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AUDIT AND STANDARDS COMMITTEE

Wednesday, 24th March, 2021
6.30 pm

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AUDIT AND STANDARDS COMMITTEE

REMOTE MEETING

Wednesday, 24th March, 2021 at 6.30 pm

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

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

Notice in writing of the subject matter must be given to the Head of Legal & Democracy by 5.00pm on the day before the meeting. Forms can be obtained for this purpose from the reception desk at Burnley Town Hall. Forms are also available on the Council's website https://bit.ly/2BWX7d2

AGENDA

PUBLIC ITEMS

MEMBERSHIP OF COMMITTEE

Councillors

Councillor Paul Campbell (Chair)
Councillor Shah Hussain (Vice-Chair)
Councillor Sue Graham
Councillor Bill Brindle
Councillor Tom Commis
Councillor Margaret Lishman
Councillor Lorraine Mehanna
Councillor Mark Payne
Councillor Andrew Tatchell

Co-opted Members

Louise Gaskell, East Lancashire Chamber of Commerce
Councillor Kathryn Haworth, Habergham Eaves Parish Council
Councillor Gill Smith, Cliviger Parish Council
Stuart Arnfield

External Auditor

Chloe Edwards, Grant Thornton
Barrie Morris, Grant Thornton-External Auditor
Helen Stevenson, Grant Thornton-External Auditor

Published: Tuesday, 16 March 2021

AUDIT AND STANDARDS COMMITTEE

BURNLEY TOWN HALL

Wednesday, 13th January, 2021 at 6.30 pm

PRESENT

MEMBERS

Councillor Paul Campbell, In the Chair.

Councillors S Hussain (Vice-Chair), S Graham, B Brindle, T Commis, M Lishman, L Mehanna and A Tatchell

OFFICERS

Lukman Patel	–	Chief Operating Officer
Howard Hamilton-Smith	–	Head of Finance and Property
Catherine Waudby	–	Head of Legal and Democratic Services
Ian Evenett	–	Internal Audit Manager
Salma Hussain	–	Internal Auditor
Chris Gay	–	Governance Manager
Eric Dickinson	–	Democracy Officer
Imelda Grady	–	Democracy Officer
Alison McEwan	–	Democracy Officer
Mark Hindman	–	Graphic Designer

CO-OPTED MEMBERS

Louise Gaskell
Stuart Arnfield

EXTERNAL AUDITORS

Barrie Morris – Grant Thornton

71. Apologies

Apologies were received from Parish Councillor Kathryn Haworth.

72. Minutes

The Minutes of the meeting held on 23rd September 2020 were agreed as a correct record.

73. Additional Items of Business

There were no additional items of business.

74. Declarations of Interest

There were no declarations of interest.

75. Exclusion of the Public

There were no items on the agenda requiring members of the public to be excluded from the meeting.

76. Public Question Time

No questions had been received.

77. External Audit Progress Report

Barrie Morris from the external auditors Grant Thornton gave a verbal update on the audit progress as at January 2021.

He confirmed that they had received the financial statements and audit progress was being made, audit testing was underway, and officers were responding to queries appropriately and there were no matters of concern to bring to members attention at this time. He emphasised that whilst the audit was slightly later than planned this was not out of line with the national picture and that work was ongoing to ensure the audit was completed in a timely manner and that their findings would be reported to the March meeting of the Committee.

IT WAS AGREED

That the report be noted.

78. Annual Governance Statement

Salma Hussain reported on the Annual Governance Statement for the financial year 2020/21. When completed it would be signed off by the Chief Executive and the Leader of the Council and would be reported alongside the Statement of Accounts.

Members considered the assurance gathering process as set out in the appendix to the report.

Councillor Margaret Lishman asked if the process for gathering information was any different this year and if the recent change in administration during the year had been taken into account.

Officers responded and said that the assurance statement now included issues around the pandemic. Generally previous administrations were not included but if there were any specific concerns raised by any executive member where they didn`t feel able to give assurance due to the short period in office, they could raise this and consultation would be expanded to include the previous administration. Also members could raise concerns about governance at any time and this would be reported in governance statement.

Councillor Graham as the Executive Member for Resources and Performance Management said that she would consult her predecessor Councillor Lishman once she had received a copy of the Statement.

IT WAS AGREED

That the process for the Annual Governance Statement be approved,

79. Internal Audit Update Report Q2

Ian Evenett reported on the internal audit for the period 1st July to 30th September 2020. He explained that the COVID response and the current vacancy in the audit team was likely to impact on the planned delivery of audits which may require some limitation on the internal audit assurance as part of the annual audit opinion.

Councillor Margaret Lishman said she assumed that in the current climate the audits were paper exercises and stressed the importance of ensuring audits were targeted appropriately. Ian explained that there was a risk rating to attempt prioritisation. Access to staff and certain services was limited due to the COVID situation but that a full audit was still carried by remote meetings and evidence was able to be examined by other measures.

Councillor Lishman further asked if future audits would be looking at the COVID responses such as the awarding of business grants. Ian confirmed that an audit of the business grants had taken place last year and that Heads of Service would be contacted for any future audits that they felt would be needed in their service areas.

IT WAS AGREED

That the content of the progress report be noted.

80. Fraud Risk Assessment

Salma Hussain reported on the fraud risk assessment 2020/21.

Councillor Campbell asked if the audit of business grants would be encompassed externally in fraud risk assessments or if it would still be an internal process. Ian explained that the grant process had a full external fraud reporting process, to plot trends in fraud attempts. He did expect COVID to present new fraud risk across the Council but that NAFN (National Anti-Fraud Network) had helped by enabling reporting of fraud cases which other local authorities could access to ensure they were not exposed to those elements.

IT WAS AGREED

That the report be noted.

81. The Regulation of Investigatory Powers Act - annual return.

Catherine Waudby updated members of authorisations issued under the Regulation of Investigatory Powers Act 2000 (RIPA) to ensure that the Council`s RIPA powers are operated lawfully.

She confirmed that the latest inspection and report of the Investigatory Power`s Commissioners received in April 2020 showed it was satisfied that the Council was complying with legislation but made recommendations that would further strengthen compliance. These included revising the policy and that staff were appropriately trained. Due to the impact of the COVID pandemic a draft revised policy would be brought to the next meeting of the Committee.

IT WAS AGRRED

That the report on authorisations issued under RIPA be noted.

82. Strategic Risk Assessment

Ian Evenett reported ona review and update of the Strategic Risk Register in light of the changes in the political landscape and the request for local government reorganization.

IT WAS AGREED

That the updated Strategic Risk Register be noted.

83. Complaint against a Councillor

Lukman Patel reported on the outcome of a complaint against Councillor Marcus Johnstone and on the local resolution that had been agreed.

IT WAS AGREED

That the outcome of the complaint against Councillor Marcus Johnstone, the agreed local resolution and the apology provided by Councillor Johnstone be noted.

84. Work Programme

The work programme was noted.

Commercial in confidence

DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report. This draft has been created from the template dated DD MMM YYYY

The Audit Findings for Burnley Borough Council

Year ended 31 March 2020

March 2021

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Agenda Item 7

Contents

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Burnley Borough Council ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19	The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council . The Council has been responsible for the receipt, processing and distribution of Covid Support Grants and Business Rates Relief that required finance staff to be re-deployed from normal duties while working remotely. During the 2021 financial year the Council has lost income from the closure of car parks and over the summer of 2020 the additional challenges of reopening services under new government guidelines. Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.	We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum in May 2020. In that addendum we reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 6. Restrictions for non-essential travel has meant both Council and audit staff have had to work from home. This has presented audit challenges such as verifying remote access to financial systems, the absence of physical evidence of transactions and balances, the need to use video calling to observe processes that provided assurance over the completeness accuracy of information produced by the entity, and the lack of physical verification of assets. For Burnley Borough Council there have been many competing demands on staff time. The draft financial statements were received on 14 October, six weeks after the statutory deadline. This delay meant the audit deadline of 30 November 2020 was impossible to meet. We agreed with officers that we would work together towards a target date of 24 March 2021.
Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements: • give a true and fair view of the financial position of the Council and its income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Our audit work was completed remotely during November 2020 to March 2021. Our findings are summarised on the following pages. We have not identified any adjustments to the financial statements that result in adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters; • finalising testing on journals • final review of the work on property valuations • receipt of management representation letter; and • review of the final set of financial statements and annual governance statement. We have concluded that the other information to be published with the financial statements is consistent with our knowledge of the Council. Our anticipated audit report opinion will be unqualified including an Emphasis of Matter paragraph, highlighting the disclosure of material valuation uncertainties in respect of property valuations in both the Council's and Lancashire Pension Fund Financial Statements arising from the Covid 19 pandemic.

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Burnley Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Council's value for money arrangements. We have concluded that Burnley Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We updated our original VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We concluded that although there was a delay to the publication of draft financial statements this did not have a wider effect on overall financial reporting. We therefore anticipate issuing an unqualified value for money conclusion. Our findings are summarised on pages 17 to 23.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

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Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

Audit approach

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with senior officers.

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

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- an evaluation of the Authority's internal controls environment, including its IT systems and controls;
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan, as communicated to you on 24 February 2020, to reflect our response to the Covid-19 pandemic. We issued an Audit Plan addendum in May 2020 to include a significant financial statement risk to reflect the outbreak of the Covid 19 pandemic.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 24 March 2021, as detailed in the committee papers. These outstanding items include:

- finalising our testing on journals
- final review of the work on property valuations
- receipt of management representation letter; and
- review of the final set of financial statements and annual governance statement.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan. We detail in the table below our determination of materiality for Burnley Borough Council.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,187,000	This is considered to be the amount above which the users of the financial statements of accounts would be moved to change their view of the financial performance and financial standing of the Council. It is set in the context of gross expenditure on services at 2% based on the 2018/19 year.
Performance materiality	771,000	Performance materiality has been assessed at 65% of the financial statements materiality and is designed to ensure appropriate coverage.
Trivial matters	59,000	ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. We have used the standard level of 5% of materiality.
Materiality for senior officer renumeration	5,000	This is identified as an area requiring a lower materiality due to its sensitive nature

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Financial reporting and accounting implications relating to the Covid-19 pandemic The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to: • remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation • volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates • financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and • disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have undertaken the following work in relation to this risk: • worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications on our audit approach. The final version of the draft financial statements were provided on 14 October 2020; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence using alternative approaches could be obtained for the purposes of our audit whilst working remotely; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets valuations and recovery of receivable balances ; • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; • discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence. The impact of the demands on the Council's finance team has resulted in work taking longer to complete. Restrictions for non-essential travel has meant both Council and audit staff have had to work from home. This has presented audit challenges such as verifying remote access to financial systems, the absence of physical evidence of transactions and balances, the need to use video calling to observe processes that provided assurance over the completeness accuracy of information produced by the entity, and the lack of physical verification of assets. Both Grant Thornton UK LLP and the Council have had to re-deploy resources to cover staff sickness.
ISA240 revenue risk – the Council's reported revenue contains fraudulent transactions (rebutted) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Burnley Borough Council, mean that all forms of fraud are seen as unacceptable Therefore, we do not consider this to be a significant risk for Burnley Borough Council. We have however checked the validity of total revenues to central government grant income, Council tax, and non domestic rates. Our audit work has not identified any issues in respect of improper revenue recognition.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determine the criteria for selecting high risk unusual journals
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our audit work has not identified any issues in respect of management override of controls.

Valuation of land and buildings (including surplus assets and investment properties) - £56.4 million (rolling revaluation)

The Council revalues its land and buildings, on a rolling five-yearly basis and annually for investment properties. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£35.8 million of land and buildings, £8.4m of surplus assets and £11.3m of investment properties in the 2019/20 accounts) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

Auditor commentary

We have undertaken the following work in relation to this risk:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's valuation of land and buildings are not materially misstated and evaluated the design of the associated controls
- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- discussed with the valuer to confirm the basis on which the valuation was carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation
- tested revaluations made during the year to see if they had been input correctly into the Councils asset register; and
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at the year end.

The Council's land and buildings assets have been valued this year by the Council's in-house valuation team. Our work has assessed them as having a good knowledge of the Council's portfolio, and they have used information from the Asset Register and other Council estates systems in carrying out their valuation of the assets.

The Council carries out valuations at 1 April each year. Council officers, including the in-house valuation team, have carried out an assessment of whether, based on their knowledge, there is likely to be a material movement in valuation between that date and the year-end of 31 March. We have reviewed officers' assessment and found it reasonable.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of land and buildings - £56.4 million (rolling revaluation) – cont'd	The Council carries out valuations on a 5-yearly rolling programme. Council officers, including the in-house valuation team, have carried out an assessment of whether based on their knowledge there is likely to be a material movement in the valuation of assets not revalued in the current year, between the date of their most recent valuation and the year-end of 31 March. We have reviewed and challenged management's assessment of the potential impact of those assets not formally revalued this year. We have reviewed the Council's methodology and concluded that this could be improved with more consideration of factors affecting the possible movement in valuation for these assets, along with the input of the internal valuer as management's expert. We have made a recommendation in this respect in Appendix A. Due to the potential impact that Covid-19 has on the value of your land and buildings at 31 March 2020, you have now included a material uncertainty disclosure within Note 4 of the financial statements on the valuation of land and buildings. We will reflect your disclosure within an "emphasis of matter" paragraph in our opinion. This is not a modification or qualification of the opinion and is consistent with other audited bodies.
Valuation of pension fund net liability - £49.2 million The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£49.2 million in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have undertaken the following work in relation to this risk: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • confirmed the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Where appropriate, we have relied on the audit work carried out by ourselves as auditors of the Lancashire Pension Fund in undertaking the above procedures. The Pension Fund has some direct property classes of assets and, as a result of the Covid-19 pandemic, the Fund's valuers have declared a material uncertainty in relation to their valuation as at 31 March 2020. Total value at 31 March 2020 is £110.2m and the share of Burnley Borough Council is £2m (1.8%). We have proposed adding a material uncertainty within Note 4 of the financial statements to reflect this. We will also reflect this disclosure within an "emphasis of matter" paragraph in our opinion. This is not a modification or qualification of the opinion.

Significant findings – other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

Issue	Commentary	Auditor view
IFRS 16 implementation has been delayed by one year Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.	We have reviewed the disclosures in the financial statements against the requirements of the Code.	The Council has provided the minimum disclosures necessary. On 31 March 2020, the Council held a small number of operating leases as lessee which had an unexpired term of less than one year and therefore the effect of the changes is unlikely to be material. The Council has a significant number of operating leases as lessor, but these are not significantly affected by the change in the standard.

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Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Provisions for Non Domestic Rate Appeals (£3 million)	The Council is liable for successful appeals against business rates charged to business in 2019/20 and earlier financial years in their proportionate share. A provision has therefore been made for the best estimate of the amount that businesses have been overcharged up to 31 March 2020. The estimate has been calculated using the latest Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals to date. The provision has increased slightly by £6,436k in 2018/19.	• We have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate. • We have considered the approach taken by the Council to determine the provision, and it is in line with that used by other bodies in the sector. • Disclosure of the estimate in the financial statements is considered adequate. • There have been no changes to the calculation method this year	Green
Debt impairment (£4 million)	The Council reviews significant debtor balances to determine an allowance for doubtful debts. At 31 March 2020 the Council determined an impairment allowance for doubtful debts of £4m. The provision is in line with that in 2018/19.	• We are satisfied with the approach taken by the Council to determine the provision • We have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate.	Green

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Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings (including surplus assets) - £44.1 million	The Council request their internal valuer to revalue other land and building (opening value £41.9 million net book value) on a five year cycle, using depreciated replacement cost (DRC) for specialised assets such as libraries, galleries and leisure centres. The remainder of operational other land and building are required to be revalued at existing use value (EUV). Surplus assets comprising of an opening value of £6.9 million are required to be revalued annually at fair value, estimated as highest and best use from a market participant's perspective. In 2019/20 the Council revalued £6.9 million (19.4% net book value) of other land and buildings (60% in 2018/19) and revalued 100% of surplus assets. In line with RICS guidance, the Council have disclosed a material uncertainty in the valuation of land and buildings at 31 March 2020 as a result of Covid-19. We proposed adding a material uncertainty disclosure within Note 4 of the financial statements to reflect this. Management have considered the year end value of non-valued properties in 2019/20 using the comparative changes in assets revalued during 2019/20 to determine whether there may have been a potential material change in the total value of these properties. Management's assessment of assets not revalued concluded that there was no material change. The total year end valuation of other land and buildings was £44.1 million, a net increase of £2.2 million from 2018/19 (£41.9 million).	We reviewed the detail of your assessment of the estimate, considering; • the assessment of management's expert, your internal valuer; • the assessment of auditor's expert, Gerald Eve; • the completeness and accuracy of underlying information used determine the valuation • the reasonableness of change in valuation including with market trend report provided by our auditor expert Gerald Eve; and • the adequacy of disclosure of the estimate in financial statements We have reviewed and challenged management's assessment of the potential impact of those assets not formally revalued this year. We have made a recommendation in Appendix A that the Council should improve this assessment by considering additional factors that may affect the valuation and seek input from the internal valuer as management's expert We have assessed the likelihood a material difference between the Councils valuation of operational land and buildings against national trends reported by Gerald Eve acting as the Auditors' Expert. We have concluded there is no material misstatement in valuation. The Council has amended the wording in note 4 to include a material uncertainty disclosure for the valuation of land and buildings. We noted as part of our work examining the charges for depreciation that the Council review the useful economic lives (UELs) of its buildings when spend is made rather than upon revaluation. We have made a recommendation in Appendix A that in future years the asset UELs should be revisited as part of the revaluation to ensure that the depreciation charges are accurately calculated.	Amber

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Assessment
- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Investment properties - £11.3 million	The Council has a number of assets that it has determined to be investment properties. Investment properties must be included in the balance sheet at fair value (the price that would be received in an orderly transaction between market participants at the measurement date) so these assets are valued every year with a revaluation date of 1 April 2019. The Council's internal valuer completes the valuation of these properties. The year end valuation of the Council's investment property was £11.3 million, a net decrease of £0.2 million from 2018/19.	• We have no concerns over the competence, capabilities and objectivity of the internal valuation expert used by the Council. • The valuer has agreed clear terms of reference for this work with the Council in advance of the work being performed, including within which were the assumptions that were going to be applied to this work • There have been no changes to the valuation method this year • We have considered the potential movements in the valuations at the valuation date of 1 April 2019 and the 31 March 2020. This work has not raised any issues with the 2019/20 valuations. We have assessed the likelihood a material difference between the Councils valuation of investment properties against national trends reported by Gerald Eve acting as the Auditors' Expert. We have concluded there is no material misstatement in valuation. The Council has amended the wording in note 4 to include a material uncertainty disclosure for the valuation of property plant and equipment (including investment properties).	Green

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area: Net pension liability – £49.2 million

Summary of management's policy

The Council's net pension liability at 31 March 2020 is £49.2m (2018/19 £57.6m) comprising the Lancashire Pension Fund local government and unfunded defined benefit pension scheme obligations. The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

The Pension Fund Financial statements to 31 March 2020 included a material uncertainty in the valuation of the pension fund's property assets at 31 March 2020 as a result of Covid-19. The value of property assets attributable to the Council is £2m and is material to the net liability. We proposed adding a material uncertainty disclosure within Note 4 of the financial statements to reflect this.

The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £12m net actuarial gain during 2019/20.

Auditor commentary

We examined the detail of management's assessment of the estimate by:

- making an assessment of Mercers as management's expert
- assessing the actuary's roll forward approach, verifying that the latest available data relating to the valuation of the entire pension fund was used
- considering the completeness and accuracy of the underlying information used to determine the estimate
- assessing the information received from pension fund auditor
- undertaking analytical tests to assess the reasonableness of the Council's share of LGPS pension assets
- agreeing the transposition of information from the actuary's report to the financial statements and agreeing the resulting accounting entries
- assessing the adequacy of disclosure of estimate in the financial statements
- using PwC as auditors' expert to assess actuary and assumptions made by actuary – see table to compare the assumptions used with those identified by the Auditor's expert as reasonable:

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.4%	2.3%-2.4%	
Pension increase rate	2.1%	2.1%	
Salary growth	3.6%	3.35%-3.6%	
Life expectancy – Males currently aged 45 / 65	23.8yrs	22.5-24.7yrs	
Life expectancy – Females currently aged 45 / 65	26.8yrs	25.9-27.7yrs	

We have concluded that management's estimate is reasonable and based on appropriate assumptions in the context of the accounting framework and the Council's circumstances. As explained on page 8, we will include an Emphasis of matter paragraph in our opinion on the material valuation uncertainty disclosed in the pension fund financial statements.

Assessment: Green

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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Significant findings – going concern

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Going concern material uncertainty disclosures

It has been a challenging year due to the Covid-19 pandemic and the impact of this has been has seen the Council divert staff to support the processing of grants to businesses; closure of car parks with additional challenges of reopening services under new government guidelines; the need to free up capacity of teams in addition to normal responsibilities. The disruption has also meant that the Council has not been able to fully realise the savings it expected to generate in the year, reporting a £93,000 overspend against budget. The Council's MTFS for 2020/21 to 2023/24 recognises the ongoing pressures from core spending reductions resulting in a potential cumulative financial gap of between £2m and £4.5m over the four year period. Given the relative strength of the Council's reserves, in our audit plan we determined that going concern and material uncertainties relating to going concern were not material risks.

Going concern commentary	Auditor commentary
Management's assessment process In order to assess the going concern basis management have • considered events or conditions that may impact the going concern assumption. • considered the impact of Covid-19 in 2020/21 and 2021/22 on the Council's financial position. Despite the impact of Covid-19 and the uncertainties regarding future funding, management concluded it is appropriate to prepare their accounts on going concern basis and that no material uncertainty exists.	Management has undertaken their own assessment of going concern, taking into account Paragraph 2.1.2.9 of the Code of Practice on Local Authority Accounting states that "*An authority's financial statements shall be prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future*". Management have considered the following factors: • The financial impact of Covid-19. The Council's initial concerns around loss of income and additional expenditure have been mitigated with financial support from Government. This is under continuous review, and assumptions are updated as required • The Council has established a specific COVID - 19 reserve to provide support should any additional restrictions be introduced which would impact on income and expenditure. Unallocated funds of £860,000 were used to establish this reserve.
Work performed We have reviewed the Council's financial assessment of the impact of Covid-19, 2020/21 budget monitoring reports, future financial plans and the Council's level of reserves	• Whilst there are uncertainties around future funding, no material uncertainty has been identified • We reviewed the assumptions used by management in the forecasting their financial position in 2020/21 and 2021/22 onwards. We considered they had used reasonable assumptions, and that the forecasting process and underlying data used were reliable.
Concluding comments	We propose to give an unmodified opinion in respect of going concern. The financial statements identify the outbreak of Covid as occurring before the year end however it explains that the effects will be felt in subsequent financial periods. This is consistent with the evidence we have seen in 2020/21 budget reporting.

Other matters for communication

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

Issue	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Standards Committee .We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council which is included in the Audit and Standards Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's Bank for bank balance, and to several other institutions for investment confirmation. This permission was granted and the requests were sent. We have received positive confirmations for all requests.
Disclosures	Other than the disclosures relating to material uncertainty of valuations covered earlier in this report, our review found no material omissions in the financial statements. A summary of minor disclosure amendments made is shown in Appendix C.
Audit evidence and explanations/significant difficulties	There was a significant delay in the production of the draft financial statements, due to the reallocation of finance staff to other duties within the Council, and the draft accounts when published included a number of errors and omissions. Whilst the finance team have worked proactively to resolve audit issues, there have been a number of delays due to staff availability and conflicting priorities. This has resulted in additional time being taken to deliver the audit.

Other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Narrative Report and Annual Governance Statement), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect
Matters on which we report by exception	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. For Burnley Borough Council no further work is required as the Council does not exceed the threshold for WGA group procedures
Certification of the closure of the audit	We intend to certify the closure of the 2019/20 audit of Burnley Borough Council in the audit report.

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Value for Money

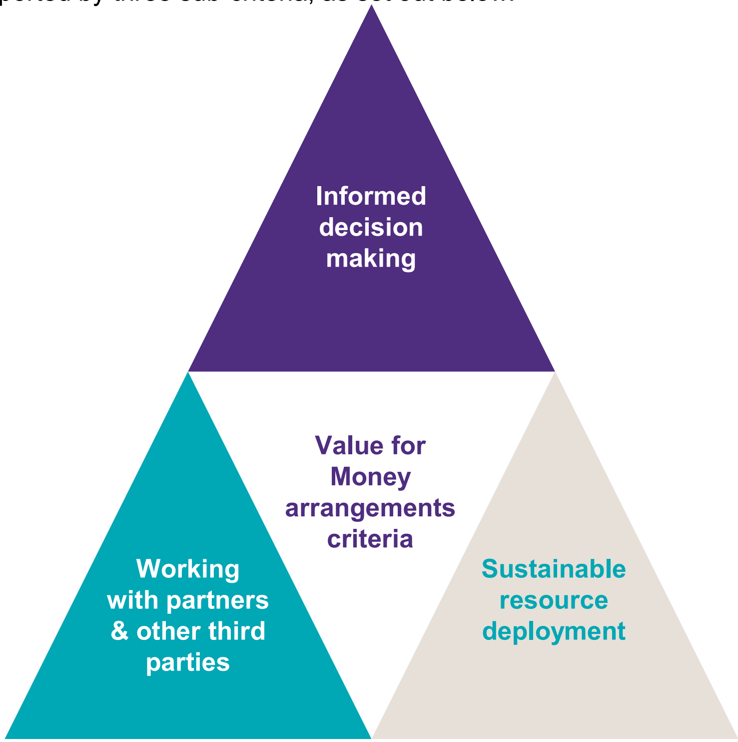
Background to our VFM approach

We are required to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

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

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in February 2020 and identified financial sustainability and major capital schemes, Pioneer Place and Sandygate Square, as significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated February 2020.

Our risk assessment is a dynamic process and we have had regard to new information which emerged since we issued our Audit Plan.

The significant risk identified since we issued the Audit Plan was:

- the delay in publishing draft financial statements by the revised target deadline 31 August 2020.

To assess the impact of this risk we reviewed the arrangements the Authority had in place to ensure the timeliness of financial reporting processes and the Authority's capacity to support the audit.

Please note that we have not identified any new Value for Money conclusion risks in relation to Covid-19 as we do not consider Covid-19 to be a significant risk for our 2019/20 VFM conclusion given the pandemic impacted so late in the financial year.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

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

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

- the Council's final outturn position for 2019/20 and the savings delivered in year, its budget for 2020/21, its medium term financial plan and the financial pressures its faces going forward; and
- the governance arrangements in place to monitor and deliver two large capital schemes approved in 2018; Sandygate Square student accommodation and Pioneer Place town centre development
- timeliness of financial reporting and the Council's capacity to support the audit.

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

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Recommendations for improvement

Based on the findings arising from our work we have identified a number of recommendations for improvement.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A.

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment.

Significant risk in our audit plan

Financial sustainability

Burnley Borough Council delivered its planned outturn for 2018/19 with a balanced position against its net budget of £15.09m, achieving savings of £1.862m and a net transfer to earmarked reserves of £468,000.

In February 2019 the Council set a balanced budget for 2019/20 as a net budget of £15.815m. The Council's latest revenue position reporting (at month 9) indicates a current overspend of £140,000.

Incorporated into the 2019/20 budget is a savings target of £400,000. At month 9, £140,000 of this has yet to be identified.

The Council's MTFS for 2020/21 to 2023/24 recognises the ongoing pressures from core spending reductions and considers scenarios ranging form zero to four per cent reduction in core spending power and resulting in a potential cumulative financial gap of between £2m and £4.5m over the four year period.

We will continue to monitor the Council's financial position through meetings with senior management and also assess progress in the identification and delivery of the future savings required as identified in the MTFS.

Findings

2019/20 Revenue Outturn

The Council planned to breakeven in 2019/20 against its net budget of £15.968m but was unable to achieve this, delivering an overspend of £93,000. This overspend was predominately because of the pandemic with £66,000 of the overspend being attributable to COVID-19, due to both an increase in expenditure and a reduction in income, the remaining £27,000 was attributable to other costs. The deficit of £93,000 was funded from the Council's transformation reserves. The Council had received £75,000 of Tranche 1 COVID funding but decided to roll this forward into 2020/21 to fund homelessness during the pandemic. Despite funding the overspend from reserves the Council was able to maintain its general fund reserves at £1.379m and its earmarked reserves increased by £888,000 to £8.134m.

In 2019/20 the Council aimed to deliver savings in the region of £1.014m. Savings plans of £901,000 were approved by the Executive and then Full Council in September 2018 and £113,000 was later agreed in February 2019. These savings were assumed to be achievable and deducted from the base budgets and the progress in achieving these savings was not routinely separately monitored, with delivery assumed by monitoring performance against budget. Additional unidentified savings of £400,000 were subsequently required to achieve a balanced budget. These savings were made up of salary and non-salary savings and are reported quarterly throughout the year to the Executive and Full Council. At quarter three the Council reported that £140,000 remained to be identified, by the year end this had reduced to £93,000, equivalent to the overspend for the year.

2020/21 Budget and Medium Term Financial Strategy (MTFS)

The Council updated its MTFS along with its annual budget in February 2020 and approved a net budget of £15.693m.

In February 2020, the Council reported the following savings were required in 2020/21:

Approval date	£000
Prior to September 2019	256
September 2019	178
February 2020	162
Total	**596**

Value for Money

Findings *continued*	In line with previous years the agreed and identified savings (£596,000) were deducted from the net budgets and delivery was assumed by monitoring performance against budget. In addition, £213,000 of operational/salary savings were required to achieve breakeven at the beginning of the year. At quarter two only salary savings of £68,000 had been identified, leaving £145,000 unidentified. In addition, due to the pandemic, costs had increased, and income reduced, such as car parking and leisure services leaving the Council with an overspend of £4.8m, before the allocation of mitigations. The mitigations against this overspend were additional funding from central Government (£2.4m) and anticipated compensation for fees and charges compensation (£1.1m). In addition, the Council was allowed to recover the collection fund losses (£1.2m) over the next three financial years. Taking these factors into account the Council's forecast net budget is a deficit of £118,000. As at January 2021 the central Government funding received has increased to £2.74m and compensation for fees and charges is estimated to be £1m. The Council's progress for identifying savings mirrors the timeframe of the MTFS. The approach identifies savings not just for the next financial year but for the next four years. An 'Away Day' took place in November 2020 with the Executive which considered the budget gap for the next three years and the savings approved at previous meetings, those requiring approval and those which no longer may be possible or need to be deferred. In total 26 different savings schemes were identified, ranging from £5,000 to £59,000. They cover a wide range of schemes from deletion of posts to restructuring of teams. These schemes indicate that achieving savings will be a significant challenge for the Council and are likely to require decisions to be made which could impact on service delivery and/or an increase in charges paid by service users. The MTFS, in line with previous years, has been extended to cover a four-year period from 2021/22 to 2024/25. It highlighted the uncertainty over funding going forward and included scenarios from zero to four per cent and reasonable assumptions were also applied. The MTFS set out the financial challenge faced by the Council and identified a potential funding gap of £6.4m from 2021/22 to 2024/25. **COVID - 19** The Council has adapted to enable home working of staff and the deployment of staff to meet the needs of high demand areas, such as the foodbank. This has ensured that existing vital services such as waste services have continued to operate effectively, and the Council have been able to meet the demand for support from both commercial and domestic residents through the issue of business grants and council tax relief. In June 2020 the Council reported to its Executive that it was concerned that the increased expenditure and reduced income could result in a significant budget deficit and impact on its financial sustainability in future years, as it would have insufficient reserves to meet the budget deficit. Fortunately, the Council has since received additional COVID -19 funding, is able to recover the collection fund deficit over the next three years and as a result its Quarter 2 forecast overspend is £118,000. As at January 2021 the Council has received direct COVID-19 funding of £2.736m. This includes direct funding received in four tranches starting in 2019/20, additional funding to mitigate the costs of administering the welfare reform changes and compensation funding for the reduction in fees and charges. Further compensation for fees and charges is also anticipated. The Council has established a specific COVID - 19 reserve to provide support should any additional restrictions be introduced which would impact on income and expenditure. Unallocated funds of £860,000 were used to establish this reserve.
Conclusion	Although the Council continues to face significant financial pressures and uncertainty, we consider that the Council had adequate arrangements in place during 2019/20. In order to effectively manage these financial pressures, the Council should focus on the identification of sustainable savings for 2021/22 and beyond and introduce arrangements to separately monitor the delivery of the agreed identified, as well as unidentified, savings .

Value for Money

Significant risk in our audit plan

Major capital schemes

In December 2018 the Council gave approval to the proposals for two significant capital schemes:

- Pioneer Place town centre development
- Sandygate Square student accommodation.

Whilst these schemes are at different stages, around £6m of capital expenditure was expected to be incurred in 2019/20.

Major capital schemes carry significant inherent risks and require robust monitoring arrangements with appropriate contract management skills to deliver theses effectively. We will continue to review the governance arrangements the Council has in place to support appropriately informed decision making and to monitor and manage risks associated with such schemes.

Findings

2019/20 Capital Outturn

The Full Council approved its capital budget in February 2019 of £18.244m. This was revised in February 2020 to £15.347m and at the year end was increased to £15.548m after allowing for funding brought forward from 2020/21 and additional resources identified. The Council incurred expenditure totaling £14.026m 90% of the final capital budget.

The two major schemes which we identified as potential value for money risks are expected to cost over £35m to complete, with Sandygate Square anticipated to take three years to complete and Pioneer Place six years. The table below illustrates slippage in comparison to the 2019/20 budget.

Project	2019/20 Budget £	Outturn £	Variance £	% achieved
Pioneer Place	189,666	54,234	135,432	29
Sandygate Square	5,703,841	5,178,215	525,626	91
Total	**5,893,507**	**5,232,449**	**661,058**	**89**

Capital budgets for 2020/21 and subsequent years

Both budgets have been revised as the schemes progress and agreed by Full Council. The budget for Sandygate Square was increased by £70,000 (0.7%) in 2020/21 due to increased costs, but also intends to complete in 2020/21 and as such has brought forward the budget from 2021/22 .

The budget for Pioneer Place has been reduced to £21.3m, due to changes in the market, the need to renegotiate terms and to ensure the scheme remained financially viable. As a result, a revised financial model and business case was required and was approved by Full Council in November 2020.

Value for Money

Findings

Although these schemes do pose significant risks to the Council, the Council has developed business cases and provided these to Full Council for consideration. The revised business case for Pioneer Place considered both the risks, as well as the benefits to be gained from regenerating the town centre. Arrangements are in place to mitigate and manage these risks and the table below illustrates that at this stage the Council do not anticipate any variances to the recently agreed revised budgets. However, due to the uncertainty which COVID-19 has created some fluctuations and budget changes are likely and the Council should continue to actively monitor the Pioneer Place scheme as it progresses.

Project	Start date	Completion date	Total Budget £m	Spend to date £m	Projected future spend £m	Expected variance to total budget £m
Pioneer Place	2019/20	2024/25	21.3	0.055	20.75	0
Sandygate Square	2019/20	2020/21	9.35	9.07	0.28	0
Total			**30.65**	**9.125**	**21.03**	

Capital monitoring

Progress against the capital budget and individual schemes was reported quarterly and at the year end (outturn) to the Executive and Full Council. At each quarter changes to the budget were requested and at the outturn stage the revised budget for 2020/21 was agreed. The revised budget, was increased to include slippage from 2019/20. These monitoring reports also included how the individual schemes would be funded, such as prudential borrowing and reserves.

These reports identified that the Sandygate Square student accommodation scheme was due for completion in September 2020. This was achieved and as at November 2020 47% of the student accommodation was occupied, although it should be noted that the impact of COVID-19 on the higher education sector is as yet unknown.

Conclusion

We are satisfied that effective arrangements were in place with regard to the Council's major capital schemes, but consider the Council should continue to actively monitor and report progress on the Pioneer Place capital scheme as it progresses.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment.

Significant risk – additional since audit plan	**Delay to the draft financial statements** Reliable and timely financial reporting is required supporting delivery of strategic objectives is one of the NAO criteria for having informed decision making. Missing the statutory date for publishing draft accounts is indicative of weakness in those arrangements.
Findings	We have: • Reviewed the draft financial statements and the supporting working papers • Reviewed the presentation of in-year financial reports to the Executive and Council during 2020 and 2021 Like many other Councils, Burnley Borough Council has had to divert finance staff to Covid-19 support related activities, notably the receiving, processing and distribution of central government business grants and other support packages. The Council took advantage of the extended reporting deadlines and sent draft accounts to us on 11 September 2020, however these were incomplete with updates required to some primary statements (balance sheet entries, collection fund, and many of the disclosures). We received a further version on 13 October 2020 (when it was published on the website) but still with some errors in them. When it became obvious the audit deadline of 30th November 2020 would not be met, we set a later target completion date of March 2021 for the audit. We have experienced some delays in getting certain working papers, notably journals and the final correct version of the general ledger, due to the competing demands on the finance staff time during the extended period of the audit. Throughout 2020/21 management has provided regular briefings to members that include the financial impact of Covid-19 on the Council. It has agreed an Economic Recovery and Growth Strategy (post Covid) and related action plan, and also set a Covid 19 Community Recovery Plan, in October 2020. In addition it has continued with mid year reporting on the Capital and Revenue position (the latest one at quarter 3 in February 2021). It has also revisited its Medium Term Financial Strategy and Reserves position 22/23 to 25/26 in February 2021.
Conclusion	Diverting finance staff to support Covid relief operations, the extra financial monitoring necessary as a result of Covid and the need to maintain normal Council business has been a significant additional burden for the finance team. Although the preparation of the financial statements were delayed into October 2020 other financial reporting arrangements continued during the period and we have had good responses to audit queries raised. In conclusion although there was a delay to the publication of draft financial statements this did not have a wider effect on overall financial reporting.

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Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Other services provided by Grant Thornton

For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified.

Service	Fees £	Threats identified	Safeguards
Audit related:			
Certification of Housing Benefit Subsidy return	22,600	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £22,600 (on the basis that the Council complete the HB workbooks) in comparison to the total fee for the audit of £46,437 (after fee variations) and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Standards Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees

Action plan

Assessment	Issue and risk	Recommendations
(Amber)	**1. Rolling asset valuations (page 8 and 11)** The Council have an annual process to use the outcomes of the current year's valuation to assess the possible movements in valuation of assets not revalued in the year, analysed by type of asset. However, for 2019/20 Management have not provided sufficient analysis to support the assertion that assets not revalued in the current year are materially accurate at the balance sheet date. While our own analysis has concluded in support of Management's position, it is incumbent upon Management to perform sufficient analysis to support their position, with the assistance of Management's expert if necessary.	We recommend the Council improve the assessment of the changes in values for assets not included each year in its rolling programme of asset revaluations. It should consider additional factors that may affect the valuation and seek input from the internal valuer as management's expert. **Management response** A desktop exercise is carried out to determine whether there have been any material changes in the valuation of assets that hadn't been included for valuation in that year of the rolling valuation cycle. This desktop exercise is undertaken by the Council's internal valuer each financial year.
(Amber)	**2. Depreciation and asset useful economic lives (page 11)** We noted as part of our work examining the charges for depreciation that the Council review the useful economic lives (UELs) of its buildings when spend is made rather than upon revaluation.	We recommend that in future years the asset UELs should be revisited as part of the revaluation to ensure that the depreciation charges are accurately calculated. **Management response** We agree with this recommendation and work has commenced on implementing this recommendation within the 2020/21 accounts.
(Amber)	**3. Vfm financial sustainability (page 20)** Delivery of individual identified savings schemes and activities are not monitored and reported to the Executive and Full Council. Consequently the Council is not aware if the agreed savings schemes are being delivered as planned.	Throughout the year the Council should monitor and report delivery of individual identified savings areas as well as those not yet identified. **Management response** The identified savings schemes are incorporated into the revenue budget and continue to be monitored during the year as part of the revenue monitoring process. Any savings that are not being achieved during the year are reported by exception.
(Amber)	**4. Vfm financial sustainability (page 20)** The Council faces significant financial challenge in 2021/22 and beyond.	The Council should focus on the identification of its savings plans for the next three years to ensure these can be actioned promptly and are focused on sustainable solutions. **Management response** The Council has identified and approved the savings required to balance the 2021/22 budget. Work is continuing to identify the savings required to meet the projected budget gaps identified through the recently approved MTFS.

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Action plan (continued)

Assessment	Issue and risk	Recommendations
(Amber)	**5. Vfm capital schemes (page 22)** The Pioneer Place Capital scheme may not be financially viable if COVID-19 continues to impact on the leisure and retail market	The Council should continue to actively manage and report progress on the Pioneer Place capital scheme as it progresses, to ensure it remains financially viable. **Management response** The Council, together with its delivery partners, is actively managing and reviewing the Pioneer Place scheme, to ensure that it remains financially viable, taking into account various environmental factors, including Covid-19. To achieve this aim, the Council has reduced the size of the scheme, reduced the annual rental income targets, and brought in additional external funding. These changes were reported and approved at Full Council in November 2020. Officers and delivery partners continue to actively monitor and report progress on the scheme.

Follow up of prior year recommendations

We identified the following issues in the audit of Burnley Council's 2018/19 financial statements, which resulted in one recommendations being reported in our 2018/19 Audit Findings report. *We have followed up on the implementation of our recommendations and note one is still to be completed.*

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Our testing identified a fully depreciated asset recorded in the asset register (CCTV asset) and reflected in the financial statements opening balances and historical depreciation, that had in fact been disposed of in previous years	From discussion with management we understand that while the fixed asset register had not been fully reviewed for the 2019/20 financial statements, this is underway as part of a fixed asset register system migration for 2020/21.

Assessment

✓ Action completed

X Not yet addressed

Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

There were no adjusted audit misstatements required.

Misclassification and disclosure changes

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

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Narrative Report	The revenue budget figures disclosed show the sources of funding but does not show the planned areas of spend.	We recommend including the revenue spend budget as well as the funding disclosure to enhance users understanding. **Management response** The disclosure in the accounts is consistent with that disclosed previously. Management will review the contents of the Narrative Report in future years to enhance user understanding.	X
Narrative Report	The report identifies areas of achievement but does not include any potential areas for improvement.	We recommend identifying and disclosing any areas for improvement to make it more balanced. **Management response** The disclosure in the accounts is consistent with that disclosed previously. The report contains a section on Organisational Performance which includes areas of achievements but also identifies areas of improvement where the Council has not met its performance targets.	X
Note 1: Accounting Standards Issues, not Adopted	IFRS 16 has not been included in the list.	IFRS 16 should be included in the list. **Management response** Agreed and amended.	✓
Note 2: Critical Judgements in applying accounting policies	Judgements have been included that do not meet the IAS 1 definition.	Remove paragraphs relating to Implied Leasing, Future Funding, Group Boundaries, Leases and Componentisation Limits. **Management response** Agreed and amended.	✓

Audit adjustments

Misclassification and disclosure changes (cont..)

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Note 2: Critical Judgements in applying accounting policies	Judgements have not been included that meet the IAS 1 definition.	Add paragraphs relating to the Valuation of PPE and Investment Properties, as well as Pension Fund asset valuations. **Management response** Agreed and amended.	✓
Note 14- Cash and cash equivalents	Bank current account (£1.360m overstated) & Short term deposit figure (£1.360m understated) stated incorrectly due to a formula error.	Disclosure note should be updated. **Management response** Agreed and amended.	✓
Note 23- Exit Packages	One exit package worth £23k has been included in error and relates to 2017/18	**Management response** Agreed and amended.	✓
Note 27 Capital Expenditure and Financing	Several small inconsistencies were identified using the MIRS consistency checker tool provided.	**Management response** These were rounding differences and have been agreed and amended.	✓

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
The Covid-19 revenue support grant was received prior to year end without conditions and should therefore be accounted for in the year of receipt, rather than as a grant received in advance.	75	75	75	Management expected to receive the funds in the new year and the amount is not material.
Overall impact	**£75k**	**£75k**	**£75k**	

Impact of prior year unadjusted misstatements

No unadjusted misstatements were identified in the prior year's audit findings report.

Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Council Audit	£46,437	£62,720
Total audit fees (excluding VAT)	**£46,437**	**£62,720**

In our original audit plan, we advised of an increase in fees due to the impact of increased expectations on the work of the auditor. At that time, we were expecting delivery of the financial statements to continue as per the statutory time timetable. The five-week delay meant significant re-scheduling of our resources and replacing planned resource with higher grade staff. We had originally planned to complete the audit by 30 November, however the practical problems encountered on the audit have caused significant additional work and oversight. As the audit completion date as been put back, it has been necessary to re-visit and refresh on several occasions, the audit risk assessment, the going concern assessment, and the value for money conclusion. To this we have had the added difficulties of remote auditing as set out on page 6.Consequently, we have incurred additional costs which result in additional fees to the Council, as per below:

Planned fee per Audit Plan (24 February 2020)	£46,437
Additional fees due to Covid-19 and remote working	£ 6,996
Additional fees due to delays in accounts preparation	£ 9,287
Final Proposed Fee	**£62,720**

The fees are subject to approval by PSAA Ltd.

The fees reconcile to the financial statements with the exception of the additional fees, as these need to be approved by the Committee and PSAA Ltd.

Non-audit fees for other services	Fees
Audit Related Services: • Certification of Housing Benefit Subsidy return (as per the audit plan)	£9,750
• Fee rebasing- Certification Housing Benefit Subsidy return	£12,850
Total non- audit fees (excluding VAT)	**£22,600**

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ITEM NO	[AgendaItem]

Annual Governance Statement 2019/20

REPORT TO AUDIT AND STANDARDS COMMITTEE

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DATE	24/03/2021
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Salma Hussain
TEL NO	01282 425011 Ext 3152
EMAIL	salmahussain@burnley.gov.uk

PURPOSE

1. To present the Annual Governance Statement to the Audit and Standards Committee for approval.

RECOMMENDATION

2. That the Committee approve the Annual Governance Statement 2019/20 (Appendix A).

REASONS FOR RECOMMENDATION

3. The Accounts and Audit Regulations 2015 states that the Annual Governance Statement must be approved by a committee. This responsibility is undertaken by the Audit and Standards Committee under their terms of reference, as those charged with governance.

SUMMARY OF KEY POINTS

4. The production of an Annual Governance Statement is a statutory requirement of the Council. The Annual Governance Statement was produced in accordance with proper practice using guidance from CIPFA (Chartered Institute of Public Finance and Accountancy) and SOLACE (Society of Local Authority Chief Executives).

5. All Heads of Service and key officers provided signed Assurance Statements to the Chief Operating Officer and the Chief Executive in accordance with the organisational management structure. These were supported by a control and risk self-assessment questionnaire. The Chief Operating Officer considered his statements and also signed an Assurance Statement to the Chief Executive.

6. All Executive Members and Chair of Scrutiny completed a self-assessment questionnaire and provided a signed Assurance Statement to the Leader of the Council.

7. The strategic partner, Liberata also submitted a Certificate of Assurance covering the services they provide on behalf of Burnley Borough Council. No issues were reported.

8. This process allowed the identification of the key elements of governance and internal control for incorporation into the Annual Governance Statement and was designed to assist the identification of significant control and governance issues. Minor weaknesses in governance were identified and actions to address these issues were put in place.

9. Management Team have reviewed the Annual Governance Statement. The Statement was then signed by both the Council Leader and the Chief Executive as the final assurance to the public. The AGS was reported to Audit & Standards Committee and approved in July 2020. These signatures have been updated again as it is presented alongside the externally audited Statement of Accounts 2019/20.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

10. None

POLICY IMPLICATIONS

11. None

DETAILS OF CONSULTATION

12. None

BACKGROUND PAPERS

13. None

FURTHER INFORMATION	
PLEASE CONTACT:	**Salma Hussain Ext 3152**
ALSO:	**Ian Evenett Ext 7175**

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Annual Governance Statement

2019/20

CONTENTS

INTRODUCTION

1. SCOPE AND RESPONSIBILITY

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

1.2 In discharging this overall responsibility, Burnley Borough Council is responsible for putting in place proper arrangements for the governance of its affairs; facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

1.3 Burnley Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA[1]/SOLACE[2] Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at:

https://burnley.moderngov.co.uk/documents/s18640/Part%205.8%20Local%20Code%20for%20Corporate%20Governance%202019%20LP251119.pdf

Or can be obtained from:

Legal & Democratic Services
Burnley Borough Council
Town Hall
Manchester Road
Burnley
BB11 9SA.

1.4 This statement explains how Burnley Borough Council has complied with the Code and also meets the requirements of regulation 6(1)[a] of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1 The Governance Framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with, and leads its communities. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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[1] Chartered Institute of Public Finance and Accountancy

[2] Society of Local Authority Chief Executives

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Burnley Borough Council's polices, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

2.3 The Governance Framework has been in place at Burnley Borough Council for the year ended 31st March 2020 and up to the date of approval of the Annual Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

3.1 The key elements of the Council's governance arrangements are outlined in the Local Code of Corporate Governance. Some of these features of the Governance Framework are explained in the following paragraphs.

3.2 The **Strategic Plan** sets out the contribution we will make to enabling communities in Burnley to thrive now and in the future. The Strategic Plan is linked to the revenue and capital budget, ensuring that the aspirations in the plan are realistic in the context of the funding constraints placed on the Council. The Strategic Plan is reviewed annually. The review takes account of **feedback** from surveys conducted with the public in Burnley.

3.3 Delivery of the Strategic Plan is supported by **Service Plans** and individual's **Performance Development Reviews**. These include competencies, targets and, where appropriate, service standards against which service quality and improvement can be measured. Officers attend staff conferences and participate in job chats amongst other means to keep informed of organisational and service development.

3.4 Burnley Borough Council's **Constitution** sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. It establishes the roles and responsibilities for members of the Executive, Regulatory and Standards Committees, together with officer functions. It includes the Scheme of Delegation, codes of conduct and protocols for member/ officer relations. The Constitution is regularly reviewed to ensure that it continues to be fit for purpose.

3.5 The Constitution also contains **procedure rules** including, Standing Orders and Financial Procedure Rules that define how decisions are taken and where authority rests for decision making. The **statutory roles** of Head of Paid Service, Chief Finance Officer and Monitoring Offer are described together with their contributions to provide robust assurance on governance and that expenditure is lawful and in line with approved budgets and procedures. The influence and oversight exerted by the Head of Paid Service (the Chief Executive) and the Chief Finance Officer (Head of Finance and Property) is backed by the post-holders' membership of the Management Team.

3.6 The **Chief Financial Officer** (CFO) has responsibility for the proper administration of the Council's financial affairs. This includes responsibility for maintaining and reviewing Financial Procedure Rules to ensure they remain fit for purpose and submitting amendments to Full Council for approval. The Chief Financial Officer is also responsible for reporting, where appropriate, breaches of the Rules to the Executive and/or the Council. The Chief Financial Officer reports directly to the Chief Operating Officer.

3.7 The role of the CFO has been defined by CIPFA in its document titled, 'The role of the chief financial officer, in Local Government'. The Council's financial management arrangements conform to these governance requirements and this is explained in the constitution.

3.8 The Head of Finance and Property fulfils the role of **Head of Internal Audit**. This includes championing best practice and assessing adequacy in governance, management, and risk, providing an opinion on these aspects, and leading an effective Internal Audit service.

3.9 The **Full Council** and the **Executive** are the decision-making bodies of the Council. **Regulatory Committees** including Development Control and Licensing Committees undertake decisions delegated to it under the Constitution. The Council's **Scrutiny Committee** works to improve service delivery and to review the Executive decisions. The **Audit and Standards Committee** oversees the review of the Council's audit and governance arrangements and the production of this statement.

3.10 In recognition of the exposure to fraud, the Council has adopted an **Anti-Fraud Bribery and Corruption Policy** which is part of the Constitution. This is relevant to all members, officers and its partners. Fraud risks are considered as part of strategic and service risk management. Fraud awareness training is made available to further raise awareness of the matter.

3.11 To complement the anti-fraud policy, Council has a **complaints procedure** and a **whistle-blowing policy** that is maintained and regularly reviewed, which provide the opportunity for members of the public and staff to raise concerns when they believe that appropriate standards have not been met. The **Audit and Standards Committee** is responsible for overseeing the investigation of complaints against members and promotion and maintenance of high standards of conduct in the authority.

3.12 The Council has an embedded **risk management** function. The Risk Management Policy and Strategy are reviewed regularly. The Risk Management Group draws together risk issues from across the authority to ensure that issues and concerns are shared and that a consistent approach is adopted throughout the organisation.

3.13 **General Data Protection Regulation** (GDPR) came into force in May 2018. It is recognised that the regulation does present a significant risk to the Council, however controls and measures are in place. While significant, the risk is considered acceptable at this time.

3.14 **Training** needs of members and officers are identified through appraisal and review processes. Appropriate training is made available to staff to ensure that individuals are able to undertake their present role effectively and that they have the opportunity to develop to meet their and the Council's needs. All newly elected members undertake an induction programme so that they can make an effective contribution to the work of the authority. Specific committee training is given to members so that they may discharge their responsibilities more effectively along with general member development training such as on finance and conduct. The Council retained the Investors in People (IIP) Gold Standard and continues to undertake reviews to maintain this excellence.

3.15 The Council is committed to **partnership** working. The Strategic Partnerships with Urbaser, Liberata and Burnley Leisure will ensure that vital services will continue to be delivered in these financially challenging times. The **Burnley Bondholders** work to promote Burnley in the region and wider area.

3.16 In February 2020, the Council activated its business continuity plans and adopted approaches to maintain critical business activities. It was quickly fully engaged with Lancashire Resilience Forum and following the national guidelines for local authorities. Amongst the changes were provision of emergency accommodation for the Homeless, making arrangements for a community Hub (including volunteers and partner organisations and food banks), preparing for increased demand on bereavement services and the funding for the local economy through the Business Support Grants scheme. The organisation managed a rapid transition to home working for the majority of staff which was built upon its flexible information technology and redeployment for those who could not carry out normal duties (including work with the Community Hub).

3.17 The main areas of the Council's Governance Framework, and key evidence of delivery, are set out next, under the headings of the seven **CIPFA/SOLACE Core Principles of Good Governance**.

BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES AND RESPECTING THE RULE OF THE LAW.

- Codes of Conduct exist for both officers and members
- Statutory Officers are in post:
  - the Chief Executive as Head of Paid Service,
  - Chief Operating Officer as the Monitoring Officer
  - the Head of Finance and Property as the Section 151 Officer.
- The Constitution and Scheme of Delegation define the roles and responsibilities of officers and members, and sets out the rules on how the Council conducts its business
- TEAM values are in place.

ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT.

- Council meetings are conducted in public; decisions have been properly recorded and are in the public domain.
- The Council complies with the Local Government Transparency Code. Information is held on the Council's website.

- Public consultations have been carried out:
    - Townscape Heritage Padiham
    - Selective Licensing Consultations
    - Business Improvement District
- Partnership boards for the strategic partners:
    - Liberata
    - Urbaser

DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS.

- The Strategic Plan is in place and is underpinned by Service Plans.
- Balanced Scorecards are used to monitor the achievement of stated outcomes.
- The Council makes best use of resources by always considering options for the way services are delivered.

DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF INTENDED OUTCOMES.

- Balanced Scorecards exist to monitor progress on intended outcomes.
- Decision makers receive analysis of options to achieve intended outcomes. This includes risk analysis associated with making key decisions.
- The Council is continually reviewing how services are provided.

DEVELOPING THE ENTITY'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT.

- Member training programmes are in place. Training during 2019/20 included several finance related training events.
- Officer training is identified during Performance Development Reviews which is linked to the Service Plan.
- New officers receive corporate and service unit induction. Training is also provided to new members.
- Arrangements are in place to maintain the health and wellbeing of the workforce.
- There are regular meetings between the Chief Executive and the Leader of the Council. Similar meetings take place between Heads of Service and Executive Members.

MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG FINANCIAL MANAGEMENT.

- There is a risk management framework in place that identifies and reports risk and how it is managed.
- The system on Internal Control is reviewed on an on-going basis by Internal Audit.
- The Head of Finance and Property Services is responsible for the financial management of the council and is the Section 151 Officer.
- Robust budget monitoring arrangements for both capital and revenue with budget reporting to management team and members.
- The council has an appropriate anti-fraud and corruption culture.

IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY.

- Information on the decision-making process is readily available to all stakeholders.
- As per the Local Government Transparency Code, information is held on the Council's website.
- Internal Audit will review the internal control framework on an on-going basis, particularly the key financial systems.
- Internal Audit will provide an objective opinion on the internal control framework that was in place for 2019/20.

- External Audit (Grant Thornton) will review the arrangements that the Council has in place to secure value for money. This will also provide an opinion on the accuracy and completeness of the Statement of Accounts.

THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

4. REVIEW OF EFFECTIVENESS

4.1 Burnley Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework, including the system of internal control. The review of effectiveness is informed by the work of the Management Team, who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report and also by the findings and reports issued by the external auditors.

4.2 Burnley Borough Council's Internal Audit section, via specific responsibility assigned to the Head of Internal Audit, is required to provide an annual independent and objective opinion to the Authority on its risk management, governance and control environment. The Head of Internal Audit's report for 2019/20 concluded that the Council's internal controls continue to operate effectively.

4.3 The review of compliance with the Governance Framework has involved:

- Heads of Service and key officers (Chief Finance Officer, Monitoring Officer and Health & Safety Officer) providing signed Assurance Statements to Management Team. These have been supported by a control and risk self-assessment questionnaire and were collated by Internal Auditors. Management Team considered these statements and also signed Assurance Statement from the Chief Operating Officer.
- Liberata providing a signed Assurance Statement to the Chief Operating Officer.
- Executive Members and Chair of Scrutiny completing a self-assessment questionnaire and providing a signed Assurance Statement to the Leader of the Council and Chief Executive.
- Internal Audit completing a review of the corporate documents and evidence for the key elements of Governance and Internal Control. The Internal Audit Opinion (draft) is included as part of the consideration, as are external audit reports etc.
- A draft of the Annual Governance Statement is prepared and provided to Management Team.
- An Annual Governance Statement is then provided to the Chief Executive and Leader to sign.

4.4 Governance arrangements continue to be regarded as fit for purpose in accordance with the Governance Framework. The review process has highlighted no significant issues.

5. FUTURE CHALLENGES

5.1 Burnley Council has recognised current and future financial challenges in its strategic risk register and medium-term financial strategy. The authority will continue to meet these challenges as it has done in the past; taking steps to manage this by considering modernisation and rationalisation.

5.2 Burnley Council will continue to deal with and respond to the issues arising from coronavirus pandemic. This includes involvement with the economic recovery in the local community and dealing with the financial impact of the pandemic.

6. ACTION TAKEN TO ADDRESS PREVIOUS ISSUES

6.1 No significant issues had been identified on the previous (2018/19) governance statement.

7. CERTIFICATION

7.1 The Council has governance procedures that contain comprehensive systems, cultures and values by which it is controlled, and through which it engages with the community in a timely, inclusive, open, honest and accountable manner.

Signed: .... **Signed**: ....

Leader of the Council **Chief Executive**

Date: 18/2/21 **Date:** 18/2/21

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Agenda Item 9

Annual Accounts 2019/20

REPORT TO AUDIT AND STANDARDS COMMITTEE

DATE	**24 March 2021**
PORTFOLIO	**Resources & Performance Management**
REPORT AUTHOR	**Howard Hamilton-Smith**
TEL NO	**01282 425011**
EMAIL	**Hhamilton-smith@burnley.gov.uk**

PURPOSE

1. To present the Council's audited Statement of Accounts for 2019/20, to obtain the formal approval of the Committee to the audited accounts, and to ask that they be signed by the chair of the Committee.

2. To ask the Audit and Standards Committee to approve the Letter of Representation from the Head of Finance & Property to Grant Thornton (the external auditors) and to ask that it be signed by the chair of the Committee.

3. To inform the Audit and Standards Committee of the audit findings.

RECOMMENDATION

4. Members are asked to:
   a) Approve and sign the Statement of Accounts
   b) Approve and sign the Letter of Representation
   c) Note the audit findings

REASONS FOR RECOMMENDATION

5. The deadline for publication of the draft Statement of Accounts was 31 August 2020 with the audited Statement of Accounts to be published by 30 November 2020. These deadlines were not met in part due to staff vacancies and to finance staff being re-deployed from normal duties to assist with the Covid Pandemic, in particular the payment of grants to businesses.

SUMMARY OF KEY POINTS

6. The 2019/20 Statement of Accounts have been produced under the Code of Practice on Local Authority Accounting in the UK to 2019/20 standards.

7. The deadlines for publication of the draft Statement of Accounts and publication of the audited Statement of Accounts for 2019/20 were relaxed due to the Covid-19 pandemic. The deadlines were previously 31 May and 31 July respectively.

8. Due to staff vacancies and redeployment of staff to Covid-19 related issues, the Council failed to comply with its statutory duty to publish an unaudited Statement of Accounts by the 31 August 2020. The Statement of Accounts were certified by the Head of Finance and Property, as the Council's statutory Chief Finance Officer, on the 14 October 2020 and published on the Council's website for public inspection.

9. The external audit of the Statement of Accounts has now been concluded by Grant Thornton and I am pleased to report that the Councils auditors are satisfied that the accounts present a true and fair view of the Councils financial position. The audited Statement of Accounts is attached for information and final approval as Appendix 1.

10. Elsewhere on the agenda is the Auditors report on the 2020/21 Statement of Accounts and governance arrangements and the Councils approved Annual Governance Statement.

11. There have been five recommendations for the Council, which are detailed below along with our proposed actions to mitigate the recommendation:
    - the Council improve the assessment of the changes in values for assets not included each year in its rolling programme of asset revaluations. It should consider additional factors that may affect the valuation and seek input from the internal valuer as management's expert.
      Management Response: A desktop exercise is carried out to determine whether there have been any material changes in the valuation of assets that hadn't been included for valuation in that year of the rolling valuation cycle. This desktop exercise is undertaken by the Council's internal valuer each financial year.
    - that in future years the useful life of assets should be revisited as part of the revaluation to ensure that the depreciation charges are accurately calculated.
      Management Response: We agree with this recommendation and work has commenced on implementing this recommendation within the 2020/21 accounts.
    - throughout the year the Council should monitor and report delivery of individual identified savings areas as well as those not yet identified.
      Management Response: The identified savings schemes are incorporated into the revenue budget and continue to be monitored during the year as part of the revenue monitoring process. Any savings that are not being achieved during the year are reported by exception.
    - the Council should focus on the identification of its savings plans for the next three years to ensure these can be actioned promptly and are focused on sustainable solutions.
      Management Response: The Council has identified and approved the savings required to balance the 2021/22 budget. Work is continuing to identify the savings required to meet the projected budget gaps identified through the recently approved MTFS.
    - the Council should continue to actively manage and report progress on the Pioneer Place capital scheme as it progresses, to ensure it remains financially viable.
      Management Response: The Council, together with its delivery partners, is actively managing and reviewing the Pioneer Place scheme, to ensure that it remains financially viable, taking into account various environmental factors, including Covid-19. To achieve this aim, the Council has reduced the size of the scheme, reduced the annual rental income targets, and brought in additional

external funding. These changes were reported and approved at Full Council in November 2020. Officers and delivery partners continue to actively monitor and report progress on the scheme.

12. The wording of the external auditor's opinion on the Statement of Accounts and the conclusion on the Council's arrangements for securing value for money is contained within the auditor's Audit Findings Report (Appendix 3). Once the opinion and conclusion have been formally disclosed to the Committee they will form part of the published Statement of Accounts on the Council's website. The chair of the Audit and Standards Committee is required to sign the Statement of Accounts prior to the publication.

13. Part of the process of obtaining a favourable opinion from the external auditor is that representations are required to be made by the Chief Financial Officer about a range of issues upon which confidence is placed during the course of the audit. These representations are contained in the Letter of Representation which is attached as Appendix 2. The Head of Finance and Property, as the Council's statutory Chief Finance Officer (Section 151 Officer), will sign this letter at your meeting after discussion with the Audit and Standards Committee. In accordance with external audit requirements the Chair is also asked to sign the letter of representation.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

14. Audited Statement of Accounts as Appendix 1

POLICY IMPLICATIONS

15. None

DETAILS OF CONSULTATION

16. None

BACKGROUND PAPERS

17. None

FURTHER INFORMATION	
PLEASE CONTACT:	**Howard Hamilton-Smith**
ALSO:	

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STATEMENT OF ACCOUNTS 2019/2020

HOLD TO THE TRUTH

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Contents

1. Narrative Reports & Written Statements

NARRATIVE REPORT

This booklet presents the Council's accounts for the year ended 31 March 2020. The accounts conform to the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (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 2019/20 was approved by Full Council on 20 February 2019 and amounted to a net figure of £15.814m. The revenue budget in 2019/20 delivered savings of £1.023m; this is on top of the £14.475m saved in the previous eight years. This net budget figure was funded as follows:

	Net Budget £000s
Business Rates Baseline	5,810
Business Rates in addition to Baseline Funding	2,467
Council Tax	6,962
Council Tax Deficit	(32)
New Homes Bonus	607
	15,814

In addition, the Council received requests for Council Tax precepts of £0.154m to fund expenditure by Parish and Town Councils. In total this resulted in a Council Tax precept of £7.116m.

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 £2.203m to earmarked reserves. There were further planned contributions from earmarked reserves of £0.683m arising from decisions made during the financial year as part of the revenue budget monitoring process. This gave a revised net planned overall contribution from earmarked reserves of £1.520m.

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 £2.286m.

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

	Net Surplus £000s
Comprehensive Income and Expenditure Statement - Deficit on provision of services	3,625
Adjustments between accounting basis and funding basis under regulations - General Fund balance (Note 7)	(5,911)
Net contribution from Earmarked Reserves in year (see note below)	2,286
Revenue surplus 2019/20	**0**

The revenue net contribution to earmarked reserves of £2.286m gives an increase in earmarked reserves for the year to £9.532m as detailed below:

	Under Spending £000s	Earmarked Reserves Utilised £000s	Earmarked Reserves Balance £000s	General Fund Balance £000s
Balances brought forward 1 April 2019			(7,246)	(1,379)
Position as per Budget Monitoring Report – end December 2019				
Earmarked Reserves increase	0	(817)	(817)	0
Estimated deficit position at year end	0	140	140	0
Estimated year end Earmarked Reserves balance			**(7,923)**	**(1,379)**
Year-end position				
Change to deficit position at year end	0	(47)	(47)	0
Movement in transfer (to)/from Earmarked Reserves	0	(1,562)	(1,562)	0
	0	**(2,286)**	**(9,532)**	**(1,379)**
Net underspend 2019/20				
Balance carried forward 31 March 2020	0	0	(9,532)	(1,379)
Less: Opening balances	0	0	7,246	1,379
Balance transferred (to) / from Earmarked Reserves			**(2,286)**	**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	(107)
Reduced NHB payment to Strategic Partner	(114)
Other net underspending in services	(106)
Increased Expenditure / Reduced Income	
Increased interest on external borrowings	97
Reduced HB overpayment income	85
Net decrease in income	145
Total Break-Even	0

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 2019/20 the Council spent £14.026m on capital projects compared with a revised capital budget of £15.347m. During the year £5.2m was invested on Sandygate Square, £1.2m spent on Building Infrastructure Works, £1.5m on the Empty Homes Programme and £1.4m on housing renovations for disabled facilities.

For 2020/21 the Council will invest £1.3m on the Empty Homes Programme, £3.6m on the NW Burnley Growth Corridor, £3.3m on Sandygate Square, and around £3.0m on Better Care grants. This will complement all four themes of our strategic objectives; 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 2020/21.

Capital Expenditure	Approved Budget 2019/20 £M	Actual 2019/20 £M	Variance £M
Regeneration and Planning Policy			
Burnley Vision Park	0.1	0.1	0
Former Open Market and Former Cinema Block	0.8	0.8	0
NW Burnley Growth Corridor	1.0	0.9	0.1
Sandygate Square	5.7	5.2	0.5
Other	0.5	0.1	0.4
Housing			
Disabled Facilities Renovations	1.3	1.4	(0.1)

Capital Expenditure	Approved Budget 2019/20 £M	Actual 2019/20 £M	Variance £M
Empty Homes Programme	1.4	1.4	0
Other	0.2	0.2	0
Streetscene			
Wheeled Bins Equipment	0.7	0.7	0
Other	0.1	0.1	0
Facilities Management			
Building Infrastructure Works	1.5	1.2	0.3
Rationalisation of Operational Estate	0.2	0.2	0
Green Spaces and Amenities			
Play Area Improvement Scheme	0.1	0.1	0
Prairie Artificial Turf Pitch	1.0	1.0	0
Vehicle and Machinery Replacement	0.1	0.1	0
Other	0.4	0.3	0.1
Chief Executive			
Ward Opportunities Fund	0.1	0.1	0
Leisure Client			
Leisure Centre Improvements	0.1	0.1	0
Total Capital Expenditure	15.3	**14.0**	1.3

BORROWING

The total amount outstanding as at 31 March 2020 on long-term loans borrowed from the Public Works Loan Board (PWLB) to finance capital expenditure was £35.7m. In addition there was at this date £2.0m of short-term PWLB loans borrowing. The sources of borrowing totalling £37.7m 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 £100.8m. 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 2020 was £49.147m (£58.948m as at 31 March 2019). 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.

Listed below are Burnley Council's achievements in 2019/20:

- On average staff took 5.1 sickness absence days during 2019/20, against the target of 6. This is the lowest recorded result.
- The average number of days to process benefit new claims and changes of circumstances in benefits improved.
  - Against a target of 9 days, the Q4 result was 2.43. This is the lowest recorded result (see chart 1).
  - As at Q4 Burnley's housing benefit processing time overall was 2 days in that quarter, compared to a statistical nearest neighbour average of 3 days (this measures housing benefit processing only).
- Reaching 94.69% by the end of Q4, the council tax collection rate was below the result in 18/19 (95.22%), but above the target of 94.50%. The latest available comparative data is from year end 2018/19, when Burnley's collection rate was slightly higher than the average of statistical nearest neighbours.
- Reaching 97.80% by the end of Q4, the collection rate for NNDR was higher than the result in 18/19 (97.27%), and above the target of 97.50%. The latest available comparative data is from year end 2018/19, when Burnley's collection rate was slightly lower than the average of statistical nearest neighbours.
- Supporting the local economy is a key strategic objective. Through current business support programmes:
  - By year end, 129 jobs were created and 47 safeguarded, against a target of 25 and 20 respectively.
  - Nearly £22 million in external investment was levered into the borough, against a year-end target of £15.5m
- Regenerating neighbourhoods by bringing vacant properties brought back into use is another priority. Against a target of 80, 94 properties were bought back into use by year end, an increase of 10 compared to last year.
- Digital strategy
  - There was a large increase in the number of online transactions in Q4, and in the proportion of customer transactions carried out online (57% against a target of 45%)
- The council has led the borough through the ongoing Covid-19 crisis. It has played a key role in the Lancashire Resilience Forum, with the CEO leading on the business continuity strategy and track and trace response.
- With partners, the Burnley Together Hub has ensured that all clinically and socially vulnerable people in the borough have had an offer of support.

- Economy and Growth, Finance and our service provider Liberata have supported businesses through the grants programme: over 2,000 businesses have been assisted. Around £25m will be allocated. The team took a proactive approach to raise awareness of eligibility.
- At the start of lockdown, telephone calls answered within target time was off target: 71% of calls were answered within the target time against a target of 80% in Q4. This was expected due to staff self-isolation and the sudden need to establish home working in March. In both January and February, the target was achieved. (The face to face wait time in the contact centre has, however, continued to drop, averaging about 7 minutes at year end, against a target of 10 mins). Overall, however, the rapid adoption of remote working by council officers has been possible due to adaptable IT solutions. This has ensured strong business continuity.

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 in 2019 has been very volatile with quarter 1 unexpectedly strong at 0.5%, falling to -0.2% at quarter 2, bouncing back up to +0.5% at quarter 3 and then flat at 0.0% at quarter 4. Growth in Q1 of 2020 remained at 0.0%. Since then, the whole world has changed as a result of the coronavirus outbreak. It now looks likely that the closedown of whole sections of the economy will result in a fall in GDP of at least 15% in quarter two. It is uncertain the extent of the damage that will be done to businesses by the end of the lock down period, when the end of the lock down will occur, whether there could be a second wave of the outbreak, how soon a vaccine will be created and then how quickly it can be administered to the population. This leaves huge uncertainties as to how quickly the economy will recover.

The Monetary Policy Committee raised Bank Rate from 0.5% to 0.75% in August 2018, where it remained until March 2020 due to Brexit uncertainty. In March 2020 the coronavirus outbreak posed a huge threat to the economy of the UK and as a result two emergency cuts in Bank Rate from 0.75% occurred during this month, first to 0.25% and then to 0.10%. These cuts were accompanied by an increase in quantitative easing (the purchases of gilts (mainly) by the Bank of England). Measures were also introduced to stop people losing their jobs during this lock down period with the Government introducing various schemes to subsidise both employed and self-employed jobs. Measures were also introduced to help businesses access loans from their banks (with the Government providing guarantees to the banks against losses). The measures to support jobs and businesses already taken by the Government will result in a huge increase in the annual budget deficit in 2020/21 from 2%, to nearly 11%. The ratio of debt to GDP is also likely to increase from 80% to around 105%. In the Budget in March, the Government also announced a large increase in spending on infrastructure which will help the economy to recover once the lock down is ended. If the coronavirus outbreak is brought under control relatively swiftly, and the lock down is eased, it is hoped that there would be a sharp recovery, but one that would take a prolonged time to fully recover previous lost momentum.

Inflation has been mainly between 1.5 – 2.0%. Following the coronavirus outbreak the world economy will be heading into a recession. Wage inflation has also been on a downward path over the last half year and is likely to continue that trend in the current environment.

Employment had been growing healthily through 2019 however the coronavirus outbreak will have an impact. Over the last year wage inflation has been significantly higher than CPI inflation which means that consumer real spending power had been increasing and so will have provided support to GDP growth.

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, however in the current economic environment and any increases in interest rates are unlikely in the immediate future.

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 2021/25 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 current coronavirus outbreak, 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 2020/21 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 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 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'. A project to deliver student accommodation of 136 en suite rooms within 29 flats units was commenced during the year and completed in August 2020.

COVID-19

Looking forward, it is impossible not to consider how the current COVID-19 crisis will impact on our services and hence our finances. There is considerable uncertainty on how long the situation will last, and hence what will be the ultimate impact, on our communities and on the authority's finances. Nevertheless, an impact will undoubtedly be felt, through additional costs and loss of income in key areas (such as car parking). There may also be a lack of capacity to implement, to the expected timescale and in full, some of our existing plans such as around income generation and savings. The Council currently holds £1.379m in General Fund balances to compensate for short term budget pressures.

The Council has supported local residents and businesses throughout the pandemic through the operation of the Community Hub, delivering food parcels to residents and through the administration of the government grant scheme to businesses. The Council received £26.5m of funding to pass on to eligible local businesses in receipt of small business rates relief or retail, hospitality and leisure relief. In addition, £1.2m of funding was received to award to businesses under the discretionary grant scheme.

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 2019/20. 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 2019/20 this right is to be exercised for 30 working days beginning 14 October 2020. 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:

Barrie Morris
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 2019/20 ("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 2020 and its income and expenditure for the year then ended, including any known post balance sheet events at 13 October 2020.

Howard Hamilton-Smith

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

24 March 2021

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Burnley Borough Council (the 'Authority') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the notes to the Core Financial Statements, the Collection Fund Statement and notes to the Collection Fund Statement, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

THE IMPACT OF MACRO-ECONOMIC UNCERTAINTIES ON OUT AUDIT

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Chief Financial Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

CONCLUSION RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

In our evaluation of the Chief Financial Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

EMPHASIS OF MATTER – EFFECTS OF COVID-19 ON THE VALUATION OF LAND AND BUILDINGS AND PROPERTY INVESTMENTS

We draw attention to Notes 2 and 4 of the core financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings, investment properties and the Authority's share of the pension fund's property investments as at 31 March 2020. As disclosed in notes 2 and 4 to the core financial statements, the global pandemic has had a significant impact upon many sectors of the economy. The Council's valuations of property plant and equipment (PPE) and investment properties have been reported on the basis of material valuation uncertainty. The assets held by Lancashire Pension Fund include some property assets for which, as a result of the Covid-19 pandemic, the Fund's valuer has identified a material uncertainty in relation to their valuation as at 31 March 2020. Our opinion is not modified in respect of this matter.

OTHER INFORMATION

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the financial statements and, our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

OTHER INFORMATION WE ARE REQUIRED TO REPORT ON BY EXCEPTION UNDER THE CODE OF AUDIT PRACTICE

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

OPINION ON OTHER MATTER REQUIRED BY THE CODE OF AUDIT PRACTICE

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

RESPONSIBILITIES OF THE AUTHORITY, THE CHIEF FINANCIAL OFFICER AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of Responsibilities for the Statement of Accounts the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Standards Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS - CONCLUSION ON THE AUTHORITY'S ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN ITS USE OF RESOURCES

CONCLUSION

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

RESPONSIBILITIES OF THE AUTHORITY

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

AUDITOR'S RESPONSIBILITIES FOR THE REVIEW OF THE AUTHORITY'S ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN ITS USE OF RESOURCES

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS - CERTIFICATE

We certify that we have completed the audit of the financial statements of Burnley Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

USE OF OUR REPORT

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Barrie Morris, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

24 March 2021

Core Financial Statements

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	Note	31 March 2019 Gross Expend £000s	31 March 2019 Income £000s	31 March 2019 Net Expend £000s	31 March 2020 Gross Expend £000s	31 March 2020 Income £000s	31 March 2020 Net Expend £000s
Continuing Services							
Economy and Growth		3,331	(1,162)	2,169	3,789	(1,756)	2,033
Policy and Engagement		898	(399)	499	789	(257)	532
Management Team		332	-	332	353	-	353
Sport and Culture Leisure Client		2,523	(248)	2,275	2,793	(407)	2,386
Green Spaces and Amenities		4,233	(2,350)	1,883	4,007	(2,328)	1,679
Street Scene		5,090	(1,974)	3,116	5,353	(2,034)	3,319
Housing and Development Control		3,698	(1,241)	2,457	4,201	(1,466)	2,735
Strategic Partnership		4,225	(597)	3,628	4,384	(637)	3,747
Finance and Property		4,231	(361)	3,870	3,598	(310)	3,288
Revenues and Benefits		27,745	(29,051)	(1,306)	25,123	(26,416)	(1,293)
Legal and Democratic Services		1,256	(187)	1,069	1,436	(486)	950
People and Development		265	-	265	193	-	193
Central Budgets		123	(48)	75	101	(56)	45
Corporate Items		1,391	-	1,391	2,901	(1)	2,900
Cost of Services		**59,341**	**(37,618)**	**21,723**	**59,021**	**(36,154)**	**22,867**
Other Operating Expenditure & Income							
Parish Council Precepts		110	-	110	154	-	154
Pension Fund Administration Costs		29	-	29	35	-	35
(Gains)/Losses on the Disposal of Non-Current Assets		(582)	-	(582)	(193)	-	(193)
Other Income		-	-	-	-	-	-
		(443)	**-**	**(443)**	**(4)**	**-**	**(4)**
Financing and Investment Income & Expenditure							
Net Interest on the Net Defined Benefit Liability		1,428	-	1,428	1,364	-	1,364
Interest Payable and Similar Charges		925	-	925	1,074	-	1,074
Interest Receivable and Similar Income		-	(159)	(159)	-	(191)	(191)
Impairment Losses		(4)	-	(4)	(69)	-	(69)
Other Investment Income and Expenses		111	(23)	88	-	(21)	(21)
Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value	11	360	(955)	(595)	250	(894)	(644)
		2,820	**(1,137)**	**1,683**	**2,619**	**(1,106)**	**1,513**
Taxation and Non-Specific Grants							
Council Tax Income		-	(6,763)	(6,763)	-	(7,108)	(7,108)
Non-Domestic Rates Income and Expenditure		-	(4,206)	(4,206)	-	(9,362)	(9,362)
Non-Ringfenced Government Grants	25	-	(4,049)	(4,049)	-	(1,300)	(1,300)
Capital Grants and Contributions	25	-	(2,601)	(2,601)	-	(2,981)	(2,981)
		-	**(17,619)**	**(17,619)**	**-**	**(20,751)**	**(20,751)**
(Surplus) / Deficit on Provision of Services		**61,718**	**(56,374)**	**5,344**	**61,636**	**(58,011)**	**3,625**
(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	9			(3,383)			(3,341)
Remeasurement of the Net Defined Benefit Liability / (Asset)	29			(279)			(12,417)
Other Comprehensive (Income) / Expenditure				**(3,662)**			**(15,759)**
Total Comprehensive (Income) / Expenditure				**1,682**			**(12,136)**

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 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
Movement in Reserves during 2019/20															
Total Comprehensive Income & Expenditure	(3,625)	-	(3,625)	-	-	(3,625)	3,341	-	-	-	12,417	-	-	15,759	12,136
Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 7)	5,908	-	5,908	(1,449)	806	5,265	-	(2,814)	-	(47)	(2,616)	221	(9)	(5,265)	0
Net Increase/(Decrease) before Transfers to Reserves	2,286	-	2,286	(1,449)	806	1,641	3,341	(2,814)	-	(47)	9,801	221	(9)	10,495	12,136
Transfers to/from Reserves	(2,286)	2,286	0	-	-	0	(1,112)	1,112	-	-	-	-	-	-	0
Increase/(Decrease) in Year	0	2,286	2,286	(1,449)	806	1,642	2,229	(1,702)	-	(47)	9,801	221	(9)	10,495	12,136
Balance at 31 March 2020	1,379	9,532	10,911	1,709	2,924	15,544	52,321	8,411	-	(44)	(49,147)	(412)	(80)	11,049	26,593

BALANCE SHEET

BALANCE SHEET	Note	31st March 2019 £000s	31st March 2020 £000s
Property, Plant & Equipment	9	45,732	53,654
Heritage Assets	10	32,751	32,751
Investment Properties	11	11,498	11,286
Intangible Assets		-	-
Long-Term Investments	12a	1,908	1,844
Long-Term Debtors	12a	1,277	1,275
Long-term Assets		**93,166**	**100,811**
Short-Term Investments & Deposits	12a	3,002	10,000
Inventories		27	26
Short-Term Debtors	13	3,856	5,254
Cash & Cash Equivalents	14	5,856	7,887
Current Assets		**12,741**	**23,168**
Short-Term Borrowing	12a	(1,868)	(2,017)
Short-Term Creditors	15	(4,993)	(5,219)
Current Provisions	16	(3,563)	(3,825)
Grants Receipts in Advance - Revenue	25b	(657)	(281)
Current Liabilities		**(11,081)**	**(11,341)**
Long-Term Borrowing	12a	(21,663)	(35,663)
Long-Term Provisions	16	(522)	(501)
Net Pensions Liability	29c	(57,587)	(49,147)
Other Long-Term Liabilities		(213)	(288)
Grants Receipts in Advance - Capital	25c	(384)	(446)
Long- term Liabilities		**(80,369)**	**(86,045)**
Net Assets		**14,457**	**26,593**
Represented by:			
Usable Reserves			
General Fund		(1,379)	(1,379)
Earmarked Reserves	8	(7,246)	(9,532)
Capital Receipts Reserve	7	(3,158)	(1,709)
Capital Grants Unapplied	7	(2,118)	(2,924)
		(13,901)	**(15,544)**
Unusable Reserves	18		
Revaluation Reserve	18a	(50,092)	(52,321)
Capital Adjustment Account	18b	(10,113)	(8,411)
Deferred Capital Receipts	18d	-	-
Pooled Investment Funds Adjustment Account	18e	(3)	44
Pension Reserve	18c	58,948	49,147
Collection Fund Adjustment Account	18f	633	412
Accumulated Absences Account	18g	71	80
		(556)	**(11,049)**
Total Reserves		**(14,457)**	**(26,593)**

CASH FLOW STATEMENT

CASH FLOW STATEMENT	Note	2018/19 £000s	2019/20 £000s
Net (Surplus) / Deficit on the Provision of Services		5,344	3,625
Adjustments to Net (Surplus) / Deficit on the Provision of Services for Non-Cash Movements	19a	(8,109)	(6,763)
Adjustments for Items Included in Net (Surplus) / Deficit on the Provision of Services that are Investing or Financing Activities	19a	4,331	4,926
Net Cash Inflows from Operating Activities		**1,566**	**1,788**
Investing Activities	19b	(6,349)	9,660
Financing Activities	19c	3,373	(13,478)
Net (Increase) or Decrease in Cash and Cash Equivalents		**(1,410)**	**(2,031)**
Cash and Cash Equivalents at the Beginning of the Reporting Period		(4,446)	(5,856)
Cash and Cash Equivalents at the End of the Reporting Period		**(5,856)**	**(7,887)**

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 IAS28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015 - 2017 Cycle
- Amendments to IAS19 Employee Benefits: Plan Amendment, Curtailment or Settlement
- Introduction of IFRS16: Leases

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.

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.

VALUATIONS OF PPE AND INVESTMENT PROPERTIES

Where the fair value measurement of assets cannot be measured using Level 1 inputs, the fair value is calculated by the relevant experts using valuation techniques 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, and changes in these assumptions could affect the fair values of the Authorities investment properties.

The global pandemic has had a significant impact upon many sectors of the economy. Consequently, at the valuation date, valuers could attach less weight to previous market evidence for comparison purposes, to inform opinions of value and they were faced with an unprecedented set of circumstances upon which to base a judgement.

The Council's valuations have been reported on the basis of 'material valuation uncertainty' as per VPS3 and VPGA 10 of the RICS Red Book Global. The inclusion of this clause does not mean the valuations cannot be relied upon, only that the valuations in the current unprecedented circumstances require a degree of caution and, given the unknown future impact that COVID-19 may have on the market, valuations should be kept under regular review as market evidence emerges.

PENSION FUND ASSET VALUATIONS

The outbreak of Covid-19 has impacted on global financial markets. There have been substantial falls in equity markets around the world, while fixed interest stocks have shown some increases. Overall however, investment returns are likely to be negative leading to a reduction in asset valuations.

Note 3 Events after the reporting period

The Statement of Accounts was certified by the Head of Finance and Property on 13 October 2020. Events taking place after this date are not reflected in the financial statement or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no 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 2020 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 2019/20 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 2020. 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 2020. The balance of business rate appeals provision held by the Council at this date amounted to £3.015m, which is an increase of £0.007m from the previous year.

DEBT IMPAIRMENT

At 31 March 2020 the Council has a gross balance of short-term debtors of £8.919m as per Note 13. A review of significant balances suggested that an impairment allowance for doubtful debts of £3.665m was appropriate, a decrease of £0.388m from 31 March 2019. 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 2019/20 the Council's actuaries advised that the net liability had decreased by £9.801m due to the re-measurement of assets and liabilities. The previous year had seen an increase of £0.953m.

Pension estimates for the reporting period were re-assessed as a result of the immediate impact of COVID-19 on markets in March 2020, being so close to the financial year-end.

The fall in equity markets have been reflected in the accounting figures provided by the actuary as at 31 March 2020. Pension Fund property asset valuations remain a source of estimation uncertainty at this time.

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.

PROPERTY, PLANT AND EQUIPMENT - (ASSET VALUATIONS)

The global pandemic has had a significant impact upon many sectors of the economy. Consequently, at the valuation date, valuers could attach less weight to previous market evidence for comparison purposes, to inform opinions of value and they were faced with an unprecedented set of circumstances upon which to base a judgement.

The Council's valuations have been reported on the basis of 'material valuation uncertainty' as per VPS3 and VPGA 10 of the RICS Red Book Global. The inclusion of this clause does not mean the valuations cannot be relied upon, only that the valuations in the current unprecedented circumstances require a degree of caution and, given the unknown future impact that COVID-19 may have on the market, valuations should be kept under regular review as market evidence emerges.

The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year 2020/21 are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
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 for every year that useful lives were reduced the annual depreciation charge would increase as follows: Buildings & infrastructure £239k Vehicles & equipment £159k
Property, Plant and Equipment (Asset Valuations)	Asset valuations are carried out in accordance with RICS Red Book Global as at 31 March. The outbreak of Covid-19 may have a material impact on asset valuations.	The Council's valuations have been reported on the basis of 'material valuation uncertainty' as per VPS3 and VPGA 10 of the RICS Red Book Global. The inclusion of this clause does not mean the valuations cannot be relied upon, only that the valuations in the current unprecedented circumstances require a degree of caution and, given the unknown future impact that COVID-19 may have on the market, valuations should be kept under regular review as market evidence emerges. Future revaluations of assets will attempt to reflect observed changes to the property market

		It is estimated that for every 1% increase/decrease in the valuation of property, the financial impact will be +/- £537k.
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. 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. 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. 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). 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. It is estimated that for every 1% increase/decrease in fair value measurements the impact will be as follows: Financial Liabilities: +/- £436k Financial Assets: +/- £215k
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be seen in the table below and have been included in detail within Note 29. | | £000 | Longevity (+/-1 Year): +/- £5,356 Rate of Inflation (+/- 0.1%): +/- £2,816 Rate of increase in salaries (+/- 0.1%): +/- £248 Rate of discounting scheme liabilities (+/- 0.1%): +/- £2,775 Any changes in the above assumptions have no impact on the net assets of the scheme. Any change in the uncertainties listed opposite would lead to a significant change in the estimated pensions liability reported.

	The outbreak of Covid-19 has impacted on global financial markets. There have been substantial falls in equity markets around the world, while fixed interest stocks have shown some increases. Overall however, investment returns are likely to be negative leading to a reduction in asset valuations.	Pension estimates for the reporting period were re-assessed as a result of the immediate impact of COVID-19 on markets in March 2020, being so close to the financial year-end. The fall in equity markets have been reflected in the accounting figures provided by the actuary as at 31 March 2020. Pension Fund property asset valuations remain a source of estimation uncertainty at this time.
	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. The actuaries have included the estimated additional liabilities arising from the judgement within the current service costs for 2019/20.
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 2020, 49 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 £302k.
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 £2.177m for Council Tax debts, £821k for business rates and £195k 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.

	2019/20							
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								
Economy and Growth	1,034	-	1,034	947	50	1	998	2,033
Policy and Engagement	445	-	445	71	18	-	89	532
Management Team	334	-	334	-	18	1	19	353
Sport and Culture Leisure Client	651	-	651	1,736	-	-	1,736	2,386
Green Spaces and Amenities	953	-	953	633	94	(2)	725	1,679
Street Scene	3,086	-	3,086	179	51	3	233	3,319
Housing and Development Control	476	-	476	2,189	64	4	2,257	2,735
Strategic Partnership	3,747	-	3,747	-	-	-	-	3,747
Finance and Property	648	855	1,503	1,742	46	(4)	1,784	3,288
Revenues and Benefits	(1,293)	-	(1,293)	-	-	-	-	(1,293)
Legal and Democratic Services	913	-	913	-	33	4	37	950
People and Development	184	-	184	-	7	1	8	193
Central Budgets	39	-	39	-	24	-	24	63
Corporate Items	2,001	69	2,070	-	812	-	812	2,882
Net Cost of Services	13,220	924	14,144	7,497	1,217	8	8,722	22,867
Corporate Items	4,329	(3,210)	1,119	(1,057)	1,399	47	389	1,508
Funding	(17,549)	-	(17,549)	(2,981)	-	(221)	(3,202)	(20,751)
(Surplus) or Deficit on Provision of Services	(0)	(2,286)	(2,286)	3,459	2,616	(166)	5,909	3,625
Opening General Fund Balance 1 April 2019			(8,625)					
Less/Plus (Surplus) or Deficit on General Fund Balance In-Year			(2,286)					
Reserve Transfers			-					
Closing General Fund Balance at 31 March 2020			(10,911)					

	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)					

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

	2019/20																				
Table 6a	Economy and Growth	Policy and Engagement	Management Team	Sport and Culture Leisure Client	Green Spaces and Amenities	Street Scene	Housing and Development Control	Strategic Partnership	Finance and Property	Revenues and Benefits	Legal and Democratic Services	People and Development	Central Budgets	Corporate Items	Corporate Items2	Funding	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	(679)	(141)	-	(253)	(1,986)	(1,933)	(1,124)	(637)	(1,204)	(12)	(166)	-	(56)	-	-	-	(8,191)	894	(7,297)	-	(7,297)
Other Service Income	(37)	(32)	-	-	(61)	(101)	(58)	-	-	(1,120)	(58)	-	-	-	-	-	(1,467)	-	(1,467)	-	(1,467)
Financing and Investment Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(259)	-	(259)	(894)	(1,153)	47	(1,106)
Government Grants and Contributions	(38)	(83)	-	-	-	-	(285)	-	-	(25,284)	(262)	-	(1)	-	-	(1,300)	(27,253)	-	(27,253)	(4,417)	(31,670)
Income from Council Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,084)	(7,084)	-	(7,084)	(24)	(7,108)
Income from Business Rates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,165)	(9,165)	-	(9,165)	(197)	(9,362)
Total Income	**(754)**	**(256)**	**-**	**(253)**	**(2,047)**	**(2,034)**	**(1,467)**	**(637)**	**(1,204)**	**(26,416)**	**(486)**	**-**	**(57)**	**-**	**(259)**	**(17,549)**	**(53,417)**	**-**	**(53,417)**	**(4,591)**	**(58,009)**
Employee Benefits Expenses	973	329	329	-	1,895	959	1,352	418	864	-	774	133	37	1,832	-	-	9,895	-	9,895	1,261	11,157
Other Service Expenses	825	372	5	904	1,105	4,161	591	3,966	988	25,123	625	51	59	229	-	-	39,004	(39)	38,965	-	38,966
Depreciation, Amortisation, Revaluations and Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,965	2,966
Capital Expenditure Financed from Revenue Balances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	223	-	223	-	223	(223)	-
Revenue Expenditure Funded from Capital Under Statute	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,177	6,178
Financing and Investment Expenses	(10)	-	-	-	-	-	-	-	-	-	-	-	-	(60)	1,925	-	1,855	39	1,894	512	2,407
Precepts and Levies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	154	-	154	-	154	-	154
(Gain) or Loss on Disposal of Non-Current Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(193)	(193)
Total Expenditure	**1,788**	**701**	**334**	**904**	**3,000**	**5,120**	**1,943**	**4,384**	**1,852**	**25,123**	**1,399**	**184**	**96**	**2,001**	**2,302**	**-**	**51,131**	**-**	**51,131**	**10,499**	**61,636**
Contributions to/from Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,286	-	2,286	(2,286)	-	-	-
(Surplus) or Deficit on the Provision of Services	**1,034**	**445**	**334**	**651**	**953**	**3,086**	**476**	**3,747**	**648**	**(1,293)**	**913**	**184**	**39**	**2,001**	**4,329**	**(17,549)**	**(0)**	**(2,286)**	**(2,286)**	**5,908**	**3,625**

Table 6b	Economy and Growth	Policy and Engagement	Management Team	Sport and Culture Leisure Client	Green Spaces and Amenities	Street Scene	Housing and Development Control	Strategic Partnership	Finance and Property	Revenues and Benefits	Legal and Democratic Services	People and Development	Central Budgets	Corporate Items	Corporate Items2	Funding	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
	2018/19																				
Fees & Charges	(671)	(92)	-	(248)	(1,913)	(1,799)	(1,043)	(597)	(1,317)	11	(139)	-	(48)	-	-	-	(7,856)	955	(6,901)	-	(6,901)
Other Service Income	(77)	(38)	-	-	(71)	(110)	(32)	-	-	(1,199)	(11)	-	-	-	-	-	(1,538)	-	(1,538)	-	(1,538)
Financing and Investment Income	-	-	-	-	-	-	-	-	(179)	-	-	-	-	-	-	-	(179)	(955)	(1,134)	(3)	(1,137)
Government Grants and Contributions	(42)	(269)	-	-	-	(65)	(148)	-	-	(27,863)	(37)	-	-	-	(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	(790)	(399)	-	(248)	(1,984)	(1,974)	(1,223)	(597)	(1,496)	(29,051)	(187)	-	(48)	-	(1,163)	(15,090)	(54,250)	-	(54,250)	(2,124)	(56,374)
Employee Benefits Expenses	1,080	510	320	-	1,883	982	1,329	432	787	-	812	193	49	1,859	-	-	10,236	-	10,236	(176)	10,060
Other Service Expenses	832	322	7	887	1,077	3,978	281	3,792	953	27,745	430	69	97	(127)	-	-	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	23	-	-	-	-	-	-	-	1,037	-	-	-	-	(42)	829	-	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	1,935	832	327	887	2,960	4,960	1,610	4,224	2,777	27,745	1,242	262	146	1,690	2,185	-	53,782	-	53,782	7,936	61,718
Contributions to/from Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	468	-	468	(468)	-	-	-
(Surplus) or Deficit on the Provision of Services	1,145	433	327	639	976	2,986	387	3,627	1,281	(1,306)	1,055	262	98	1,690	1,490	(15,090)	-	(468)	(468)	5,812	5,344

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.
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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.

	Usable Reserves				Unusable Reserves							
Table 7a - 2019/20	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)	2,616	-	-	2,616	-	-	-	(2,616)	-	-	(2,616)	-
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	47	-	-	47	-	-	(47)	-	-	-	(47)	-
Council tax and NDR (transfer to / (from) the Collection Fund Adjustment Account)	(221)	-	-	(221)	-	-	-	-	221	-	221	-
Holiday pay (transferred to / (from) the Accumulated Absences Reserve)	9	-	-	9	-	-	-	-	-	(9)	(9)	-
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)	5,041	-	2,924	7,965	(7,965)	-	-	-	-	-	(7,965)	-
Total Adjustments to Revenue Resources	7,492	-	2,924	10,416	(7,965)	-	(47)	(2,616)	221	(9)	(10,416)	-
Adjustments between Revenue and Capital Resources												
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(509)	509	-	-	-	-	-	-	-	-	-	-
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)	(852)	-	-	(852)	852	-	-	-	-	-	852	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(223)	-	-	(223)	223	-	-	-	-	-	223	-
Total Adjustments between Revenue and Capital Resources	(1,584)	509	-	(1,075)	1,075	-	-	-	-	-	1,075	-
Adjustments to Capital Resources												
Use of the Capital Receipts Reserve to finance capital expenditure	-	(2,137)	-	(2,137)	2,137	-	-	-	-	-	2,137	-
Application of capital grants to finance capital expenditure	-	-	(2,118)	(2,118)	2,118	-	-	-	-	-	2,118	-
Cash payments in relation to deferred capital receipts	-	-	-	-	-	-	-	-	-	-	-	-
Cash Payments in Relation to Long-Term Debtor Loans	-	179	-	179	(179)	-	-	-	-	-	(179)	
Total Adjustments to Capital Resources	-	(1,958)	(2,118)	(4,076)	4,076	-	-	-	-	-	4,076	-
Total Adjustments	5,908	(1,449)	806	5,265	(2,814)	-	(47)	(2,616)	221	(9)	(5,265)	-

	Usable Reserves				Unusable Reserves							
Table 7b - 2018/19	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)**	**-**

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 2019/20.

		2018/19			2019/20		
Transfers to/from Earmarked Reserves Earmarked Reserves	Balance at 31 March 2018 £000s	Net transfers In/(Out) £000s	Movements between Reserves £000s	Balance at 31 March 2019 £000s2	Net transfers In/(Out) £000s	Movements between Reserves £000s	Balance at 31 March 2020 £000s
Specific Reserves							
Taxi Licensing	7	(3)	-	4	-	-	4
Selective Licensing	446	33	-	479	(90)	-	389
Local Development Framework	100	(78)	-	22	-	-	22
Housing Benefit Admin Subsidy	34	-	(34)	-	-	-	-
Transport & Plant Replacement	28	(3)	-	25	(4)	-	21
Rail Services	20	-	(20)	-	-	-	-
Revenue Grants Unapplied	164	77	-	241	24	(37)	228
Flood	69	(69)	-	-	-	-	-
Primary Engineer	92	(55)	-	37	-	-	37
Town Centre Management	375	(375)	-	-	-	-	-
Town Centre Master Plan	113	(18)	-	95	-	-	95
Burnley Bondholders	54	(10)	-	44	(22)	-	22
Business Rates Retention Volatility	212	1,897	(250)	1,859	3,080	(994)	3,945
Cremator Relining	15	15	-	30	15	-	45
Revenue Support	-	-	304	304	100	-	404
Carry Forwards	-	128	-	128	(81)	-	47
Regeneration Reserve (New)	-	-	-	-	(138)	478	340
	1,729	1,539	-	3,268	2,884	(553)	5,599
Strategic Reserves							
Transformation	1,831	(503)	-	1,328	(513)	994	1,809
Growth	3,218	(568)	-	2,650	(85)	(441)	2,124
	5,049	(1,071)	-	3,978	(598)	553	3,933
Total	6,778	468	-	7,246	2,286	-	9,532

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.

Regeneration Reserve – this was created in 2019/20 to assist in progressing regeneration activities within the borough.

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 £3.341m surplus in 2019/20 (£3.383m surplus in 2018/19), reflect the deficit or surplus on revaluation that appears at the bottom of the Comprehensive Income and Expenditure Statement.

Property, Plant & Equipment Movements in 2019/20	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 2019	37,858	6,719	6,948	-	2,492	54,017
Additions	815	909	694	5,178	56	7,651
* Revaluation increases/(decreases) recognised in the Revaluation Reserve	808	-	1,282	-	7	2,098
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(328)	-	(104)	-	-	(432)
Derecognition - disposals	-	-	(316)	-	-	(316)
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-
Assets reclassified (to)/from Investment Properties	-	-	-	-	-	-
Other movements in cost or valuation	134	-	(134)	-	-	-
At 31 March 2020	39,287	7,628	8,371	5,178	2,555	63,019
Accumulated Depreciation and Impairment						
At 1 April 2019	(2,935)	(5,331)	-	-	(19)	(8,285)
Depreciation charge	(1,835)	(488)	-	-	-	(2,323)
* Depreciation written out to the Revaluation Reserve	1,243	-	-	-	-	1,243
Recognition - disposals	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-
At 31 March 2020	(3,527)	(5,819)	-	-	(19)	(9,365)
Net Book Value						
At 31 March 2020	35,760	1,809	8,371	5,178	2,536	53,654
At 31 March 2019	34,923	1,388	6,948	-	2,473	45,732

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

ASSET VALUATIONS

Asset valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Red Book Global. Consideration has been given to whether the outbreak of the Covid-19 pandemic has had an impact on the asset valuations at 31 March 2020 and a declaration of 'material uncertainty' should be declared. The declaration is not meant to suggest that the valuation cannot be relied upon; rather, it is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case.

Consideration has been given to whether such a declaration of material uncertainty is appropriate for asset valued at 31 March 2020. It has been concluded that currently it is not. There has been no material impact on local values at 31 March 2020. At the moment transactions are still progressing and there is little/no evidence to support a change in value. However the situation with Covid-19 is constantly and quickly evolving and it will most certainly impact on property values in time, but at this stage any realistic assessment of the extent of the impact, or the timescale for that impact cannot be made.

The situation is continually being reviewed and it is very likely that a declaration of material uncertainty will be needed in future valuations and as evidence emerges of the impact the pandemic has had on real estate values and costs our valuations will be amended accordingly.

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 2020, the Council has significant commitments for future capital expenditure in 2020/21 and future years budgeted to cost £6.424m. Similar commitments at 31 March 2019 were £2.999m. The commitments are:

Schemes	£000s
Sandygate Square	4102
Pioneer Place	250
Lower St James St	465
Empty Homes Programme	910
Disabled Facilities Grant	307
Building Alteration Works	390
Total	**6,424**

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	-	1,809	-	1,809
Valued at current value as at:				
31 March 2020	6,925		8,213	15,137
31 March 2019	19,215	-	157	19,372
31 March 2018	2,043	-	-	2,043
31 March 2017	4,638	-	-	4,638
31 March 2016	2,942	-	-	2,942
Total Cost or Valuation	**35,763**	**1,809**	**8,370**	**45,941**

Note 10 Heritage Assets

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

Heritage Assets Movements in 2019/20	Oil Paintings £000s	Water Colours £000s	Furniture £000s	Sculpture £000s	Ceramics £000s	Other £000s	Total Property, Plant & Equipment
Cost or Valuation							
At 1 April 2019	25,908	1,546	2,024	1,218	601	1,454	32,751
At 31 March 2020	**25,908**	**1,546**	**2,024**	**1,218**	**601**	**1,454**	**32,751**

Heritage Assets Movements in 2018/19	Oil Paintings £000s	Water Colours £000s	Furniture £000s	Sculpture £000s	Ceramics £000s	Other £000s	Total Property, Plant & Equipment
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**

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 2019/20 (as in 2018/19) 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	2018/19 £000s	2019/20 £000s
Rental income from investment property	955	894
Direct operating expenses arising from investment property	(52)	(39)
Net gain / (loss)	903	855

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	2018/19 £000s	2019/20 £000s
Balance at start of the year	11,806	11,498
Disposals	(107)	-
Net gains / (losses) from fair value adjustments	(201)	(212)
Transfers:		
(To) / from property, plant and equipment	-	-
Balance at end of the year	11,498	11,286

FAIR VALUE HIERARCHY

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2020 shows that the fair value was £11.286m (£11.498m as at 31 March 2019) 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 2019					31 March 2020				
	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	1,844	-	-	-	1,844
Amortised Cost	-	1,277	8,849	1,016	11,142	-	1,275	17,879	2,844	21,998
Total Financial Assets	**1,908**	**1,277**	**8,849**	**1,016**	**13,050**	**1,844**	**1,275**	**17,879**	**2,844**	**23,842**
Non-Financial Assets	-	-	-	2,840	2,840	-	-	-	2,408	2,408
Total	**1,908**	**1,277**	**8,849**	**3,856**	**15,890**	**1,844**	**1,275**	**17,879**	**5,252**	**26,250**

FINANCIAL LIABILITIES	31 March 2019					31 March 2020				
	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	(21,663)	-	(1,868)	(1,273)	**(24,804)**	(35,663)	-	(2,017)	(2,697)	**(40,377)**
Total Financial Liabilities	**(21,663)**	**-**	**(1,868)**	**(1,273)**	**(24,804)**	**(35,663)**	**-**	**(2,017)**	**(2,697)**	**(40,377)**
Non-Financial Liabilities	-	-	-	(3,720)	**(3,720)**	-	-	-	(2,522)	**(2,522)**
Total	**(21,663)**	**-**	**(1,868)**	**(4,993)**	**(28,524)**	**(35,663)**	**-**	**(2,017)**	**(5,219)**	**(42,899)**

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

The Council has property units in two property funds. 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 and Dividend 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 2020 £000s	Movement in Fair Value During 2019/20 £000s	Dividends in 2019/20 £000s
Property Investment Funds:				
Church Commissioners Local Authority (CCLA) Property Fund	940	906	(34)	39
Hermes Property Unit Trust	952	939	(13)	29
Total	**1,892**	**1,845**	**(47)**	**68**

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	2018/19		2019/20	
	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	-	(21)	-
Financial Assets Measured at Amortised Cost	(4)	-	(69)	-
Total Net Gains/Losses	**84**	**-**	**(90)**	**-**
Interest Revenue:				
Financial Assets Measured at Amortised Cost	(159)	-	(191)	-
Total Interest Revenue	**(159)**	**-**	**(191)**	**-**
Interest Expense	**925**	**-**	**1,074**	**-**

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 2019	As At 31 March 2020
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	906
Hermes Property Unit Trust	Level 1	Unadjusted Quoted Prices in Active Markets for Identical Shares	952	939
Total			**1,892**	**1,845**

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 2019 Carrying Amount £000	31 March 2019 Fair Value £000	31 March 2020 Carrying Amount £000	31 March 2020 Fair Value £000
PWLB Debt	(23,520)	(26,816)	(35,663)	(38,917)
Short-Term Borrowing	(11)	(11)	(2,017)	(2,017)
Short-Term Creditors	(1,273)	(1,273)	(2,697)	(2,697)
Total Liabilities	**(24,804)**	**(28,100)**	**(40,376)**	**(43,630)**

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 2020) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £38.917m 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 2019 Carrying Amount £000	31 March 2019 Fair Value £000	31 March 2020 Carrying Amount £000	31 March 2020 Fair Value £000
Short-Term Investments	8,849	8,849	17,879	17,879
Short-Term Debtors	1,016	1,016	2,363	2,363
Long-Term Debtors	1,277	1,277	1,275	1,275
Total Assets	**11,142**	**11,142**	**21,517**	**21,517**

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 2020 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		(38,917)		**(38,917)**
TOTAL	-	**(38,917)**	-	**(38,917)**

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)**

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 2019 £000s	31 March 2020 £000s
Gross Trade Receivables	984	1,273
less Trade Receivables Impairment Allowance	(267)	(195)
Net Trade Receivables	717	1,078
Pre-Payments	61	51
Gross NNDR Payers	1,312	1,305
less NNDR Payers Impairment Allowance	(851)	(821)
Net NNDR Payers	461	484
Gross Council Tax Payers	2,581	2,757
less Council Tax Payers Impairment Allowance	(1,900)	(2,177)
Net Council Tax Payers	681	580
Collection Fund Preceptors	1,123	1,253
Housing Benefit	1,094	813
less Housing Benefit Impairment Allowance	(1,035)	(772)
Net Housing Benefit	59	41
Gross Other Receivables	754	1,767
less Other Receivables Impairment Allowance	-	-
Net Other Receivables	754	1,767
Total Short-Term Debtors	3,856	5,254

The gross total of the short-term debtors as at the 31 March 2020 is £8.919m (31 March 2019 was £7.909m).

Note 14 Cash and Cash Equivalents

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

Note 14 - Cash and Cash Equivalents

Cash and Cash Equivalents	31 March 2019 £000s	31 March 2020 £000s
Cash Held by the Authority	8	8
Bank Current Account	440	(249)
Short-Term Deposits	5,408	8,128
Total Cash and Cash Equivalents	5,856	7,887

Note 15 Short-term Creditors

Short-Term Creditors	31 March 2019 £000s	31 March 2020 £000s
Trade Payables	(1,018)	(781)
Receipts in Advance	(184)	(1,836)
NNDR Payers	(246)	(312)
Council Tax Payers	(136)	(114)
Collection Fund Preceptors	(3,339)	(2,097)
Other Payables	(70)	(80)
Total	(4,993)	(5,219)

Note 16 Provisions

Current Provisions	Legal Expenses £000s	Non-Domestic Rate Appeals £000s	Overarching Development Agreement	Pioneer Place £000s	Total £000s
Balance at 1 April 2019	(5)	(3,008)	(550)	-	(3,563)
Additional provisions made in 2019/20	(5)	(7)	-	(250)	(262)
Unused amounts reversed in 2019/20	-	-	-	-	-
Transferred from Long-Term Provisions	-	-	-	-	-
Amounts used in 2019/20	-	-	-	-	-
Balance at 31 March 2020	(10)	(3,015)	(550)	(250)	(3,825)

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 2018/19	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	Bonds and deposits £000s	Contractual obligations £000s	MMI Insurance £000s	Pension guarantees £000s	Total £000s
Balance at 1 April 2019	(22)	(350)	(95)	(55)	(522)
Additional provisions made in 2019/20	(27)	(7)	-	(6)	(40)
Unused amounts reversed in 2019/20	-	-	25	16	41
Transferred to Current Provisions	-	-	-	-	-
Amounts used in 2019/20	17	3	-	-	20
Balance at 31 March 2020	(32)	(354)	(70)	(45)	(501)

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 2018/19	-	(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 2020 is £5,481,678 (£7,521,219as at 31 March 2019). The Council has made a provision for 55% of this figure (40% in 2018/19) totalling £3,014,923 (£3,008,487 as at 31 March 2019) within the 2019/20 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.

PIONEER PLACE

The Council has entered into a Developer Agreement for the Pioneer Place scheme. This provision relates to the maximum payment that would be due under this Agreement if the scheme was to not go ahead.

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	2018/19 £000s	2019/20 £000s
Revaluation reserve	50,092	52,321
Capital Adjustment Account	10,113	8,411
Deferred Capital Receipts Reserve	-	-
Pooled Investment Funds Adjustment Account	3	(44)
Pensions Reserve	(58,948)	(49,147)
Collection Fund Adjustment Account	(633)	(412)
Accumulated Absences Account	(71)	(80)
Total Unusable Reserves	**556**	**11,049**

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	2018/19 £000s	2019/20 £000s
Balance at 1 April	**47,617**	**50,092**
Upward revaluation of assets	4,308	4,327
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(925)	(986)
Surplus or (deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**3,383**	**3,341**
Difference between fair value depreciation and historical cost depreciation	(825)	(1,014)
Accumulated gains on assets sold or scrapped	(83)	(98)
Amounts written off to the Capital Adjustment Account	**(908)**	**(1,112)**
Balance at 31 March	**50,092**	**52,321**

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.

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Capital Adjustment Account	2018/19 £000s	2019/20 £000s
Balance at 1 April	**12,252**	**10,113**
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	(2,069)	(2,323)
Charges for impairment of long-term debtor capital loans	(16)	-
Revaluation losses on property, plant and equipment	(1,711)	(432)
Amortisation of intangible assets	-	-
Revenue expenditure funded from capital under statute	(5,239)	(6,177)
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	(497)	(315)
Sub-total	**(9,532)**	**(9,246)**
Adjusting amounts written out of the Revaluation Reserve	908	1,112
Net written out amount of the cost of non-current assets consumed in the year	**(8,624)**	**(8,134)**
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	1,735	2,137
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,241	1,492
Application of grants to capital financing from the Capital Grants Unapplied Account	1,132	2,118
Statutory provision for the financing of capital investment charged against the General Fund Balance	830	852
Capital expenditure charged against the General Fund Balance	1,246	223
Capital financing applied in the year	**6,184**	**6,822**
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(201)	(211)
Cash Payments in Relation to Long-Term Debtor Loans	(127)	(179)
Transfers between reserves (Deferred Capital Receipts)	629	-
Balance at 31 March	**10,113**	**8,411**

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	2018/19 £000s	2019/20 £000s
Balance at 1 April	(57,995)	(58,948)
Remeasurements of the net defined benfit liability / (asset)	279	12,417
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	(4,203)	(5,519)
Employer's pensions contributions and direct payments to pensioners payable in year	2,971	2,903
Balance at 31 March	(58,948)	(49,147)

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	2018/19 £000s	2019/20 £000s
Balance at 1 April	629	-
Transfer of deferred loan repayments in respect of long-term debtors credited to the Comprehensive Income and Expenditure Statement	-	-
Transfer to the Capital Receipts Reserve upon receipt of cash	-	-
Transfers between reserves (Capital Adjustment Account)	(629)	-
Balance at 31 March	-	-

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	2018/19 £000s	2019/20 £000s
Balance at 1 April	-	3
Movements in the market value of pooled investment funds debited or credited to the Comprehensive Income and Expenditure Statement	3	(47)
Balance at 31 March	3	(44)

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	2018/19 £000s	2019/20 £000s
Balance at 1 April	603	(633)
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(1,236)	221
Balance at 31 March	(633)	(412)

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	2018/19 £000s	2019/20 £000s
Balance at 1 April	(50)	(71)
Settlement or cancellation of accrual made at the end of the preceding year	50	71
Amounts accrued at the end of the current year	(71)	(80)
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	(21)	(9)
Balance at 31 March	(71)	(80)

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:	2018/19 £000s	2019/20 £000s
Depreciation, Amortisations, Impairment & Downward Valuations	(3,796)	(2,754)
(Increase)/Decrease in Impairment for Bad Debts	(106)	89
(Increase)/Decrease in Creditors	492	(670)
Increase/(Decrease) in Debtors	(1,196)	1,363
Increase/(Decrease) in Inventories	(1)	(1)
Movement in Pension Liability	(2,603)	(3,977)
Carrying Amount of Non-Current Assets and Non-Current Assets Held for Sale, Sold or Derecognised	(497)	(315)
(Increase)/Decrease in Provisions	(204)	(240)
Movements in the Value of Investment Properties	(201)	(211)
Movements in the Value of Pooled Investment Funds	3	(47)
Other Non-Cash Items		
Net cash flows from operating activities	**(8,109)**	**(6,763)**

The (Surplus)/Deficit on the Provision of Services has been Adjusted for the Following Items that are Investing and	2018/19 £000s	2019/20 £000s
Proceeds from the Sale of Property Plant and Equipment, Investment Property and Intangible Assets	972	509
Grant Receipts for the Financing of New Capital Expenditure	3,359	4,417
Net cash flows from operating activities	**4,331**	**4,926**

INVESTING ACTIVITIES (NOTE 19B)

The cash flows for investing activities include the following items:

Investing Activities	2018/19 £000s	2019/20 £000s
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	1,186	7,651
Purchase of Short-Term and Long-Term Investments	4,889	14,000
Payments for Other Long Term Loans	208	197
(Proceeds) From the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(972)	(509)
(Proceeds) from Short-Term and Long-Term Investments	(8,000)	(7,000)
(Proceeds) from Other Long Term Loans	(147)	(200)
Grant (Receipts) for the Financing of New Capital Expenditure	(3,513)	(4,479)
Net cash flows from investing activities	**(6,349)**	**9,660**

FINANCING ACTIVITIES (NOTE 19C)

The cash flows for financing activities include the following items:

Financing Activities	2018/19 £000s	2019/20 £000s
Cash (Receipts) of Short-Term and Long-Term Borrowing	(5)	(16,007)
Cash (Receipts) from Other Short-Term and Long-Term Liabilities	(148)	(75)
Repayments of Short-Term and Long-Term Borrowing	1,055	1,411
Repayments of Other Short-Term and Long-Term Liabilities	-	-
Billing Authorities - Council Tax and NDR Adjustments	2,471	1,193
Net cash flows from financing activities	**3,373**	**(13,478)**

Note 20 Reconciliation of liabilities arising from Financing Activities

			Non-Cash Changes		
	1 April 2019 £000s	Financing Cash Flows £'000s	Acquisition £'000s	Other £'000s	31 March 2020 £000s
Long-Term Borrowings - PWLB	(21,663)	-	-	-	(21,663)
Short-Term Borrowings - PWLB	(1,857)	-	-	-	(1,857)
Short-Term Borrowings - Other	(11)	-	-	-	(11)
Total Liabilities from Financing Activities	**(23,531)**	**-**	**-**	**-**	**(23,531)**

Note 21 Members' Allowances

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

Table 21a Members Allowances	2018/19 £	2019/20 £
Allowance Payments	215,026	210,878
Expenses Payments	475	615
Total	**215,501**	**211,493**

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

Table 21b Members' Allowances	2018/19 £	2019/20 £2
Allowance rate paid per annum		
Basic Allowance	3,500	3,570
Executive Member	4,375	4,463
Leader Supplement	12,250	12,495
Deputy Leader Supplement	3,500	3,570
Other Group Leaders	1,750	1,785
Scrutiny Chair	4,375	4,463
Development Control Chair	2,800	2,856
Licensing Committee Chair	1,750	1,785
Development Control Vice Chair	1,400	1,428
Audit and Standards Committee Chair	1,750	1,785
Scrutiny Vice Chair	1,400	1,428
Independent Persons	500	500

Note 22 Officers' Remuneration

The remuneration paid to the Council's Statutory and Non-Statutory Officers who report directly to the Head of Paid Service 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	2018/19	110,481	3,091		17,301	**130,873**
Chief Executive	2019/20	110,511	9,502		18,046	**138,059**
Monitoring Officer						
Chief Operating Officer	2018/19	86,750	984		13,333	**101,067**
Chief Operating Officer	2019/20	88,541	3,769		13,600	**105,910**
Chief Finance Officer						
Head of Finance and Property	2018/19	60,346			9,288	**69,634**
Head of Finance and Property	2019/20	61,055			9,288	**70,343**
Non-Statutory Chief Officers						
Strategic Head of Economy and Growth	2018/19	70,490			10,828	**81,318**
Strategic Head of Economy and Growth	2019/20	71,745			11,013	**82,758**
Head of Policy and Engagement	2018/19	54,739			8,430	**63,169**
Head of Policy and Engagement	2019/20	56,358			8,679	**65,037**

The rate of pension contribution is 15.4% for 2018/19 and 15.4% for 2019/20.

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	2018/19 Number of Employees	2019/20 Number of Employees
£50,000 - £54,999	1	-
£55,000 - £59,999	3	4
£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	-	-
£125,000-£129,999	1	-
Total	11	4

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
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19 £	2019/20 £
£0 - £20,000	6	1	-	-	6	1	70,158	728
£20,001 - £40,000	3	1	-	-	3	1	87,582	-
£40,001 - £60,000	3	-	-	-	3	-	148,222	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	1	-	-	-	1	-	87,021	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
Total	13	2	-	-	13	2	392,983	728

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	2018/19 £000	2019/20 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year *	44	46
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	13	23
Public Sector Audit Appointments (PSAA) rebate	-	-
Total	57	69

* 2018/19 includes an additional £4.5k in respect of additional requirements to audit of the 2018/19 Statement of Accounts negotiated after the audit was completed.

* 2019/20 includes an increase to the annual fee of £7.5k

Planned audit services cost £46k. This includes an additional fee of £7.5k.

Note 25 Grant Income

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

Table a - Grant Income	**2018/19 £000**	**2019/20 £000**
Credited to Services		
Housing Benefit & Council Tax Support Subsidy	(27,157)	(24,683)
Housing Benefit Administration Subsidy	(706)	(592)
Lancashire County Council	-	-
Arts Council	-	-
Pendle Borough Council	-	-
Home Office Grant	(308)	(345)
Other Revenue Grants	(193)	(260)
Homelessness Grant	(59)	(61)
Capital Grants & Contributions (see note below)	-	-
Market Renewal Programme	-	-
Housing Capital Grant	-	-
Heritage Lottery Fund	-	-
Homes and Communities Agency	-	-
Other Capital Grants & Contributions	(758)	(1,435)
Total	**(29,181)**	**(27,376)**
Credited to Taxation and Non-Specific Grant Income		
Revenue Support Grant	(2,228)	-
Non-ringfenced Government Grants		-
Section 31 Business Rates Compensation	(1,243)	(658)
New Homes Bonus	(561)	(607)
EU Exit Funding	(17)	(35)
Capital Grants & Contributions		
Disabled Facilities Grant	(2,503)	(2,399)
Heritage Lottery Fund		-
Market Renewal Programme	-	-
Homes and Communities Agency		-
Housing Capital Grant		-
Lancashire Enterprise Partnership	-	-
Other Capital Grants & Contributions	(98)	(582)
Total	**(6,650)**	**(4,281)**

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 2018 £000**	**Receipts 2018/19 £000**	**Applied 2018/19 £000**	**Balance 31 March 2019 £000**	**Receipts 2019/20 £000**	**Applied 2019/20 £000**	**Balance 31 March 2020 £000**
Housing Benefit & Council Tax Support Subsidy	**(461)**	(196)	-	**(657)**	376	-	**(281)**
Homes England	**(52)**	-	52	**-**	-	-	**-**
Total	**(513)**	**(196)**	**52**	(657)	**376**	**-**	**(281)**

LONG-TERM LIABILITIES

Table c - Capital Grants Receipts in Advance	**Balance 31 March 2018 £000**	**Receipts 2018/19 £000**	**Applied 2018/19 £000**	**Balance 31 March 2019 £000**	**Receipts 2019/20 £000**	**Applied 2019/20£ 000**	**Balance 31 March 2020 £000**
Housing Capital Grant	**-**	-	-	**-**	-	-	**-**
Housing Market Renewal	**-**	-	-	**-**	-	-	**-**
Empty Homes Programme	**-**	-	-		-	-	**-**
Heritage Lottery Fund	**-**	(462)	356	**(106)**	(1)	(1)	**(108)**
Section 106 Contributions	**(230)**	(109)	61	**(278)**	(60)	-	**(338)**
Total	**(230)**	**(571)**	**417**	**(384)**	**(61)**	**(1)**	**(446)**

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 2019/20 totalling £211,493 (£215,501 in 2018/19) are shown in Note 21.

In 2019/20 works, goods and services to the value of £29,492 (£19,128 in 2018/19) were commissioned from companies and organisations in which Members had related interests. The Council received £21,944 (£55,283 in 2018/19). Contracts were entered into in full compliance with the Council's standing orders.

In 2019/20 grants totalling £250,199 (£207,621 in 2018/19) 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 2019/20 £359,073 (£1,024,068 in 2018/19) was paid for works, goods and services provided to the Council by Lancashire County Council.

In 2019/20 income of £313,933 (£246,594 in 2018/19) 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 2019/20, 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.

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 2019/20 £107,274 (£93,746 in 2018/19) was paid to Blackburn with Darwen Borough Council for the provision of this service during the year.

In 2019/20 income of £12,200 (£16,463 in 2018/19) 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 three elected Members on its Board.

The Council has a service level agreement with Burnley Leisure to supply services to the leisure trust. In 2019/20 £683,600 (£725,379 in 2018/19) was paid to Burnley Leisure for the provision of services to the Council. This includes a management fee paid to the trust of £449,078 (£443,664 in 2018/19).

In 2019/20 income of £319,960 (£279,658 in 2018/19) 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 £303,264 (£246,793 in 2018/19).

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 Executive Officer.

In 2019/20 a contribution of £20,000 (nil in 2018/19) was made by the Council to Barnfield and Burnley (Developments) Ltd.

In 2019/20 no income (nil in 2018/19) was received from Barnfield and Burnley (Developments) Ltd by the Council.

Barnfield Investment Properties Ltd

During 2018/19 the Council partnered with Barnfield Investment Properties Ltd to deliver the Homes and Communities Agency funded Starter Homes scheme on On The Banks at Clock Tower Mill, Sandygate, Burnley. Barnfield Investment Properties Ltd has been selected to partner the Council on a 10 year joint venture to develop homes in the borough.

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 2019/20 £5.1m (£83,788 in 2018/19) was paid to Barnfield Investment Properties Ltd for the capital schemes at Sandygate Square and Pioneer Place.

In 2019/20 income of £855 (£1,001 in 2018/19) was received from Barnfield Investment Properties Ltd for services provided by the Council.

Barnfield Construction Ltd

In 2019/20 no payments (nil in 2018/19) were made to Barnfield Construction Ltd for goods and services provided to the Council.

In 2019/20 income of £2,715 (£7,369 in 2018/19) was received from Barnfield Construction Ltd for services provided by the Council.

Barnfield Developments Ltd

In 2019/20 no payments (nil in 2018/19) were made by the Council to Barnfield Developments Ltd.

In 2019/20 no income (nil in 2018/19) 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	2018/19 £000	2019/20 £000
Opening Capital Financing Requirement	**30,230**	**30,468**
Capital Investment:		
Property, plant and equipment	975	7,651
Investment Properties	-	-
Intangible Assets	-	-
Long Term Debtor Loans	208	197
Revenue expenditure funded from capital under statute	5,239	6,177
Sources of finance:		
Capital receipts	(1,735)	(2,137)
Government grants and other contributions	(2,373)	(3,610)
Sums set aside from revenue:		
Direct revenue contributions	(1,246)	(223)
Minimum Revenue Provision	(830)	(852)
Closing Capital Financing Requirement	**30,468**	**37,671**
Explanation of movements in year:		
(Decrease) / Increase in underlying need to borrow (unsupported by Government financial assistance)	238	7,203
Increase / (decrease) in Capital Financing Requirement	**238**	**7,203**

Note 28 Leases

AUTHORITY AS LESSEE

Operating Leases

The Council leased a building on Parker Lane which housed its contact centre, Contact Burnley. The lease expired on the 31 December 2019. The Council holds no other operating leases.

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

Table a - Operating Lease - Contact Centre	31 March 2019 £000s	31 March 2020 £000s
Not later than one year	72	-
Later than one year and not later than five years	-	-
Minimum lease payments	**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 2019 £000s	31 March 2020 £000s
Not later than one year	982	985
Later than one year and not later than five years	3,532	3,332
Later than five years	72,547	65,252
Minimum lease payments	**77,061**	**69,569**

IFRS 16

Leases have traditionally been classified as a finance lease (in effect as an acquisition with the asset included on the balance sheet, together with a liability to pay for the asset acquired) or an operational lease (in year rental expenses charged to the CIES).

IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset. The effective date for implementation was 1st April 2020, however this date has been delayed to 1st April 2021.

There are two specific exemptions for lessees from applying the acquisition approach:

- short-term leases
- leases where the underlying asset is of low value

The following conditions must be met for a lease to be accounted for using the acquisition approach:

- A contract is in place

- A specific asset in identified in the contract (either explicitly or implicitly)
- The Council has the right (throughout the period of use) to obtain substantially all of the economic benefits/service potential from use of the asset.
- The Council has the right to determine how and for what the asset will be used for throughout the period of use
- The Council will be the exclusive operator of the asset.

The Council has carried out a review of its current lease arrangements and has concluded that no current operational leases meet in full the conditions required to be accounted for using the acquisition approach.

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 2020 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 2019, and at that date showed a funding level of 100% (up from 90% at the last valuation - assets of £8.4bn against accrued liabilities of about £8.4bn). The weighted average duration of the liabilities of the fund as a whole is 13 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 2019, which showed a surplus of assets against liabilities of £0.012 billion as at that date, equivalent to a funding level of 100%.

MCCLOUD JUDGEMENT

On 16 July the Minister for Housing Communities and Local Government (MHCLG) released the consultation on the McCloud remedy for the LGPS in England and Wales. The key feature of the proposed remedy was broadly as expected in that the final salary scheme underpin is to be extended to a wider group of members for service up to 31 March 2022 but there are a small number of areas of detail which will need further consideration.

An allowance for the McCloud remedy is included in the 31 March 2020 figures, and will be included in future calculations on an ongoing basis (unless there are specific reasons or instruction not to do so). The calculations of the additional liabilities and service costs have generally been done in line with the proposed underpin in the consultation. However there are some minor changes to the underpin for all members who were active on or before 31 March 2012 (e.g. it can now apply historically to members leaving service after 1 April 2014), and the calculation will apply retrospectively even in those cases where a member no longer has a benefit entitlement from the Fund. Other than in exceptional circumstances the impact of these minor proposed changes is expected to be nil.

Furthermore when calculating the potential cost of the McCloud judgment as part of the 2019 actuarial valuations the Funds Actuary (Mercers) allowed for the final salary underpin to apply in respect of future leavers with deferred benefits. Therefore the further changes in the consultation do not give rise to any additional liabilities in respect of future leavers.

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	2018/19 £000s	2019/20 £000s
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service costs	1,843	2,039
Administration Costs	29	35
Past service costs and settlements and curtailments	903	2,081
Financing and Investment Income and Expenditure	-	-
Net interest expense	1,428	1,364
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**4,203**	**5,519**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising :-		-
Return on plan assets	(12,369)	6,053
Actual gains and losses arising on changes in demographic assumptions	-	-
Actual gains and losses arising on changes in financial assumptions	12,090	(5,814)
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**3,924**	**5,758**
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	(4,203)	(5,519)
Actual amount charged against the General Fund Balance for pensions in the year:	-	-
Employers' contributions payable to the scheme	2,971	2,903

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)	2018/19 £000s	2019/20 £000s
Present Value of the defined benefit obligation	207,845	191,476
Fair value of plan assets	(148,897)	(142,329)
Sub-total	**58,948**	**49,147**
Other movements in the liability / (asset)	-	-
Net Liability arising from defined benefit obligation	**58,948**	**49,147**

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

Table 29c. ii)	2018/19 £000s	2019/20 £000s
Opening fair value of scheme assets	**136,609**	**148,897**
Reversal of 18/19 remeasurement gain/(loss) on the return on plan assets (McCloud)	-	(344)
Interest Income	3,546	3,549
Remeasurement gain/(loss) on the return on plan assets	12,369	(6,053)
Contributions from employer	2,971	2,903
Contributions from employees into the scheme	391	390
Benefits paid	(6,960)	(6,978)
Other	(29)	(35)
Closing fair value of scheme assets	**148,897**	**142,329**

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

Table 29c. iii)	2018/19 £000s	2019/20 £000s
Opening balance at 1 April	**194,604**	**207,845**
Reversal of 18/19 past service cost (McCloud)	-	(620)
Current service cost	1,843	2,039
Interest cost	4,974	4,913
Contributions from scheme participants	391	390
Remeasurement (gains) and losses:-	-	-
Experience (gains) / loss	-	(5,997)
Actuarial (gains) and losses from changes in financial assumptions	12,090	(5,814)
Actuarial (gains) and losses from changes in demographic assumptions	-	(6,383)
Benefits paid	(6,960)	(6,978)
Past Service Cost	620	1,898
Losses / (gains) on curtailments	283	183
Liabilities extinguished on settlements	-	-
Closing balance at 31 March	**207,845**	**191,476**

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 2019/20	**4,112**

The past service deficit payments relating to 2017/18, 2018/19 and 2019/20 have been charged against the General Fund Balance. The Pension Liability balances to the total on the Pensions Reserve as summarised below:

Table 29c v)	2019/20 £000s
Fund Assets	142,329
Fund Liabilities	(191,476)
Net Liability	**(49,147)**
less:	
Advance Payment of Past Service Deficit for 2020/21	-
Adjusted Net Liability as per Balance Sheet	**(49,147)**
Balance on Pension Reserve as at 31st March 2020	**49,147**
Difference Relating to Advance Payments	**-**

STATEMENTS LOCAL GOVERNMENT PENSION SCHEME ASSETS COMPRISED (29D)

Table 29d	2018/19	2019/20
Fair Value of Scheme Assets	£000s	£000s
Cash & Cash Equivalents	865	1,565
Bonds		
UK Corporate	1,010	1,711
Overseas Corporate	736	1,850
UK Fixed Gilts	-	-
UK Index Linked	5,234	-
Overseas Fixed Interest	-	-
Sub-total Bonds	6,980	3,561
Property		
Retail	3,585	142
Commercial	2,500	1,281
Industrial	4,498	569
Offices	3,296	-
Sub-total Property	13,879	1,992
Private Equity		
UK	-	-
Overseas	11,443	11,386
Sub-total Private Equity	11,443	11,386
Other Investment Funds		
Infrastructure	21,048	19,641
Credit Funds	10,572	22,488
Emerging Markets ETF	-	-
Pooled Fixed Income	16,196	7,543
Indirect Property Funds	2,279	10,105
UK Pooled Equity Funds	-	-
Overseas Pooled Equity Funds	65,635	64,048
Sub-total Other Investment Funds	115,730	123,825
Total Assets	148,897	142,329

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 2019.

The significant assumptions used by the actuary have been:

Table 29e i)	2018/19	2019/20
Long-term expected rate of return on assets in the scheme:		
Longevity at 65 for current pensioners:		
Men	22.8	22.3
Women	25.5	25.0
Longevity at 65 for future pensioners:	0.0	-
Men	25.1	23.8
Women	28.2	26.8
Rate of inflation - CPI	2.30%	2.10%
Rate of increase in salaries	3.80%	3.60%
Rate of increase in pensions	2.40%	2.20%
Rate for discounting scheme liabilities	2.40%	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)	5,356	(5,356)
Rate of Inflation (increase or decrease by 0.1%)	2,817	(2,817)
Rate of increase in salaries (increase or decrease by 0.1%)	248	(248)
Rate of discounting scheme liabilities (increase or decrease by 0.1%)	(2,775)	2,775

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 15 years. Funding levels are monitored on an annual basis.

The next triennial valuation is due to be completed on 31 March 2022.

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

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 £1.366m expected contributions to the scheme in 2020/2021.

The weighted average duration of the defined benefit obligation for scheme members is 15 years, 2019/2020 (15 years 2018/2019).

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 31st March 2020.

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 2019/20 was approved by Full Council on 20/02/2019 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 £17.8m 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 2020 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 2019	267	267
Transfers:		
Amounts Written-Off	(3)	(3)
Changes Due to Modifications That Did Not Result in Derecognition	(69)	(69)
Changes in Models/Risk Parameters	-	-
Other Changes	-	-
Closing Balance as at 31 March 2020	**195**	**195**

During the year, the authority wrote off financial assets with a contractual amount outstanding of £3k (£18k in 2018/19) 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 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**

CREDIT RISK EXPOSURE (31C)

The Council has the Following Exposure to Credit Risk at 31 March 2020:

	Credit Risk Rating	Gross Carrying Amount
12-Month Expected Credit Losses	AAA	-
	AA	2,000
	A	15,879
	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 2019 £000s	31 March 2020 £000s
Less Than 1 Year	1,868	2,017
Between 1 and 2 Years	2,000	1,203
Between 2 and 5 Years	5,128	5,954
Between 5 and 10 Years	3,103	1,073
Between 10 and 15 Years	-	-
More Than 15 Years	11,432	27,432
Total	**23,531**	**37,679**

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 20/02/2019):

	Approved Minimum Limits	Approved Maximum Limits	31 March 2019	31 March 2020
Less Than 1 Year	0%	20%	6.16%	5.36%
Between 1 and 2 Years	0%	20%	8.66%	3.19%
Between 2 and 5 Years	5%	25%	22.22%	15.80%
Between 5 and 10 Years	5%	30%	13.44%	2.85%
More Than 10 Years	15%	70%	49.52%	72.80%
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 2020, 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	-197
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)	6645

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

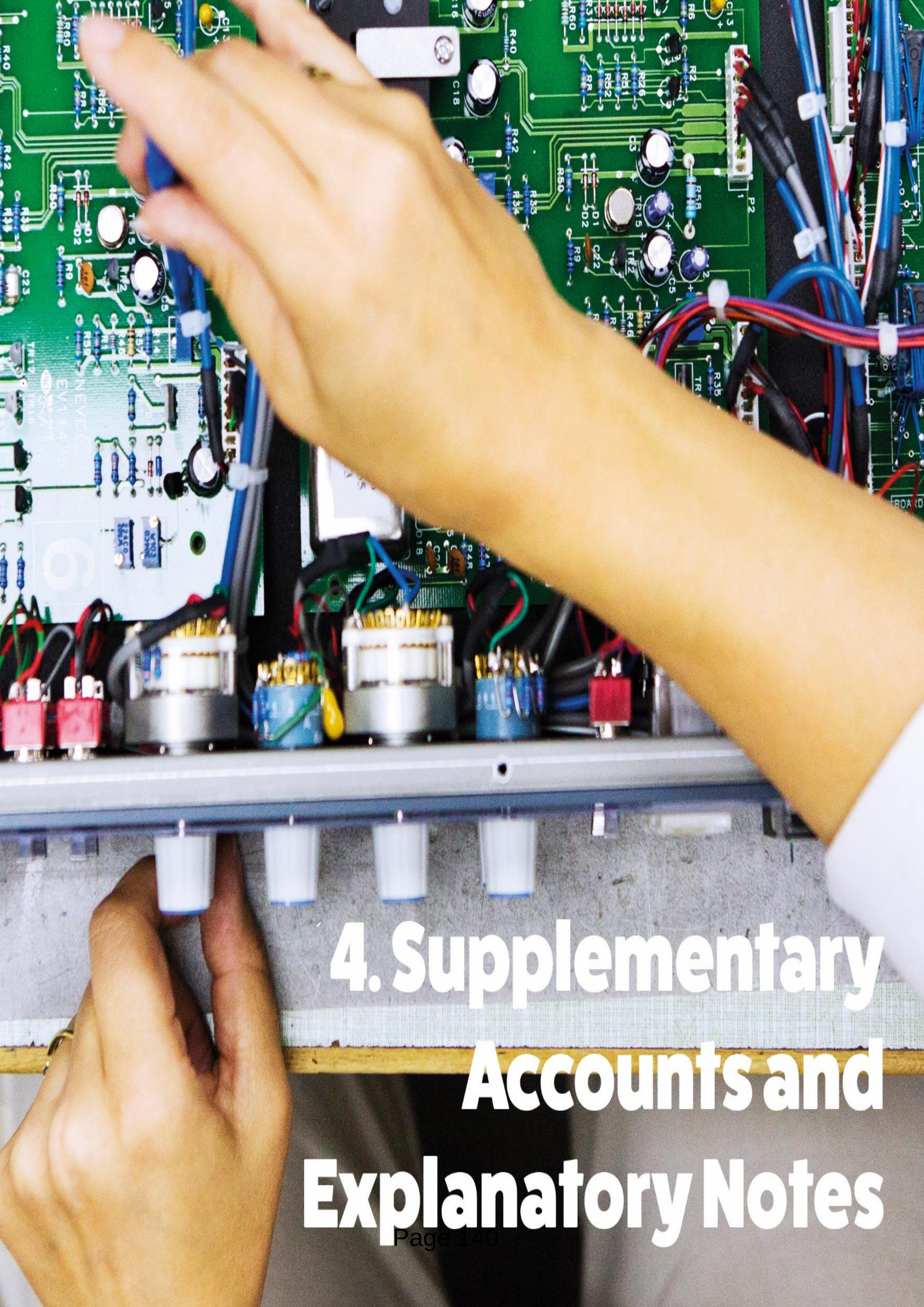
Price Risk

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.



4. Supplementary Accounts and Explanatory Notes

Supplementary Financial Statement

THE COLLECTION FUND STATEMENT

Business Rates £	Council Tax £	31 March 2019 Total £	COLLECTION FUND 2019/20	Business Rates £	Council Tax £	31 March 2020 Total £2
			Income			
-	(42,889,135)	(42,889,135)	Council Tax Receivables	-	(45,676,100)	(45,676,100)
(29,385,159)	-	(29,385,159)	Business Rates Receivables	(27,364,913)	-	(27,364,913)
(29,385,159)	**(42,889,135)**	**(72,274,294)**		**(27,364,913)**	**(45,676,100)**	**(73,041,013)**
			Expenditure			
			Contribution Towards Previous Year Estimated Surplus / (Deficit)			
646,714	-	646,714	Central Government	-	-	-
517,370	88,815	606,185	Burnley Borough Council	-	(31,916)	(31,916)
116,408	383,368	499,776	Lancashire County Council	-	(141,779)	(141,779)
12,934	20,553	33,487	Lancashire Fire & Rescue Authority	-	(7,386)	(7,386)
-	51,916	51,916	Police and Crime Commissioner for Lancashire	-	(19,429)	(19,429)
1,293,426	**544,652**	**1,838,078**		**-**	**(200,510)**	**(200,510)**
			Precepts, Demands and Shares			
13,674,178	-	13,674,178	Central Government	7,042,739	-	7,042,739
10,939,343	6,848,753	17,788,096	Burnley Borough Council	15,775,736	7,116,011	22,891,747
2,461,352	29,935,961	32,397,313	Lancashire County Council	4,929,917	31,228,769	36,158,686
273,484	1,559,540	1,833,024	Lancashire Fire & Rescue Authority	422,564	1,611,311	2,033,875
-	4,102,289	4,102,289	Police and Crime Commissioner for Lancashire	-	4,671,827	4,671,827
27,348,357	**42,446,543**	**69,794,900**		**28,170,956**	**44,627,918**	**72,798,874**
			Charges to the Collection Fund			
43,197	35,927	79,124	Less write offs of uncollectable amounts	439,704	530,387	970,091
882,964	940,827	1,823,791	Less: Increase / (Decrease) in Bad Debt Provision	(490,647)	567,639	76,992
1,332,406	-	1,332,406	Less: Increase / (Decrease) in Provision for Appeals	(2,039,541)	-	(2,039,541)
755,060	-	755,060	Transitional Protection Payments (Receivable)/Payable	89,647	-	89,647
148,187	-	148,187	Less: Cost of Collection	148,271	-	148,271
234,779	-	234,779	Less: Renewable Energy Schemes	241,811	-	241,811
-	-	-	Less: Interest on Refunds	-	-	-
3,396,593	**976,754**	**4,373,347**		**(1,610,755)**	**1,098,026**	**(512,729)**
			COLLECTION FUND BALANCE			
(1,016,701)	(1,217,058)	(2,233,759)	(Surplus) / Deficit b/fwd 1 April	1,636,516	(138,244)	1,498,272
1,636,516	(138,244)	1,498,272	(Surplus) / Deficit c/fwd 31 March	831,804	(288,909)	542,895
2,653,217	**1,078,814**	**3,732,031**	**(Surplus) / Deficit on Fund**	**(804,712)**	**(150,665)**	**(955,377)**
			Allocated to:			
654,606	(21,116)	633,490	Burnley Borough Council	203,967	(45,173)	158,794
147,286	(96,085)	51,201	Lancashire County Council	6,460	(202,906)	(196,446)
-	(16,156)	(16,156)	Police and Crime Commissioner for Lancashire	-	(30,376)	(30,376)
16,365	(4,887)	11,478	Lancashire Fire & Rescue Authority	4,295	(10,454)	(6,159)
818,258	-	818,258	Central Government	617,082	-	617,082
1,636,515	**(138,244)**	**1,498,271**		**831,804**	**(288,909)**	**542,895**

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 23,191 for 2019/20 (23,118 for 2018/19). 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 (£1,917.74 for 2019/20 (£1,831.33 for 2018/19)) 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 2020 was a surplus of £288,909 which includes a surplus for the year of £150,665.

COUNCIL TAX BASE

The Council Tax base for 2019/20 was approved at the Council meeting on 20 February 2019. Details are shown below:

Band	Ratio	Number of properties	Band D equivalent
A Reduced	5/9	30	17
A	6/9	16,397	10,931
B	7/9	4,525	3,519
C	8/9	5,433	4,829
D	9/9	2,569	2,570
E	11/9	1,147	1,402
F	13/9	300	433
G	15/9	114	190
H	18/9	8	16
Total		30,523	23,908
Less: Allowance for non-collection		3.0%	717
Taxbase for year			23,191

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 2019/20 was calculated as follows:

Council Tax Due	2019/20 £
Lancashire County Council	31,228,769
Police and Crime Commissioner for Lancashire	4,671,827
Lancashire Fire and Rescue Authority	1,611,311
Burnley Borough Council	6,962,402
Briercliffe with Extwistle Parish Council	22,500
Cliviger Parish Council	10,000
Habergham Eaves Parish Council	6,068
Hapton Parish Council	15,000
Ightenhill Parish Council	2,500
Padiham Town Council	77,041
Worsthorne with Hurstwood Parish Council	20,000
Dunnockshaw	500
Total to be met from Council Tax	**44,627,918**

Divided by the Council Tax Base 23,191 (23,118 in 2018/19) this gives an average Band D Council Tax for the year 2019/20 of £1,924.36 (£1,836.08 in 2018/19). 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 2019/20, the total non-domestic rateable value for the Council's area at 31 March 2020 was £76,429,690 (£76,343,445 at 31 March 2019). The national multipliers for 2019/20 were 49.1p for qualifying small businesses (48.0p in 2018/19) and the standard multiplier being 50.4p for all other businesses (49.3p in 2018/19).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

I. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20 (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.
- The council has adopted IFRS15 Revenue from Contracts with Customers in accordance with the Code; however, this has no material impact on the financial statements.

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 pursing at all times its own separate interests; or

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

RELATED PARTY TRANSACTIONS

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

RENT ALLOWANCE

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

RESERVE

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

RESIDUAL VALUE

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

REVALUATION RESERVE

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

REVENUE ACCOUNT

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

REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE (REFFCUS)

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

REVENUE SUPPORT GRANT (RSG)

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

STOCKS AND WORK IN PROGRESS

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

TEMPORARY LOANS

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

TREASURY MANAGEMENT

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

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Our Ref
Your ref
Date 24 March 2021

Dear Barrie

Burnley Borough Council
Financial Statements for the year ended 31 March 2020

This representation letter is provided in connection with the audit of the financial statements of Burnley Borough Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

    a. there are no unrecorded liabilities, actual or contingent

    b. none of the assets of the Council has been assigned, pledged or mortgaged

    c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council’s financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council’s needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xv. The outbreak of Covid-19, declared by the World Health Organisation as a ”Global Pandemic” on 11 March 2020, has impacted global financial markets and travel restrictions have been implemented by many countries. As a consequence, market activity is being impacted in many sectors. As at the valuation date, our independent valuers have stated that they consider that they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to Covid-19 means that they are faced with an unprecedented set of circumstances on which to base a judgement.

xvi. The Authority's valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations of the Council's land and buildings than would normally be the case. The assets held by the Lancashire Pension Fund include some property assets for which, as a result of the Covid-19 pandemic, the Fund's valuer has declared a material uncertainty in relation to their valuation as at 31 March 2020. For avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration does not mean that the valuation cannot be relied upon. It is included in order to be clear and transparent that, in the current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case.

xvii. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

xviii. We have communicated to you all deficiencies in internal control of which management is aware.

xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council, and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiv. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council’s Audit and Standards Committee at its meeting on 24 March 2021.

Yours faithfully

Name……………………………

Position Chair of Audit and Standards Committee

Date…………………………….

Name……………………………

Position Chief Financial Officer

Date…………………………….

Signed on behalf of Burnley Borough Council

DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report. This draft has been created from the template dated DD MMM YYYY

Grant Thornton

The Audit Findings for Burnley Borough Council

Year ended 31 March 2020

March 2021

Contents

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Burnley Borough Council (‘the Authority’) and the preparation of the Authority's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council .

The Council has been responsible for the receipt, processing and distribution of Covid Support Grants and Business Rates Relief that required finance staff to be re-deployed from normal duties while working remotely. During the 2021 financial year the Council has lost income from the closure of car parks and over the summer of 2020 the additional challenges of reopening services under new government guidelines.

Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.

We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum in May 2020. In that addendum we reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 6.

Restrictions for non-essential travel has meant both Council and audit staff have had to work from home. This has presented audit challenges such as verifying remote access to financial systems, the absence of physical evidence of transactions and balances, the need to use video calling to observe processes that provided assurance over the completeness accuracy of information produced by the entity, and the lack of physical verification of assets.

For Burnley Borough Council there have been many competing demands on staff time. The draft financial statements were received on 14 October, six weeks after the statutory deadline. This delay meant the audit deadline of 30 November 2020 was impossible to meet. We agreed with officers that we would work together towards a target date of 24 March 2021.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:

- give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely during November 2020 to March 2021. Our findings are summarised on the following pages. We have not identified any adjustments to the financial statements that result in adjustment to the Council’s Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year’s audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;

- finalising testing on journals
- final review of the work on property valuations
- receipt of management representation letter; and
- review of the final set of financial statements and annual governance statement.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of the Council.

Our anticipated audit report opinion will be unqualified including an Emphasis of Matter paragraph, highlighting the disclosure of material valuation uncertainties in respect of property valuations in both the Council’s and Lancashire Pension Fund Financial Statements arising from the Covid 19 pandemic.

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Burnley Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Council's value for money arrangements. We have concluded that Burnley Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We updated our original VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We concluded that although there was a delay to the publication of draft financial statements this did not have a wider effect on overall financial reporting. We therefore anticipate issuing an unqualified value for money conclusion. Our findings are summarised on pages 17 to 23.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

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Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

Audit approach

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with senior officers.

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

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- an evaluation of the Authority's internal controls environment, including its IT systems and controls;
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

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We have had to alter our audit plan, as communicated to you on 24 February 2020, to reflect our response to the Covid-19 pandemic. We issued an Audit Plan addendum in May 2020 to include a significant financial statement risk to reflect the outbreak of the Covid 19 pandemic.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 24 March 2021, as detailed in the committee papers. These outstanding items include:

- finalising our testing on journals
- final review of the work on property valuations
- receipt of management representation letter; and
- review of the final set of financial statements and annual governance statement.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan. We detail in the table below our determination of materiality for Burnley Borough Council.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,187,000	This is considered to be the amount above which the users of the financial statements of accounts would be moved to change their view of the financial performance and financial standing of the Council. It is set in the context of gross expenditure on services at 2% based on the 2018/19 year.
Performance materiality	771,000	Performance materiality has been assessed at 65% of the financial statements materiality and is designed to ensure appropriate coverage.
Trivial matters	59,000	ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. We have used the standard level of 5% of materiality.
Materiality for senior officer renumeration	5,000	This is identified as an area requiring a lower materiality due to its sensitive nature

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Financial reporting and accounting implications relating to the Covid-19 pandemic The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to: • remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation • volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates • financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and • disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have undertaken the following work in relation to this risk: • worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications on our audit approach. The final version of the draft financial statements were provided on 14 October 2020; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence using alternative approaches could be obtained for the purposes of our audit whilst working remotely; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets valuations and recovery of receivable balances ; • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; • discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence. The impact of the demands on the Council's finance team has resulted in work taking longer to complete. Restrictions for non-essential travel has meant both Council and audit staff have had to work from home. This has presented audit challenges such as verifying remote access to financial systems, the absence of physical evidence of transactions and balances, the need to use video calling to observe processes that provided assurance over the completeness accuracy of information produced by the entity, and the lack of physical verification of assets. Both Grant Thornton UK LLP and the Council have had to re-deploy resources to cover staff sickness.
ISA240 revenue risk – the Council's reported revenue contains fraudulent transactions (rebutted) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Burnley Borough Council, mean that all forms of fraud are seen as unacceptable Therefore, we do not consider this to be a significant risk for Burnley Borough Council. We have however checked the validity of total revenues to central government grant income, Council tax, and non domestic rates. Our audit work has not identified any issues in respect of improper revenue recognition.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have undertaken the following work in relation to this risk: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determine the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our audit work has not identified any issues in respect of management override of controls.
Valuation of land and buildings (including surplus assets and investment properties) - £56.4 million (rolling revaluation) The Council revalues its land and buildings, on a rolling five yearly basis and annually for investment properties. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£35.8 million of land and buildings, £8.4m of surplus assets and £11.3m of investment properties in the 2019/20 accounts) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have undertaken the following work in relation to this risk: • updated our understanding of the processes and controls put in place by management to ensure that the Council's valuation of land and buildings are not materially misstated and evaluated the design of the associated controls • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • discussed with the valuer to confirm the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation • tested revaluations made during the year to see if they had been input correctly into the Councils asset register; and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at the year end. The Council's land and buildings assets have been valued this year by the Council's in-house valuation team. Our work has assessed them as having a good knowledge of the Council's portfolio, and they have used information from the Asset Register and other Council estates systems in carrying out their valuation of the assets. The Council carries out valuations at 1 April each year. Council officers, including the in-house valuation team, have carried out an assessment of whether, based on their knowledge, there is likely to be a material movement in valuation between that date and the year-end of 31 March. We have reviewed officers' assessment and found it reasonable.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of land and buildings - £56.4 million (rolling revaluation) – cont'd	The Council carries out valuations on a 5-yearly rolling programme. Council officers, including the in-house valuation team, have carried out an assessment of whether based on their knowledge there is likely to be a material movement in the valuation of assets not revalued in the current year, between the date of their most recent valuation and the year-end of 31 March. We have reviewed and challenged management's assessment of the potential impact of those assets not formally revalued this year. We have reviewed the Council's methodology and concluded that this could be improved with more consideration of factors affecting the possible movement in valuation for these assets, along with the input of the internal valuer as management's expert. We have made a recommendation in this respect in Appendix A. Due to the potential impact that Covid-19 has on the value of your land and buildings at 31 March 2020, you have now included a material uncertainty disclosure within Note 4 of the financial statements on the valuation of land and buildings. We will reflect your disclosure within an "emphasis of matter" paragraph in our opinion. This is not a modification or qualification of the opinion and is consistent with other audited bodies.
Valuation of pension fund net liability - £49.2 million The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£49.2 million in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have undertaken the following work in relation to this risk: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • confirmed the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Where appropriate, we have relied on the audit work carried out by ourselves as auditors of the Lancashire Pension Fund in undertaking the above procedures. The Pension Fund has some direct property classes of assets and, as a result of the Covid-19 pandemic, the Fund's valuers have declared a material uncertainty in relation to their valuation as at 31 March 2020. Total value at 31 March 2020 is £110.2m and the share of Burnley Borough Council is £2m (1.8%). We have proposed adding a material uncertainty within Note 4 of the financial statements to reflect this. We will also reflect this disclosure within an "emphasis of matter" paragraph in our opinion. This is not a modification or qualification of the opinion.

Significant findings – other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

Issue	Commentary	Auditor view
IFRS 16 implementation has been delayed by one year Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.	We have reviewed the disclosures in the financial statements against the requirements of the Code.	The Council has provided the minimum disclosures necessary. On 31 March 2020, the Council held a small number of operating leases as lessee which had an unexpired term of less than one year and therefore the effect of the changes is unlikely to be material. The Council has a significant number of operating leases as lessor, but these are not significantly affected by the change in the standard.

Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Provisions for Non Domestic Rate Appeals (£3 million)	The Council is liable for successful appeals against business rates charged to business in 2019/20 and earlier financial years in their proportionate share. A provision has therefore been made for the best estimate of the amount that businesses have been overcharged up to 31 March 2020. The estimate has been calculated using the latest Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals to date. The provision has increased slightly by £6,436k in 2018/19.	• We have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate. • We have considered the approach taken by the Council to determine the provision, and it is in line with that used by other bodies in the sector. • Disclosure of the estimate in the financial statements is considered adequate. • There have been no changes to the calculation method this year	● Green
Debt impairment (£4 million)	The Council reviews significant debtor balances to determine an allowance for doubtful debts. At 31 March 2020 the Council determined an impairment allowance for doubtful debts of £4m. The provision is in line with that in 2018/19.	• We are satisfied with the approach taken by the Council to determine the provision • We have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate.	● Green

Assessment

- ● We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings (including surplus assets) - £44.1 million	The Council request their internal valuer to revalue other land and building (opening value £41.9 million net book value) on a five year cycle, using depreciated replacement cost (DRC) for specialised assets such as libraries, galleries and leisure centres. The remainder of operational other land and building are required to be revalued at existing use value (EUV). Surplus assets comprising of an opening value of £6.9 million are required to be revalued annually at fair value, estimated as highest and best use from a market participant's perspective. In 2019/20 the Council revalued £6.9 million (19.4% net book value) of other land and buildings (60% in 2018/19) and revalued 100% of surplus assets. In line with RICS guidance, the Council have disclosed a material uncertainty in the valuation of land and buildings at 31 March 2020 as a result of Covid-19. We proposed adding a material uncertainty disclosure within Note 4 of the financial statements to reflect this. Management have considered the year end value of non-valued properties in 2019/20 using the comparative changes in assets revalued during 2019/20 to determine whether there may have been a potential material change in the total value of these properties. Management's assessment of assets not revalued concluded that there was no material change. The total year end valuation of other land and buildings was £44.1 million, a net increase of £2.2 million from 2018/19 (£41.9 million).	We reviewed the detail of your assessment of the estimate, considering; • the assessment of management's expert, your internal valuer; • the assessment of auditor's expert, Gerald Eve; • the completeness and accuracy of underlying information used determine the valuation • the reasonableness of change in valuation including with market trend report provided by our auditor expert Gerald Eve; and • the adequacy of disclosure of the estimate in financial statements We have reviewed and challenged management's assessment of the potential impact of those assets not formally revalued this year. We have made a recommendation in Appendix A that the Council should improve this assessment by considering additional factors that may affect the valuation and seek input from the internal valuer as management's expert We have assessed the likelihood a material difference between the Councils valuation of operational land and buildings against national trends reported by Gerald Eve acting as the Auditors' Expert. We have concluded there is no material misstatement in valuation. The Council has amended the wording in note 4 to include a material uncertainty disclosure for the valuation of land and buildings. We noted as part of our work examining the charges for depreciation that the Council review the useful economic lives (UELs) of its buildings when spend is made rather than upon revaluation. We have made a recommendation in Appendix A that in future years the asset UELs should be revisited as part of the revaluation to ensure that the depreciation charges are accurately calculated.	Amber

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Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Investment properties - £11.3 million	The Council has a number of assets that it has determined to be investment properties. Investment properties must be included in the balance sheet at fair value (the price that would be received in an orderly transaction between market participants at the measurement date) so these assets are valued every year with a revaluation date of 1 April 2019. The Council's internal valuer completes the valuation of these properties. The year end valuation of the Council's investment property was £11.3 million, a net decrease of £0.2 million from 2018/19.	• We have no concerns over the competence, capabilities and objectivity of the internal valuation expert used by the Council. • The valuer has agreed clear terms of reference for this work with the Council in advance of the work being performed, including within which were the assumptions that were going to be applied to this work • There have been no changes to the valuation method this year • We have considered the potential movements in the valuations at the valuation date of 1 April 2019 and the 31 March 2020. This work has not raised any issues with the 2019/20 valuations. We have assessed the likelihood a material difference between the Councils valuation of investment properties against national trends reported by Gerald Eve acting as the Auditors' Expert. We have concluded there is no material misstatement in valuation. The Council has amended the wording in note 4 to include a material uncertainty disclosure for the valuation of property plant and equipment (including investment properties).	Green

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Net pension liability – £49.2 million	The Council's net pension liability at 31 March 2020 is £49.2m (2018/19 £57.6m) comprising the Lancashire Pension Fund local government and unfunded defined benefit pension scheme obligations. The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The Pension Fund Financial statements to 31 March 2020 included a material uncertainty in the valuation of the pension fund's property assets at 31 March 2020 as a result of Covid-19. The value of property assets attributable to the Council is £2m and is material to the net liability. We proposed adding a material uncertainty disclosure within Note 4 of the financial statements to reflect this. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £12m net actuarial gain during 2019/20.	We examined the detail of management's assessment of the estimate by: • making an assessment of Mercers as management's expert • assessing the actuary's roll forward approach, verifying that the latest available data relating to the valuation of the entire pension fund was used • considering the completeness and accuracy of the underlying information used to determine the estimate • assessing the information received from pension fund auditor • undertaking analytical tests to assess the reasonableness of the Council's share of LGPS pension assets • agreeing the transposition of information from the actuary's report to the financial statements and agreeing the resulting accounting entries • assessing the adequacy of disclosure of estimate in the financial statements • using PwC as auditors' expert to assess actuary and assumptions made by actuary – see table to compare the assumptions used with those identified by the Auditor's expert as reasonable:	Green

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.4%	2.3%-2.4%	
Pension increase rate	2.1%	2.1%	
Salary growth	3.6%	3.35%-3.6%	
Life expectancy – Males currently aged 45 / 65	23.8yrs	22.5-24.7yrs	
Life expectancy – Females currently aged 45 / 65	26.8yrs	25.9-27.7yrs	

We have concluded that management's estimate is reasonable and based on appropriate assumptions in the context of the accounting framework and the Council's circumstances. As explained on page 8, we will include an Emphasis of matter paragraph in our opinion on the material valuation uncertainty disclosed in the pension fund financial statements.

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – going concern

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Going concern material uncertainty disclosures

It has been a challenging year due to the Covid-19 pandemic and the impact of this has been has seen the Council divert staff to support the processing of grants to businesses; closure of car parks with additional challenges of reopening services under new government guidelines; the need to free up capacity of teams in addition to normal responsibilities. The disruption has also meant that the Council has not been able to fully realise the savings it expected to generate in the year, reporting a £93,000 overspend against budget. The Council's MTFS for 2020/21 to 2023/24 recognises the ongoing pressures from core spending reductions resulting in a potential cumulative financial gap of between £2m and £4.5m over the four year period. Given the relative strength of the Council's reserves, in our audit plan we determined that going concern and material uncertainties relating to going concern were not material risks.

Going concern commentary	Auditor commentary
Management's assessment process In order to assess the going concern basis management have: • considered events or conditions that may impact the going concern assumption. • considered the impact of Covid-19 in 2020/21 and 2021/22 on the Council's financial position. Despite the impact of Covid-19 and the uncertainties regarding future funding, management concluded it is appropriate to prepare their accounts on going concern basis and that no material uncertainty exists.	Management has undertaken their own assessment of going concern, taking into account Paragraph 2.1.2.9 of the Code of Practice on Local Authority Accounting states that "*An authority's financial statements shall be prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future*". Management have considered the following factors: • The financial impact of Covid-19. The Council's initial concerns around loss of income and additional expenditure have been mitigated with financial support from Government. This is under continuous review, and assumptions are updated as required • The Council has established a specific COVID - 19 reserve to provide support should any additional restrictions be introduced which would impact on income and expenditure. Unallocated funds of £860,000 were used to establish this reserve.
Work performed We have reviewed the Council's financial assessment of the impact of Covid-19, 2020/21 budget monitoring reports, future financial plans and the Council's level of reserves	• Whilst there are uncertainties around future funding, no material uncertainty has been identified • We reviewed the assumptions used by management in the forecasting their financial position in 2020/21 and 2021/22 onwards. We considered they had used reasonable assumptions, and that the forecasting process and underlying data used were reliable.
Concluding comments	We propose to give an unmodified opinion in respect of going concern. The financial statements identify the outbreak of Covid as occurring before the year end however it explains that the effects will be felt in subsequent financial periods. This is consistent with the evidence we have seen in 2020/21 budget reporting.

Other matters for communication

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

Issue	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Standards Committee .We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council which is included in the Audit and Standards Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's Bank for bank balance, and to several other institutions for investment confirmation. This permission was granted and the requests were sent. We have received positive confirmations for all requests.
Disclosures	Other than the disclosures relating to material uncertainty of valuations covered earlier in this report, our review found no material omissions in the financial statements. A summary of minor disclosure amendments made is shown in Appendix C.
Audit evidence and explanations/significant difficulties	There was a significant delay in the production of the draft financial statements, due to the reallocation of finance staff to other duties within the Council, and the draft accounts when published included a number of errors and omissions. Whilst the finance team have worked proactively to resolve audit issues, there have been a number of delays due to staff availability and conflicting priorities. This has resulted in additional time being taken to deliver the audit.

Other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Narrative Report and Annual Governance Statement), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect
Matters on which we report by exception	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. For Burnley Borough Council no further work is required as the Council does not exceed the threshold for WGA group procedures
Certification of the closure of the audit	We intend to certify the closure of the 2019/20 audit of Burnley Borough Council in the audit report.

Value for Money

Background to our VFM approach

We are required to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

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

This is supported by three sub-criteria, as set out below:

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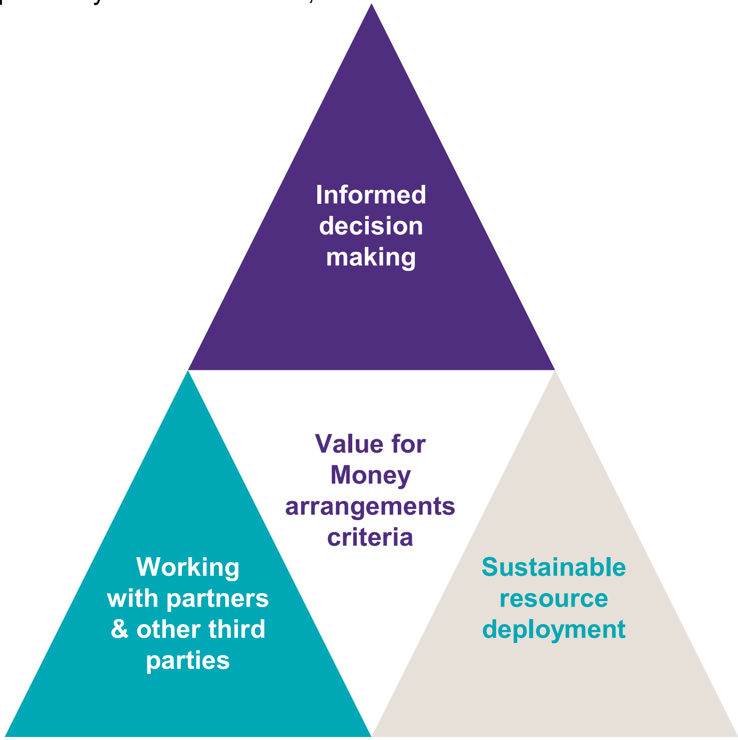

Risk assessment

We carried out an initial risk assessment in February 2020 and identified financial sustainability and major capital schemes, Pioneer Place and Sandygate Square, as significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated February 2020.

Our risk assessment is a dynamic process and we have had regard to new information which emerged since we issued our Audit Plan.

The significant risk identified since we issued the Audit Plan was:

- the delay in publishing draft financial statements by the revised target deadline 31 August 2020.

To assess the impact of this risk we reviewed the arrangements the Authority had in place to ensure the timeliness of financial reporting processes and the Authority's capacity to support the audit.

Please note that we have not identified any new Value for Money conclusion risks in relation to Covid-19 as we do not consider Covid-19 to be a significant risk for our 2019/20 VFM conclusion given the pandemic impacted so late in the financial year.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

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

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

- the Council’s final outturn position for 2019/20 and the savings delivered in year, its budget for 2020/21, its medium term financial plan and the financial pressures its faces going forward; and
- the governance arrangements in place to monitor and deliver two large capital schemes approved in 2018; Sandygate Square student accommodation and Pioneer Place town centre development
- timeliness of financial reporting and the Council’s capacity to support the audit.

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

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Recommendations for improvement

Based on the findings arising from our work we have identified a number of recommendations for improvement.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A.

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment.

Significant risk in our audit plan

Financial sustainability

Burnley Borough Council delivered its planned outturn for 2018/19 with a balanced position against its net budget of £15.09m, achieving savings of £1.862m and a net transfer to earmarked reserves of £468,000.

In February 2019 the Council set a balanced budget for 2019/20 as a net budget of £15.815m. The Council's latest revenue position reporting (at month 9) indicates a current overspend of £140,000.

Incorporated into the 2019/20 budget is a savings target of £400,000. At month 9, £140,000 of this has yet to be identified.

The Council's MTFS for 2020/21 to 2023/24 recognises the ongoing pressures from core spending reductions and considers scenarios ranging form zero to four per cent reduction in core spending power and resulting in a potential cumulative financial gap of between £2m and £4.5m over the four year period.

We will continue to monitor the Council's financial position through meetings with senior management and also assess progress in the identification and delivery of the future savings required as identified in the MTFS.

Findings

2019/20 Revenue Outturn

The Council planned to breakeven in 2019/20 against its net budget of £15.968m but was unable to achieve this, delivering an overspend of £93,000. This overspend was predominately because of the pandemic with £66,000 of the overspend being attributable to COVID-19, due to both an increase in expenditure and a reduction in income, the remaining £27,000 was attributable to other costs. The deficit of £93,000 was funded from the Council's transformation reserves. The Council had received £75,000 of Tranche 1 COVID funding but decided to roll this forward into 2020/21 to fund homelessness during the pandemic. Despite funding the overspend from reserves the Council was able to maintain its general fund reserves at £1.379m and its earmarked reserves increased by £888,000 to £8.134m.

In 2019/20 the Council aimed to deliver savings in the region of £1.014m. Savings plans of £901,000 were approved by the Executive and then Full Council in September 2018 and £113,000 was later agreed in February 2019. These savings were assumed to be achievable and deducted from the base budgets and the progress in achieving these savings was not routinely separately monitored, with delivery assumed by monitoring performance against budget. Additional unidentified savings of £400,000 were subsequently required to achieve a balanced budget. These savings were made up of salary and non-salary savings and are reported quarterly throughout the year to the Executive and Full Council. At quarter three the Council reported that £140,000 remained to be identified, by the year end this had reduced to £93,000, equivalent to the overspend for the year.

2020/21 Budget and Medium Term Financial Strategy (MTFS)

The Council updated its MTFS along with its annual budget in February 2020 and approved a net budget of £15.693m.

In February 2020, the Council reported the following savings were required in 2020/21:

Approval date	£000
Prior to September 2019	256
September 2019	178
February 2020	162
Total	**596**

Value for Money

Findings *continued*

In line with previous years the agreed and identified savings (£596,000) were deducted from the net budgets and delivery was assumed by monitoring performance against budget. In addition, £213,000 of operational/salary savings were required to achieve breakeven at the beginning of the year. At quarter two only salary savings of £68,000 had been identified, leaving £145,000 unidentified. In addition, due to the pandemic, costs had increased, and income reduced, such as car parking and leisure services leaving the Council with an overspend of £4.8m, before the allocation of mitigations. The mitigations against this overspend were additional funding from central Government (£2.4m) and anticipated compensation for fees and charges compensation (£1.1m). In addition, the Council was allowed to recover the collection fund losses (£1.2m) over the next three financial years. Taking these factors into account the Council's forecast net budget is a deficit of £118,000. As at January 2021 the central Government funding received has increased to £2.74m and compensation for fees and charges is estimated to be £1m.

The Council's progress for identifying savings mirrors the timeframe of the MTFS. The approach identifies savings not just for the next financial year but for the next four years. An 'Away Day' took place in November 2020 with the Executive which considered the budget gap for the next three years and the savings approved at previous meetings, those requiring approval and those which no longer may be possible or need to be deferred. In total 26 different savings schemes were identified, ranging from £5,000 to £59,000. They cover a wide range of schemes from deletion of posts to restructuring of teams. These schemes indicate that achieving savings will be a significant challenge for the Council and are likely to require decisions to be made which could impact on service delivery and/or an increase in charges paid by service users.

The MTFS, in line with previous years, has been extended to cover a four-year period from 2021/22 to 2024/25. It highlighted the uncertainty over funding going forward and included scenarios from zero to four per cent and reasonable assumptions were also applied. The MTFS set out the financial challenge faced by the Council and identified a potential funding gap of £6.4m from 2021/22 to 2024/25.

COVID - 19

The Council has adapted to enable home working of staff and the deployment of staff to meet the needs of high demand areas, such as the foodbank. This has ensured that existing vital services such as waste services have continued to operate effectively, and the Council have been able to meet the demand for support from both commercial and domestic residents through the issue of business grants and council tax relief.

In June 2020 the Council reported to its Executive that it was concerned that the increased expenditure and reduced income could result in a significant budget deficit and impact on its financial sustainability in future years, as it would have insufficient reserves to meet the budget deficit. Fortunately, the Council has since received additional COVID -19 funding, is able to recover the collection fund deficit over the next three years and as a result its Quarter 2 forecast overspend is £118,000.

As at January 2021 the Council has received direct COVID-19 funding of £2.736m. This includes direct funding received in four tranches starting in 2019/20, additional funding to mitigate the costs of administering the welfare reform changes and compensation funding for the reduction in fees and charges. Further compensation for fees and charges is also anticipated. The Council has established a specific COVID - 19 reserve to provide support should any additional restrictions be introduced which would impact on income and expenditure. Unallocated funds of £860,000 were used to establish this reserve.

Conclusion

Although the Council continues to face significant financial pressures and uncertainty, we consider that the Council had adequate arrangements in place during 2019/20. In order to effectively manage these financial pressures, the Council should focus on the identification of sustainable savings for 2021/22 and beyond and introduce arrangements to separately monitor the delivery of the agreed identified, as well as unidentified, savings .

Value for Money

Significant risk in our audit plan

Major capital schemes

In December 2018 the Council gave approval to the proposals for two significant capital schemes:

- Pioneer Place town centre development
- Sandygate Square student accommodation.

Whilst these schemes are at different stages, around £6m of capital expenditure was expected to be incurred in 2019/20.

Major capital schemes carry significant inherent risks and require robust monitoring arrangements with appropriate contract management skills to deliver theses effectively. We will continue to review the governance arrangements the Council has in place to support appropriately informed decision making and to monitor and manage risks associated with such schemes.

Findings

2019/20 Capital Outturn

The Full Council approved its capital budget in February 2019 of £18.244m. This was revised in February 2020 to £15.347m and at the year end was increased to £15.548m after allowing for funding brought forward from 2020/21 and additional resources identified. The Council incurred expenditure totaling £14.026m 90% of the final capital budget.

The two major schemes which we identified as potential value for money risks are expected to cost over £35m to complete, with Sandygate Square anticipated to take three years to complete and Pioneer Place six years. The table below illustrates slippage in comparison to the 2019/20 budget.

Project	2019/20 Budget £	Outturn £	Variance £	% achieved
Pioneer Place	189,666	54,234	135,432	29
Sandygate Square	5,703,841	5,178,215	525,626	91
Total	**5,893,507**	**5,232,449**	**661,058**	**89**

Capital budgets for 2020/21 and subsequent years

Both budgets have been revised as the schemes progress and agreed by Full Council. The budget for Sandygate Square was increased by £70,000 (0.7%) in 2020/21 due to increased costs, but also intends to complete in 2020/21 and as such has brought forward the budget from 2021/22 .

The budget for Pioneer Place has been reduced to £21.3m, due to changes in the market, the need to renegotiate terms and to ensure the scheme remained financially viable. As a result, a revised financial model and business case was required and was approved by Full Council in November 2020.

Value for Money

Findings

Although these schemes do pose significant risks to the Council, the Council has developed business cases and provided these to Full Council for consideration. The revised business case for Pioneer Place considered both the risks, as well as the benefits to be gained from regenerating the town centre. Arrangements are in place to mitigate and manage these risks and the table below illustrates that at this stage the Council do not anticipate any variances to the recently agreed revised budgets. However, due to the uncertainty which COVID-19 has created some fluctuations and budget changes are likely and the Council should continue to actively monitor the Pioneer Place scheme as it progresses.

Project	Start date	Completion date	Total Budget £m	Spend to date £m	Projected future spend £m	Expected variance to total budget £m
Pioneer Place	2019/20	2024/25	21.3	0.055	20.75	0
Sandygate Square	2019/20	2020/21	9.35	9.07	0.28	0
Total			**30.65**	**9.125**	**21.03**	

Capital monitoring

Progress against the capital budget and individual schemes was reported quarterly and at the year end (outturn) to the Executive and Full Council. At each quarter changes to the budget were requested and at the outturn stage the revised budget for 2020/21 was agreed. The revised budget, was increased to include slippage from 2019/20. These monitoring reports also included how the individual schemes would be funded, such as prudential borrowing and reserves.

These reports identified that the Sandygate Square student accommodation scheme was due for completion in September 2020. This was achieved and as at November 2020 47% of the student accommodation was occupied, although it should be noted that the impact of COVID-19 on the higher education sector is as yet unknown.

Conclusion

We are satisfied that effective arrangements were in place with regard to the Council's major capital schemes, but consider the Council should continue to actively monitor and report progress on the Pioneer Place capital scheme as it progresses.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment.

Significant risk – additional since audit plan	**Delay to the draft financial statements** Reliable and timely financial reporting is required supporting delivery of strategic objectives is one of the NAO criteria for having informed decision making. Missing the statutory date for publishing draft accounts is indicative of weakness in those arrangements.
Findings	We have: • Reviewed the draft financial statements and the supporting working papers • Reviewed the presentation of in-year financial reports to the Executive and Council during 2020 and 2021 Like many other Councils, Burnley Borough Council has had to divert finance staff to Covid-19 support related activities, notably the receiving, processing and distribution of central government business grants and other support packages. The Council took advantage of the extended reporting deadlines and sent draft accounts to us on 11 September 2020, however these were incomplete with updates required to some primary statements (balance sheet entries, collection fund, and many of the disclosures). We received a further version on 13 October 2020 (when it was published on the website) but still with some errors in them. When it became obvious the audit deadline of 30th November 2020 would not be met, we set a later target completion date of March 2021 for the audit. We have experienced some delays in getting certain working papers, notably journals and the final correct version of the general ledger, due to the competing demands on the finance staff time during the extended period of the audit. Throughout 2020/21 management has provided regular briefings to members that include the financial impact of Covid-19 on the Council. It has agreed an Economic Recovery and Growth Strategy (post Covid) and related action plan, and also set a Covid 19 Community Recovery Plan, in October 2020. In addition it has continued with mid year reporting on the Capital and Revenue position (the latest one at quarter 3 in February 2021). It has also revisited its Medium Term Financial Strategy and Reserves position 22/23 to 25/26 in February 2021.
Conclusion	Diverting finance staff to support Covid relief operations, the extra financial monitoring necessary as a result of Covid and the need to maintain normal Council business has been a significant additional burden for the finance team. Although the preparation of the financial statements were delayed into October 2020 other financial reporting arrangements continued during the period and we have had good responses to audit queries raised. In conclusion although there was a delay to the publication of draft financial statements this did not have a wider effect on overall financial reporting.

Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Other services provided by Grant Thornton

For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified.

Service	Fees £	Threats identified	Safeguards
Audit related:			
Certification of Housing Benefit Subsidy return	22,600	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £22,600 (on the basis that the Council complete the HB workbooks) in comparison to the total fee for the audit of £46,437 (after fee variations) and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Standards Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees

Action plan

Assessment	Issue and risk	Recommendations
(Amber)	**1. Rolling asset valuations (page 8 and 11)** The Council have an annual process to use the outcomes of the current year's valuation to assess the possible movements in valuation of assets not revalued in the year, analysed by type of asset. However, for 2019/20 Management have not provided sufficient analysis to support the assertion that assets not revalued in the current year are materially accurate at the balance sheet date. While our own analysis has concluded in support of Management's position, it is incumbent upon Management to perform sufficient analysis to support their position, with the assistance of Management's expert if necessary.	We recommend the Council improve the assessment of the changes in values for assets not included each year in its rolling programme of asset revaluations. It should consider additional factors that may affect the valuation and seek input from the internal valuer as management's expert. **Management response** A desktop exercise is carried out to determine whether there have been any material changes in the valuation of assets that hadn't been included for valuation in that year of the rolling valuation cycle. This desktop exercise is undertaken by the Council's internal valuer each financial year.
(Amber)	**2. Depreciation and asset useful economic lives (page 11)** We noted as part of our work examining the charges for depreciation that the Council review the useful economic lives (UELs) of its buildings when spend is made rather than upon revaluation.	We recommend that in future years the asset UELs should be revisited as part of the revaluation to ensure that the depreciation charges are accurately calculated. **Management response** We agree with this recommendation and work has commenced on implementing this recommendation within the 2020/21 accounts.
(Amber)	**3. Vfm financial sustainability (page 20)** Delivery of individual identified savings schemes and activities are not monitored and reported to the Executive and Full Council. Consequently the Council is not aware if the agreed savings schemes are being delivered as planned.	Throughout the year the Council should monitor and report delivery of individual identified savings areas as well as those not yet identified. **Management response** The identified savings schemes are incorporated into the revenue budget and continue to be monitored during the year as part of the revenue monitoring process. Any savings that are not being achieved during the year are reported by exception.
(Amber)	**4. Vfm financial sustainability (page 20)** The Council faces significant financial challenge in 2021/22 and beyond.	The Council should focus on the identification of its savings plans for the next three years to ensure these can be actioned promptly and are focused on sustainable solutions. **Management response** The Council has identified and approved the savings required to balance the 2021/22 budget. Work is continuing to identify the savings required to meet the projected budget gaps identified through the recently approved MTFS.

Action plan (continued)

Assessment	Issue and risk	Recommendations
(Amber)	**5. Vfm capital schemes (page 22)** The Pioneer Place Capital scheme may not be financially viable if COVID-19 continues to impact on the leisure and retail market	The Council should continue to actively manage and report progress on the Pioneer Place capital scheme as it progresses, to ensure it remains financially viable. **Management response** The Council, together with its delivery partners, is actively managing and reviewing the Pioneer Place scheme, to ensure that it remains financially viable, taking into account various environmental factors, including Covid-19. To achieve this aim, the Council has reduced the size of the scheme, reduced the annual rental income targets, and brought in additional external funding. These changes were reported and approved at Full Council in November 2020. Officers and delivery partners continue to actively monitor and report progress on the scheme.

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Follow up of prior year recommendations

We identified the following issues in the audit of Burnley Council's 2018/19 financial statements, which resulted in one recommendations being reported in our 2018/19 Audit Findings report. *We have followed up on the implementation of our recommendations and note one is still to be completed.*

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Our testing identified a fully depreciated asset recorded in the asset register (CCTV asset) and reflected in the financial statements opening balances and historical depreciation, that had in fact been disposed of in previous years	From discussion with management we understand that while the fixed asset register had not been fully reviewed for the 2019/20 financial statements, this is underway as part of a fixed asset register system migration for 2020/21.

Assessment

✓ Action completed

X Not yet addressed

Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

There were no adjusted audit misstatements required.

Misclassification and disclosure changes

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

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Narrative Report	The revenue budget figures disclosed show the sources of funding but does not show the planned areas of spend.	We recommend including the revenue spend budget as well as the funding disclosure to enhance users understanding. **Management response** The disclosure in the accounts is consistent with that disclosed previously. Management will review the contents of the Narrative Report in future years to enhance user understanding.	X
Narrative Report	The report identifies areas of achievement but does not include any potential areas for improvement.	We recommend identifying and disclosing any areas for improvement to make it more balanced. **Management response** The disclosure in the accounts is consistent with that disclosed previously. The report contains a section on Organisational Performance which includes areas of achievements but also identifies areas of improvement where the Council has not met its performance targets.	X
Note 1: Accounting Standards Issues, not Adopted	IFRS 16 has not been included in the list.	IFRS 16 should be included in the list. **Management response** Agreed and amended.	✓
Note 2: Critical Judgements in applying accounting policies	Judgements have been included that do not meet the IAS 1 definition.	Remove paragraphs relating to Implied Leasing, Future Funding, Group Boundaries, Leases and Componentisation Limits. **Management response** Agreed and amended.	✓

Audit adjustments

Misclassification and disclosure changes (cont..)

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Note 2: Critical Judgements in applying accounting policies	Judgements have not been included that meet the IAS 1 definition.	Add paragraphs relating to the Valuation of PPE and Investment Properties, as well as Pension Fund asset valuations. **Management response** Agreed and amended.	✓
Note 14- Cash and cash equivalents	Bank current account (£1.360m overstated) & Short term deposit figure (£1.360m understated) stated incorrectly due to a formula error.	Disclosure note should be updated. **Management response** Agreed and amended.	✓
Note 23- Exit Packages	One exit package worth £23k has been included in error and relates to 2017/18	**Management response** Agreed and amended.	✓
Note 27 Capital Expenditure and Financing	Several small inconsistencies were identified using the MIRS consistency checker tool provided.	**Management response** These were rounding differences and have been agreed and amended.	✓

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £‘000	Statement of Financial Position £’ 000	Impact on total net expenditure £’000	Reason for not adjusting
The Covid-19 revenue support grant was received prior to year end without conditions and should therefore be accounted for in the year of receipt, rather than as a grant received in advance.	75	75	75	Management expected to receive the funds in the new year and the amount is not material.
Overall impact	**£75k**	**£75k**	**£75k**	

Impact of prior year unadjusted misstatements

No unadjusted misstatements were identified in the prior year’s audit findings report.

Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Council Audit	£46,437	£62,720
Total audit fees (excluding VAT)	**£46,437**	**£62,720**

In our original audit plan, we advised of an increase in fees due to the impact of increased expectations on the work of the auditor. At that time, we were expecting delivery of the financial statements to continue as per the statutory time timetable. The five-week delay meant significant re-scheduling of our resources and replacing planned resource with higher grade staff. We had originally planned to complete the audit by 30 November, however the practical problems encountered on the audit have caused significant additional work and oversight. As the audit completion date as been put back, it has been necessary to re-visit and refresh on several occasions, the audit risk assessment, the going concern assessment, and the value for money conclusion. To this we have had the added difficulties of remote auditing as set out on page 6.Consequently, we have incurred additional costs which result in additional fees to the Council, as per below:

Planned fee per Audit Plan (24 February 2020)	£46,437
Additional fees due to Covid-19 and remote working	£ 6,996
Additional fees due to delays in accounts preparation	£ 9,287
Final Proposed Fee	**£62,720**

The fees are subject to approval by PSAA Ltd.

The fees reconcile to the financial statements with the exception of the additional fees, as these need to be approved by the Committee and PSAA Ltd.

Non-audit fees for other services	Fees
Audit Related Services: • Certification of Housing Benefit Subsidy return (as per the audit plan)	£9,750
• Fee rebasing- Certification Housing Benefit Subsidy return	£12,850
Total non- audit fees (excluding VAT)	**£22,600**

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ITEM NO	[AgendaItem]

Internal Audit Progress Report

REPORT TO AUDIT AND STANDARDS COMMITTEE

DATE	**24/03/2021**
PORTFOLIO	**Resources and Performance Management**
REPORT AUTHOR	**Salma Hussain**
TEL NO	**01282 425011 Ext 3152**
EMAIL	**salmahussain@burnley.gov.uk**

PURPOSE

1. To inform members of the work undertaken by Internal Audit for the period 1st October to 31st December 2019.

RECOMMENDATION

2. The Committee considers the progress report and comments on its contents.

REASONS FOR RECOMMENDATION

3. Members can monitor the performance of the Internal Audit Section.

SUMMARY OF KEY POINTS

Audit Reports

4. From 1st October to 31st December 2020 there have been 3 audit reports produced. Details of the two of Burnley Council audits are given in **Appendix 1**.

Performance Statistics

5. The comparison between actual and planned audits can be seen in **Appendix 2**. A number of audits have started, and to date have been completed but due to timing will form part of later quarter statistics to be reported.

6. Performance indicators for Internal Audit are reported in the Finance balanced scorecard. The service currently reports the number of audit reports produced – 12 against an annual target of 22 and the percentage of high-priority actions from audit action plans implemented which was 100% and has a target of 100%.

Other Activity

7. The audit team have continued in supporting the Council’s business continuity response to the Coronavirus pandemic: -

- supporting the Council’s Business Transition Group,
- supporting the Lancashire Resilience Forum (LRF)
- representing the Council on different LRF groups
- supporting the Council’s Covid Task Force and Localised Track and Trace.

8. Internal Audit has carried out follow up reviews on previously completed audits to review completed actions and provided advice and assistance to various services.

9. All the data for the National Fraud Initiative for national exercise has been submitted and matches have been received. These have been passed to different services for processing and we have been processing payroll and creditor matches.

10. Reviews have been undertaken of the write offs for Quarter 2 and a report issued.

11. The team has been involved with the Talent Management scheme.

12. The vacant Auditors position is still being recruited to. As the plan is based on this post being occupied delays to this position being filled will reduce the Audit Days available.

13. Heads of Service are being consulted on the Audit Plan for 2021/22.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

14. None

POLICY IMPLICATIONS

15. None

DETAILS OF CONSULTATION

16. None

BACKGROUND PAPERS

17. None

FURTHER INFORMATION	
PLEASE CONTACT:	**Salma Hussain (Internal Auditor) Ext 3152**
ALSO:	**Ian Evenett (Internal Audit Manager) Ext 7175**

Appendix 1

Summary of Audit reports Issued Quarter 3 2020/21						
Audit	**Service**	**Audit Purpose**	**Audit Opinion**	**Key Actions Agreed**	**Implementation Detail**	**Score**
Write Offs for 2020	Corporate/ Finance	To audit the Council's write-off of debts for Q2 2020/21	N/A	None	N/A	1
Benefits Audit	Finance	The purpose of this audit is to review controls in the payment of benefits. To ensure that the right benefit is paid at the right time	There are adequate systems in place to minimise the possibility of the wrong amount of benefit being paid.	None	N/A	1

Appendix 1

Audit Score Defined

Score	Opinion	Definition of Opinion
1	Comprehensive Assurance	There is a sound system of controls designed to meet objectives and controls are consistently applied in all the areas reviewed.
2	Reasonable Assurance	There is a good system of controls. However, there are minor weaknesses in the design or consistency of application that may put the achievement of some objectives at risk in the areas reviewed.
3	Limited Assurance	Key controls exist to help achieve system objectives and manage principle risks. However, weaknesses in design or inconsistent application of controls are such that put the achievement of system objectives at risk in the areas reviewed.
4	No Assurance	The absence of basic key controls or the inconsistent application of key controls is so severe that the audit area is open to abuse or error.
N/A	Not Applicable	The audit review undertaken did not have as its primary objective an assessment of system, its controls and their effectiveness.

Appendix 2 – Internal Audit Progress Report Q3 2021

Audit	Started	Report Issued	Audit Score
Corporate			
Annual Governance Statement	✓	✓	
NFI	✓		
Charities			
J W Shaw	✓	✓	1
Mayor's Charity	✓	✓	1
Acorn Fund	✓	✓	1
E Stocks Massey	✓	✓	1
Debts Write-Off	✓	✓	1
Fraud Risk Review	✓		
Partnerships			
Strategic Partner Performance Indicators			
Personnel PIs	✓	✓	3
Safeguarding			
Monitoring Office Report	✓	✓	
Finance & Property			
Benefits Calculations Check	✓		
Final Accounts			
Payment of Benefits	✓	✓	
Treasury Management			
Payment of Creditors			
Council Tax			
Payroll			
Overpayment of Benefits	✓		
Business Support Grants	✓		
Information Governance			
IT Management			
Information Governance			
Achieve CRM	✓	✓	1
Housing & Development Control			
Empty Homes Initiative			
Legal & Democratic Services			
Electoral Registrations			
Green Spaces & Amenities			
Vehicles and Plant			
Economy & Growth			
Vision Park Project	✓		
Streetscene			
Urbaser - Waste Contract			
Taxi Licensing	✓	✓	1

Other			
Burnley Leisure SLA	✓	✓	

ITEM NO	[AgendaItem]

Strategic Risk Register Update

REPORT TO AUDIT & STANDARDS COMMITTEE

DATE	24/03/2021
PORTFOLIO	Resources & Performance Management
REPORT AUTHOR	Ian Evenett
TEL NO	01282 425011 Ext 7175
EMAIL	ievenett@burnley.gov.uk

PURPOSE

1. To Review and Update the Strategic Risk Register.

RECOMMENDATION

2. That the Strategic Risk Register is reviewed and updated.

3. That the Committee recommend the Strategic Risk Register to the Executive.

REASONS FOR RECOMMENDATION

4. To ensure that Risks are appropriately monitored and recorded.

5. The register is updated for the revised Strategic Objectives.

SUMMARY OF KEY POINTS

6. Attached a revised Strategic Risk Register. The change is highlighted in the draft and reported below.

7. **Strategic Objectives**

8. The Strategic Objectives have been updated to reflect the new plan.

9. **Failure to respond to widespread illness**

   This risk has been rescored to 3 impact and 3 likelihood and score as a 9, high risk. This was 3 impact and 2 likelihood and score 6, medium risk. As the council has entered the recovery phase the involvement of the Council has increased across a range of areas.

10. **Financial Instability**

11. One of the consequences of this risk is that central government would intervene and take

over control of the authority, this has been seen recently in authorities with financial problems. This has been added to the risk.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

12. None

POLICY IMPLICATIONS

13. This is part of the Risk Management and Corporate Governance approach for the Council

DETAILS OF CONSULTATION

14. None

BACKGROUND PAPERS

15. None

FURTHER INFORMATION	
PLEASE CONTACT:	**Ian Evenett Ext 7175**
ALSO:	

Burnley Borough Council

Strategic Risk Register

09 February 2021

Strategic Risk Register Summary

ID	Risk Description	Risk Score
1	Financial stability	9
6	Inability to deliver the regeneration programme	9
9	Risks in responding to demographic changes and increased deprivation	9
14	Failure to respond to a widespread illness	9
5	Changes in national policy/legislation	6
8	Inability to influence key decision makers	6
10	Workforce, skills and capacity challenges	6
4	Changes in the political landscape	6
2	Maintaining Partnership Performance	4
3	Damage to the Council's reputation	4
7	Inability to drive improvements through information technology	3
11	Malicious Attack	3
12	Safeguarding Failure	3
13	Environmental Event	3

Risk Score: 1 - 3 Low Risk; 4 - 6 - Medium Risk; 9 - High Risk

Risk Prioritization Matrix

Likelihood		Impact 1	Impact 2	Impact 3	
	3		4, 5, 10	1, 6, 9,14	Red High
	2		2, 3,	8	Amber Medium
	1			7, 11, 12, 13	Green Low
		1	2	3	
		Impact			

Likelihood	Impact
1 Very Unlikely 2 Likely 3 Virtually Certain	1 Low 2 Medium 3 High

Risk Score: 1 - 3 Low Risk; 4 - 6 - Medium Risk; 9 - High Risk

Risk Ref: 1 Financial stability

Trigger or Cause	Possible Consquences of Risk
Further funding cuts	Organisational sustainability
Income loss (C19)	Reduced service delivery
Insufficient financial controls	Reduced customer satisfaction
Expensive decision making	Reduced reserves
External cost pressures	Overspends
Price or Interest Rate Increases	Damaged credit rating
Political growth	Damage to reputation
Failing to understand the financial problem	Workforce morale/planning/retention
National Economic Changes (C19)	Reduced reputation for financial management
Claims against the Council	Central Government Intervention

Strategic Link: Cross Cutting

Residual Risk Assessement	Impact	3	Likelihood	3	Score	9	High Priority Risk

Strategic Commitments

PF1 - We will manage our contract with Liberata robustly, so it delivers value for money and good services.

PF2 - We will adopt a Medium Term Financial Strategy that will put the Council on a sustainable financial footing. This strategy will set the framework for preparing annual budgets, ensuring the annual budget strategy is set within the context of the longer-term outlook.

PF3 - We will develop our digital strategy, so that more residents transact with us online and we will continue to deliver services more efficiently.

PF4 - We will deliver our Organisational Development strategy, ensuring we plan for the structures and capabilities that the organisation needs, and empowering our workforce to deliver the objectives

PL6 - We will invest in our heritage assets for the benefit of this, and future, generations.

PR5 - We will support UCLan’s expansion, transforming Burnley into a University Town

PR6 - We will delivery our COVID-19 economic recovery plan.

PE2 - We will continue to develop the leisure and cultural offer of Burnley in partnership with Burnley Leisure.

PE4 - We will work on the wider determinants of poor health and will deliver our COVID-19 community recovery plans

Lead Responsibility : Head of Finance & Property

Risk Ref: 2 Maintaining Partnership Performance

Trigger or Cause	Possible Consquences of Risk
Procurement method	Reduced service delivery
Supply chain failure	Reduced customer satisfaction
Commissioning 'v' traditional culture	Political or reputation embarrassment
Political Change	Perceived council failure
Poor implementation	Poor co-ordination of existing providers and systems
Compliance/Legal	Poor relationships
Business continuity	Increased costs
Transformational cultural change not achieved	
Poor or weak contract management	
Partner failure or withdrawal	

Strategic Link: Cross Cutting

Residual Risk Assessement	Impact	Likelihood	Score	
	2	2	4	Medium Priority Risk

Strategic Commitments

PE1 - We will work with partners to make the borough a place of aspiration, including supporting efforts to increase education attainment and skills development.

PE2 - We will continue to develop the leisure and cultural offer of Burnley in partnership with Burnley Leisure.

PF1 - We will manage our contract with Liberata robustly, so it delivers value for money and good services.

PE3 - We will work with partners to provide necessary support systems to reduce homelessness and to end rough sleeping in the borough.

PL1 - We will implement a range of initiatives to maintain a clean, safe, attractive and environmentally friendly borough. This will include a focus on reducing dog fouling.

PL3 - We will work with partners to improve the quality and choice in the borough's housing stock.

PL4 - We will implement our 2015-25 Green Space Strategy.

PR3 - We will deliver the Town Centre and Canalside Masterplan, and strategic projects in Padiham Town Centre.

PR5 - We will support UCLan's expansion, transforming Burnley into a University Town

Lead Responsibility : Management Team

Risk Ref: 3 Damage to the Council's reputation

Trigger or Cause	Possible Consquences of Risk
Service failure	Strategic plan delivery problem
Loss of key staff	Credibility of the leadership (both political and officer)
External events	Low morale
Customer Satisfaction not maintained	Loss of key staff
Partner failure or withdrawal	Recruitment and retention issues

Strategic Link: Cross Cutting

Residual Risk Assessement	Impact	2	Likelihood	2	Score	4	Medium Priority Risk

Strategic Commitments

PF1 - We will manage our contract with Liberata robustly, so it delivers value for money and

PF2 - We will adopt a Medium Term Financial Strategy that will put the Council on a sustainable financial footing. This strategy will set the framework for preparing annual budgets, ensuring the annual budget strategy is set within the context of the longer-term outlook.

PR1 - We will contribute to the strategic direction of local, sub-regional and regional partnerships, and will position the borough for economic development investment

PL1 - We will implement a range of initiatives to maintain a clean, safe, attractive and environmentally friendly borough. This will include a focus on reducing dog fouling.

PF3 - We will develop our digital strategy, so that more residents transact with us online and we will continue to deliver services more efficiently.

PE4 - We will work on the wider determinants of poor health and will deliver our COVID-19 community recovery plans

Lead Responsibility : Chief Executive Officer

Risk Ref: 4 Changes in the political landscape

Trigger or Cause	Possible Consquences of Risk
No overall control	Lack of strategic leadership
Political instability	Poor decision making
Poor member and officer relationships	Impact on the Council’s reputation
Poor member and member relationships	Loss of influence with key partners
Local Govt Reorganisation	

Strategic Link: People Performance

Residual Risk Assessement	Impact	2	Likelihood	3	Score	6	Medium Priority Risk

Strategic Commitments

PE1 - We will work with partners to make the borough a place of aspiration, including supporting efforts to increase education attainment and skills development.

PF3 - We will develop our digital strategy, so that more residents transact with us online and we will continue to deliver services more efficiently.

PE4 - We will work on the wider determinants of poor health and will deliver our COVID-

PR4 - We will implement the Local Plan, delivering new housing, employment sites, and infrastructure.

Other Work

Council Constitution

Lead Responsibility : Chief Executive Officer

Risk Ref: 5 Changes in national policy/legislation

<u>Trigger or Cause</u>

New functions/loss of existing functions
Short term thinking
Lack of capacity
Changes from the withdrawal from the European Union
Changes from the devolution of Powers from Central Government
Interest rate changes

<u>Possible Consquences of Risk</u>

Reduced control over what you do and how you do it
Inability to respond to the new agenda and continue with on-going functions
Exclusion from new or evolving regional and sub-regional governance and operating structure
Not in a position to deliver new functions or requirements

Strategic Link: Prosperity

Residual Risk Assessement	Impact	2	Likelihood	3	Score	6	Medium Priority Risk

<u>Strategic Commitments</u>

PR1 - We will contribute to the strategic direction of local, sub-regional and regional partnerships, and will position the borough for economic development investment
PF4 - We will deliver our Organisational Development strategy, ensuring we plan for the structures and capabilities that the organisation needs, and empowering our workforce to deliver the objectives

Lead Responsibility : Management Team

Risk Ref: 6 Inability to deliver the regeneration programme

Trigger or Cause	Possible Consquences of Risk
Economic downturn (C19) Lending squeeze/Interest rate increases Procurement failure Regeneration funding priorities change Changes in funding from Central Government or as a result of the withdrawal from the European Union	Inability of private sector partners to deliver Delivery partner does not have the capacity to delivery Delays in delivery of the regeneration programme Damaged reputation Increase programme costs

Strategic Link: Prosperity People

Residual Risk Assessement	Impact	3	Likelihood	3	Score	9	High Priority Risk

Strategic Commitments

PR1 - We will contribute to the strategic direction of local, sub-regional and regional partnerships, and will position the borough for economic development investment

PR2 - We will proactively support the borough's businesses to innovate and expand, and make the borough a natural choice for business relocation

PR3 - We will deliver the Town Centre and Canalside Masterplan, and strategic projects in Padiham Town Centre.

PR4 - We will implement the Local Plan, delivering new housing, employment sites, and infrastructure.

PR5 - We will support UCLan's expansion, transforming Burnley into a University Town

PR6 - We will delivery our COVID-19 economic recovery plan.

PL3 - We will work with partners to improve the quality and choice in the borough's housing stock.

PE1 - We will work with partners to make the borough a place of aspiration, including supporting efforts to increase education attainment and skills development.

Lead Responsibility : Strategic Head of Economy and Growth

Risk Ref: 7 Inability to drive improvements through information technology

Trigger or Cause	Possible Consquences of Risk
IT partnership failure (to deliver past procurement) IT partnership procurement failure Current IT provision failure Information governance failure Cyber attack	Inability to deliver and develop services and not deliver anticipated savings and service improvement Public confidence in use of Council services through IT lowered

Strategic Link: Performance

Residual Risk Assessement	Impact	3	Likelihood	1	Score	3	Low Priority Risk

Strategic Commitments

PF1 - We will manage our contract with Liberata robustly, so it delivers value for money and

PF3 - We will develop our digital strategy, so that more residents transact with us online and we will continue to deliver services more efficiently.

Lead Responsibility : Chief Operating Officer

Risk Ref: 8 Inability to influence key decision makers

Trigger or Cause	Possible Consquences of Risk
Change of political control	Loss of external funding opportunities
Breakdown of key relationships	Reduced level of influence over key decision makers
Change of staff/key relationships	Inability to deliver through partnerships
Change in reputation for delivery	Reduced reputation of Council

Strategic Link: Cross Cutting

Residual Risk Assessement	Impact	3	Likelihood	2	Score	6	Medium Priority Risk

Strategic Commitments

PE1 - We will work with partners to make the borough a place of aspiration, including supporting efforts to increase education attainment and skills development.

PL3 - We will work with partners to improve the quality and choice in the borough's housing stock.

PR1 - We will contribute to the strategic direction of local, sub-regional and regional partnerships, and will position the borough for economic development investment

PR2 - We will proactively support the borough’s businesses to innovate and expand, and make the borough a natural choice for business relocation

PR5 - We will support UCLan’s expansion, transforming Burnley into a University Town

Lead Responsibility : Management Team

Risk Ref: 9 Risks in responding to demographic changes and increased deprivation

Trigger or Cause	Possible Consquences of Risk
Government policy	Not delivering on the regeneration programme
Economic downturn (C19)	Poor service delivery
Big ticket issues – crime, health, housing (C19)	Poor customer satisfaction
Benefit dependency (C19)	Low aspirations
Short term fixes	Damage to reputation
Negative reputation	Failure to improve
Failure to develop opportunities	Increased demand
Local Infection Increase (C19)	Increased costs
	Less funding
	Viability of Burnley

Strategic Link: Cross Cutting

Residual Risk Assessement	Impact	3	Likelihood	3	Score	9	High Priority Risk

Strategic Commitments

PE1 - We will work with partners to make the borough a place of aspiration, including supporting efforts to increase education attainment and skills development.

PE2 - We will continue to develop the leisure and cultural offer of Burnley in partnership with Burnley Leisure.

PL1 - We will implement a range of initiatives to maintain a clean, safe, attractive and environmentally friendly borough. This will include a focus on reducing dog fouling.

PL2 - We will improve the management and condition of private rented accommodation.

PL3 - We will work with partners to improve the quality and choice in the borough's housing stock.

PR1 - We will contribute to the strategic direction of local, sub-regional and regional partnerships, and will position the borough for economic development investment

PR2 - We will proactively support the borough's businesses to innovate and expand, and make the borough a natural choice for business relocation

PL3 - We will work with partners to improve the quality and choice in the borough's housing stock.

PR4 - We will implement the Local Plan, delivering new housing, employment sites, and infrastructure.

Other Work
Community Hub

Lead Responsibility : Management Team

Risk Ref: 10 Workforce, skills and capacity challenges

Trigger or Cause	Possible Consquences of Risk
Loss of the workforce	Service failure/deterioration
Loss of organisational memory	Damaged reputation
Loss of organisational skills	Increased complaints
Lack of commitment to organisational development	Low morale
Lack of investment in training	Recruitment and retention issues
Political direction change	Increased workflow
	Business resilience
	Not having the right staff with the right skills

Strategic Link: Cross Cutting

Residual Risk Assessement	Impact	2	Likelihood	3	Score	6	Medium Priority Risk

Strategic Commitments

PF1 - We will manage our contract with Liberata robustly, so it delivers value for money and

PF2 - We will adopt a Medium Term Financial Strategy that will put the Council on a sustainable financial footing. This strategy will set the framework for preparing annual budgets, ensuring the annual budget strategy is set within the context of the longer-term outlook.

PF3 - We will develop our digital strategy, so that more residents transact with us online and we will continue to deliver services more efficiently.

PL1 - We will implement a range of initiatives to maintain a clean, safe, attractive and environmentally friendly borough. This will include a focus on reducing dog fouling.

PL4 - We will implement our 2015-25 Green Space Strategy.

PF4 - We will deliver our Organisational Development strategy, ensuring we plan for the structures and capabilities that the organisation needs, and empowering our workforce to deliver the objectives of the Strategic Plan. This will include embedding hybrid working patterns where this improves

Lead Responsibility : Chief Executive Officer

Risk Ref: 11 Malicious Attack

Trigger or Cause	Possible Consquences of Risk
Public Disturbance	Death of Public / Staff
National Risk Level	Loss of Assets
Lack of Stakeholder Engagement	Major impact on Services and Community
Lack of Planning	Evacuation
Poor and delayed information and communication	Financial Cost
Event Targeting	Reputational damage
Cyber attack	

Strategic Link: Cross-Cutting

Residual Risk Assessement	Impact	3	Likelihood	1	Score	3	Low Priority Risk

Strategic Commitments

PL1 - We will implement a range of initiatives to maintain a clean, safe, attractive and environmentally friendly borough. This will include a focus on reducing dog fouling.

Other Work

Business Continuity Plans
Emergency Planning
Local Improvement of Counter Terrorism Strategy (CONTEST)
Event Planning
Community Engagement
Local Resilience Forum

Lead Responsibility : Chief Operating Officer

Risk Ref: 12 Safeguarding Failure

<u>Trigger or Cause</u>

Weak or No response to reported issues
Historic issues which are identified
Safeguarding System Failure
Failure of Background Checks
Not recognising Safeguarding Risks

<u>Possible Consquences of Risk</u>

Injury to Clients
Resources diverted to address Risks
Major impact on Services and Community
Financial Costs
Reputational Damage
Central Government Action

Strategic Link: Cross Cutting

Residual Risk Assessement	Impact	3	Likelihood	1	Score	3	Low Priority Risk

<u>Strategic Commitments</u>

PL1 - We will implement a range of initiatives to maintain a clean, safe, attractive and environmentally friendly borough. This will include a focus on reducing dog fouling.

PF4 - We will deliver our Organisational Development strategy, ensuring we plan for the structures and capabilities that the organisation needs, and empowering our workforce to deliver the objectives of the Strategic Plan. This will include embedding hybrid working patterns where this improves

Other Work

Safeguarding Policy
Open and Transparent Culture
Whistleblowing Policy
Communications
Corporate Complaints Process

Lead Responsibility : Chief Executive Officer

Risk Ref: 13 Environmental Event

Trigger or Cause
Extreme Weather
High Rainfall
Heatwave
Changing Climate
High Snowfall
Storms and Gales
Flooding

Possible Consquences of Risk
Death of Public / Staff
Loss of Assets
Major impact on Services and Community
Evacuation
Financial Cost

Strategic Link: Cross Cutting

Residual Risk Assessement	Impact	3	Likelihood	1	Score	3	Low Priority Risk

Strategic Commitments

PL5 - We will prepare and deliver a new Climate Emergency Strategy.

PL1 - We will implement a range of initiatives to maintain a clean, safe, attractive and environmentally friendly borough. This will include a focus on reducing dog fouling.

PF1 - We will manage our contract with Liberata robustly, so it delivers value for money and

PF3 - We will develop our digital strategy, so that more residents transact with us online and we will continue to deliver services more efficiently.

Other Work

Business Continuity Plans
Emergency Planning
Event Planning
Community Engagement
Local Resilience Forum

Lead Responsibility : Head of Streetscene

Risk Ref: 14 Failure to respond to a widespread illness

Trigger or Cause	Possible Consquences of Risk
Pandemic	Death of Public / Staff
Influenza	Major impact on Services and Community
SAR	Financial Cost
MERS	Event Closure
COVID	Buildings Closure
Local Infection Increase (C19)	Business and Economy failures

Strategic Link: Cross Cutting

Residual Risk Assessement	Impact	3	Likelihood	3	Score	9	High Priority Risk

Strategic Commitments

PR6 - We will delivery our COVID-19 economic recovery plan.

PE4 - We will work on the wider determinants of poor health and will deliver our COVID-19 community recovery plans

PE3 - We will work with partners to provide necessary support systems to reduce homelessness and to end rough sleeping in the borough.

Other Work
Business Continuity Plans
Emergency Planning
Community Engagement
Local Resilience Forum
Transistional/Recovery Arrangements
Test/Trace/Vacination/Cremation Services
Community Hub

Lead Responsibility : Management Team

Risk Score: 1 - 3 Low Risk; 4 - 6 - Medium Risk; 9 - High Risk

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Annual Accounts 2020/21 Arrangements

REPORT TO AUDIT AND STANDARDS COMMITTEE

DATE	24 March 2021
PORTFOLIO	Resources & Performance Management
REPORT AUTHOR	Amy Johnson
TEL NO	(01282) 477172
EMAIL	ajohnson@burnley.gov.uk

PURPOSE

1. To update the Audit and Standards Committee on the arrangements made to date and the implications of the changes required for the Council ahead of the closure of the 2020/21 accounts.
2. To seek approval for the accounting policies to be used in producing the Statement of Accounts as set out in Appendix 1.
3. To inform Members that a date will be confirmed nearer the time for a final accounts workshop for Audit and Standards Committee Members to allow officers to present the 2020/21 Statement of Accounts and explain the findings and issues.
4. To inform Members that following a recent consultation exercise MHCLG have confirmed that the deadline for completion of the draft Statement of Accounts will be extended from 31st May to 31st July and the deadline for publication of the audited Statement of Accounts will be extended from 31st July to 30th September. This will apply for both 2020/21 and 21/22 financial years.

RECOMMENDATION

5. Note the report and arrangements that the Council is making in advance of the closure of accounts for the year 2020/21.
6. Approve the proposed accounting policies to be followed in producing the Statement of Accounts as shown in Appendix 1.

REASONS FOR RECOMMENDATION

7. The Council has a statutory duty to approve the accounts for 2020/21 by the 30 September 2021.
8. To ensure that the Council complies with requirements in relation to the Statement of Accounts.
9. To explain the actions being taken to minimise the risks to the final accounts process.

SUMMARY OF KEY POINTS

10. The 2020/21 accounts are to be produced under the Code of Practice on Local Authority Accounting in the UK for 2020/21 standards and will require similar detail and analysis.

11. Following a recent consultation exercise MHCLG have announced that the deadline for completion of the draft Statement of Accounts will be extended from 31st May to 31 July and the audited Statement of Accounts from 31 July to 30 September. These deadlines are in accordance with recommendation 10 of the Redmond Review, and the change will be initially for a 2-year period – 20/21 and 21/22. The intention is for the amended deadline to be reviewed after that period when it will be clearer as to whether the audit completion rate has improved.

12. **The changes affecting this Council are:**
    - Last years' successful exercise to declutter the Statement of Accounts should be undertaken again with a view to reducing the size of the Statement.
    - The implementation of IAS 16 (Leases) has been delayed to 1st April 2022.

13. **Preparation**

    Training
    - Preparation for the closure of 2020/21 accounts is to include both formal and informal training for staff in Finance which will again include examples of how to speed up the process of closure of accounts and the production of the statement of accounts.
    - Staff have attended formal training courses by the Council's auditors' Grant Thornton and CIPFA and have taken an active role in regular discussions among peer groups across Lancashire and the North West.

    Once again this year, it is intended to give Members of the Audit and Standards Committee a training presentation to assist with their understanding of the accounts. Following discussions with the Council's Auditor, Grant Thornton LLP a date will be confirmed nearer the time.

    Planning
    - The year-end closure memorandum has been sent to Management Team, Heads of Service and various key officers of the Council and our colleagues in Liberata, giving details of the year end processes and timetable.

    Procedures & systems
    - Changes to procedures and systems which had been implemented during the previous three years will continue to be used and refined during 2020/21 closedown.

14. **Calculation of Impact**

    Updating Accounting Policies

- The accounting policies have been reviewed. There are no significant changes and there is no material financial impact of adopting the changes. Appendix 1 shows the proposed accounting policies to be adopted in closing the accounts for 2020/21.

15. **Annual Governance Statement**
    - The formal statement that recognises, records and publishes a local authority's governance arrangements. It incorporates a review of its internal controls and assurance gathered from all parts of the Council. Further details are provided in a separate report to this Audit and Standards Committee meeting for approval alongside the Statement of Accounts. There are no significant changes in the requirements for the statement.

16. **Risks**
    The risks of non-compliance with the requirement to have a "fit for purpose" statement of accounts prepared by 31 July 2021 and reported to members with an unqualified audit opinion by 30 September 2021 are (not necessarily exhaustive):

    - Failure to have assets revalued by the date shown in the timetable. To mitigate this risk, officers have completed the great majority of this work in December 2020.
    - Key staff becoming unavailable during the closure process. Planning of staff availability will help mitigate the risk but this risk will be managed should the situation arise.
    - Failure to fully identify and incorporate the requirements of the 2020 Code. This is unlikely given the few changes from the 2020 Code.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

17. None

POLICY IMPLICATIONS

18. Changes to the Council's Accounting Policies.

DETAILS OF CONSULTATION

19. None

BACKGROUND PAPERS

20. 2020 Code of Practice on Local Authority Accounting in the UK.

21. Papers and publications held in Finance.

FURTHER INFORMATION	
PLEASE CONTACT:	**Amy Johnson – Finance Manager**
ALSO:	**Howard Hamilton-Smith – Head of Finance & Property**

Accounting Policies

I. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21 (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.
- The council has adopted IFRS15 Revenue from Contracts with Customers in accordance with the Code; however, this has no material impact on the financial statements.

III. CASH AND CASH EQUIVALENTS

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

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 xx. 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 xx.

TERMINATION BENEFITS

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service 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

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

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

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

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

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

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

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

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

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

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.

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.

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Regulation of Investigatory Powers Act – Corporate Policy

REPORT TO AUDIT AND STANDARDS COMMITTEE

DATE	**24th March 2021**
PORTFOLIO	**Resources and Performance Management**
REPORT AUTHOR	**Catherine Waudby**
TEL NO	**01282 477198**
EMAIL	**cwaudby@burnley.gov.uk**

PURPOSE

1. To consider the revised Corporate Policy for Covert Surveillance and Covert Human Intelligence Sources under the Regulation of Investigatory Powers Act 2000 ("RIPA").

RECOMMENDATION

2. To consider the revised Corporate Policy.

REASONS FOR RECOMMENDATION

3. To fulfil the IPCO's recommendations to review the Policy.

SUMMARY OF KEY POINTS

4. RIPA regulates the Council's use of covert surveillance to prevent and detect criminal activity.

5. The Council's Policy for the use of Covert Surveillance and Covert Intelligence Source. was provided to the Investigatory Powers Commissioner's Office (IPCO) during the latest assessment which took place in March 2020. The report of the Investigatory Power's Commissioner made recommendations to further strengthen compliance with the legislation. These included revising the Policy to include examples of the types of matters the Council may come across and strengthening the policy in relation to the use of social media. Regular staff training on RIPA was also recommended.

6. The review of the Policy has been completed. The Policy attached to this Report has been updated to reflect changes in the organisation and generally. The section on the use of social media has been expanded to explain situations where RIPA may be engaged. The Policy also introduces the concept of a non- RIPA authorisation. This is to be used in cases where RIPA is not engaged as the activity carried out by the Council is not strictly covert because the premises have been previously warned of a visit for a test purchase or where covert surveillance is undertaken but it is not in pursuance of the investigation of a crime. The use of a non RIPA authorisation is recommended to ensure

that the Council does not breach Article 8 of the Human Rights Act 1998 – the right to respect for one's private and family life.

7. Training on the revised Policy is proposed to ensure that officers in the Council understand the obligations under RIPA and the wider circumstances where a non – RIPA type authorisation should be sought.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

8. None

POLICY IMPLICATIONS

9. None

DETAILS OF CONSULTATION

10. David Talbot, Senior Solicitor and Ian Evenett, Internal Audit Manager

BACKGROUND PAPERS

11. Letter of the Right Honourable Sir Brian Leveson, Investigatory Powers Commissioner dated 2nd April 2020.

FURTHER INFORMATION

PLEASE CONTACT: CATHERINE WAUDBY

BURNLEY BOROUGH COUNCIL

CORPORATE POLICY

FOR THE USE OF

COVERT SURVEILLANCE

AND

COVERT HUMAN INTELLIGENCE SOURCES

TO COMPLY WITH THE PROVISIONS OF THE REGULATION OF INVESTIGATORY POWERS ACT 2000

REVISED February 2021

CONTENTS

1.0 **INTRODUCTION**

1.1 This Corporate Policy is intended for use by persons involved in the use of covert surveillance or a covert human intelligence source under the Regulation of Investigatory Powers Act 2000 ("the Act"). Part II of the Act deals with surveillance and covert human intelligence sources ("CHIS"). In addition, in 2018 the Secretary of State issued revised Codes of Practice on Covert Surveillance and Property Interference and Covert Human Intelligence Sources ("the Codes of Practice") pursuant to Section 71 of the Act. The Council should have regard to the Codes of Practice when exercising its powers under Part II of the Act. This Corporate Policy is based on the Codes of Practice.

1.2 Conduct to which Part II of the Act applies is lawful for all purposes if it is conduct which is authorised under the Act and the conduct is in accordance with or pursuant to the authorisation. In addition, any officer will not be subject to any civil liability in respect of any conduct of his which is incidental to any lawful conduct. It is therefore important that any officer seeking to use powers under Part II of the Act has regard to the Codes of Practice and the contents of this Corporate Policy.

1.3 This Corporate Policy, along with the Codes of Practice published by the Secretary of State, must be readily available at Burnley Borough Council for consultation and reference. Copies of this Corporate Policy can be obtained from the Head of Legal and Democratic Services, Town Hall, Manchester Road, Burnley BB11 9SA. It is also available on the Council's intranet.

2.0 **DEFINITIONS**

The following definitions are used in this Corporate Policy.

2.1. **Directed Surveillance**

2.1.1 Part II of the Act relates to directed surveillance. Surveillance is directed surveillance if all the following are true:-

(a) It is covert but not intrusive surveillance.

(b) It is conducted for the purposes of a specific investigation or operation.

(c) It is likely to result in the obtaining of private information about a person (whether or not one specifically identified for the purposes of the investigation or operation).

(d) It is conducted otherwise than by way of an immediate response to events or circumstances the nature of which are such that it would not be reasonably practicable for an authorisation under Part II of the Act to be sought.

2.2.0 **Covert Surveillance**

2.2.1 Surveillance is covert only if it is carried out in a manner that is calculated to ensure that persons who are subject to it are unaware that it is or may be taking place.

2.3.0 **Intrusive Surveillance**

2.3.1 Intrusive surveillance is covert surveillance that is carried out in relation to anything taking place on residential premises or in any private vehicle and that involves the presence of an individual on the premises or in the vehicle, or is carried out by means of a surveillance device. A surveillance device is any apparatus designed or adapted for use in surveillance. Whether something is intrusive surveillance depends on the location of the surveillance and not to any consideration of the nature of the information that is expected to be obtained. **Local authorities are not permitted to undertake intrusive surveillance.**

2.4.0 **Private Information**

2.4.1 Private information is any information relating to a person in relation to which that person has or may have a reasonable expectation of privacy. It includes any information relating to a person's private or family life. Private information should be taken generally to include any aspect of a person's private or personal relationship with others, including family and professional or business relationships. It also includes information about any person, not just the subject of an investigation. Whilst a person may have a reduced expectation of privacy when in a public place, covert surveillance of that person's activities in public may still result in the obtaining of private information. This is likely to be the case where that person has a reasonable expectation of privacy, even though acting in public and where a record is being made by the Council of that person's activities for future consideration or analysis. Private information may include personal data such as names, telephone numbers and address details. Where such information is acquired by means of covert surveillance of a person having a reasonable expectation of privacy, a directed surveillance authorisation is appropriate.

2.5.0 **Collateral Intrusion**

2.5.1 Collateral intrusion is where there is any actual or potential infringement of the privacy of individuals who are not the subject of the investigation or operation for which surveillance authorisation is being sought. It is important that consideration is given to collateral intrusion when seeking an authorisation and appropriate measures should be taken to minimise the likelihood of collateral intrusion.

2.6.0 **Confidential Information**

2.6.1 Confidential information is defined in the Codes of Practice and consists of the following categories:

- communications subject to legal privilege;
- communications between a Member of Parliament and another person on constituency matters;

- confidential personal information;
- confidential journalistic material.

Further advice on confidential information is contained at paragraph 4.5.

2.7.0 **Residential Premises**

2.7.1 Residential premises are considered to be so much of any premises as is for the time being occupied or used by any person, however temporarily, for residential purposes or otherwise as living accommodation. However, common areas (such as a communal area in a block of flats) to which a person has access in connection with their use or occupation of the accommodation are specifically excluded from the definition of residential premises. "Premises" includes any place whatsoever, including any vehicle or movable structure whether or not occupied as land.

2.8.0 **Covert Human Intelligence Source (CHIS)**

2.8.1 A person is a CHIS if

(a) he establishes or maintains a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within paragraph (b) or (c);

(b) he covertly uses such a relationship to obtain information or to provide access to any information to another person; or

(c) he covertly discloses information obtained by the use of such a relationship or as a consequence of the existence of such a relationship.

2.8.2 A relationship is established or maintained for a covert purpose only if it is conducted in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the purpose. A relationship is used covertly and information obtained is disclosed covertly only if the relationship is used or the information is disclosed in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the use or disclosure in question.

2.9.0 **Authorising Officer**

2.9.1 An authorising officer is a person within the Council who is entitled to grant authorisations under the Act. An authorising officer must be a person who is a Director, Head of Service, Service Manager or equivalent. In addition to the Council's Chief Executive, the following are Authorising Officers for the Council:

Chief Operating Officer
Head of Legal & Democratic Services
Head of Finance & Property
Head of Housing & Development Control
Head of Streetscene

2.10.0 **Senior Responsible Officer**

2.10.1 The Senior Responsible Officer is responsible for the integrity of the Council's procedures to authorise directed surveillance or the use of a CHIS. She is also responsible for ensuring compliance with the Act and the Codes of Practice and engagement with the Commissioners and Inspectors when they conduct their inspections and where necessary overseeing the implementation of any post-inspection action plans recommended or approved by a Commissioner. The Council's Senior Responsible Officer is the Head of Legal & Democratic Services.

2.11.0 **RIPA Monitoring Officer**

2.11.1 This is an internal role performed by the Principal Legal Officer(Litigation & Regulation). This role involves maintaining policies and procedures, providing training and keeping a central record of all applications and liaising with the Office of the Surveillance Commissioner. From November 2012 the RIPA Monitoring Officer is also responsible for making application for approval of authorisations to a Justice of the Peace.

2.12.0 **Investigatory Powers Commissioner's Office (IPCO)**

2.12.1 The IPCO is the statutory body responsible for inspection and regulation of the public authorities which make use of the powers under Part II of the Act. The Council is inspected by the IPCOon a regular basis and is required to provide annual statistics to the IPCOof the Council's use of the powers under the Act.

3.0 **HUMAN RIGHTS CONSIDERATIONS**

3.1 Under Article 8 of the European Convention on Human Rights contained in Schedule 1 of the Human Rights Act 1998, the Council must respect an individual's right to respect for his private and family life, his home and his correspondence. However, this right is not absolute, and is qualified thus: -

"There shall be no interference by a public authority with the exercise of this right except such as is in accordance with the law and is necessary in a democratic society in the interests of national security, public safety or the economic well-being of the country, for the prevention of disorder or crime, for the protection of health or morals, or for the protection of the rights and freedoms of others".

3.2 Any such interference must be lawful, necessary and appropriate. The Act is one of the means by which such interference can be undertaken lawfully.

3.3 Covert surveillance or the use of a CHIS can be only be undertaken if it is necessary for one of the purposes set out in the Act. In relation to local authorities the only purpose for which covert surveillance or the use of a CHIS can be undertaken is for the purpose of preventing or detecting crime or of preventing disorder.

3.4 The officer authorising the covert surveillance or use of a CHIS must believe that the authorisation is necessary and that the conduct is proportionate to what is sought to be achieved by undertaking the authorised activity.

3.5.0 **Necessity**

3.5.1 The covert surveillance/use of a CHIS must be necessary for the purpose of preventing or detecting crime or preventing disorder. Detecting crime includes establishing by whom, for what purpose, by what means and generally in what circumstances any crime was committed, the gathering of evidence for use in any criminal proceedings and the apprehension of the person or persons by whom any crime was committed.

3.6.0 **Proportionality**

3.6.1 The authorising officer must believe that the conduct required by the authorisation is proportionate to what is sought to be achieved by undertaking the surveillance or use of a CHIS. This involves balancing the extent of the intrusiveness of the interference with an individual's right of respect for their private life against a specific benefit to the investigation or operation being undertaken by the Council in the public interest. Covert surveillance/use of a CHIS should be the most appropriate method of advancing the investigation. Consideration must also be given to any actual or potential infringement of the privacy of individuals who are not the subject of the investigation or operation. Efforts should be made to minimise the amount of collateral intrusion (see paragraph 4.3.7 – 4.3.9 and the Codes of Practice for further details). The applicant should draw attention to any circumstances that give rise to a meaningful degree of collateral intrusion.

3.7 An interference with the right to respect of individual privacy may not be justified because the adverse impact on the privacy of an individual or group of individuals is too severe. Any conduct that is excessive in the circumstances of both the interference and the aim of the investigation or operation or is in any way arbitrary will not be proportionate and should therefore be refused.

4.0 **THE AUTHORISATION PROCESS**

In response to a recommendation from the IPCO the Council has amended its authorisation process to cover situations where strictly speaking the RIPA framework does not apply, the Non – RIPA situation. Certain types of surveillance do not technically fall within the RIPA regime because they are not 'strictly' covert under the definition. One example is where premises have been forewarned that there will be a test purchase. Other cases that fall outside RIPA are those where the surveillance is covert under the definition but the surveillance is not done for the purposes of a criminal investigation. In those circumstances officers are advised to follow the Non-RIPA process referred to below to ensure that it is lawful, necessary and proportionate. This is to enable the Council to avoid a breach of Article 8 of the Human Rights Act 1998 - the right to respect for one's private and family life. Examples include employee monitoring or surveillance in connection with civil court claims. If employee monitoring is to take place Officers should follow the guidance in the Council's Investigations – Code of Practice document as well as the Employment Practices Data Protected Code issued by the Information Commissioner.

4.1 **Authorisation**

4.1.1 An authorisation must be given by an authorising officer in writing.

4.1.2 Authorising officers should not normally be responsible for authorising operations in which they are directly involved, although it is recognised that this may sometimes be unavoidable.

4.2.0 **Completion of Application Form**

4.2.1 For a RIPA authorisation the applicant should complete an application form available on the Council's intranet under Regulation of Investigatory Powers Act - Documents - All Documents (sharepoint.com) either in writing or electronically, setting out for consideration of the authorising officer the necessity and proportionality of a specific application. The application completed by the applicant must also include:

- the reasons why the authorisation is necessary in the particular case for the purpose of preventing or detecting crime or of preventing disorder;
- the nature of the surveillance;
- the identities (where known) of those to be the subject of the surveillance;
- a summary of the intelligence case and appropriate unique intelligence references where appropriate;
- an explanation of the information which it is desired to obtain as a result of the surveillance;
- the details of any potential collateral intrusion and why the intrusion is justified;
- the details of any confidential information that is likely to be obtained as a consequence of the surveillance;
- the reasons why the surveillance is considered proportionate to what it seeks to achieve;
- the level of authority required for the surveillance; and
- a subsequent record of whether the authorisation was given or refused, by whom and the time and date this happened.

A copy of the Non- RIPA authorisation is available under the Regulation of Investigatory Powers Act - Documents - All Documents (sharepoint.com)

4.3 **Necessity, Proportionality and Collateral Intrusion Considerations**

4.3.1 Applicants must consider the issues of necessity, proportionality and collateral intrusion on the application form.

4.3.2 Necessity should be a short explanation of the crime or disorder which is the subject of the proposed surveillance and why it is necessary to use the covert techniques requested. **From 1st November 2012, an authorisation can only be granted on the grounds of crime prevention or detection or prevention of disorder where the crime under investigation is one that carries a maximum term of imprisonment of at least 6 months (whether at Magistrates' Court or Crown Court) or is an offence under:**

(a) Section 146 of the Licensing Act 2003 (sale of alcohol to children);
(b) Section 147 of the Licensing Act 2003 (allowing the sale of alcohol to children);
(c) Section 147A of the Licensing Act 2003 (persistently selling alcohol to children); or
(d) Section 7 of the Children and Young Persons Act 1933 (sale of tobacco, etc, to persons under 18)

4.3.3 Although the applicant should provide facts and evidence in order to assist the authorising officer's assessment, it is not the role of the applicant to assert that it is necessary; that is the statutory responsibility of the authorising officer.

4.3.4 In the proportionality section of the application form, applicants should outline what they expect to achieve from the surveillance and explain how the level of intrusion is justified when taking into consideration the benefit the information will give to the investigation. The applicant must believe that it is proportionate to what is sought to be achieved by carrying it out. This involves balancing the seriousness of the intrusion into the privacy of the subject of the operation (or any other person who may be affected) against the need for the activity in investigative and operational terms. The authorisation will not be proportionate if it is excessive in the overall circumstances of the case. Each action authorised should bring an expected benefit to the investigation or operation and should not be disproportionate or arbitrary. The fact that a suspected offence may be serious will not of itself render intrusive actions proportionate. It will not be appropriate to use covert techniques for minor offences such as dog fouling. No activity should be considered proportionate if the information which is sought could reasonably be obtained by other less intrusive means.

4.3.5 The following elements of proportionality should therefore be considered:

- balancing the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence;
- explaining how and why the methods to be adopted will cause the least possible intrusion on the subject and others;
- considering whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the necessary result;
- evidencing as far as reasonably practicable what other methods have been considered and why they were not implemented.

4.3.6. Although the applicant should provide facts and evidence in order to assist the authorising officer's assessment, it is not the role of the applicant to assert that it is proportionate; that is the statutory responsibility of the authorising officer.

4.3.7 Collateral intrusion should also be addressed. Measures should be taken wherever practicable to avoid or minimise unnecessary intrusion into the privacy of those who are not the intended subject of the surveillance activity. Where such collateral intrusion is unavoidable, the activities may still be authorised provided the intrusion is considered proportionate to what is sought to be achieved. The same proportionality tests apply to the likelihood of collateral intrusion as to intrusion into the privacy of the intended subject of the surveillance.

4.3.8 In order to give proper consideration to collateral intrusion, and to comply with *R v Sutherland*, the authorising officer must fully understand the capabilities and sensitivity levels of technical equipment intended to be used, and where and how it is to be deployed. An application which does not assist the authorising officer in this respect should be returned for clarification.

4.3.9 Some specialist equipment extracts automatically more data than can be justified as necessary or proportionate and may give rise to collateral intrusion. The inability of technology to restrict capability should not dictate the terms of an authorisation. If data is obtained that exceeds the parameters of an authorisation, the authorising officer should immediately review it and make arrangements for its disposal.

4.3.10 Notes to assist applicants and authorising officers in completing forms are contained at Appendices 1 and 2. Further guidance on the completion of application forms and necessity and proportionality considerations is contained in the Codes of Practice.

4.3.11 The application of the legal principles of covert surveillance to particular facts is, ultimately, a matter of judgment: the extent to which judgment can be prescribed is limited; there is not a one-size-fits all catalogue of principles.

4.3.12 The authorisation should clearly demonstrate how an authorising officer has reached the conclusion that the activity is proportionate to what it seeks to achieve. An authorisation should, in particular, make clear that the following elements of proportionality have been fully considered:

(a) balancing the size and scope of the operation against the gravity and extent of the perceived mischief;

(b) explaining how and why the methods to be adopted will cause the least possible intrusion on the target and others;

(c) that the activity is an appropriate use of the legislation and the only reasonable way, having considered all others, of obtaining the necessary result; and

(d) providing evidence of other methods considered and why they were not implemented.

4.4 Demonstrating Satisfaction with the Intelligence on which an application is made

4.4.1 To assist an authorising to reach a proper judgment, the provenance of the data, information or intelligence on which the application has been made should be clear. Particular care should be taken when using data or information obtained from open or unevaluated sources such as the internet or social networks.

4.5 Confidential Information

4.5.1 The Codes of Practice require particular care to be taken in cases where the subject of the investigation or operation is likely to result in the obtaining of confidential information. Any application where confidential information is likely to be obtained can only be authorised by the Chief Executive. Where such material has been acquired and retained, the matter should be reported to the relevant Commissioner or Inspector during his next inspection. The following categories of information are regarded as confidential information.

4.5.2 **Matters Subject to Legal Privilege**

This means information such as confidential written/oral communications between a professional legal adviser and his client or any person representing his client in connection with the giving of legal advice to the client and in connection with or contemplation of and for the purpose of legal proceedings. "Professional legal advisor" would not normally apply to a Trade Union representative but would normally apply to a Barrister, Solicitor, Legal Executive or Solicitor's Clerk. An application for surveillance likely to result in the acquisition of legally privileged information should only be made in exceptional and compelling circumstances. Further guidance on authorisations in respect of legally privileged information is contained in the Codes of Practice.

4.5.3 **Communications between a Member of Parliament and Another Person on Constituency Matters**

This means information relating to communications between a Member of Parliament and a constituent in respect of constituency matters. A Member of Parliament includes Members of both Houses of Parliament, the European Parliament, the Scottish Parliament, the Welsh Assembly and the Northern Ireland Assembly. Such information is held in confidence if it is held subject to an express or implied undertaking to hold it in confidence or it is subject to a restriction on disclosure or an obligation of confidentiality contained in existing legislation.

4.5.4 **Confidential Personal Information**

This means information held in confidence relating to the physical or mental health or spiritual counselling of a person (whether living or dead) who can be identified from it. Spiritual counselling means conversations between a person and a religious authority acting in an official capacity, where the individual being counselled is seeking or the religious authority is imparting forgiveness, absolution or the resolution of conscience in accordance with their faith. Such information is held in confidence if it is held subject to an express or implied undertaking to hold it in confidence or it is subject to a restriction on disclosure or an obligation of confidentiality contained in existing legislation.

4.5.5 **Confidential Journalistic Material**

This includes material acquired or created for the purposes of journalism and held subject to an undertaking to hold it in confidence, as well as communications resulting in information being acquired for the purposes of journalism and held subject to such an undertaking.

4.6 **Judicial Approval of Authorisations**

4.6.1 **An authorisation is not to take effect until such time (if any) as a justice of the peace has made an order approving the grant of the authorisation.**

4.6.2 All applications for approval under paragraph 4.6.1 must be made by submitting the application for authorisation and the authorisation forthwith to the RIPA Monitoring Officer who shall make arrangements to obtain an order approving the authorisation by a justice of the peace as soon as practicable.

4.6.3 In no circumstances must any activity authorised by an authorisation be carried out unless and until the RIPA Monitoring Officer has confirmed that an order approving the authorisation has been granted by a justice of the peace.

5.0 **REVIEWS OF AUTHORISATIONS**

5.1 Authorisations for Directed Surveillance and CHIS last for three months and twelve months respectively from the date on which they are granted by the authorising officer. Authorisations should be subject to a monthly review to assess the need for the surveillance to continue. The review date should be noted on the application form by the authorising officer. Reviews should normally be carried out by the authorising officer who granted the authorisation but if he or she is unavailable, the review can be conducted by another authorising officer.

5.2 Any proposed or unforeseen changes to the nature or extent of the surveillance operation that may result in further or greater intrusion into the private life of any person should be brought to the attention of the authorising officer by means of a review. The authorising officer should then consider whether the proposed changes are proportionate (bearing in mind any extra intrusion into privacy or collateral intrusion) before approving or rejecting them. Any such changes must be highlighted at the next renewal if the authorisation is to be renewed. During a review, the authorising officer may amend specific aspects of the authorisation e.g. to cease surveillance of a particular suspect.

5.3 Except in complex cases where it is foreseen that additional tactics may be required as the operation develops, reviews and renewals should not broaden the scope of the investigation but can reduce its terms. Where other subjects may unexpectedly come under surveillance, and providing it is justified by intelligence, authorisations can anticipate it by using words such as "suspected of", "believed to be" or "this authorisation is intended to include conversations between any and all of the subjects of this investigation, including those whose identities are not yet known but are believed to be involved in the "criminality". When the identities of other criminal associates and vehicle details become known, they should be identified at review and in the renewal authorisation, so long as this is consistent with the terms of the original authorisation. Otherwise, fresh authorisations are required.

5.4 When an authorisation includes a phrase such as "…other criminal associates…" a review or renewal can only include those associates who are acting in concert with a named subject within the authorisation (a direct associate) and who are believed to be engaged in a crime. It does not enable "associates of associates" to be included, for whom a fresh authorisation is required.

5.5 It is acceptable to authorise surveillance against a group or entity involving more than one individual (for example an organised criminal group where only some identities are known) providing that it is possible to link the individual to the common criminal purpose being investigated. It is essential to make explicit the reasons why it is necessary and proportionate to include persons, vehicles or other details that are unknown at the time of authorisation but once identified they should be added at review. The authorising officers should set parameters to limit surveillance and use review to avoid “mission creep”.

6.0 RENEWAL OF AUTHORISATIONS

6.1 As mentioned in paragraph 5.1, authorisations last for three months. However, before they cease to have effect, authorisations can be renewed for a further period of three months, using the renewal form available on the intranet. An application for renewal should not be made until shortly before the authorisation period is drawing to an end. Authorisations should be renewed by the officer who granted the original authorisation but in his or her absence any authorising officer may authorise a renewal. The authorising officer for the renewal must consider it necessary for the authorisation to continue for the purpose for which it was given. The renewals last for three months and take effect on the day the existing authorisation would have expired. Authorisations can be renewed more than once provided they continue to meet the criteria for authorisation.

6.2 All applications for the renewal of an authorisation should record:

- whether this is the first renewal or every occasion on which the authorisation has been renewed previously
- any significant changes to the information in the initial application
- the reasons why the authorisation for directed surveillance should continue
- the content and value to the investigation or operation of the information so far obtained by the surveillance
- the results of regular reviews of the investigation or operation

6.2.1 A renewal of an authorisation is not to take effect until such time (if any) as a justice of the peace has made an order approving the grant of the renewal.

6.2.2 All applications for approval under paragraph 6.2.1 must be made by submitting the application for renewal forthwith to the RIPA Monitoring Officer who shall make arrangements to obtain an order approving the renewal by a justice of the peace as soon as practicable.

6.2.3 In no circumstances must any activity authorised by an authorisation be carried out after the expiry of 3 months following the initial authorisation unless and until the RIPA Monitoring Officer has confirmed that an order approving the renewal of the authorising has been granted by a justice of the peace.

7.0 CANCELLATION OF AUTHORISATIONS

7.1 An authorisation must be cancelled by an authorising officer if he is satisfied that the directed surveillance as a whole no longer meets the criteria upon which it was authorised. The authorising officer must complete a cancellation form which is available on the intranet. If the original authorising officer is no longer available, the cancellation can be performed by another authorising officer. As soon as the decision is taken that the directed surveillance should be discontinued, the instruction must be given to all those involved to stop all surveillance of the subject.

8.0 SURVEILLANCE OF COUNCIL EMPLOYEES

8.1 Following the decision of the Investigatory Powers Tribunal in the case of *C v The Police and the Secretary of State for the Home Office – IPT/03/32/H* dated 14 November 2006, Councils may only engage the Act when in performance of their "core functions". These are the specific public functions undertaken by local authorities e.g. dealing with fly tipping, in contrast to the ordinary functions which are undertaken by all authorities e.g. employment issues, contractual arrangements, etc. The disciplining of an employee is not a core function, although related criminal investigations may be. The protection of the Act may therefore be available in relation to associated criminal investigations so long as the activity is deemed to be necessary and proportionate.

8.2 Surveillance which falls outside the Act should be dealt with in accordance with Data Protection legislation and the Employment Practices Code issued by the Information Commissioner's Office. Regard should also be had to the Council's Investigations Code of Practice document. Use of the Non- RIPA process should be considered. For further guidance on this matter you should refer to the Council's Legal Department

9.0 MAINTENANCE OF RECORDS

9.1 The RIPA Monitoring Officer maintains a central record of applications. The original of all application, review, renewal and cancellation forms should be forwarded to the RIPA Monitoring Officer for inclusion on the central record. The forms should be sent in sealed envelopes to protect confidentiality. All these records are made available for inspection by the IPCO.

9.2 Copies of all forms should be kept for a period of three years after the conclusion of any court proceedings the authorisations related to or until the next visit by the IPCO, whichever is the later.

10.0 CORRECTIVE ACTION FORMS

10.1 The RIPA Monitoring Officer will review all completed applications, review, renewal and cancellation forms when they are received by her and where necessary she will send a corrective action form to the authorising officer for completion. This will highlight errors on the completed application, review, renewal or cancellation form and notify him of action for future reference. If an authorising officer receives a corrective action form, it is his/her responsibility to consider the issues notified and respond to the RIPA Monitoring Officer with regard to remedial action to prevent recurrence of the problem highlighted on the form.

11.0 AUTHORISATION OF A CHIS

11.1 There must be arrangements in place for ensuring that at all times a designated Council Officer has responsibility for maintaining a record of the use made of the CHIS and that records that disclose the identity of the CHIS will only be disclosed to persons who have a need for access to them.

11.2 Arrangements must also be in place for ensuring that at all times a designated Council officer has day to day responsibility for dealing with the CHIS on behalf of the Council and the CHIS's security and welfare. This officer will be known as a handler and will usually be of a rank or position below that of the authorising officer. The handler will have day to day responsibility for:

- dealing with the CHIS on behalf of the Council
- directing the day to day activities of the CHIS
- recording the information supplied by the CHIS
- monitoring the CHIS's security and welfare

11.3 At all times another designated Council officer must have general oversight of the use made of the CHIS. This officer will be known as the controller and will normally be responsible for the management and supervision of the handler and general oversight of the use of the CHIS.

11.4 The authorisation of a CHIS lasts for 12 months, but should be subject to monthly review by an authorising officer.

11.5 Burnley Borough Council does not generally use a CHIS and any request to do so should be referred to the RIPA Monitoring Officer in the first instance for guidance and advice. Further guidance is contained in the relevant Code of Practice.

12.0 THE USE OF EXTERNAL PARTNERS

12.1 When a person who is not an employee of the Council is authorised to conduct covert surveillance, he is an agent of the Council. This applies to private contractors or members of another public authority. It is unwise to assume competence and, where there is doubt, an authorising officer should check it and record that he has done so. It is wise, if no collaboration agreement exists, to obtain written acknowledgment that they are an agent of the Council and will comply with the authorisation.

13.0 THE USE OF THE INTERNET AND SOCIAL MEDIASITES

13.1 ~~Viewing of open source material does not require authorisation unless and until it is repeated or systematic, at which stage directed surveillance authorisation should be considered.~~

~~13.2 Passing an 'access control' so as to look deeper into the site, for example by making a "friend request", requires at least directed surveillance authorisation. If the investigator is to go further and pursue enquiries within the site, thereby establishing a relationship with the site host in the guise of a member of the public, this requires CHIS authorisation.~~

13.1 It should not be assumed that all monitoring of open social media sites are automatically immune from the need for an authorisation of some sort whether RIPA applies or not. See Section 14 below for the 'Non RIPA' process to apply in cases where RIPA does not apply. Use of open media, in circumstances where there is a reasonable expectation of privacy, is likely to require an authorisation, particularly if the monitoring is intensive or for a prolonged period of time i.e. more than a week or so. The creation of fake or anonymous websites for investigation purposes is likely to require an authorisation. Entry onto chat rooms or closed groups for investigatory purposes is also likely to require authorisation unless the officer identifies himself as working for the Council and is carrying out surveillance. Use of a 3rd party's identity requires both an authorisation and express written permission from that person. Whilst overt working in this way might avoid the need for a surveillance authorisation officers should be aware that a CHIS situation could inadvertently arise. It is expected that social media sites will generate significant amounts of sensitive information. Sensitive material that is not relevant to an investigation should be quickly and safely disposed of. Any interaction between an investigator and the public via social media could inadvertently give rise to a CHIS situation. Investigators should generally avoid interaction whilst monitoring social media sites and take advice should any uncertainty arise. The use of internet and social media may require a RIPA Authorisation in the following circumstances:

13.2 Any Communications which are made with 3rd parties for the purpose of gathering evidence or intelligence about an offence in circumstances where the third party is not aware that the officer is working for the Council and that he is carrying out surveillance.

13.3 Accessing private pages of social media for the purpose of gathering evidence or intelligence about an offence or other matter subject to potential litigation.

13.4 Communication between an officer and a 3rd party for the purpose of using that person to gather evidence or intelligence about a suspect. This could be relevant in complaints against members under the Code of Conduct which include postings on social media.

13.5. Intensive monitoring of a suspect using social media over a sustained period of time particularly when this is used in connection with other methods of investigation.

13.6 Creation of a false personae or use of a third party's identity for investigation purposes.

13.7 Any direct interaction in any forum – open or closed – in which an officer seeks to elicit information, if they are not explicit that they are working for the Council and carrying out surveillance.

13.8 Repeated entry to social media sites and copying material for the purpose of an investigation is likely to engage the RIPA regime. As a rule of thumb access to Facebook and other social media sites should be made via the Council's Facebook account as opposed to a private account. If there is any doubt the officer who is conducting this activity is advised to take legal advice.

14. NON-RIPA AUTHORISATIONS

14.1 There are some types of surveillance which require Non-RIPA authorisations where the circumstances fall outside of RIPA either because the activity falls short of the technical definition of 'covert' or because the surveillance is covert but is not done for the purposes of prevention or detection of crime.

14.2 If the activity is not covered by RIPA it means that it is not possible to take advantage of the extra legal protection RIPA offers against being in breach of the Human Rights Act notably Article 8 and such activity is still a risk.

14.3 Therefore it is best practice to apply the principles in Article 8 by showing that you can justify the action in law and confirm its necessity and proportionality. This enables you to state that the public interest in undertaking the action outweighs the public interest in maintaining the right to privacy that the activity will intrude upon.

14.4 The best way to show that you have done this is to go through a very similar authorisation process known as 'Non RIPA' Process.

Where the Surveillance is Not Covert

14.5 The Non RIPA process should be used in cases where the surveillance is not 'covert' but would otherwise be subject to the RIPA authorisation requirements. The definition of covert see paragraph 2.2.1 in the definitions section and repeated here for ease of reference is:- 'Surveillance is covert if and only if it is carried out in a manner that is calculated to ensure that the persons who are subject to the surveillance are unaware that it is or may be taking place'.

14.6 For example, in relation to underage sales – if the premises being targeted for surveillance and test purchases (e.g. because they have been complained about or have poor records for compliance) have been warned by a letter that within a specified period of time – e.g. for the next 3 months, they are likely to be visited by a mystery shopper who is under-age and doing an observed test purchase (by hidden camera or officer whichever may be specified), this means that they are forewarned. Therefore the local authority is entitled to treat it as 'overt' and not to need an authorisation under RIPA. However, to be entirely sure that the process will be upheld to be lawful, the Non RIPA forms must be completed and Non RIPA authorisation obtained. This could apply in other situations where the investigating officer and ultimately the Authorising Officer believes that there is a high likelihood that private information or even sensitive private or personal data is being gathered whether collaterally or directly. (See the definition of 'covert' at paragraph 2.2.1 to enable you to decide whether any given situation falls outside the definition of 'covert'.)

14.7 When an investigating officer is faced with deciding whether or not to obtain any kind of authorisation in a situation involving surveillance of an individual whether it is by investigative observation techniques or simply online or using social media, and is in doubt as to what action to take, he/she ought to seek advice from an Authorising Officer or the Legal department.

14.8 The completion of the application form will ensure that the investigating officer follows the correct decision-making process and considers the right criteria prior to taking the action. It will mitigate the risk of a breach of Article 8 human right to respect for his private and family life.

14.9 The form is very similar to the RIPA form and a copy is attached at Appendix 3 to this Policy.

14.10 The same process relating to who should be an authorising officer will apply. RIPA or Non RIPA process for Social media.

14.11 Very often the access to social media considered to be ‘open source’ will require a Non RIPA approval in cases where the statutory requirements of RIPA do not apply. See section 13. Usually this is because it falls outside the definition of ‘covert’. See paragraph 14.5 above. However, where a sustained course of observations take place this is questionable and a RIPA authorisation will be required.

14.12 The IPCO view is that the fact that it is ‘open source’ does not mean that the individual’s public information is ‘fair game’ and can be accessed, read and recorded on a file as a matter of course. If you will not be informing that person that you are observing them or conducting a surveillance operation, they will be ‘unaware that it is taking place’ and it is ‘calculated to ensure’ that the person is so unaware. So actually you need to analyse what the activity is and decide whether it should fall within the RIPA regime or not.

14.13 It is necessary to consider the subject/target’s reasonable expectations of privacy from their point of view. It is reasonable to expect people to take a passing interest in what they publish for different reasons. So an individual could be aware that they can be seen publicly but not that observations for a specific investigation over a period of time are taking place. So as a general rule of thumb it is reasonable to expect that if the observations are being carried on over a period over four weeks or more a RIPA form will be needed as then it would cease to be overt in the true spirit of the definition whether it is public or not.

14.14 Non –RIPA forms are likely to be required if the proposed activity does not fall within RIPA but can be considered to be likely to breach a person’s right to respect for his private and family life. So if you are going to spend over three weeks googling or otherwise monitoring a person’s name on various dates during that time then that should trigger a Non- RIPA form at the very least. It may depend upon how many hits you may click on during those weeks and the type of information uncovered. Consider whether what you are seeing really is intended to be ‘open source’ even if you do find it on an open source site.

Scenario.

Consider the type of social media and internet surveillance you are doing. One example is a simple company director search. You can find the name and address of the Director online to find out if they are the Director of a company that you have had complaints about and consider may be committing consumer offences. Once you have that name you may google it – and receive a list of ‘hits’. From just looking at the list of those hits you may already have enough information to go and interview the person under PACE for example. So at that point you may stop and asses and decide that no further clicking and opening of sites is necessary. At that stage you have not interfered with anyone's privacy so apart from your own file notes as to what you accessed and why there are no privacy implications. If you then go on to click on all the hits and find out more information that is the point at which you need to decide whether or not you need a non-RIPA Authorisation form.

14.15 Investigating officers should use a process of monitoring what they do on social media right from the start of any investigation. This will assist them with the process of deciding whether or not they will need to complete a RIPA or Non RIPA form. It should be noted that during a Non RIPA process it may become apparent that directed surveillance is likely to take place and a fresh RIPA form should then be completed.

14.16. Investigating Officers should as soon as they are tasked with any type of online investigation, complete an internal log for their own use initially on which they record the following:- – Reason/justification for the viewing; – Assessment of the likelihood of accessing private information about individuals whether they are the target or other individuals; – Date of viewing – Pages viewed – Pages saved and where saved to – Private information gathered i.e. any information about an individual's private and family life. see Section 13 headed The use of the internet and Social Media.

14.17 At that stage the investigating officer can then review the log and decide whether more investigation is required and whether it will be likely to intrude into someone's private life requiring a Non RIPA form or a full directed surveillance operation. It is a matter of fact and degree. It is impossible to guess what such investigations may amount to as each case has its own very particular merits. If in doubt seek legal advice. **APPENDIX 1**

NOTES FOR APPLICANTS

Officers seeking an authorisation to undertake directed surveillance should:

1. Familiarise themselves with the Act and read the Council's Corporate Policy and the Home Office Code of Practice on Covert Surveillance and Property Interference. The Council's Corporate Policy and the Home Office Code of Practice can be accessed via the Council's intranet site by entering 'RIPA' into the search facility.

2. Obtain the appropriate forms from the Council's intranet site on each and every occasion. Do not alter the forms**.** There are separate forms for directed surveillance and covert human intelligence sources.

3. Obtain a unique reference number for use on applications etc relating to a particular investigation from the RIPA Monitoring Officer.

4. Complete, sign and date the relevant form (application, review, renewal or cancellation) and submit to an authorising officer for authorisation. Details of the Council's authorising officers are available on the Council's intranet site.

5. When the applicant receives an authorisation, he should keep a copy and ensure the original signed authorisation is sent to the Council's RIPA Monitoring Officer.

6. Authorisations run from the date and time they are given and not from the commencement of the surveillance.

7. No surveillance should be commenced unless and until the RIPA Monitoring Officer has confirmed that a justice of the peace has made an order approving the authorisation.

8. Authorisations always last for 3 months e.g. an authorisation granted on 29th April expires on 28th July. If the applicant only expects to undertake surveillance over a few days or weeks, he should ensure that a cancellation form is completed as soon as the surveillance has ended, rather than waiting until the end of the 3 month authorisation period to expire.

9. Ensure that review forms are completed and authorised by an authorising officer every month while the authorisation remains in force.

10. If authorisation of the surveillance is needed beyond the expiry date given on the form (which will be 3 months from the date of authorisation), the applicant should be aware of the authorising officer's need to complete a renewal form and put this into place before the end of the authorised period.

11. A renewal form should not be completed by the applicant until shortly before the existing authorisation period is due to expire. A copy of the signed renewal form should be retained by the applicant and the original signed form should be sent to the Council's RIPA Monitoring Officer.

12. If the surveillance is no longer needed the applicant should immediately complete a cancellation form which should be signed by an authorising officer. A copy of this form should be retained by the applicant and the original signed form should be sent to the Council's RIPA Monitoring Officer.

13. If the surveillance has been carried out in accordance with a written authorisation, i.e. if the paperwork is in order, the surveillance is lawful for all purposes.

APPENDIX 2

NOTES FOR AUTHORISING OFFICERS

Authorising Officers should:

1. Familiarise themselves with the Act and read the Council's Corporate Policy and the Home Office Code of Practice on Covert Surveillance and Property Interference. The Council's Corporate Policy and the Home Office Code of Practice can be accessed via the Council's intranet site by entering 'RIPA' into the search facility.

2. Read and carefully assess all applications for the use of surveillance (and renewals if the surveillance is expected to go on for longer than the statutory 3 months).

3. Ensure that a unique reference number given by the RIPA Monitoring Officer appears in the box at the top of the form.

4. Authorising officers should not be responsible for authorising investigations or operations in which they are directly involved, although it is recognised that this may sometimes be unavoidable, especially where it is necessary to act urgently. Where an authorising officer authorises such an investigation or operation, the central record of authorisations should record this and the attention of a Commissioner or Inspector should be invited to it during his next inspection.

5. Authorising officers should grant an authorisation only if it is necessary for the purpose of preventing or detecting crime or of preventing disorder and it is proportionate, bearing in mind the risks of collateral intrusion and the obtaining of confidential material.

6. When completing an authorisation, authorising officers must ensure that they put onto the authorisation where indicated, details of the activity and activity they are authorising in order that those conducting the surveillance are clear on what has been sanctioned at each stage in the authorisation process. Whilst it is not always possible, at the outset of an investigation, to foresee how it will progress, this should not provide a reason for applicants to request a wide number of tactics just in case they are needed later.

7. Authorising officers must enter monthly review dates on any application or renewal form they are asked to authorise.

8. All application, review, renewal or cancellation forms should be signed, dated and timed by the authorising officer e.g. 29th April 2010 at 15.00.

9. Authorisations run from the date and time they are given and not from the commencement of the surveillance.

10. Authorisations always last for 3 months. Authorising officers must enter a cancellation date and time (which should be 23.59) on the application form e.g. an authorisation granted on 29th April expires on 28th July at 23.59.

11. Authorising officers should keep a note in their diary of the date upon which the authorisation was granted and a date no later than one month ahead for a review to be carried out.

12. Authorising officers must complete a review form a month after the granting of authorisation or (if required) complete the form to comply with an earlier review date of his /her own choosing. Some Service Units may wish to review authorisations after one or two weeks depending on the expected length of the particular investigation. However reviews should not be left for longer than a month.

13. Review, renewal and cancellation forms should be authorised by the authorising officer who granted the original authorisation. If for whatever reason the original authorising officer is not available, any authorising officer can sign the review, renewal or cancellation form.

14. A renewal form must be completed if the surveillance is to continue beyond the date given on the application form for the surveillance to end. Authorising officers should check the original application form if they are unsure. A renewal form must be completed before the expiry date on the application form so as to leave no gaps. If a gap is found to have been left between expiry of the authorisation and renewal, a renewal form cannot be used and a new application form must be completed immediately. Note that any surveillance activity carried out during the gap between authorisations is not covered under the Act. Officers should be prepared for an argument in court about a breach of Article 8 of the European Convention on Human Rights should they decide they must still use the evidence.

15. A renewal form should not be authorised until shortly before the existing authorisation period is due to expire. The renewal form should be dated and timed by the authorising officer from midnight on the day the previous authorisation expires e.g. 00.00 on 28th July.

16. A cancellation form must be completed as soon as the surveillance is no longer necessary or proportionate, and at any rate before the expiry of the authorisation, which could be anytime before the expiry of 3 months from the date of authorisation. Authorising officers should check the expiry date given on the form. The applicant will normally ask for the cancellation but if he does not and the authorising officer thinks it should be cancelled he/she must do so immediately. The date and time of the cancellation must be recorded on the form by the authorising officer.

17. Authorising officers should send the original signed application, review, renewal or cancellation forms to the RIPA Monitoring Officer in a sealed envelope and provide the applicant with a copy

18. If the RIPA Monitoring Officer issues a corrective action form highlighting issues on an application, review, renewal or cancellation form, it is the responsibility of the authorising officer to communicate these to the applicant, or consider his or her own part in the issues, and put in place measures to ensure that these are not repeated. The corrective action form should be returned to the Monitoring Officer with appropriate action/comments recorded by the authorising officer.

19. Authorising officers should be aware that their action in completing these forms could come under judicial scrutiny in the event of a dispute and that they may find themselves giving evidence in Court and/or being cross-examined about one of their authorisations or the Council's systems and procedures.

20. If you cease to be an authorising officer, then the RIPA Monitoring Officer should be informed. Each new appointment of an authorising officer needs to be communicated to the RIPA Monitoring Officer.

Unique Reference Number	

NON-RIPA Authorisation Form

Application for Authorisation to conduct Covert Surveillance not regulated by RIPA

Sample Form with Notes to Assist Completion

This form should be completed by an officer of the Council seeking authorisation to carry out surveillance which **does not** fall within the definition of Directed Surveillance in section 28 of the Regulation of Investigatory Powers Act 2000 (RIPA). This could include surveillance where the target is doing something which is not a criminal offence (or which does not carry a term of imprisonment of six months or more), misusing the work email/internet system or breaching a legal agreement (e.g. tenancy agreement) or overt surveillance such as in noise nuisance cases with a MATRON or other equipment where the subject has been warned that the surveillance could take place.

Before completing this form, please consult the Council's Corporate Policy, the Home Office Codes of Practice, and the Guidance by the Investigatory Powers Commissioners Office (IPCO.) Please use this form and after reading the notes please delete them and replace with the correct details as required.

Once completed this form should be forwarded to your manager to complete box 11 onwards.

Public Authority *(including full address)*	Burnley Borough Council Town Hall, Manchester Road, Burnley, BB11 1JA		
Name of Applicant		**Service Unit**	
Full Address			
Contact Details			
Investigation/Operation Name (if applicable)			
Investigating Officer (if a person other than the applicant)			

DETAILS OF APPLICATION

1. Give rank or position of the authorising officer

2. Describe the purpose of the specific operation or investigation

Explain what is being investigated. For example:

- Misuse of email/internet
- An employee “fiddling” his/her timesheet
- Breach of a tenancy agreement
- To obtain evidence to justify the service of a noise abatement notice where private information could be obtained.
  If possible, include the relevant legislation that which gives you the power/duty to investigate the matter and to take action.

3. Describe in detail the surveillance operation to be authorised and expected duration, including any premises, vehicles or equipment (e.g. camera, binoculars, and recorded) that may be used.

The key phrase is “in detail.” Therefore, a response which merely states “Video camera and recording equipment will be installed a at a fixed point” will not be adequate.

Your statement here needs to include what is going to be done, who is going to do it, when they are going to do it, where they are going to do it and how they are going to do it. Other points to address here include:

- How long will the surveillance last?
- Specific details about dates and times i.e. is it 24/7, at specific times of the day or at random times?
- Which premises are to be used and/or targeted?
- Which vehicles are to be used? Are they public or private?
- What type of equipment is to be used? e.g. covert cameras, audio devices
- What is the capability of the equipment to be used? e.g. zoom lense, remote controlled etc.
- Who else will be involved in the operation and what will be their role? e.g. private detectives, police

It may be appropriate to attach plans/maps showing where and how the surveillance will be conducted and indicating where any surveillance equipment will be installed.

4. The identities, where known, of those to be subject of the directed surveillance.

- Name:
- Address:
- DOB:
- Other information as appropriate:

Include as much information as you have. If you do not know the identity of the target(s) then say so. You could include a general description of the targets.

5. Explain the information that it is desired to obtain as a result of the directed surveillance.

Your statement here should be more detailed than in Box 2. You should give details of the precise information sought by those doing the surveillance. For example:

- "To ascertain what time the employee enters and leaves the office."
- "To find out what websites the employee has been visiting and what images have been downloaded."

6. Has any warning/notice been served on the target? If not, explain why this surveillance needs to be covert

The warning could be general one (e.g. signs/published policy) or it could be more specific (e.g. letter).

Explain any overt methods e.g. direct contact with the perpetrator or evidence from witnesses you have tried to obtain the evidence/information or why they are not appropriate.

Explain the consequences of the target finding out about this surveillance or if a warning had been given what are the chances of private information being obtained.

7. Explain why this surveillance is necessary

Include in this box details of:

- Why surveillance is needed to obtain the information/evidence that is sought
- Any other means you have tried (not involving surveillance) to obtain the same information/evidence
- Any other evidence/information you have to link the target with the offender which requires corroboration through surveillance.

8. Supply details of any potential collateral intrusion and why the intrusion is unavoidable. Describe precautions you will take to minimise collateral intrusion.

When doing surveillance, you may be invading the privacy of those who are not your target. You are required to think about their rights and what you can do to minimise the impact on them of your surveillance. People who may be the subject of collateral intrusion include:

- fellow employees
- visitors to a property
- friends or relatives of the suspect

When completing this section, three matters should be addressed:

Firstly, identify which third parties will be the subject of collateral intrusion and what that intrusion will be i.e., what information will be captured about them?

Secondly, state why this is unavoidable. This could be because of the nature of the premises (e.g., a restaurant) or because of what the person is doing (e.g. visiting the subject/target premises). In some cases there will always be third parties around who will be captured on film or whose activities will be recorded/observed in some way.

Thirdly, set out what steps you have taken to minimise collateral intrusion if this is possible.

If you cannot minimise collateral intrusion you still need to show you have considered it. In some situations, all you may be able to state is that you cannot do anything to minimise collateral intrusion but you will not be making any decisions based upon the information gathered about third parties unless it shows them committing a criminal offence. Furthermore, you will ensure that officers who do the surveillance or view any recordings are mindful of who the real target of the surveillance is.

9. Explain why this surveillance is proportionate to what it seeks to achieve. How intrusive might it be on the subject of surveillance or on others? And why is this intrusion outweighed by the need for surveillance in operational terms or can the evidence be obtained by any other means?

The RIPA Covert Surveillance Home Office Code of Practice contains detailed guidance on proportionality:

“4.5 This involves balancing the seriousness of the intrusion into the privacy of the subject of the operation (or any other person who might be affected) against the need for the activity in investigative and operational terms.”

“ 4.6 The authorisation or warrant will not be proportionate if it is excessive in the overall circumstances of the case. Each action authorised should bring an expected benefit to the investigation or operation and should not be disproportionate or arbitrary. The fact that a suspected offence may be serious will not alone render intrusive actions proportionate. Similarly, an offence may be so minor that any deployment of covert techniques would be disproportionate. No activity should be considered proportionate if the information which is sought could reasonably be obtained by other less intrusive means.”

Here you demonstrate that you have:

- balanced the size and scope of the proposed activity against the gravity and extent of the perceived crime or harm;
- explained how and why the methods to be adopted will cause the least possible intrusion on the subject and others;
- considered whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the information sought;
- evidenced, as far as reasonably practicable, what other methods had been considered and why they were not implemented or have been implemented unsuccessfully.

In order to comply with the above you need to address the following questions:

- Can you get information using less intrusive means/overt methods?
- What other means have you tried to obtain the same information/evidence?
- What have you done to try and lessen the impact on the target? Factors to address include:
  - Amount of information to be gathered during surveillance
  - The way the surveillance is done e.g. using still cameras rather than video to capture less information or using one camera rather than two.
  - Impact of the surveillance on the subject
  - Timing of the surveillance

At the same time, the above must be balanced with the need for the activity in operational terms. To demonstrate this balance you should address:

- What you are seeking to achieve?
- Seriousness and extent of the offence
- Impact of the offence on the victims, others/wider community and on the public purse

For more guidance on proportionality see chapter 4 of the RIPA Covert Surveillance and Property Code of Practice issued by the Home Office and the Employment Practices Data Protection Code issued by the Information Commissioner (Part 3).

10. Applicant’s Details			
Name (print)		**Telephone no.**	
Grade/Rank		**Date**	

Signature	

11. Authorising Officer's Statement. [Spell out the "5 Ws" – Who; What; Where; When; Why and HOW– in this and the following box.]

I hereby authorise directed surveillance defined as follows: *[Why is the surveillance necessary, Who is the surveillance directed against, Where and When will it take place, What surveillance activity/equipment is sanctioned, How is it to be achieved?]*

This section is for the Authorising Officer to complete. Ensure that you are satisfied that any covert monitoring is strictly targeted at obtaining evidence within a set timeframe and that it does not continue after the investigation is complete. Sufficient detail must be included here to demonstrate that you, as the Authorising Officer, have considered the application objectively. Reference can be made to the boxes completed by the Investigating Officer above but "cut and paste" should be avoided. The five "Ws" stated above must be addressed in detail. This is important so that the Investigating Officers are clear as to what they can and cannot do and the means they can adopt. You should not be afraid to reject the application if it lacks clarity or detail.

12. Explain why you believe the surveillance is necessary. Explain why you believe the surveillance to be proportionate to what is sought to be achieved by carrying it out.

You should satisfy yourself that there are grounds for suspecting criminal activity or equivalent malpractice and that notifying individuals about the monitoring would prejudice its prevention or detection. Set out what matters in the respective boxes you have given particular weight to when considering necessity and proportionality. You can also add any additional factors you have considered.

Date of first review		If the surveillance operation is going to last more than a month then you should consider whether it should be reviewed after a period of time. During a review, consideration will have to be given to whether the surveillance is still necessary and proportionate.		
Programme for subsequent reviews of this authorisation: Only complete this box if review dates after the first review are known. If not or inappropriate to set additional review dates then leave blank				
Name (print)		**Grade/Rank**	State the position of the Authorising Officer e.g. Head of Audit	
Signature		**Date and time**		
Authorising Officers should not normally be responsible for authorising operations in which they are directly involved, although it is recognised that this may sometimes be unavoidable, especially in the case of small organisations, or where it is necessary to act urgently or for security reasons.				
Expiry date and time				

NOTE: Once an authorisation has been granted, a copy of this form must be sent to the legal department or other person in charge of keeping such records.

When the surveillance has ended or is no longer required it is good practice to cancel the authorisation. This can be done using the following form.

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AUDIT & STANDARDS COMMITTEE

Work Programme 2020/21

DATE OF MEETING	**AREAS TO BE CONSIDERED**
23rd September 2020	• Standards Complaints Update/Code of conduct Review • Internal Audit Progress Report Q1 • Internal Audit Plan 2020/21 • Strategic Risk Register • Audit Progress Report & Sector Update – Grant Thornton • External Audit Plan – Grant Thornton • Work Programme 2020/21
November/December 2020	• Approve Audited Accounts
13th January 2021	• External Audit Progress Report • Annual Governance Statement 2020/21 Arrangements • Internal Audit Progress Report Q2 • Fraud Risk Assessment 2020/21 • Strategic Risk Register 2020/21 • Regulation of Investigatory Powers Act – OSC Inspection and Annual Return • Councillor Complaint • Work Programme 2020/21
4th March 2021	• Internal Audit Progress Report Q3 • External Audit Plan 2020/21-for future meeting as per Ext Aud • Strategic Risk Register 2020/21 • External Audit Progress Report • Annual Governance Statement • Annual Statement of Accounts • External Audit Annual Audit Letter • Regulation of Investigatory Powers Act-Review of Policy • Work Programme 2020/21

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