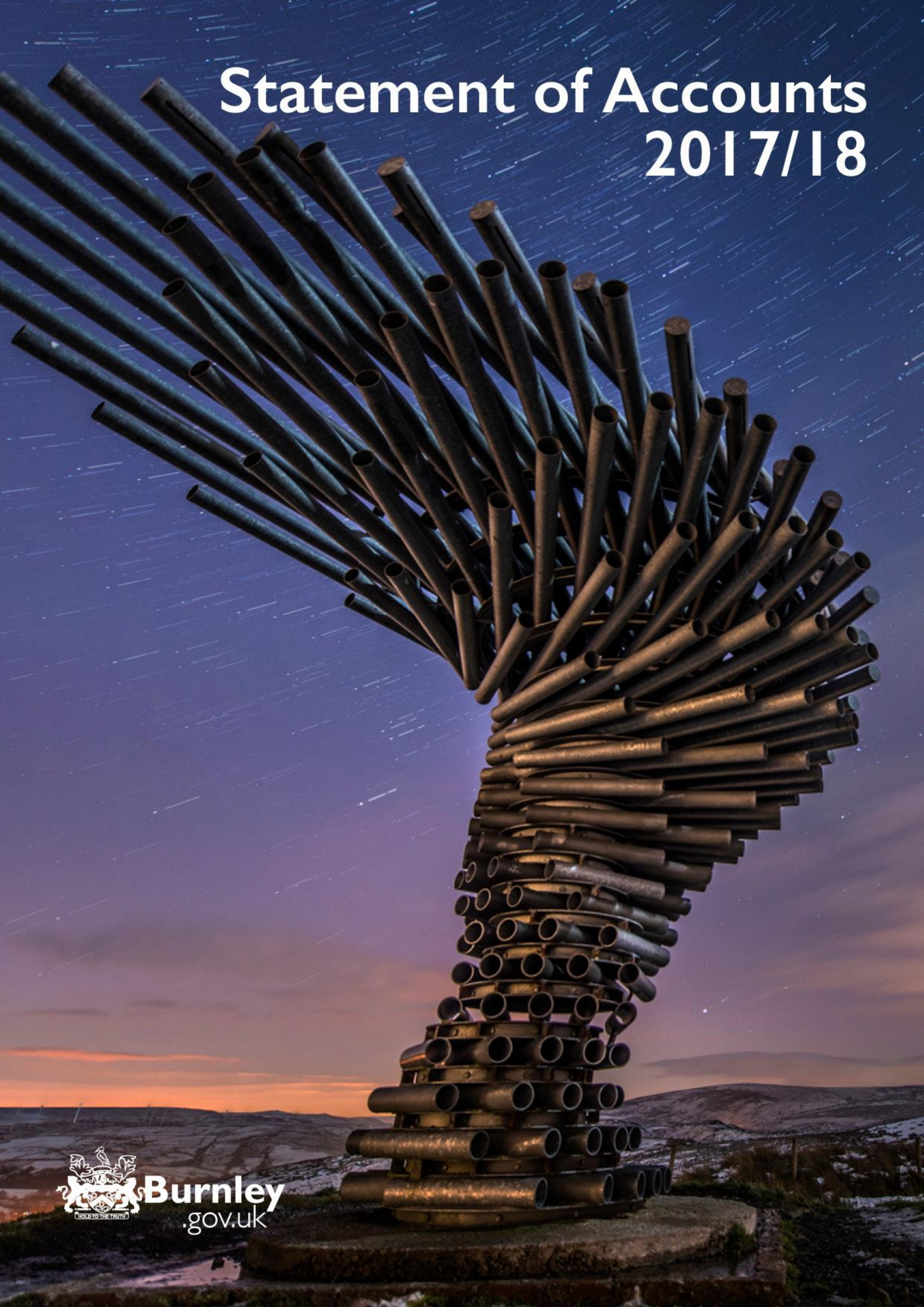
Statement of Accounts 2017/18



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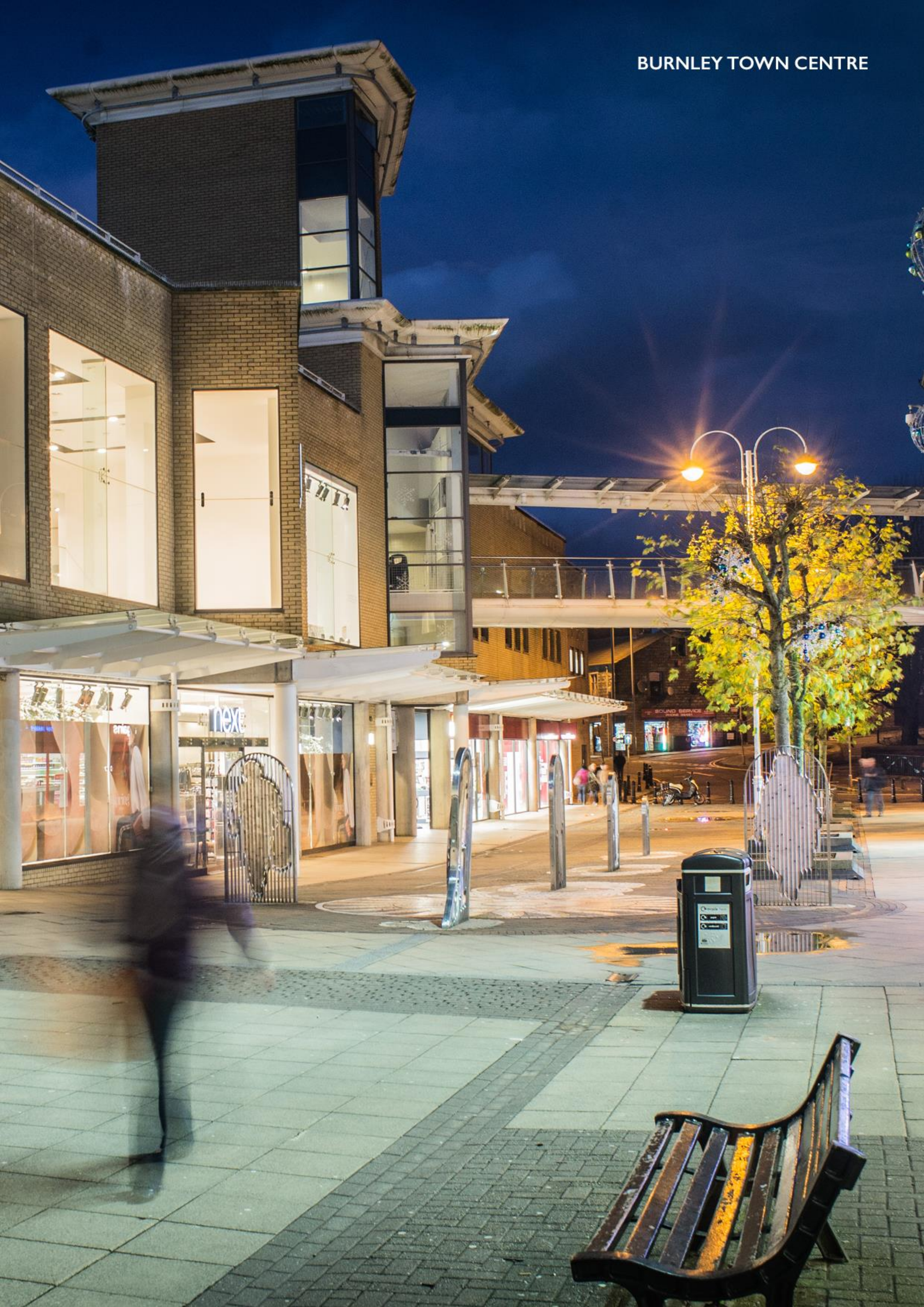

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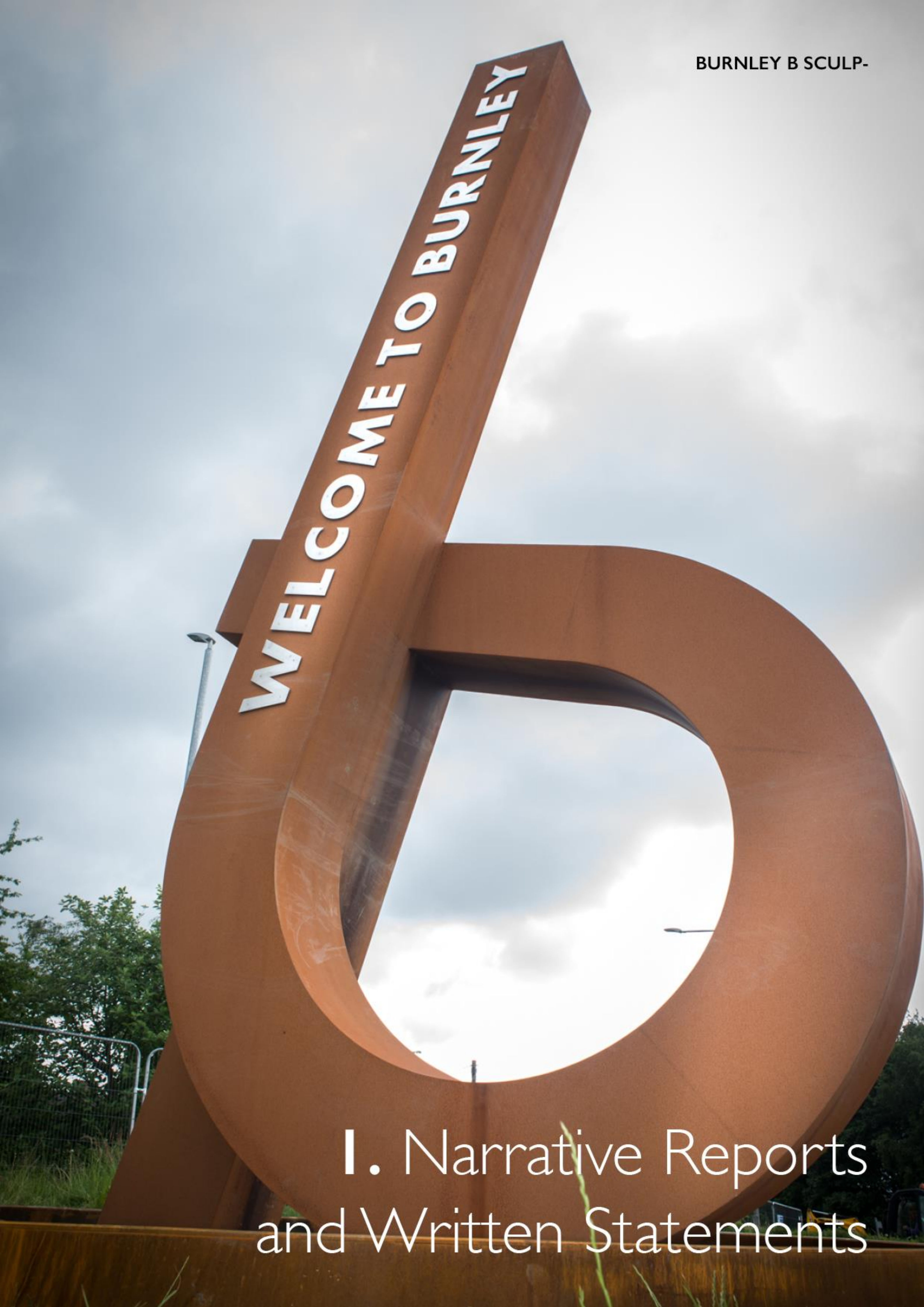


1. Narrative Reports and Written Statements

NARRATIVE REPORT

This booklet presents the Council's accounts for the year ended 31 March 2018. The accounts conform to the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (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 2017/18 was approved by Full Council on 22 February 2017 and amounted to a net figure of £14.596m. The revenue budget in 2017/18 delivered savings of £1.613m; this is on top of the £10.921m saved in the previous six years. This net budget figure was funded as follows:

	Net Budget £000s
Business Rates	4,376
Revenue Support Grant	2,777
Council Tax	6,391
Council Tax Surplus	82
New Homes Bonus	970
	14,596

In addition, the Council received requests for Council Tax precepts of £0.093m to fund expenditure by Parish and Town Councils. In total this resulted in a Council Tax precept of £6.484m.

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 £2.184m from earmarked reserves. There were however further planned contributions from earmarked reserves of £1.505m 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 £3.689m.

The Statement of Accounts shows that there was a revenue surplus for the year of £0.092m after taking into account an actual net contribution from earmarked reserves of £1.346m.

The table below details where the £0.092m is shown in these accounts:

	Net Surplus £000s
Comprehensive Income and Expenditure Statement - Deficit on provision of services	680
Adjustments between accounting basis and funding basis under regulations - General Fund balance (Note 7)	574
Net contribution from Earmarked Reserves in year (see note below)	(1,346)
Revenue surplus 2017/18	**(92)**

The revenue surplus of £0.092m has been transferred to earmarked reserves to give a net decrease in earmarked reserves for the year of £1.254m to £6.778m as detailed below:

	Under Spending £000s	Earmarked Reserves Utilised £000s	Earmarked Reserves Balance £000s	General Fund Balance £000s
Balances brought forward 1 April 2017			(8,032)	(1,379)
Position as per Budget Monitoring Report – end December 2017				
Earmarked Reserves decrease		3,689	3,689	
Estimated underspending at year end	(98)		(98)	
Estimated year end Earmarked Reserves balance			**(4,441)**	
Year-end position				
Decrease in net underspending at year end	6		6	
Earmarked Reserves – transfers to reserves		(2,343)	(2,343)	
			(6,778)	
Net underspend 2017/18	**(92)**			
Balance carried forward 31 March 2018			(6,778)	(1,379)
Less: Opening balances			8,032	
Balance transferred (to) / from Earmarked Reserves	**(92)**	**1,346**	**1,254**	

The level of the General Fund Balance has remained at the prescribed level of £1.379m under the Council's Medium Term Financial Strategy. The main reasons for the net overall surplus of £0.092m generated on the revenue account are shown in the table below:

	Major Variances £000s
Underspends / Increased Income	
Efficiency savings – CCTV Shared Service	(50)
Salaries underspending	(59)
Pension cost savings	(88)
Utility/Non Domestic Rate savings	(92)
Insurance savings	(76)
Strategic Partnership – Income sharing saving	(133)
VAT refund	(120)
Net increase in income (various services)	(61)
Other net underspending in services	(255)
Increased Expenditure / Reduced Income	
Net increase in provisions	297
Workforce planning costs	360
Increased revenue contributions to capital	90
Business Support Programme – increase in expenditure	95
Total Underspend	(92)

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 2017/18 the Council spent £10.0m on capital projects compared with a revised capital budget of £11.4m. During the year £3.1m was invested in workshop units in the Vision Park, £1.4m spent on Land at Grove Lane and £0.6m on the Burnley town centre pedestrianisation scheme in partnership with Lancashire County Council, in addition to £1.4m on housing renovations for disabled facilities.

For 2018/19 the Council will invest £1.4m on the NW Burnley Growth Corridor, £1.4m on works to the Open Market and Former Cinema Block, £1.1m on the Empty Homes Programme, and around £2.5m on Better Care grants. This will complement all four themes of our strategic objective; people, places, prosperity and performance.

The differences on the various areas of the capital budget are summarised in the following table. The shortfall in spending compared to that allowed for in the budget for the services shown was largely due to schemes which did not progress as quickly as anticipated and will now be carried out in 2018/19.

Capital Expenditure	Approved Budget 2017/18 £M	Actual 2017/18 £M	Variance £M
Regeneration and Planning Policy			
Burnley Vision Park	3.3	3.1	0.2
Land at Grove Lane; NW Burnley Growth Corridor	1.4	1.4	-
Weavers Triangle – Starter Homes	0.4	0.3	0.1
Other	0.3	0.2	0.1
Housing			
Disabled Facilities Renovations	1.4	1.4	-
Empty Homes Programme	1.0	0.9	0.1
Other	0.5	0.5	-
Streetscene			
Burnley Town Centre Pedestrianisation Upgrade	0.6	0.6	-
Other	0.1	0.1	-
Facilities Management			
Padiham Town Hall - Flood Works	0.5	0.4	0.1
Contribution to Shopping Centre Redevelopment	0.4	-	0.4
Other	0.2	0.2	-
Green Spaces and Amenities			
Thompson Park – Restoration Project	0.7	0.4	0.3
Other	0.3	0.2	0.1
Chief Executive			
Ward Opportunities Fund	0.3	0.3	-
Total Capital Expenditure	11.4	**10.0**	1.4

BORROWING

The total amount outstanding as at 31 March 2018 on long-term loans borrowed from the Public Works Loan Board (PWLB) to finance capital expenditure was £23.1m. In addition there was at this date £1m of short-term PWLB loans borrowing. The sources of borrowing totalling £24.1m are identified in note 12f, and an analysis of the periods to repayment shown in note 31c 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 £94.4m. 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 2018 was £57.995m (£65.061m as at 31 March 2017). This decrease of £7.066m is primarily as a result of a positive revaluation (£7.879m) by the Fund actuaries of the pension liability and plan assets. More information on the assumptions used by the actuaries can be found at Note 29f.

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

ORGANISATIONAL PERFORMANCE

Burnley Council's corporate scorecard demonstrates that organisational performance has remained strong during the last 12 months.

Contact centre responsiveness, as measured by telephone calls answered within target time, met the target of 80% in 2017/18. In partnership with Liberata plc, the Council's contact centre service delivery partner, a strategy to digitise services will improve responsiveness to customers in the years ahead.

Processing times for planning applications and benefits are on average faster compared to the district council average in the northwest.

Growing the local economy is a key priority for the Council. The Council's business growth programme has now been in operation for 5 years. The table below shows its achievements in 2017/18.

Measure	Target	Result
BOOST Lancashire Programme – number of businesses referred for further support; number of businesses supported via Growth Mentoring support; and number of businesses benefitting from High Growth Start-Up Support	75	121
Private sector investment levered through inward investment service and business support programmes	£53.0m	£51.3m
Actual jobs created / safeguarded through current business support programmes	65 jobs to be created; 25 jobs to be safeguarded	129 jobs created; 68.5 jobs safeguarded
Secured jobs created / safeguarded / relocated through the inward investment service	450 jobs to be created; 560 jobs to be safeguarded / relocated	451 jobs created; 588.5 jobs safeguarded
Number of business relocation assists (including expansions)	15	13

The Council also surveys local residents each year to understand local priorities and levels of satisfaction with services. The last survey was completed in autumn 2017 and the headline findings were:

- The local countryside and green spaces, transport links and good neighbours are considered to be the best things about living in Burnley.
- Litter and dog fouling is perceived to be the biggest problem. In response to this, the Council is seeking to enter into a partnership with an environmental enforcement agency to increase the number of fines issued.
- 74% of residents were satisfied with household refuse collection.
- 84% were satisfied with parks and open spaces.
- 60% were satisfied with sport and leisure facilities. Of those that use these facilities at least once a week, this increased to 82%.
- Of those citizens that have recently contacted the Council, 59% of respondents were satisfied with the overall customer service experience.

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.

Identification and preparation for new risks is part of strategic risk management. The implementation of the General Data Protection Regulation (GDPR) in May 2018 has required the Council to review and change its information governance processes and increase accountability and transparency on personal data privacy. The Council has considered and followed the Information Commissioner's Office advice in its approach and will continue to maintain an appropriate level of technical and operational measures so that data subjects maintain confidence in transacting with the Council through digital pathways.

CURRENT ECONOMIC CONDITIONS

Following strong growth in the UK economy in 2016, growth was surprisingly weak in the first half of 2017 (the slowest first half of any year since 2012) before picking up slightly in the second half of the year. The main reason for the weakening economy was the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases into the cost of imports. This has, in turn, caused a reduction in consumer disposable income and spending power.

In September 2017, the Bank of England's Monetary Policy Committee signalled that interest rates would need to rise, and, in November, with CPI inflation peaking at 3.1%, the Bank Rate increased from 0.25% to 0.5%. The Bank also indicated that there were likely to be perhaps two more increases by 2020.

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

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

The Council's Medium Term Financial Strategy 2019/22 takes all known factors which affect the finances of the Council, including those set out above, into account but there are also significant uncertainties, not least of which are the impact of the UK leaving the European Union and the forthcoming Local Government Funding Reform and Spending Review which will affect funding available to the sector. The strategy highlights a continuation of financial pressures with the Council having to find further significant savings for the foreseeable future. Savings will be delivered through strategic prioritisation to protect key services, service transformation, continuous improvement and an increasingly commercial approach.

Against this background the Council has approved a balanced budget for 2018/19 and is pro-actively considering measures to address forecast budget gaps in future years.

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

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

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

ACCOUNTING POLICIES

The accounting policies adopted by the Council are explained later in the Statement of Accounts and follow the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. 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 2017/18 this right is to be exercised for 30 working days beginning 29 May 2018. Residents of the Borough who are Council Tax payers may register any objection to the accounts in writing to the External Auditor. The Council also presents a number of other key documents throughout the year which would complement the Statement of Accounts. Some of these are listed below:

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

EXTERNAL AUDIT

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

Mark Heap
Engagement Lead
Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

STATEMENT OF RESPONSIBILITIES

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs – the statutory Chief Financial Officer. In this Authority that officer is the Head of Finance and Property.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

THE CHIEF FINANCIAL OFFICER'S RESPONSIBILITIES

As Chief Financial Officer, I am responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code").

In preparing this statement I have:

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

I have also:

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

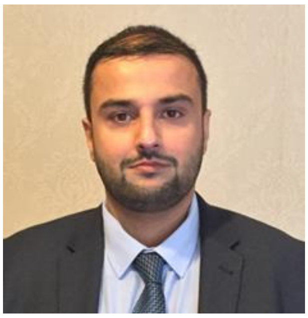
CERTIFICATE OF CHIEF FINANCIAL OFFICER

I certify that the Statement of Accounts presents a true and fair view of the financial position of Burnley Borough Council at 31 March 2018 and its income and expenditure for the year then ended, including any known post balance sheet events at 19 July 2018.

Asad Mushtaq

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

19 July 2018



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 2018 which comprise the Comprehensive Income and Expenditure Statements, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, notes to the financial statements and 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; 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 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.

WHO WE ARE REPORTING TO

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.

CONCLUSIONS RELATING TO GOING CONCERN

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

- the Chief Financial Officer (Section 151 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 (Section 151 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.

OTHER INFORMATION

The Chief Financial Officer (Section 151 Officer) is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 17-90, the Narrative Report, 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 course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources 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)' 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, the Narrative Report 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 ARE REQUIRED TO REPORT BY EXCEPTION

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

- we have reported a matter 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 have made 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 have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

RESPONSIBILITIES OF THE AUTHORITY, THE CHIEF FINANCIAL OFFICER (SECTION 1151 OFFICER) AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of Responsibilities set on page 12, 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 (Section 151 Officer). The Chief Financial Officer (Section 151 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 2017/18, which give a true and fair view, and for such internal controls 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 (Section 151 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 the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit and Standards Committee is Those Charged with Governance.

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/auditorresponsibilities. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND MANDATORY 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 November 2017, 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 2018.

RESPONSIBILITIES OF THE AUTHORITY

The Authority is responsible for putting in place proper arrangements for securing the 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 Audit General in November 2017, 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 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook suck 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.

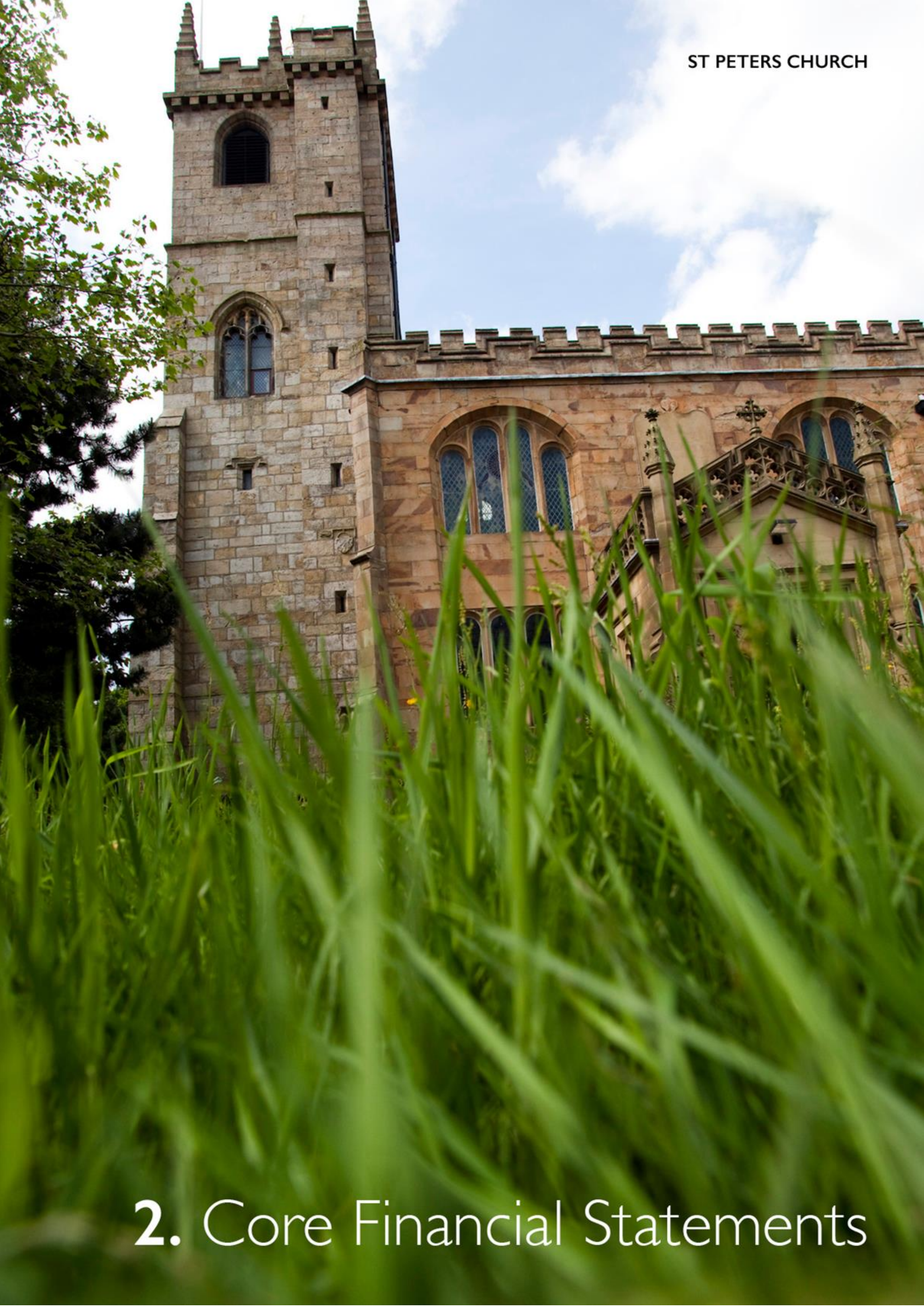
REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS - CERTIFICATE

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

Mark Heap
For and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square, Spinningfields, Manchester, M3 3EB

19 July 2018



2. Core Financial Statements

Core Financial Statements

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	Note	31 March 2017 Gross Expend £000s	31 March 2017 Income £000s	31 March 2017 Net Expend £000s	31 March 2018 Gross Expend £000s	31 March 2018 Income £000s	31 March 2018 Net Expend £000s
Continuing Services							
Management Team		470	-	470	440	-	440
Sport & Culture Leisure Client		2,137	(239)	1,898	1,905	(243)	1,662
Green Spaces & Amenities		3,805	(2,084)	1,721	4,013	(2,269)	1,744
Streetscene		5,334	(2,272)	3,062	5,246	(2,446)	2,800
Housing & Development Control		3,473	(1,106)	2,367	4,142	(1,325)	2,817
Regeneration & Planning Policy		2,741	(1,016)	1,725	3,095	(1,144)	1,951
Strategic Partnership Client		4,244	(682)	3,562	4,281	(676)	3,605
Community, Performance & Policy		1,047	(488)	559	1,038	(373)	665
Revenues & Benefits		33,871	(35,303)	(1,432)	30,920	(32,427)	(1,507)
Governance, Law, Property & Regulation		4,296	(2,697)	1,599	2,639	(2,439)	200
People & Development		274	-	274	340	-	340
Finance		867	(1)	866	923	(8)	915
Corporate Income & Expenditure		794	(32)	762	1,431	(28)	1,403
Cost of Services		**63,353**	**(45,920)**	**17,433**	**60,413**	**(43,378)**	**17,035**
Other Operating Expenditure & Income							
Parish Council Precepts		74	-	74	93	-	93
Pension Fund administration costs		31	-	31	30	-	30
(Gains)/Losses on the disposal of non current assets		740	(733)	7	778	(778)	-
Other Income		-	(388)	(388)	-	(478)	(478)
		845	**(1,121)**	**(276)**	**901**	**(1,256)**	**(355)**
Financing and Investments							
Pensions interest cost and expected return on pension		6,151	(4,121)	2,030	4,926	(3,423)	1,503
Interest payable and similar charges		887	-	887	931	-	931
Interest receivable and similar income		-	(178)	(178)	-	(317)	(317)
Investment and deposit (gains)/ losses		-	(273)	(273)	-	(108)	(108)
Income & expenditure in relation to investment properties	11	956	(63)	893	1,003	(57)	946
		7,994	**(4,635)**	**3,359**	**6,860**	**(3,905)**	**2,955**
Taxation and Non-Specific Grants							
Council Tax Income		-	(6,364)	(6,364)	-	(6,550)	(6,550)
Non-Domestic Rates Income and Expenditure		-	(6,734)	(6,734)	835	(4,634)	(3,799)
Revenue Support Grant	25	-	(3,660)	(3,660)	-	(2,777)	(2,777)
Non-Ringfenced government grants	25	-	(2,307)	(2,307)	-	(2,089)	(2,089)
Capital grants and contributions	25	-	(2,483)	(2,483)	-	(3,740)	(3,740)
		-	**(21,548)**	**(21,548)**	**835**	**(19,790)**	**(18,955)**
(Surplus) / Deficit on Provision of Services		**72,192**	**(73,224)**	**(1,032)**	**69,009**	**(68,329)**	**680**
(Surplus) or deficit on revaluation of property, plant and equipment assets	9			2,203			861
Remeasurement of the net defined benefit liability / (asset)	29a			4,921			(7,879)
Other Comprehensive (Income) / Expenditure				**7,124**			**(7,018)**
Total Comprehensive (Income) / Expenditure				**6,092**			**(6,338)**

MOVEMENT IN RESERVES STATEMENT

MOVEMENT IN RESERVES STATEMENT	General Fund £000s	Earmarked Reserves £000s	Total General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Authority Reserves £000s
Balance at 31 March 2016	1,379	6,973	8,352	3,788	482	12,622	6,299	18,921
Movement in Reserves during 2016/17								
Surplus/(deficit) on the Provision of Services	1,032	-	1,032	-	-	1,032	-	1,032
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	(7,124)	(7,124)
Total Comprehensive Income & Expenditure	1,032	-	1,032	-	-	1,032	(7,124)	(6,092)
Adjustments between accounting basis & funding basis under regulations (Note 7)	27	-	27	(295)	406	138	(138)	-
Net increase/(decrease) before transfers to Reserves	1,059	-	1,059	(295)	406	1,170	(7,262)	(6,092)
Transfers to/from Earmarked Reserves (Note 8)	(1,059)	1,059	-	-	-	-	-	-
Increase/(decrease) in year	-	1,059	1,059	(295)	406	1,170	(7,262)	(6,092)
Balance at 31 March 2017	1,379	8,032	9,411	3,493	888	13,792	(963)	12,829
Movement in Reserves during 2017/18								
Surplus/(deficit) on the Provision of Services	(680)	-	(680)	-	-	(680)	-	(680)
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	7,018	7,018
Total Comprehensive Income & Expenditure	(680)	-	(680)	-	-	(680)	7,018	6,338
Adjustments between accounting basis & funding basis under regulations (Note 7)	(574)	-	(574)	301	244	(29)	29	-
Net increase/(decrease) before transfers to Reserves	(1,254)	-	(1,254)	301	244	(709)	7,047	6,338
Transfers to/from Earmarked Reserves (Note 8)	1,254	(1,254)	-	-	-	-	-	-
Increase/(decrease) in year	-	(1,254)	(1,254)	301	244	(709)	7,047	6,338
Balance at 31 March 2018	1,379	6,778	8,157	3,794	1,132	13,083	6,084	19,167

BALANCE SHEET

BALANCE SHEET	Note	31st March 2017 £000s	31st March 2018 £000s
Property, Plant & Equipment	9	47,359	48,572
Heritage Assets	10	32,751	32,751
Investment Properties	11	11,698	11,806
Intangible Assets		12	-
Long-term Debtors	12d	1,243	1,232
Long-term Assets		**93,063**	**94,361**
Short-term Investments & Deposits	12c	2,000	6,000
Inventories		28	28
Short-term Debtors	13	3,663	4,231
Cash & Cash Equivalents	14	12,750	6,446
Current Assets		**18,441**	**16,705**
Short-term Borrowing	12e	(1,029)	(1,062)
Short-term Creditors	15	(8,684)	(8,325)
Current Provisions	16	(2,818)	(3,229)
Grants Receipts in Advance - Capital	25b	(571)	-
Current Liabilities		**(13,102)**	**(12,616)**
Long-term Borrowing	12a	(19,587)	(23,072)
Long-term Provisions	16	(640)	(653)
Net Pensions Liability	29e	(65,061)	(55,263)
Other Long-term Liabilities		(96)	(65)
Grants Receipts in Advance - Capital	25c	(189)	(230)
Long- term Liabilities		**(85,573)**	**(79,283)**
Net Assets		**12,829**	**19,167**
Represented by:			
Usable Reserves	17		
General Fund		1,379	1,379
Earmarked Reserves	8 & 17a	8,032	6,778
Capital Receipts Reserve	17b	3,493	3,794
Capital Grants Unapplied	17c	888	1,132
		13,792	**13,083**
Unusable Reserves	18		
Revaluation Reserve	18a	49,467	47,773
Capital Adjustment Account	18b	13,791	15,124
Pension Reserve	18c	(65,061)	(57,995)
Deferred Capital Receipts	18d	623	629
Collection Fund Adjustment Account	18e	268	603
Accumulated Absences Account	18f	(51)	(50)
		(963)	**6,084**
Total Reserves		**12,829**	**19,167**

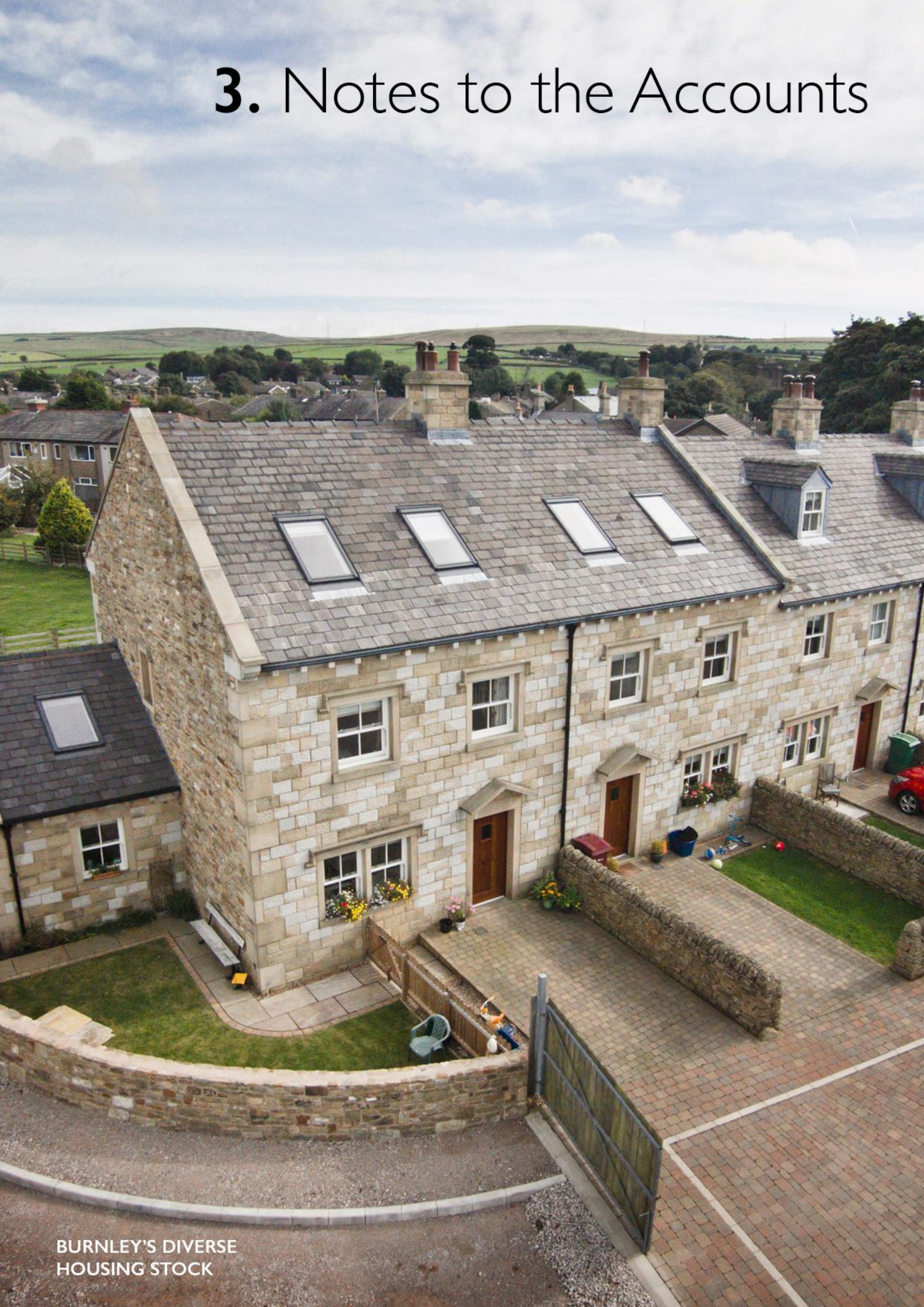
Asad Mushtaq

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

CASH FLOW STATEMENT

CASH FLOW STATEMENT	Note	2016/17 £000s	2017/18 £000s
Net surplus / (deficit) on the provision of services		1,032	(680)
Adjust net (surplus) / deficit on the provision of services for non-cash movements	19a	4,669	(385)
Adjust for items in net (surplus) / deficit on the provision of services that are investing or financing activities	19b	(12,327)	(7,337)
Net cash inflows from operating activities		**(6,626)**	**(8,402)**
Investing activities	20	6,976	(3,859)
Financing activities	21	8,799	5,957
Net increase or (decrease) in cash and cash equivalents		**9,149**	**(6,304)**
Cash and Cash Equivalents at the beginning of the reporting period		3,601	12,750
Cash and Cash Equivalents at the end of the reporting period		**12,750**	**6,446**

3. Notes to the Accounts



BURNLEY'S DIVERSE
HOUSING STOCK

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.

There are a number of amendments to the Code for 2018/19 including reporting on the classification and measurement of financial assets (IFRS 9) and the accounting treatment and reporting of revenue from contracts with customers (IFRS 15).

The Council is currently considering the possibility of investing in a Property Investment Fund which may fall under the requirements of IFRS 9, however the nature and scale of the Council's involvement, if any, is not yet decided and it is therefore too early to be specific about the impact on the Statement of Accounts in future years. It is not expected that the change relating to revenue from contracts with customers (IFRS 15) will have a material effect on the Council's Statement of Accounts.

The Code requires implementation of both IFRS 9 and IFRS 15 from 1 April 2018 and there is therefore no impact on the 2017/18 Statement of Accounts.

Note 2 Critical judgements in applying accounting policies

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

ARRANGEMENTS THAT CONTAIN A LEASE – IMPLIED LEASING

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

FUNDING

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

GROUP BOUNDARIES

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

INVESTMENT PROPERTIES

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

LEASES

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

COMPONENTISATION LIMITS

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

Note 3 Events after the reporting period

The Statement of Accounts was certified by the Head of Finance and Property on 19 July 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

BUSINESS RATES

Since the introduction of the Business Rates Retention scheme, effective from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses in 2017/18 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 2018. 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 2018. The balance of business rate appeals provision held by the Council at this date amounted to £2.642m, which is a decrease of £0.046m from the previous year.

DEBT IMPAIRMENT

At 31 March 2018 the Council has a balance of short-term debtors of £8.179m as per Note 13. A review of significant balances suggested that an impairment allowance for doubtful debts of £3.948m was appropriate. This is an increase of £0.189m from 31 March 2017 as per the table in Note 13b. 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 2017/18 the Council's actuaries advised that the net liability had decreased by £7.066m due to the re-measurement of assets and liabilities. The previous year had seen an increase of £5.659m.

PROPERTY, PLANT AND EQUIPMENT – (FUNDING IMPLICATIONS)

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase in these circumstances.

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

The items in the Council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year 2018/19 are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that for every year that useful lives were reduced the annual depreciation charge would increase as follows: Buildings & infrastructure £119k Vehicles & equipment £119k
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions have been included in detail within Note 29. Any change in the uncertainties listed opposite would lead to a significant change in the estimated pensions liability reported.
Business Rates Appeals	The introduction of the Business Rates Retention scheme in 2013/14 means that the Council now bears part of the risk for business rates appeals as it retains 40% of all income collected. Previously the Government would have borne the full cost of any successful appeals. As at the end of March 2018, 161 appeals remain outstanding with the Valuation Office Agency. As stated on the previous page, provision has been made for the estimated success of future appeals for losses of income for the period to the end of March.	If the estimated success rate of appeals increased in monetary value by 10%, then this would require the Council to increase the provision for appeals by £264k.
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 £746k for Council Tax debts, £546k for business rates and £213k for sundry debts to be set aside as an allowance.

Note 5 Expenditure and Funding Analysis

	2016/17			2017/18		
Table a - EXPENDITURE AND FUNDING ANALYSIS	Net Expenditure chargeable to the General Fund Balance £000s	Adjustments between the Funding and Accounting Basis £000s	Net Expenditure in the Comprehensive Income and Expenditure Statement £000s	Net Expenditure chargeable to the General Fund Balance £000s	Adjustments between the Funding and Accounting Basis £000s	Net Expenditure in the Comprehensive Income and Expenditure Statement £000s
Continuing Services						
Management Team	471	(1)	470	426	14	440
Sport & Culture Leisure Client	746	1,152	1,898	587	1,075	1,662
Green Spaces & Amenities	1,096	625	1,721	1,006	738	1,744
Streetscene	2,740	322	3,062	2,478	322	2,800
Housing & Development Control	380	1,987	2,367	337	2,480	2,817
Regeneration & Planning Policy	947	778	1,725	1,149	802	1,951
Strategic Partnership Client	3,562	-	3,562	3,605	-	3,605
Community, Performance & Policy	478	81	559	561	104	665
Revenues & Benefits	(1,432)	-	(1,432)	(1,507)	-	(1,507)
Governance, Law, Property & Regulation	(354)	1,953	1,599	(514)	714	200
People & Development	274	-	274	333	7	340
Finance	867	(1)	866	892	23	915
Corporate Income & Expenditure	2,061	(1,299)	762	2,387	(984)	1,403
Net Cost of Services	11,836	5,597	17,433	11,740	5,295	17,035
Other Operating Income and Expenditure	2,667	(2,943)	(276)	1,580	(1,935)	(355)
Financing and Investments Income and Expenditure	1,602	1,757	3,359	1,560	1,395	2,955
Taxation and Non-Specific Grant Income and Expenditure	(16,105)	(5,443)	(21,548)	(14,880)	(4,075)	(18,955)
Other Income and Expenditure	(11,836)	(6,629)	(18,465)	(11,740)	(4,615)	(16,355)
(Surplus) or Deficit on Provision of Services	-	(1,032)	(1,032)	-	680	680
Opening General Fund Balance	1,379			1,379		
Less/Plus (Surplus) or Deficit on General Fund Balance in Year	-			-		
Closing General Fund Balance at 31 March	1,379			1,379		

	2016/17				2017/18			
Table b - EXPENDITURE AND FUNDING ANALYSIS - Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £000s	Net Change for Pensions Adjustments £000s	Other Differences £000s	Total Adjustments £000s	Adjustments for Capital Purposes £000s	Net Change for Pensions Adjustments £000s	Other Differences £000s	Total Adjustments £000s
Continuing Services								
Management Team	-	(1)	-	**(1)**	-	12	2	**14**
Sport & Culture Leisure Client	1,152	-	-	**1,152**	1,075	-	-	**1,075**
Green Spaces & Amenities	632	(3)	(4)	**625**	678	61	(1)	**738**
Streetscene	328	(2)	(4)	**322**	286	37	(1)	**322**
Housing & Development Control	1,993	(2)	(4)	**1,987**	2,433	46	1	**2,480**
Regeneration & Planning Policy	779	(2)	1	**778**	762	40	-	**802**
Community, Performance & Policy	80	-	1	**81**	87	17	-	**104**
Governance, Law, Property & Regulation	1,955	(1)	(1)	**1,953**	683	31	-	**714**
People & Development	-	-	-	**-**	-	7	-	**7**
Finance	-	(1)	-	**(1)**	-	24	(1)	**23**
Corporate Income & Expenditure	12	(1,311)	-	**(1,299)**	12	(996)	-	**(984)**
Net Cost of Services	6,931	(1,323)	(11)	5,597	6,016	(721)	-	5,295
Other Income and Expenditure	(382)	31	(2,592)	**(2,943)**	(475)	30	(1,490)	**(1,935)**
Financing and Investments Income and Expenditure	(273)	2,030	-	**1,757**	(108)	1,503	-	**1,395**
Taxation and Non-Specific Grant Income and Expenditure	(2,482)	-	(2,961)	**(5,443)**	(3,740)	-	(335)	**(4,075)**
Other Income and Expenditure	(3,137)	2,061	(5,553)	(6,629)	(4,323)	1,533	(1,825)	(4,615)
Difference between (Surplus) or Deficit and the Comprehensive Income and Expenditure (Surplus) or Deficit on the Provision of Services	3,794	738	(5,564)	(1,032)	1,693	812	(1,825)	680

Table c - Income received on a segmental basis	2016/17 Income from Services £000s	2017/18 Income from Services £000s
Services		
Sport & Culture Leisure Client	(239)	(243)
Green Spaces & Amenities	(2,084)	(2,269)
Streetscene	(2,272)	(2,446)
Housing & Development Control	(1,106)	(1,325)
Regeneration & Planning Policy	(1,016)	(1,144)
Strategic Partnership Client	(682)	(676)
Community, Performance & Policy	(488)	(373)
Revenues & Benefits	(35,303)	(32,427)
Governance, Law, Property & Regulation	(2,697)	(2,439)
Finance	(1)	(8)
Corporate Income & Expenditure	(32)	(28)
Total income analysed on a segmental basis	(45,920)	(43,378)

Note 6 Expenditure and Income Analysed by Nature

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

Expenditure and Income	2016/17 £000s	2017/18 £000s
Expenditure		
Employee benefits expenses	11,223	11,280
Other services expenses	51,798	49,436
Support service recharges	11,541	11,053
Depreciation, amortisation, impairment	3,076	2,125
Interest payments	887	931
Precepts and levies	74	93
Gain on the disposal of assets	7	-
Total expenditure	78,606	74,918
Income		
Fees, charges and other service income	(8,864)	(9,489)
Support service recharges	(11,541)	(11,053)
Interest and investment income	(178)	(127)
Income from council tax and non-domestic rates	(14,392)	(10,349)
Government grants and contributions	(44,663)	(43,220)
Total income	(79,638)	(74,238)
(Surplus) or Deficit on the Provision of Services	(1,032)	680

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

GENERAL FUND

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. The Capital Grants Unapplied balance is for Disabled Facilities Grant that has not yet been utilised.

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

Table b - Adjustments between accounting basis and funding basis under regulations 2017/18	Usable Reserves General Fund Balance £000s	Usable Reserves Capital Receipts Reserve £000s	Usable Reserves Capital Grants Unapplied £000s	Movement in Usable Reserves £000s	Movement in Unusable Reserves £000s
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	1,712	-	-	1,712	(1,712)
Revaluation losses on Property, Plant and Equipment	510	-	-	510	(510)
Movements in the fair value of Investment Properties	(108)	-	-	(108)	108
Amortisation of intangible assets	12	-	-	12	(12)
Capital grants and contributions applied	(2,612)	-	-	(2,612)	2,612
Revenue expenditure funded from capital under statute	4,908	-	-	4,908	(4,908)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	778	-	-	778	(778)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	(800)	-	-	(800)	800
Capital expenditure charged against the General Fund	(1,944)	-	-	(1,944)	1,944
Adjustments primarily involving the Capital Adjustment Account	**2,456**	**-**	**-**	**2,456**	**(2,456)**
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,159)	1,248	-	89	(89)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(947)	-	(947)	947
Adjustments primarily involving the Capital Receipts Reserve	**(1,159)**	**301**	**-**	**(858)**	**858**
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(2,253)	-	2,253	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(2,009)	(2,009)	2,009
Adjustments primarily involving the Capital Grants Unapplied Account	**(2,253)**	**-**	**244**	**(2,009)**	**2,009**
Transfer of deferred loan repayments in respect of long-term debtors	(95)	-	-	(95)	95
Adjustments primarily involving the Deferred Capital Receipts Reserve	**(95)**	**-**	**-**	**(95)**	**95**
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,702	-	-	3,702	(3,702)
Employer's pension contributions and direct payments to pensioners payable in the year	(2,889)	-	-	(2,889)	2,889
Adjustments primarily involving the Pensions Reserve	**813**	**-**	**-**	**813**	**(813)**
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(335)	-	-	(335)	335
Adjustments primarily involving the Collection Fund Adjustment Account	**(335)**	**-**	**-**	**(335)**	**335**
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1)	-	-	(1)	1
Adjustments primarily involving the Accumulated Absences Account	**(1)**	**-**	**-**	**(1)**	**1**
Total Adjustments	**(574)**	**301**	**244**	**(29)**	**29**

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 2017/18.

Transfers to/from Earmarked Reserves Earmarked Reserves	Balance at 31 March 2016 £000s	2016/17 Net transfers In/(Out) £000s	2016/17 Movements between Reserves £000s	Balance at 31 March 2017 £000s	2017/18 Net transfers In/(Out) £000s	2017/18 Movements between Reserves £000s	Balance at 31 March 2018 £000s
Specific Reserves							
Taxi Licensing	13	(1)	-	12	(5)	-	7
Selective Licensing	438	(58)	-	380	66	-	446
Local Development Framework	167	(17)	-	150	(50)	-	100
Housing Benefit Admin Subsidy	114	9	(89)	34	-	-	34
Transport & Plant Replacement	96	(96)	-	-	28	-	28
Rail Services	74	-	(54)	20	-	-	20
Revenue Grants Unapplied	111	265	-	376	(212)	-	164
Flood	300	(65)	-	235	(166)	-	69
Primary Engineer	165	(30)	-	135	(43)	-	92
Town Centre Management	600	(225)	-	375	-	-	375
Town Centre & Weavers Triangle	-	-	143	143	(30)	-	113
Burnley Bondholders	-	2	36	38	16	-	54
Business Rates Retention Volatility	-	759	-	759	63	(610)	212
Cremator Relining (New)	-	-	-	-	15	-	15
	2,078	543	36	2,657	(318)	(610)	1,729
Strategic Reserves							
Transformation	2,714	35	-	2,749	(918)	-	1,831
Growth	2,181	481	(36)	2,626	(18)	610	3,218
	4,895	516	(36)	5,375	(936)	610	5,049
Total	6,973	1,059	-	8,032	(1,254)	-	6,778

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

SPECIFIC OPERATIONAL RESERVES

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

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

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

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

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

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

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

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

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

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

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

Town Centre & Weavers Triangle Reserve – 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.

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 £0.861m deficit in 2017/18 (£2.203m deficit in 2016/17), reflect the deficit or surplus on revaluation that appears at the bottom of the Comprehensive Income and Expenditure Statement.

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

Table b - Property, Plant & Equipment Movements in 2017/18	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Surplus Assets £000s	Assets Under Construction £000s	Community Assets £000s	Total Property, Plant & Equipment £000s
Cost or Valuation						
At 1 April 2017	36,350	5,841	9,281	1,640	2,520	55,632
Additions	1,437	365	3,272	-	-	5,074
* Revaluation increases/(decreases) recognised in the Revaluation Reserve	107	-	(1,006)	-	-	(899)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(111)	-	(399)	-	-	(510)
Derecognition - disposals	-	-	(778)	-	-	(778)
Other movements in cost or valuation	100	-	1,540	(1,640)	-	-
At 31 March 2018	37,883	6,206	11,910	-	2,520	58,519
Accumulated Depreciation and Impairment						
At 1 April 2017	(3,709)	(4,540)	-	-	(24)	(8,273)
Depreciation charge	(1,337)	(375)	-	-	-	(1,712)
* Depreciation written out to the Revaluation Reserve	38	-	-	-	-	38
At 31 March 2018	(5,008)	(4,915)	-	-	(24)	(9,947)
Net Book Value						
At 31 March 2018	32,875	1,291	11,910	-	2,496	48,572
At 31 March 2017	32,641	1,301	9,281	1,640	2,496	47,359

DEPRECIATION

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

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

CAPITAL COMMITMENTS

At 31 March 2018, the Council has significant commitments for future capital expenditure in 2018/19 and future years budgeted to cost £3.877m. Similar commitments at 31 March 2017 were £7.330m. The commitments are:

Table c - Capital Commitments	£000s
Burnley Town Centre Pedestrianisation	14
Contribution to Shopping Centre Redevelopment	375
Empty Homes Programme	915
Disabled Facilities Grant	378
Weavers Triangle - Starter Homes	52
Building Infrastructure Works	109
Markets Safety Works	1,030
Thompson Park Restoration Project	666
Infrastructure & Highways Works	42
Vision Park	296
Total	3,877

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.

Table d - Revaluations	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Surplus Assets £000s	Total £000s
Carried at historical cost	-	1,291	-	1,291
Valued at current value as at:				
31 March 2018	2,132	-	11,910	14,042
31 March 2017	4,908	-	-	4,908
31 March 2016	5,309			5,309
31 March 2015	20,526	-	-	20,526
Total Cost or Valuation at 31 March 2018	32,875	1,291	11,910	46,076

Note 10 Heritage Assets

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

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

Heritage Assets Movements in 2017/18	Oil Paintings £000s	Water Colours £000s	Furniture £000s	Sculpture £000s	Ceramics £000s	Other £000s	Total Property, Plant & Equipment £000s
Cost or Valuation							
At 1 April 2017	25,908	1,546	2,024	1,218	601	1,454	32,751
At 31 March 2018	**25,908**	**1,546**	**2,024**	**1,218**	**601**	**1,454**	**32,751**

The Council's external valuer, Bonhams, carried out a full valuation of the collection of exhibits in November 2011 with a valuation date as at 31 March 2012. The valuations were based on commercial markets including recent transaction information from auctions where similar types of artefacts are regularly being purchased. In 2017/18 (as in 2016/17) there have been no material additions or disposals and the whole collection is not due to be revalued until 2022.

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

- Fine art – oil paintings (70%), watercolour paintings (0%), works on paper (2%) and book illustrations (1880-1920) (0%)
- Furniture (99%)
- Sculpture (98%)
- Ceramics (10%), ivories (14%) and glass (5%)
- Military medals (13%)
- Numismatics (0%), medals (0%) and horology (2%)
- Silver and silver plate (1%)
- Costume and textiles (5%), including vestments (100%)
- Arms and armour (3%)
- Archaeology (local) (0%)
- Egyptology (23%)
- Ethnography (3%)
- Natural history (15%) and geology (4%)
- Local, social and industrial history (80%) (Artefacts, archives and photographs)
- War memorials (100%)

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

Note 11 Investment Properties

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

Table a - Investment Properties Income and Expenses	2016/17 £000s	2017/18 £000s
Rental income from investment property	956	1,003
Direct operating expenses arising from investment property	(63)	(57)
Net gain / (loss)	**893**	**946**

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

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

Table b - Investment Properties	2016/17 £000s	2017/18 £000s
Balance at start of the year	**11,594**	**11,698**
Net gains / (losses) from fair value adjustments	273	108
Transfers:		
(To) / from property, plant and equipment	(169)	-
Balance at end of the year	**11,698**	**11,806**

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2018 shows that the fair value was £11.806m (£11.698m as at 31 March 2017) and that the assets were all commercial units / office units and valued using level 2 - other significant observable inputs. The fair values attributed to level 2 categorisation in the fair value hierarchy have been based upon the market approach using current market conditions and recent sales prices and other relevant transactional information for similar assets across the locality. In estimating the fair value of the Council's investment properties the highest and best use of the properties is their current use.

Note 12 Financial Instruments

CATEGORIES OF FINANCIAL INSTRUMENTS

The following categories of financial instrument are carried in the Balance Sheet. The PWLB Long-Term Loans of £23.072m (£19.587m in 2016/17) are described as Long-Term Borrowing.

Table a - Categories of Financial Instruments	Long-term 31 March 2017 £000s	Long-term 31 March 2018 £000s	Current 31 March 2017 £000s	Current 31 March 2018 £000s	Fair Value Hierarchy Catergorisation Level
Investments and Deposits (Note 12c)					
Loans and receivables	-	-	14,072	14,052	1
Bank Current Account	-	-	670	-	1
Total Investments and Deposits	**-**	**-**	**14,742**	**14,052**	
Debtors					
Long-Term Loans and receivables (Note 12d)	1,243	1,232	-	-	1
Financial Assets carried at contract amounts	-	-	2,754	3,363	1
Debtors that are not financial instruments	-	-	909	868	1
Total Debtors	**1,243**	**1,232**	**3,663**	**4,231**	
Borrowings					
PWLB Loans	(19,587)	(23,072)	(1,000)	(1,015)	2
Local Loans	-	-	(29)	(47)	1
Bank Overdraft	-	-	-	(1,614)	1
Total Borrowings	**(19,587)**	**(23,072)**	**(1,029)**	**(2,676)**	
Creditors (Note 15)					
Financial liabilities carried at contract amount	-	-	(3,832)	(3,350)	1
Creditors that are not financial instruments			(4,852)	(4,975)	1
Total Creditors	**-**	**-**	**(8,684)**	**(8,325)**	

INCOME, EXPENSE, GAINS AND LOSSES

Table b - Income, Expense, Gains and Losses	2016/17 Financial Liabilities measured at amortised cost £000s	2016/17 Financial Assets: Loans and receivables £000s	2016/17 Total £000s	2017/18 Financial Liabilities measured at amortised cost £000s	2017/18 Financial Assets: Loans and receivables £000s	2017/18 Total £000s
Interest expense	(887)	-	**(887)**	(931)	-	**(931)**
Total expense in Surplus or Deficit on the Provision of Services	**(887)**	**-**	**(887)**	**(931)**	**-**	**(931)**
Interest income	-	178	**178**	-	317	**317**
Total income in Surplus or Deficit on the Provision of Services	**-**	**178**	**178**	**-**	**317**	**317**
Net gain/(loss) for the year	**(887)**	**178**	**(709)**	**(931)**	**317**	**(614)**

INVESTMENTS AND DEPOSITS

Table c - Investments and Deposits	Long-term 31 March 2017 £000s	Long-term 31 March 2018 £000s	Current 31 March 2017 £000s	Current 31 March 2018 £000s
Loans and receivables				
Short-term deposits with other banks between 3 and 12 months	-	-	2,000	6,000
Total Short-term Investments and Deposits	-	-	2,000	6,000
Cash and Cash Equivalents (Note 14)				
Short-term deposits in call account with Council's bank (HSBC)	-	-	9,072	6,052
Short-term deposits with other banks < 3 months	-	-	3,000	2,000
Current Account with HSBC bank	-	-	670	-
Total Investments and Deposits in Cash and Cash Equivalents	-	-	12,742	8,052

LONG-TERM DEBTORS

Table d - Long-Term Debtors	Pendle Council transferred services debt £000s	Mortgages - Muir Housing Association £000s	Mortgages - Royal British Housing Association £000s	Empty Homes Loans £000s	Total £000s
Balance at 1 April 2017	133	369	118	623	1,243
Advances	-	-	-	132	132
Receipts	(6)	(10)	(1)	(126)	(143)
Balance at 31 March 2018	127	359	117	629	1,232

SHORT-TERM BORROWING

Table e - Short-Term Borrowing	31 March 2017 £000s	31 March 2018 £000s
Financial liabilities at amortised cost		
PWLB Loans	(1,000)	(1,015)
Local Loans	(29)	(47)
Total Short-Term Borrowing	(1,029)	(1,062)

FAIR VALUES OF ASSETS AND LIABILITIES

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

- The fair value of our Public Works Loan Board (PWLB) loans is the amount that would have been payable had those loans been repaid to the PWLB on the balance sheet date rather than on their contracted future maturity date. This valuation takes into account the premiums that would be payable or discounts receivable on early repayment of loans to the PWLB. These premiums and discounts depend on the rate and period of each individual loan and on rates for loans with similar periods to maturity prevailing at the Balance Sheet date. Accrued interest is also included in the fair value.
- The valuations use the Net Present Value (NPV) approach, which provides an estimate of the value of payments in the future in today’s terms. This is a widely accepted valuation technique commonly used by the private sector. The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will

be the rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market. In such cases, we have used the prevailing rate of a similar instrument with a published market rate, as the discount factor.

- Where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billing amount.

FAIR VALUES OF ASSETS AND LIABILITIES

Table f - Fair Values of Assets and Liabilities	31 March 2017 Carrying amount £000s	31 March 2017 Fair value £000s	31 March 2018 carrying amount £000s	31 March 2018 Fair value £000s
Financial liabilities				
PWLB borrowing	(20,587)	(24,520)	(24,087)	(27,511)
Other borrowing	(29)	(29)	(47)	(47)
Bank overdraft	-	-	(1,614)	(1,614)
Total financial liabilities	**(20,616)**	**(24,549)**	**(25,748)**	**(29,172)**
Loans and receivables				
Long-term debtors	1,243	1,243	1,232	1,232
Total financial assets	**1,243**	**1,243**	**1,232**	**1,232**

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

When calculating the fair value of PWLB debt our Treasury Management consultants have used the borrowing rate for new PWLB loans as the discount factor for all borrowing whereas the PWLB use the premature repayment rates for their values. The Code Guidance Notes for Practitioners confirms that it is acceptable for either or both valuations to be used.

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

Note 13 Short-term Debtors

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

Table a - Short-Term Debtors	31 March 2017 £000s	31 March 2018 £000s
Central Government Bodies	493	560
Other Local Authorities	1,030	14
NHS Bodies	1	4
Other Entities and Individuals	2,139	3,653
Total	3,663	4,231

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

Table b - Impairment Allowance for Doubtful Debts	31 March 2017 £000s	31 March 2018 £000s
NDR	(521)	(546)
Council Tax	(644)	(746)
Court Fees	(1,030)	(1,143)
Housing Benefits	(1,274)	(1,224)
General	(290)	(289)
Total	(3,759)	(3,948)

The gross total of the short-term debtors as at the 31 March 2018 is £8.179m (31 March 2017 was £7.422m).

Note 14 Cash and Cash Equivalents

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

Cash and Cash Equivalents	31 March 2017 £000s	31 March 2018 £000s
Cash held by the Authority	8	8
Bank current account	670	(1,614)
Short-term deposits in call account with Council's bank	9,072	6,052
Short-term deposits with other banks < 3 months	3,000	2,000
Total Cash and Cash Equivalents	12,750	6,446

Note 15 Short-term Creditors

Short-Term Creditors	31 March 2017 £000s	31 March 2018 £000s
Central Government Bodies	(4,049)	(5,211)
Other Local Authorities	(1,558)	(1,413)
Other Entities & Individuals	(3,077)	(1,701)
Total	(8,684)	(8,325)

Note 16 Provisions

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

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

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 outstanding appeals up to 31 March 2018 is £6,604,920 (£6,719,502 as at 31 March 2017), the value of appeals used in completing the collection fund position as at 31 March 2018. The Council has made a provision for 40% of this figure totalling £2,641,968 (£2,687,801 as at 31 March 2017) within the 2017/18 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 due in 2018 but will be dependent on whether the planned number of properties will be achieved. This is the maximum sum to which the Council may be liable.

BONDS AND DEPOSITS

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

CONTRACTUAL OBLIGATIONS

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

MMI INSURANCE

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

PENSION GUARANTEES

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

Note 17 Usable Reserves

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

Table a - Usable Reserves	31 March 2017 £000s	31 March 2018 £000s
General Fund	1,379	1,379
Earmarked Reserves	8,032	6,778
Capital Receipts Reserve	3,493	3,794
Capital Grants Unapplied Reserve	888	1,132
Total Usable Reserves	13,792	13,083

Table b - Capital Receipts Reserve	2016/17 £000s	2017/18 £000s
Balance at 1 April	3,788	3,493
Capital receipts in year		
Sale of Assets	733	778
Other Income	216	381
Transfer from Deferred Capital Receipts Reserve	68	89
Capital receipts used to fund capital expenditure	(1,312)	(947)
Balance at 31 March	3,493	3,794

Table c - Capital Grants Unapplied Reserve	2016/17 £000s	2017/18 £000s
Balance at 1 April	482	888
Receipts in year	1,847	2,253
Receipts Applied in year	(1,441)	(2,009)
Balance at 31 March	888	1,132

CAPITAL GRANTS UNAPPLIED

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with. This reserve holds the balance of grants unapplied at year-end. The Capital Grants Unapplied balance is for Disabled Facilities Grant that has not yet been utilised.

Note 18 Unusable Reserves

Unusable Reserves	2016/17 £000s	2017/18 £000s
Revaluation reserve	49,467	47,773
Capital Adjustment Account	13,791	15,124
Pensions Reserve	(65,061)	(57,995)
Deferred Capital Receipts Reserve	623	629
Collection Fund Adjustment Account	268	603
Accumulated Absences Account	(51)	(50)
Total Unusable Reserves	**(963)**	**6,084**

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	2016/17 £000s	2017/18 £000s
Balance at 1 April	**52,624**	**49,467**
Upward revaluation of assets	539	1,116
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,742)	(1,977)
Surplus or (deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**(2,203)**	**(861)**
Difference between fair value depreciation and historical cost depreciation	(616)	(424)
Accumulated gains on assets sold or scrapped	(338)	(409)
Amounts written off to the Capital Adjustment Account	**(954)**	**(833)**
Balance at 31 March	**49,467**	**47,773**

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	2016/17 £000s	2017/18 £000s
Balance at 1 April	**15,313**	**13,791**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(1,705)	(1,712)
Revaluation losses on property, plant and equipment	(1,633)	(510)
Amortisation of intangible assets	(12)	(12)
Revenue expenditure funded from capital under statute	(4,325)	(4,908)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(740)	(778)
Adjusting amounts written out of the Revaluation Reserve	954	833
Net written out amount of the cost of non-current assets consumed in the year	**(7,461)**	**(7,087)**
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	1,312	947
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,379	2,612
Application of grants to capital financing from the Capital Grants Unapplied Account	1,441	2,009
Statutory provision for the financing of capital investment charged against the General Fund Balance	780	800
Capital expenditure charged against the General Fund Balance	754	1,944
Capital financing applied in the year	**5,666**	**8,312**
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	273	108
Balance at 31 March	**13,791**	**15,124**

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	2016/17 £000s	2017/18 £000s
Balance at 1 April	(59,402)	(65,061)
Remeasurements of the net defined benfit liability / (asset)	(4,921)	7,879
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,544)	(3,702)
Employer's pensions contributions and direct payments to pensioners payable in year	2,806	2,889
Balance at 31 March	(65,061)	(57,995)

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	2016/17 £000s	2017/18 £000s
Balance at 1 April	518	623
Transfer of deferred loan repayments in respect of long-term debtors credited to the Comprehensive Income and Expenditure Statement	173	95
Transfer to the Capital Receipts Reserve upon receipt of cash	(68)	(89)
Balance at 31 March	623	629

COLLECTION FUND ADJUSTMENT ACCOUNT (NOTE 18E)

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	2016/17 £000s	2017/18 £000s
Balance at 1 April	(2,693)	268
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	2,961	335
Balance at 31 March	268	603

ACCUMULATED ABSENCES ACCOUNT (NOTE 18F)

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

Accumulated Absences Account	2016/17 £000s	2017/18 £000s
Balance at 1 April	(61)	(51)
Settlement or cancellation of accrual made at the end of the preceding year	61	51
Amounts accrued at the end of the current year	(51)	(50)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	10	1
Balance at 31 March	(51)	(50)

Note 19 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

Table a - Adjust Net (Surplus) / Deficit on the Provision of Services for Non-Cash Movements	2016/17 £000s	2017/18 £000s
Depreciation	1,704	1,712
Impairment & downward valuations	1,633	510
Amortisations	12	12
(Increase) / decrease in impairment allowance for doubtful debts	114	164
Increase / (decrease) in creditors	2,776	(714)
(Increase) / decrease in debtors	(2,658)	(1,244)
(Increase) / decrease in inventories	2	-
Movement in pension liability	738	(1,919)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	740	778
Movements in value of investment properties	(273)	(108)
Movement in provisions	(121)	424
Other non-cash items	2	-
Net cash flows from operating activities	4,669	(385)

Table b - Adjust Net (Surplus) / Deficit on the Provision of Services that are Investing or Financing Activities	2016/17 £000s	2017/18 £000s
Proceeds from sale of property, plant and equipment, investment property and intangible assets	(1,055)	(1,159)
Grants received for the financing of capital expenditure	(2,482)	(3,740)
Billing Authorities - Council Tax and NDR adjustments	(8,790)	(2,438)
Net cash flows from operating activities	(12,327)	(7,337)

Note 20 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

Investing Activities	2016/17 £000s	2017/18 £000s
Purchase of property, plant and equipment, investment property and intangible assets	(2,464)	(5,074)
Proceeds from short-term and long-term investments	(96,037)	(103,670)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,055	1,159
Purchase of short-term and long-term investments	101,037	99,670
Capital grants received	3,385	4,056
Net cash flows from investing activities	6,976	(3,859)

Note 21 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

Financing Activities	2016/17 £000s	2017/18 £000s
Cash receipts of short-term and long-term borrowing	2,047	4,500
Billing Authorities - Council Tax and NDR adjustments	8,790	2,439
Repayments of short-term and long-term borrowing	(2,038)	(982)
Net cash flows from financing activities	**8,799**	**5,957**

Note 22 Members' Allowances

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

Table a - Members Allowances	2016/17 £	2017/18 £
Allowance Payments	185,451	198,998
Expenses Payments	1,081	582
Total	**186,532**	**199,580**

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

Table b - Members' Allowances	2016/17 £	2017/18 £
Allowance rate paid per annum		
Basic Allowance	3,000	3,250
Executive Member	3,750	4,063
Leader Supplement	10,500	11,375
Deputy Leader Supplement	3,000	3,250
Other Group Leaders	1,500	1,625
Scrutiny Chair	3,750	4,063
Development Control Chair	2,400	2,600
Licensing Committee Chair	1,500	1,625
Development Control Vice Chair	1,200	1,300
Audit and Standards Committee Chair	1,500	1,625
Scrutiny Vice Chair	1,200	1,300
Independent Persons	500	500

Note 23 Officers' Remuneration

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

Table a - Directors and Statutory Officers		Salary, Fees and Allowances £	Elections £	Compensation for loss of office £	Pension contribution £	Total £
Head of Paid Service						
Chief Executive	2016/17	106,457			14,105	**120,562**
Chief Executive to 31/08/17	2017/18	43,609			6,873	**50,482**
Chief Executive from 07/09/17	2017/18	60,998			9,347	**70,345**
Chief Finance Officer						
Director of Resources (to 30/11/2016)	2016/17	52,414		50,000	6,683	**109,097**
Accountancy Division Manager (Acting S151 Officer 01/12/16 to 08/01/17)	2016/17	5,733			763	**6,496**
Head of Finance (from 09/01/2017)	2016/17	12,949			1,722	**14,671**
Head of Finance	2017/18	57,449			8,814	**66,263**
Non-Statutory Directors						
Director of Community Services / Chief Operating Officer from 01/01/2017	2016/17	76,077	9,718		10,389	**96,184**
Chief Operating Officer to 06/09/17	2017/18	36,782	9,625		5,665	**52,072**
Monitoring Officer						
Head of Governance, Law & Regulation	2016/17	55,841	2,947		7,537	**66,325**
Head of Governance, Law & Regulation to 19/11/17	2017/18	38,158	3,262		5,876	**47,296**
Chief Operating Officer fm 20/11/17 (NB COO currently Monitoring Officer until new Head of Legal is appointed)	2017/18	28,105			4,475	**32,580**

The rate of pension contribution is 13.3% for 2016/17 and 15.4% for 2017/18.
The Director of Resources post was disestablished from 30 November 2016.

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

Table b - Remuneration band	2016/17 Number of Employees	2017/18 Number of Employees
£50,000 - £54,999	4	3
£55,000 - £59,999	1	1
£90,000 - £94,999	0	1
Total	5	5

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

Table c

(a) Exit package cost band (including special payments)	(b) Number of compulsory departures	(b) Number of compulsory departures	(c) Number of other departures agreed	(c) Number of other departures agreed	(d) Total number of exit packages by cost band [(b) + (c)]	(d) Total number of exit packages by cost band [(b) + (c)]	(e) Total cost of exit packages	(e) Total cost of exit packages
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17 £	2017/18 £
£0 - £20,000	10	1	-	-	10	1	87,517	2,780
£20,001 - £40,000	1	3	-	-	1	3	39,455	71,910
£40,001 - £60,000	2	3	-	-	2	3	92,104	142,935
£100,001 - £150,000	-	1	-	-	-	1	-	111,845
Total	13	8	-	-	13	8	219,076	329,470

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	2016/17 £000	2017/18 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	51	51
Fees payable to Grant Thornton for non-audit services	7	-
Fees payable to Grant Thornton for the certification of grant claims and returns for the year	11	9
Public Sector Audit Appointments (PSAA) rebate	-	(8)
Total	69	52

Planned audit services cost £51k in line with the agreed plan and budget. An estimated creditor of £3k has been included under grant claims for additional work undertaken on the certification of the RGF (Aerospace) claim.

Note 25 Grant Income

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement (CIES) in 2017/18. The total credited to taxation and non-specific grant income differs from the CIES because it excludes Council Tax income of £6.550m and retained business rates of £4.634m.

Table a - Grant Income	2016/17 £000	2017/18 £000
Credited to Taxation and Non-Specific Grant Income		
Revenue Support Grant	(3,660)	(2,777)
Non-ringfenced Government Grants		
Small Business Rates Relief and Other Business Rate Grants	(1,295)	(1,110)
New Homes Bonus	(1,012)	(979)
Capital Grants & Contributions		
Disabled Facilities Grant	(1,847)	(2,288)
Market Renewal Programme	(66)	(450)
Lancashire Enterprise Partnership	(558)	(1,002)
Other Capital Grants & Contributions	(12)	-
Total	**(8,450)**	**(8,606)**
Credited to Services		
Housing Benefit & Council Tax Support Subsidy	(33,829)	(30,979)
Housing Benefit Administration Subsidy	(743)	(762)
Lancashire County Council	(1,126)	(880)
Arts Council	(9)	(9)
Pendle Borough Council	(44)	(3)
Home Office Grant	(267)	(341)
Other Revenue Grants	(709)	(475)
Homelessness Grant	(40)	(40)
Capital Grants & Contributions (see note below)		
Market Renewal Programme	(59)	(54)
Housing Capital Grant	(9)	(66)
Heritage Lottery Fund	(33)	(313)
Homes and Communities Agency	(60)	(334)
Other Capital Grants & Contributions	(584)	(358)
Total	**(37,512)**	**(34,614)**

In accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 capital grants which are used to finance capital expenditure are now recognised in the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement.

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

CURRENT LIABILITIES

Table b - Current Liabilities Capital Grants Receipts in Advance	Balance 31 March 2017 £000	Receipts £000	Applied £000	Balance 31 March 2018 £000
Housing Capital Grant	(67)	-	67	-
Housing Market Renewal	(504)	-	504	-
Total	(571)	-	571	-

LONG-TERM LIABILITIES

Table c - Long Term Liabilities Capital Grants Receipts in Advance	Balance 31 March 2017 £000	Receipts £000	Applied £000	Balance 31 March 2018 £000
Section 106 Contributions	(189)	(41)	-	(230)
Total	(189)	(41)	-	(230)

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 policies, for which they are paid allowances and expenses. Members' allowances and expenses paid in 2017/18 totalling £199,580 (£186,532 in 2016/17) are shown in Note 22.

In 2017/18 £59,565 (£34,864 in 2016/17) was paid for works, goods and services provided to the Council by companies in which Members had related interests. The Council received £13,892 (£23,160 in 2016/17) for services provided to those companies. Contracts were entered into in full compliance with the Council's standing orders.

In 2017/18 grants totalling £214,831 (£223,699 in 2016/17) 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.

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

In 2017/18 £808,679 (£1,103,973 in 2016/17) was paid for works, goods and services provided to the Council by LCC.

In 2017/18 income of £1,094,216 (£2,826,405 in 2016/17) 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 2017/18, there were no grants or payments for goods and services paid to companies in which officers had a declared interest other than those included in this statement.

CALICO HOMES LIMITED

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

In 2017/18 £273,600 (£36,286 in 2016/17) was paid to Calico Homes Ltd for goods and services provided to the Council.

In 2017/18 income of £113,811 (£209,712 in 2016/17) was received from Calico Homes Ltd for services provided by the Council.

The Chief Operating Officer was not involved in any discussion, decision or administration relating to these transactions.

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 2017/18 £84,879 (£94,325 in 2016/17) was paid to Blackburn with Darwen Borough Council for the provision of this service during the year.

In 2017/18 income of £19,599 (£22,894 in 2016/17) was received from Blackburn with Darwen Borough Council for services provided by the Council.

ENTITIES CONTROLLED OR SIGNIFICANTLY INFLUENCED BY THE COUNCIL

Burnley Leisure

This is a leisure trust and limited company that operates several services related to sport, healthy lifestyles, leisure and culture on behalf of the Council, which has two elected Members on its Board. The Council has a three year service level agreement with Burnley Leisure to supply services to the leisure trust, which ends on the 31 March 2020.

In 2017/18 £754,838 (£910,837 in 2016/17) was paid to Burnley Leisure for the provision of services to the Council. This includes a Management Fee paid to the trust of £423,272 (£611,069 in 2016/17).

In 2017/18 income of £282,373 (£295,813 in 2016/17) 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 £239,681 (£237,547 in 2016/17).

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

Barnfield and Burnley (Developments) Ltd

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

In 2017/18 no payments (nil in 2016/17) were made by the Council to Barnfield and Burnley (Developments) Ltd.

In 2017/18 no income (nil in 2016/17) was received from Barnfield and Burnley (Developments) Ltd by the Council.

Barnfield Investment Properties Ltd

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

In 2017/18 £323,491 (£55,607 in 2016/17) was paid to Barnfield Investment Properties Ltd for goods and services provided to the Council.

In 2017/18 income of £1,639 (£1,764 in 2016/17) was received from Barnfield Investment Properties Ltd for services provided by the Council.

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

Barnfield Construction Ltd

In 2017/18 no payments (£112,536 in 2016/17) were made to Barnfield Construction Ltd for goods and services provided to the Council.

In 2017/18 income of £2,615 (£2,445 in 2016/17) was received from Barnfield Construction Ltd for services provided by the Council.

Barnfield Developments Ltd

In 2017/18 no payments (nil in 2016/17) were made by the Council to Barnfield Developments Ltd.

In 2017/18 income of £507 (nil in 2016/17) 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 (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

Capital Expenditure and Capital Financing	2016/17 £000	2017/18 £000
Opening Capital Financing Requirement	27,437	28,560
Capital Investment:		
Property, plant and equipment	2,464	5,074
Revenue expenditure funded from capital under statute	4,325	4,908
Sources of finance:		
Capital receipts	(1,312)	(947)
Government grants and other contributions	(2,820)	(4,621)
Sums set aside from revenue:		
Direct revenue contributions	(754)	(1,944)
Minimum Revenue Provision	(780)	(800)
Closing Capital Financing Requirement	**28,560**	**30,230**
Explanation of movements in year:		
(Decrease) / Increase in underlying need to borrow (unsupported by Government financial assistance)	1,123	1,670
Increase / (decrease) in Capital Financing Requirement	**1,123**	**1,670**

Note 28 Leases

AUTHORITY AS LESSEE

Operating Leases

The Council leases a building on Parker Lane which houses its contact centre, Contact Burnley, on a lease which has less than 2 years remaining until it expires on the 31 December 2019.

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

Table a - Operating Lease - Contact Centre	31 March 2017 £000s	31 March 2018 £000s
Not later than one year	67	91
Later than one year and not later than five years	163	72
Minimum lease payments	230	163

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to this lease was £66,904 (£108,490 in 2016/17).

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 2017 £000s	31 March 2018 £000s
Not later than one year	(1,058)	(977)
Later than one year and not later than five years	(3,740)	(3,389)
Later than five years	(86,042)	(73,040)
Minimum lease payments	(90,840)	(77,406)

Note 29 Defined Benefit Pension Schemes

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

At 31 March 2018 the Council's principal pension arrangement for its employees was the Lancashire County Pension Fund, which is part of the Local Government Pension Scheme (LGPS). The LGPS is a funded defined benefit pension arrangement for local authorities and related employers, and is governed by statute (principally now the Local Government Pension Scheme Regulations 2013).

The Lancashire County Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees. Each employer's contributions to the fund are calculated in accordance with the LGPS Regulations, which require an actuarial valuation to be carried out every three years. The latest actuarial valuation of the Fund was carried out as at 31 March 2016, and at that date showed a funding level of 90% (up from 78% at the last valuation - assets of £6.0bn against accrued liabilities of about £6.7bn). The weighted average duration of the liabilities of the fund as a whole is 18 years, measured on the IAS19 assumptions. The duration of the liabilities for the individual employers which participate in the scheme can be significantly different from this, reflecting the profile of its employees and former employees.

GOVERNANCE AND RISK MANAGEMENT

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

NATURE OF THE FUND

The fund targets a pension paid throughout life. The amount of the pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a "final salary" scheme) for service up to 31 March 2014 and a re-valued average salary (a "career average" scheme) for service from 1 April 2014 onwards.

GOVERNANCE

Management of the Fund is vested in Lancashire County Council as Administering Authority of the Fund. Lancashire County Council has appointed a Pension Fund Committee (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.

FUNDING THE LIABILITIES

Regulations governing the Fund require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the funds solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement. The most recent valuation was carried out as at 31 March 2016, which showed a shortfall of assets against liabilities of £0.7 billion as at that date, equivalent to a funding level of 90%. The Fund's employers are paying additional contributions over a period of between 16 and 19 years in order to meet the shortfall.

RISK AND INVESTMENT STRATEGY

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

MARKET RISK

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

OTHER PRICE RISK

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

INTEREST RATE RISK

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

CURRENCY RISK

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

CREDIT RISK

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

LIQUIDITY RISK

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

OTHER RISKS

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

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

AMENDMENTS, CURTAILMENTS AND SETTLEMENTS

The provisions of the Fund were amended with effect from 1 April 2014. As explained above, for service up to 31 March 2014 benefits were based on salaries when members leave the scheme, whereas 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

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

Table a - Reconciliation of the Movement in the Pension Fund	2016/17 £000s	2017/18 £000s
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service costs	1,427	2,017
Administration Costs	31	30
Past service costs and settlements and curtailments	56	152
Financing and Investment Income and Expenditure		
Net interest expense	2,030	1,503
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**3,544**	**3,702**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising :-		
Return on plan assets	14,198	-
Actual gains and losses arising on changes in demographic assumptions	1,531	-
Actual gains and losses arising on changes in financial assumptions	(35,688)	6,386
Remeasurements (assets) gain/(loss)	15,038	1,493
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(4,921)**	**7,879**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	3,544	3,702
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to the scheme	(2,806)	(2,889)
In Year Increase/(Decrease) in Pension Reserve	**738**	**813**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement on pension assets and liabilities at 31 March 2018 was a loss of £3.702m compared with a loss of £3.544m as at 31 March 2017.

ASSETS AND LIABILITIES IN RELATION TO POST-EMPLOYMENT BENEFITS

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

Table b - Reconciliation of Present Value of the Scheme Liabilities	2016/17 £000s	2017/18 £000s
Opening balance at 1 April	**178,775**	**200,331**
Current service cost	1,427	2,017
Interest cost	6,151	4,926
Contributions from scheme participants	411	400
Remeasurement (gains) and losses:-		
Experience (gains) / loss	(14,198)	-
Actuarial (gains) and losses from changes in financial assumptions	35,688	(6,386)
Actuarial (gains) and losses from changes in demographic assumptions	(1,531)	-
Benefits paid	(6,448)	(6,836)
Losses / (gains) on curtailments	56	152
Closing balance at 31 March	**200,331**	**194,604**

PENSION ASSETS AND LIABILITIES RECOGNISED IN THE BALANCE SHEET

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

Table c - Pensions Assets and Liabilities Recognised in the Balance Sheet	2016/17 £000s	2017/18 £000s
Present Value of the defined benefit obligation	200,331	194,604
Fair value of plan assets	(135,270)	(136,609)
Sub-total	**65,061**	**57,995**
Other Movements in the liability / (asset)	-	-
Net Liability arising from defined benefit obligation	**65,061**	**57,995**

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

Table d - Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	2016/17 £000s	2017/18 £000s
Opening fair value of scheme assets	119,373	135,270
Interest Income	4,121	3,423
Remeasurement (assets) gain/(loss)	15,038	1,493
Contributions from employer	2,806	2,889
Contributions from employees into the scheme	411	400
Benefits paid	(6,448)	(6,836)
Other	(31)	(30)
Closing fair value of scheme assets	**135,270**	**136,609**

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

The actual return on scheme assets in the year was £4.916m (£19.159m in 2016/17).

SCHEME HISTORY

Table e - Pension Assets and Liabilities Recognised in the Balance Sheet	2016/17 £000s	2017/18 £000s
Present value of the funded benefit obligation	192,625	187,338
Present value of the unfunded benefit obligation	7,706	7,266
Fair value of plan assets	(135,270)	(136,609)
Net Liability arising from defined benefit obligation	**65,061**	**57,995**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total net liability of £57.995m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net overall balance of £19.167m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Local Government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2019 is £2.755m.

BASIS FOR ESTIMATING ASSETS AND LIABILITIES

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

The significant assumptions used by the actuary have been:

Table f - Basis for Estimating Assets and Liabilities	2016/17	2017/18
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.6	22.7
Women	25.2	25.4
Longevity at 65 for future pensioners:		
Men	24.9	25.0
Women	27.9	28.0
Rate of inflation - CPI	2.30%	2.10%
Rate of increase in salaries	3.80%	3.60%
Rate of increase in pensions	2.30%	2.20%
Rate for discounting scheme liabilities	2.50%	2.60%

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

Table g - Local Government Pension Scheme assets comprised:-	2016/17 £000s	2017/18 £000s
Cash & Cash Equivalents	1,404	(571)
Bonds		
Corporate	2,221	2,401
UK Fixed Gilts	259	-
UK Index Linked	2,418	3,260
Overseas Fixed Interest	-	132
Sub-total Bonds	4,898	5,793
Property		
Retail	3,682	3,757
Commercial	8,235	9,091
Sub-total Property	11,917	12,848
Private Equity		
UK	1,534	-
Overseas	7,173	9,916
Sub-total Private Equity	8,707	9,916
Other Investment Funds		
Infrastructure	16,322	17,312
Credit Funds	30,312	25,171
Property	1,907	2,075
Overseas Pooled Equity Funds	59,803	60,695
Pooled Fixed Income	-	3,370
Sub-total Other Investment Funds	108,344	108,623
Total Assets	135,270	136,609

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

Table h - Local Government Pension Scheme Sensitivity Analysis	Increase in Assumptions £000s	Decrease in Assumptions £000s
Longevity (increase or decrease in 1 Year)	3,999	(3,999)
Rate of Inflation (increase or decrease by 0.1%)	2,976	(2,976)
Rate of increase in salaries (increase or decrease by 0.1%)	286	(286)
Rate of discounting scheme liabilities (increase or decrease by 0.1%)	(2,930)	2,930

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

Note 30 Contingent Liabilities

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. 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 2018.

Note 31 Nature and Extent of Risks arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might 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. Deposits are not made with banks and financial institutions unless they are rated independently. The Council has a policy of not lending more than a certain amount to any one institution dependent upon the rating of that institution as approved by Link Asset Services (formerly Capita). The maximum amounts invested in any institution was £4m. In the case of the Council's own bankers the limit is set at £15m.

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

The Council's maximum exposure to credit risk in relation to its deposits in banks and building societies of £14.1m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for British based banks and building societies to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2018 that this was likely to occur.

The following analysis summarises the Council's potential maximum exposure to credit risk on financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions. The Council's impairment allowance for doubtful debts at 31 March 2018 totals £3.948m. Included within this amount is a general provision of £2.656m for customers such as trade debtors, excluding Council Tax and Business Rate payers. It is believed that the Council has provided more than sufficient to cover for future losses due to default.

Table a - Credit Risk	A Amount at 31 March 2018 £000s	B Historical experience of default %	C Historical experience adjusted for market conditions at 31 March 2018 %	(AxC) Estimated maximum exposure to default and un-collectability at 31 March 2018 £000s	Estimated maximum exposure at 31 March 2017 £000s
Deposits with other banks and financial institutions (see note 12a)	14,052	0.00%	0.00%	-	-
Customers (see note 13)	8,179	54.98%	48.27%	3,948	3,759
				3,948	3,759

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council expects settlement terms from debtors of no greater than 14 days, such that £4.179m of the £8.179m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

Table b - Customer Debt Past Due Date	31 March 2017 £000s	31 March 2018 £000s
Less than three months	174	45
Three to six months	74	135
Six months to one year	863	1,518
More than one year	2,946	2,481
	4,057	4,179

LIQUIDITY RISK

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

Table c - Liquidity Risk	31 March 2017 £000s	31 March 2018 £000s
Less than one year	1,029	1,062
Between one and two years	1,015	1,410
Between two and five years	4,613	4,276
Between five and ten years	5,990	5,954
Between ten and fifteen years	1,037	-
More than fifteen years	6,932	11,432
	20,616	24,134

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

MARKET RISK

Interest Rate Risk

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

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

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

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

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

According to this assessment strategy, at 31 March 2018, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Table d - Market Risk	31 March 2017 £000s	31 March 2018 £000s
Increase in interest receivable on variable rate investments	(159)	(138)
Impact on Surplus or Deficit on the Provision of Services	**(159)**	**(138)**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	2,649	3,507

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

4. Supplementary Accounts and Explanatory Notes

CHARTER WALK

Supplementary Financial Statement

THE COLLECTION FUND STATEMENT

Business Rates £	Council Tax £	31 March 2017 Total £	COLLECTION FUND 2017/18	Business Rates £	Council Tax £	31 March 2018 Total £
			Income			
-	(38,714,184)	(38,714,184)	Council Tax Receivables	-	(40,577,922)	(40,577,922)
(29,967,611)	-	(29,967,611)	Business Rates Receivables	(27,202,925)	-	(27,202,925)
14,022	(78)	13,944	Transitional Relief Payments (Receivable)/Payable	2,093,134	(688)	2,092,446
(29,953,589)	(38,714,262)	(68,667,851)		(25,109,791)	(40,578,610)	(65,688,401)
			Expenditure			
			Apportionment of Previous Year Surplus / (Deficit)			
(2,951,154)	-	(2,951,154)	Central Government	(594,424)	-	(594,424)
(2,360,923)	81,364	(2,279,559)	Burnley Borough Council	(475,538)	81,364	(394,174)
(531,208)	337,236	(193,972)	Lancashire County Council	(106,996)	343,337	236,341
(59,023)	19,361	(39,662)	Lancashire Fire & Rescue Authority	(11,888)	19,141	7,253
-	47,479	47,479	Police and Crime Commissioner for Lancashire	-	47,407	47,407
(5,902,308)	485,440	(5,416,868)		(1,188,846)	491,249	(697,597)
			Precepts, Demands and Shares			
14,073,832	-	14,073,832	Central Government	12,331,845	-	12,331,845
11,259,066	6,204,544	17,463,610	Burnley Borough Council	9,865,476	6,483,324	16,348,800
2,533,290	25,930,335	28,463,625	Lancashire County Council	2,219,732	27,585,667	29,805,399
281,477	1,445,651	1,727,128	Lancashire Fire & Rescue Authority	246,637	1,478,925	1,725,562
-	3,580,358	3,580,358	Police and Crime Commissioner for Lancashire	-	3,735,696	3,735,696
28,147,665	37,160,888	65,308,553		24,663,690	39,283,612	63,947,302
			Charges to the Collection Fund			
481,603	(1,560)	480,043	Less write offs of uncollectable amounts	430,886	132,483	563,369
(58,075)	584,181	526,106	Less: Increase / (Decrease) in Bad Debt Provision	61,940	738,172	800,112
(316,817)	-	(316,817)	Less: Increase / Decrease in Provision for Appeals	(114,582)	-	(114,582)
151,284	-	151,284	Less: Cost of Collection	148,995	-	148,995
238,391	-	238,391	Less: Renewable Energy Schemes	234,277	-	234,277
3,683	-	3,683	Less: Interest on Refunds	-	-	-
500,069	582,621	1,082,690		761,516	870,655	1,632,171
			COLLECTION FUND BALANCE			
(7,208,163)	(485,313)	(7,693,476)	(Suplus) / Deficit arising during the year	(873,431)	66,906	(806,525)
7,064,893	(798,651)	6,266,242	(Surplus) / Deficit b/fwd 1 April	(143,270)	(1,283,964)	(1,427,234)
(143,270)	(1,283,964)	(1,427,234)	(Surplus) / Deficit c/fwd 31 March	(1,016,701)	(1,217,058)	(2,233,759)
			Allocated to:			
(57,308)	(210,468)	(267,776)	Burnley Borough Council	(406,680)	(195,844)	(602,524)
(12,894)	(901,446)	(914,340)	Lancashire County Council	(91,503)	(858,821)	(950,324)
-	(122,987)	(122,987)	Police and Crime Commissioner for Lancashire	-	(117,070)	(117,070)
(1,433)	(49,063)	(50,496)	Lancashire Fire & Rescue Authority	(10,167)	(45,323)	(55,490)
(71,635)	-	(71,635)	Central Government	(508,351)	-	(508,351)
(143,270)	(1,283,964)	(1,427,234)		(1,016,701)	(1,217,058)	(2,233,759)

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 22,579 for 2017/18 (22,071 for 2016/17). 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 (£1,735.73 for 2017/18 (£1,680.34 for 2016/17)) 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 2018 was a surplus of £1,217,058 which includes a deficit for the year of £66,906.

COUNCIL TAX BASE

The Council Tax base for 2017/18 was approved at the Council meeting on 22 February 2017. Details are shown below:

Band	Ratio	Number of properties	Band D equivalent
A Reduced	5/9	28	15
A	6/9	15,767	10,511
B	7/9	4,390	3,415
C	8/9	5,349	4,755
D	9/9	2,527	2,527
E	11/9	1,159	1,416
F	13/9	297	429
G	15/9	116	193
H	18/9	8	17
Total		**29,641**	**23,278**
Less: Allowance for non-collection		3.0%	**699**
Taxbase for year			22,579

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 2017/18 was calculated as follows:

Council Tax Due	2017/18 £
Lancashire County Council	27,585,667
Police and Crime Commissioner for Lancashire	3,735,696
Lancashire Fire and Rescue Authority	1,478,925
Burnley Borough Council	6,390,760
Briercliffe with Extwistle Parish Council	15,000
Cliviger Parish Council	10,000
Habergham Eaves Parish Council	5,000
Hapton Parish Council	10,000
Ightenhill Parish Council	1,500
Padiham Town Council	35,364
Worsthorne with Hurstwood Parish Council	15,700
Total to be met from Council Tax	39,283,612

Divided by the Council Tax Base (22,579) this gives an average Band D Council Tax for the year 2017/18 of £1,739.83 (£1,683.70 in 2016/17). This is slightly higher than the figure in Note 2 due to the inclusion above of the parish and town council precept amounts.

Note 4 Non-Domestic Rates

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

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

For 2017/18, the total non-domestic rateable value for the Council's area at 31 March 2018 was £74,979,210 (£74,932,876 at 31 March 2017). The national multipliers for 2017/18 were 46.6p for qualifying small businesses (48.4p in 2016/17) and the standard multiplier being 47.9p for all other businesses (49.7p in 2016/17).

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

Note 5 Lancashire Business Rates Pool

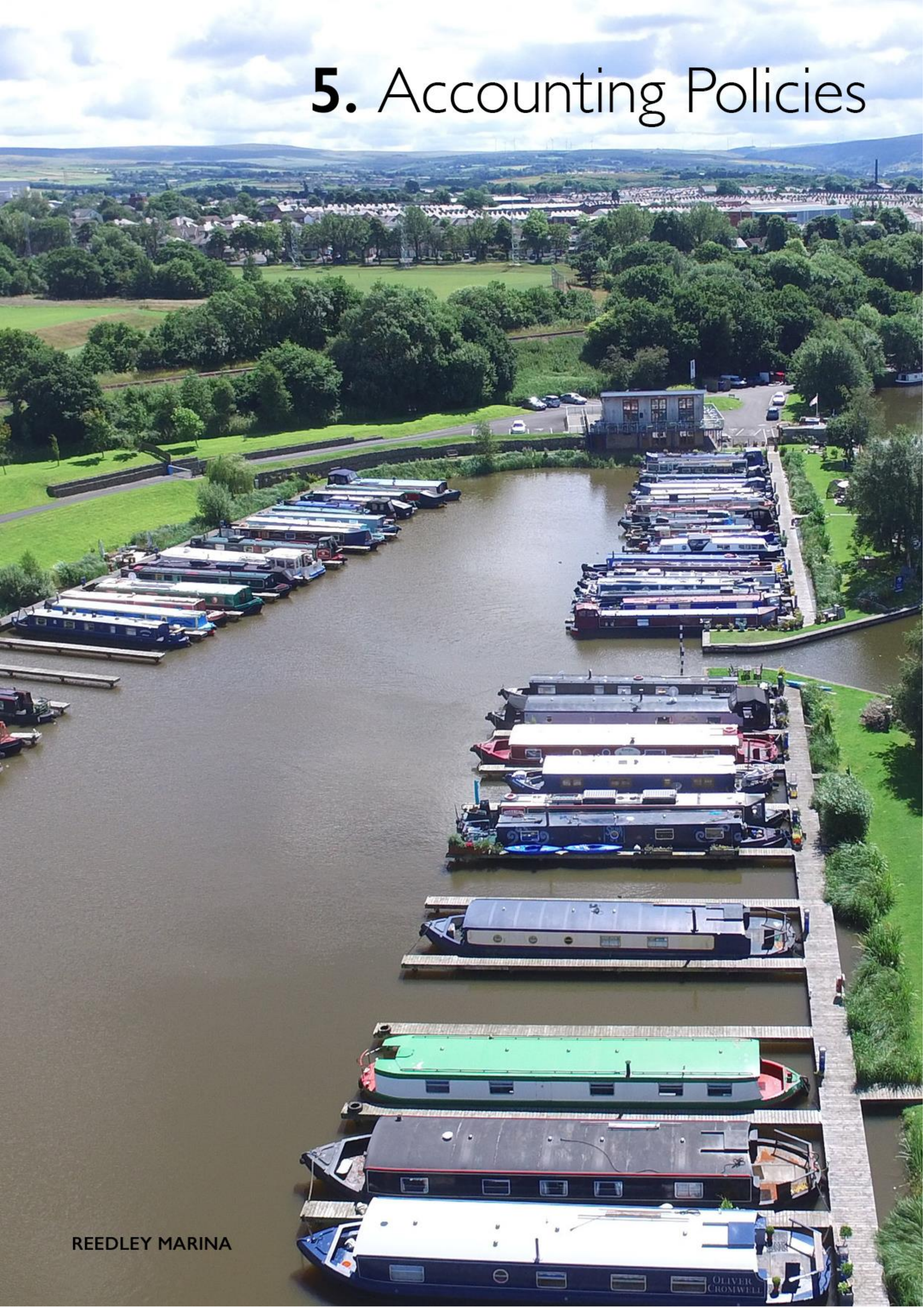
During 2016/17 this Council was part of the Lancashire Business Rates Pool which began on 1 April 2016. In a Business Rate Pool, tariffs, top-ups, levies and safety nets can be combined. This can result in a significantly lower levy rate or even a zero levy rate meaning that more or all of the business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

- Lancashire County Council is paid 10% of the overall retained levy;
- Each district within the pool retains 90% of their levy.

With regard to this Council, the retained levy for 2016/17 would be £678,064, hence under pooling we have benefited from extra income of £610,258. Lancashire County Council has received the remaining 10% of retained levy.

During 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.

5. Accounting Policies



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Accounting Policies

I. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18 (the Code) supported by International Financial Reporting Standards (IFRS).

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

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

II. ACCRUALS OF EXPENDITURE & INCOME

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

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

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

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

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

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

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

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

V. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

The 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 18F, 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 18f. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

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

TERMINATION BENEFITS – (SEE NOTE 23)

Termination benefits are amounts payable as a result of a decision by the 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 – this entails an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based upon assumptions about mortality rates, employee turnover rates and projected future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (based upon the indicative rate of return on an AA corporate bond - not the highest quality AAA bond but nevertheless a "high grade" bond).
- The assets of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet at their fair value – quoted securities at current bid price, unquoted securities by means of a professional estimate, unitised securities at the current bid price and property at market value.

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

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned in the year and allocated to the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. This is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
  - Net interest on the net defined benefit liability (asset), ie net interest expense for the 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 Account is adjusted to reflect such events.
- Non-adjusting Events – those that are indicative of conditions that arose after the reporting period. The Statement of Account is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

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

FINANCIAL LIABILITIES

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

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

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

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

FINANCIAL ASSETS

These are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

LOANS AND RECEIVABLES

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

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

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

AVAILABLE FOR SALE ASSETS

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

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

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

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

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

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

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

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

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

- The 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 NOTES 10)

Tangible and Intangible Heritage Assets

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

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

XII. INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the 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 value of works and services received under the contract during the financial year.

XIV. INVESTMENT PROPERTY – (SEE NOTE 11)

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be receivable to sell such an asset in an orderly transaction between market participants at measurement date. 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. 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 authority 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 authority 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.

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.

XVI. 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.

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

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

RECOGNITION

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the 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 Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie will not lead to a variation in the cash flows of the 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 lines in the Comprehensive Income and Expenditure Statement.

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

IMPAIRMENT

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

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

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

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

DEPRECIATION

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

Depreciation is calculated on the following bases:

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

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

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

DISPOSALS AND NON-CURRENT ASSETS HELD FOR SALE

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on 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.

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

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

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

CONTINGENT LIABILITIES – (SEE NOTE 30)

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

XIX. 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.

XX. REVENUE RECOGNITION

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

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

XXI. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

This is expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset. It has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the 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 7.

XXII. VALUE ADDED TAX

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

XXIII. FAIR VALUE MEASUREMENT

The Council measures some of its non-financial assets and liabilities such as surplus assets and investment properties at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction 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:

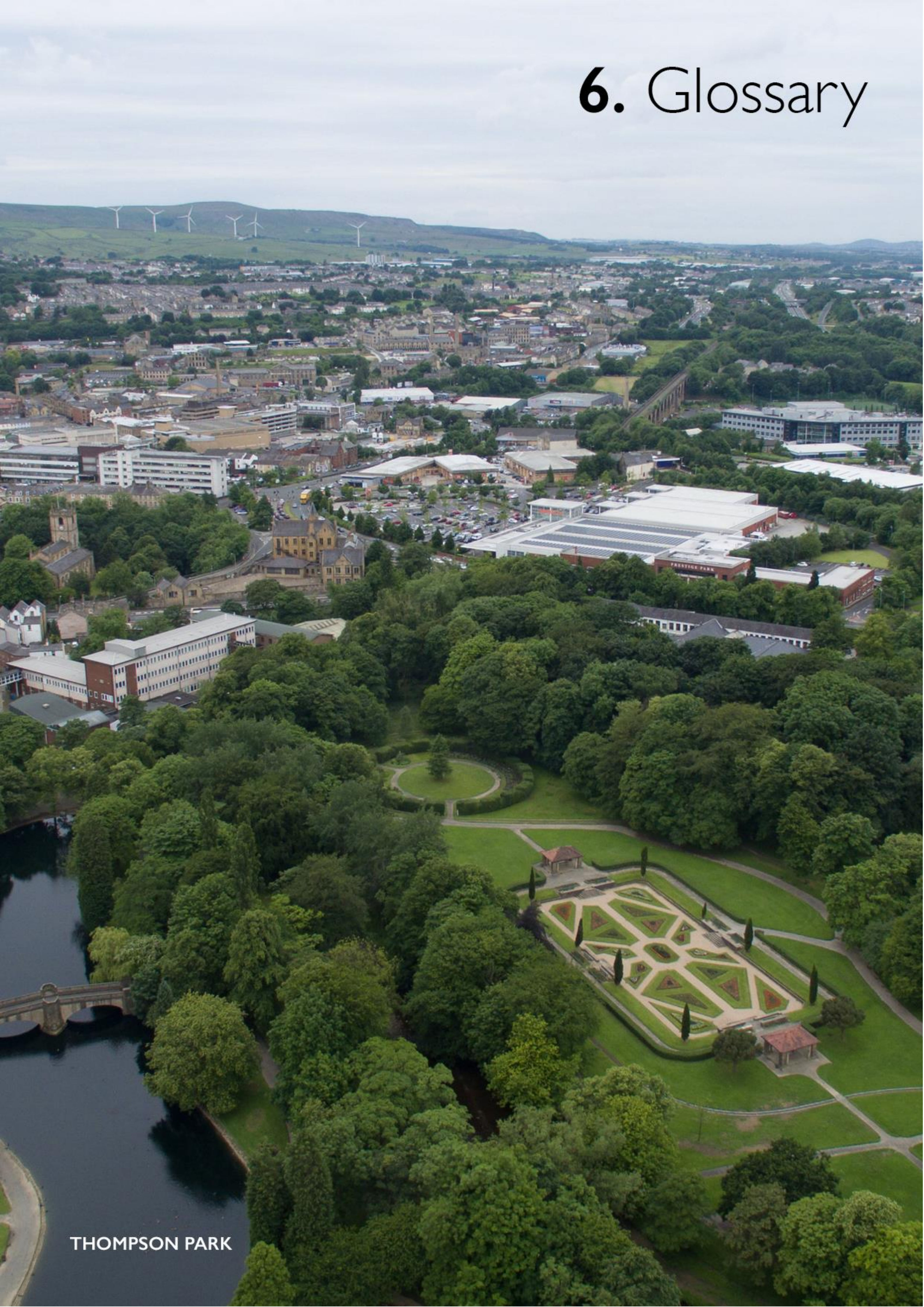
a) in the principal market for the asset or liability, or

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

The Council uses in-house valuers to provide a valuation of its assets and liabilities, for recognition or disclosure as appropriate, in line with the highest and best use definition within IFRS 13 Fair Value Measurement. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant. Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

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



THOMPSON PARK

Glossary of Terms

ACCOUNTING PERIOD

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

ACCRUAL

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

ACTUARIAL GAINS AND LOSSES

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

AGENCY SERVICES

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

ANNUAL GOVERNANCE STATEMENT (AGS)

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

ASSET

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

AUDITOR'S OPINION

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

BALANCE SHEET

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

BALANCES

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

BUDGET

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

CAPITAL ADJUSTMENT ACCOUNT

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

CAPITAL CHARGE

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING COSTS

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

CAPITAL GRANTS UNAPPLIED

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with. This reserve holds the balance of grants unapplied at year-end.

CAPITAL RECEIPTS

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

CAPITAL RECEIPTS - DEFERRED

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

CARRYING AMOUNT

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

CIPFA

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

CIPFA PRUDENTIAL CODE

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

CODE OF PRACTICE

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

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

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

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

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

COLLECTION FUND

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

COMMUNITY ASSETS

Assets that the Council intends to hold in perpetuity that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

CONSISTENCY

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

CONSOLIDATED BALANCE SHEET

The combined fund balance sheets of the Council.

CONTINGENCY SUM

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

CONTINGENT LIABILITY

A contingent liability is either:

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

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

CORPORATE GOVERNANCE

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

COST OF MANAGEMENT AND ADMINISTRATION

An allocation to service accounts of the net cost of the administrative and professional departments which support all of the Council's services.

CREDITORS

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

CURRENT ASSET

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

CURRENT LIABILITY

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

CURRENT SERVICE COST (PENSIONS)

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

DEBT REDEMPTION

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

DEBTOR

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

DEFERRED CHARGES

Expenditure which does not result in, or remain matched with, tangible assets. An example of a deferred charge is expenditure on items such as improvement grants. Deferred charges are written off to the revenue account in the year of account.

DEFERRED DEBTORS

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

DEPRECIATION

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

EXCEPTIONAL ITEMS

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

EXPECTED RATE OF RETURN ON PENSIONS ASSETS

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

EXPENSES

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

FAIR VALUE

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

FINANCE LEASE

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

FINANCIAL YEAR

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

FIXED ASSETS

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

FORMULA GRANT

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

GENERAL FUND

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

GOING CONCERN

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

GROSS EXPENDITURE

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

HISTORICAL COST

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

IMPAIRMENT

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

INCOME

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

INFRASTRUCTURE ASSETS

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INTANGIBLE ASSET

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

INTEREST COST (PENSIONS)

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

INVESTMENT PROPERTY

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

LEASING

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

LIABILITIES

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

LOANS OUTSTANDING

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

MATERIALITY

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

MINIMUM REVENUE PROVISION

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

NON-DOMESTIC RATES (NDR)

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

NET EXPENDITURE

Gross expenditure less specific Government grants and other income.

NET BOOK VALUE

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost of current value, less the cumulative amounts provided for depreciation.

NON-OPERATIONAL ASSETS

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

OPERATING LEASE

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

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST

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

PRECEPT

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

PROVISION

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

PRUDENCE

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

PRUDENTIAL FRAMEWORK

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

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

PUBLIC WORKS LOAN BOARD (PWLB)

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

RELATED PARTIES

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

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

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

RELATED PARTY TRANSACTIONS

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

RENT ALLOWANCE

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

RESERVE

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

RESIDUAL VALUE

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

REVALUATION RESERVE

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

REVENUE ACCOUNT

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

REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE (REFFCUS)

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

REVENUE SUPPORT GRANT (RSG)

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

STOCKS AND WORK IN PROGRESS

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

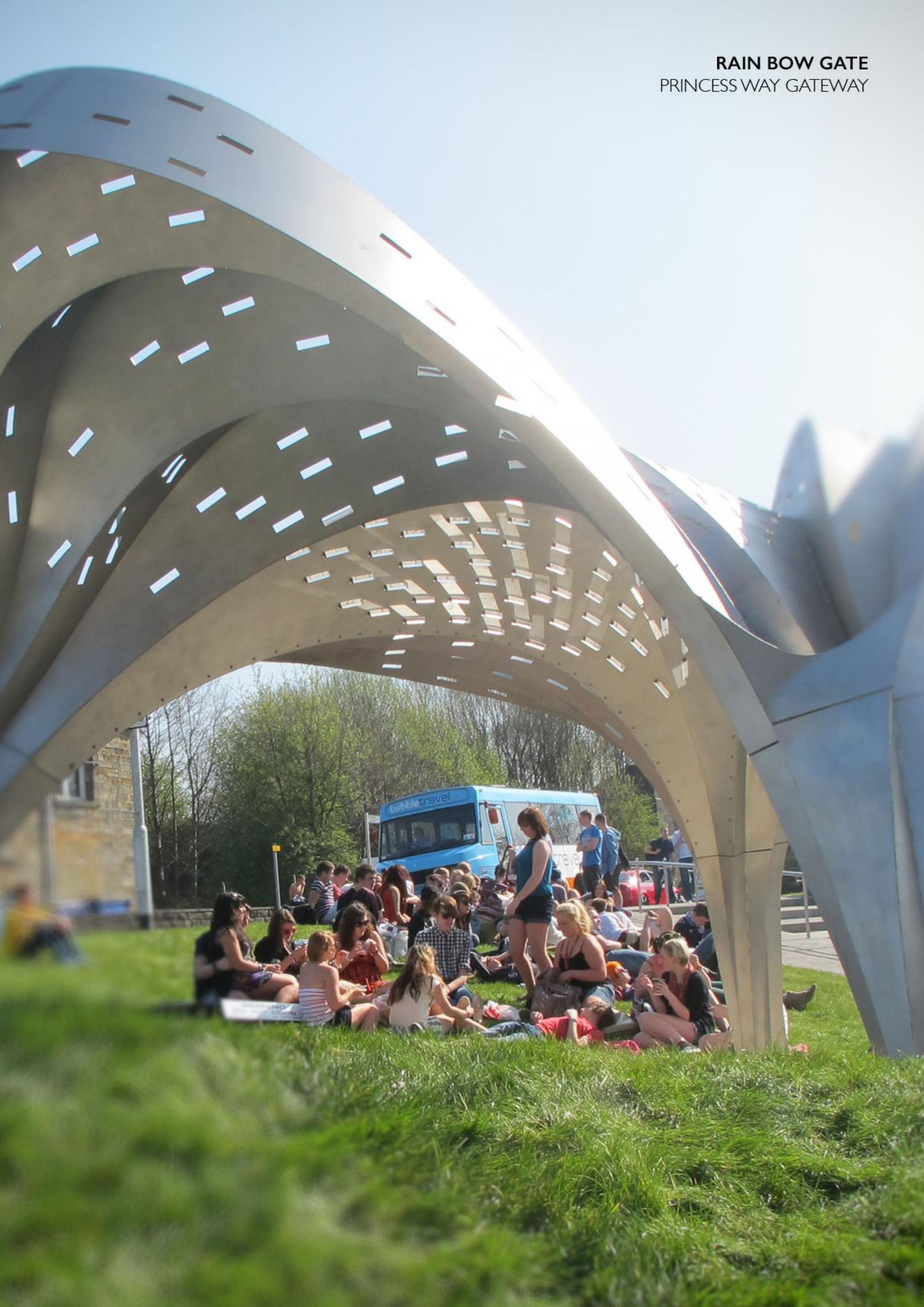
TEMPORARY LOANS

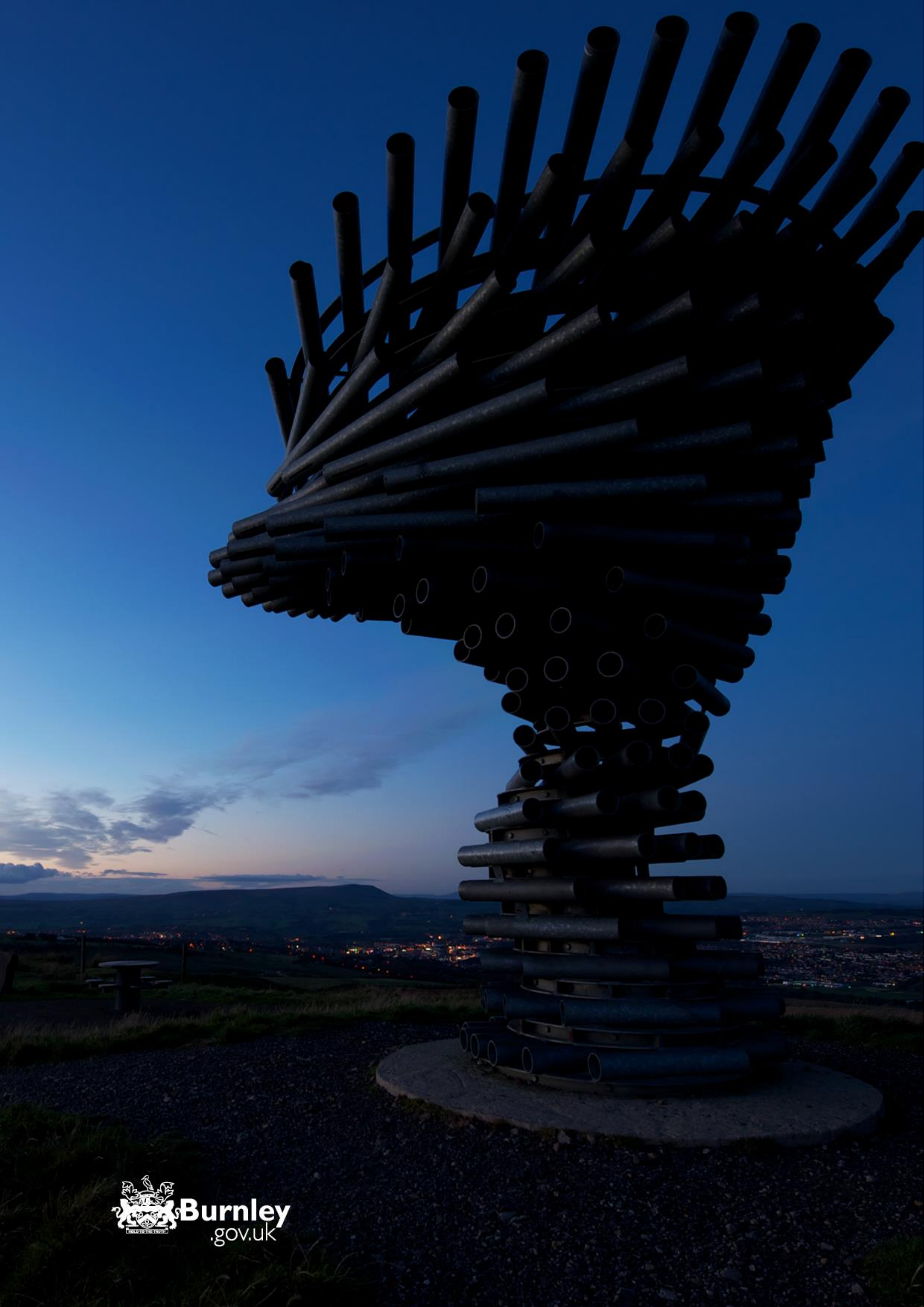
Loans where repayment is due to be made or repayment can be demanded, within one year from the date of advance.

TREASURY MANAGEMENT

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

RAIN BOW GATE
PRINCESS WAY GATEWAY

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