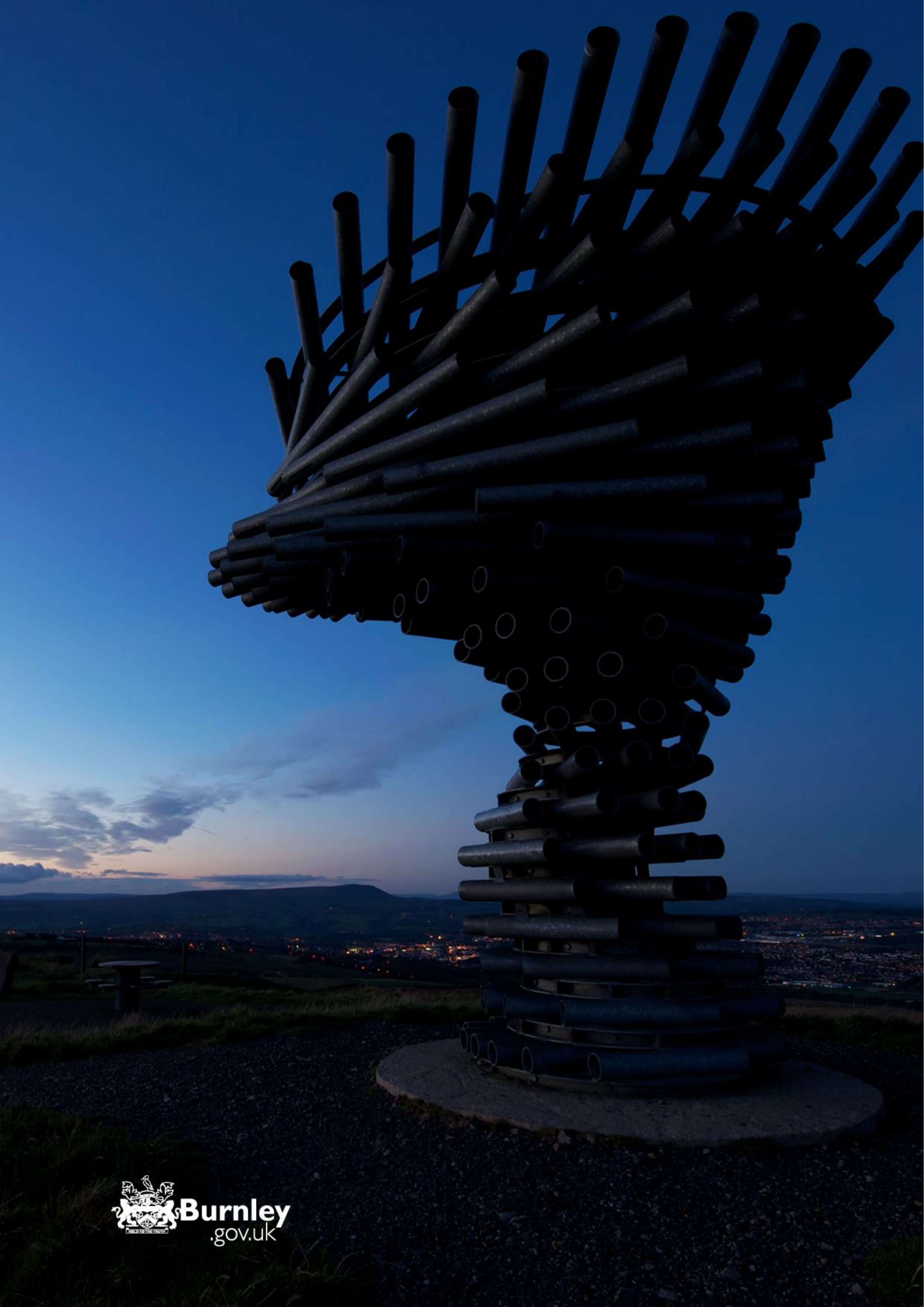
## TEMPORARY LOANS

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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