



STATEMENT OF ACCOUNTS 2012-13

Approved by the Council's Audit Committee on 25th September 2013

.....

Councillor Andy Tatchell

Chair of the Audit Committee

CONTENTS

	<u>PAGE</u>
Explanatory Foreword	2
Statement of Responsibilities for the Statement of Accounts	7
Auditor's Certificate and Opinion	8
<u>Core Financial Statements</u>	
- Movement in Reserves Statement	11
- Comprehensive Income and Expenditure Statement	12
- Balance Sheet	13
- Cash Flow Statement	14
Index of Notes to the Core Financial Statements	15
Notes to the Core Financial Statements	16
<u>Supplementary Financial Statement</u>	
- Collection Fund Statement	85
Notes to the Collection Fund Statement	86
Glossary of Terms	89

EXPLANATORY FOREWORD

This booklet presents the Council's accounts for the year ended 31st March 2013. The accounts conform to the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code), which is based on International Financial Reporting Standards (IFRSs).

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

Explanatory Statements

- Explanatory Foreword - 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

- Movement in Reserves Statement – this statement shows the movement in year on the different reserves held by the Council, analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves (i.e. those that cannot be applied to fund expenditure or reduce local taxation e.g. pensions reserve)
- Comprehensive Income and Expenditure Statement - a summary of the resources generated and consumed by the authority in the year in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
- Balance Sheet - this shows the value of the Council's assets and liabilities at the beginning and at the end of the year. The net assets of the Council (assets less liabilities) are matched by the value of reserves held.
- Cash Flow Statement - summarises changes in cash and cash equivalents during the year, including how the Council generates and uses cash through operating, investing and financing activities.

Notes to the Core Financial Statements

All the notes to the core statements above are now collected in one place, including at Note 1 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.

The revenue budget for 2012/13 was approved by Full Council on the 23rd February 2012 and amounted to a net figure of £14.696m. Through a change in the treatment of Council Tax Freeze Grant the Council's Formula Grant was increased by £0.165m to £8.227m which also increased the net budget figure to £14.861m. This net budget figure was funded as follows:

	£
Formula Grant	8.227m
Council Tax Levied	6.610m
Collection Fund Surplus	0.024m

In addition, the Council received requests for precepts on the Collection Fund of £0.056m to fund expenditure by Parish and Town Councils. In total this resulted in a Collection Fund precept of £6.666m.

Revenue Surplus

In determining the budget for the year there was no planned transfer to or from accumulated General balances but there was a planned contribution of £0.281m from earmarked reserves. There were however further planned contributions from earmarked reserves of £0.353m to support net revenue spending arising from decisions made during the financial year as part of the revenue budget monitoring process. This gave a revised net planned overall contribution from earmarked reserves of £0.634m to support revenue spending.

The Statement of Accounts shows that there was a revenue surplus for the year of **£0.899m** after taking into account an actual contribution from earmarked reserves of £0.253m. In February 2013, the Executive agreed to increase the level of General balances by £0.279m to £1.379m. This has been undertaken and deducted from the £0.899m surplus. The balance of £0.620m has been transferred to earmarked reserves to give a net increase in earmarked reserves for the year of £0.367m as detailed below:

Revenue Spending 2012/13 Final Outturn and Reserves Position	Under Spending £'000	Earmarked Reserves Used In Yr. £'000	Earmarked Reserves Balance £'000	General Balance £'000
Balances brought forward 01/04/12			(5,665)	(1,100)
<u>Position as per Monitoring Report - end February 2013</u>				
Earmarked reserves required to fund spending		634	634	
Estimated underspending at year end	(1,000)		(1,000)	
Estimated year end Earmarked Reserves balance			(6,031)	
<u>Year End Position</u>				
Reduction in estimated net underspending at year end	101		101	
Including underspending where earmarked reserves not now required		(381)	(381)	
2012/13 net underspending	(899)		(6,311)	
less: Planned transfer to General balance - Executive 18/02/13	279		279	(279)
Balances carried forward 31/03/13			(6,032)	(1,379)
less: Opening balances			(5,665)	
Balance transferred (to)/from Earmarked Reserves	(620)	253	(367)	

The level of the general balance has increased to the new prescribed level of £1.379m under the Council's medium term financial strategy. The main reasons for the net overall surplus of £0.899m generated on the revenue account are shown in the table below:

Summary of 2012/13 Major Variances		£'000
Underspend / Increased Income		
Vacant Posts		421
Building Repairs		250
Other Premises Related Expenditure		50
Income from Fees and Charges		42
Reduced Borrowing & Increased Investment Income		186
Supplies & Services		
- Equipment & Materials		80
- Professional Fees		63
- Communications & Computing costs		84
- Business Support costs		58
- Printing, Stationery, Advertising, Marketing & Publicity		99
- Other Supplies & Services savings		124
Increased Expenditure / Reduced Income		
Provision for Housing Development costs		(209)
Development of Town Centre		(225)
Property Rental Income		(52)
Other net overspending in services		(72)
Total Underspend		899

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 2012/13 the Council spent £8.1m on capital projects compared with a revised capital budget of £8.3m. The differences on the various areas of the capital budget are summarised below. The shortfall in spending compared to that allowed for in the budget for the services shown below was largely due to schemes which did not progress as quickly as anticipated and will now be carried out in the following financial year.

Capital Expenditure	Revised Estimate 2012/13 £M	Actual 2012/13 £M	Difference £M
Economic Regeneration & Business Support			
University Technical College	4.3	4.3	0.0
Weavers Triangle Programme	0.3	0.3	0.0
Todmorden Curve Rail Link	0.2	0.2	0.0
Burnley Railway Station Manchester Road	0.4	0.4	0.0
Housing Repair, Refurbishment & Clearance			
Disabled Facilities Grant	0.6	0.6	0.0
Acquisitions & Clearance	0.4	0.4	0.0
Empty Homes Programme	0.2	0.2	0.0
Vacant Property Initiative	0.2	0.1	0.1
Other	0.3	0.3	0.0
Green Space & Amenities	0.5	0.5	0.0
Streetscene	0.4	0.4	0.0
Sport & Culture			
Replacement of Fitness Equipment & Refurbishment St Peters Centre	0.3	0.3	0.0
Chief Executive	0.2	0.1	0.1
Total	8.3	8.1	0.2

Borrowing

The total amount outstanding as at 31st March 2013 on long-term loans borrowed from the Public Works Loan Board (PWLB) to finance capital expenditure was £18.9m. In addition there was at this date £1.7m of short-term borrowing (including £1m PWLB loans). The sources of this borrowing totalling £20.6m, and the periods to repayment, are identified in note 15f in the notes to the core financial statements. This borrowing should be seen in the context of the total value of the Council's long term assets which is shown in the balance sheet at £105.8m. The Prudential Code for Capital Finance in Local Authorities regulates local authority borrowing and gives freedom to Councils to borrow as long as the revenue costs are capable of being met in the opinion of the Chief Financial Officer and are in keeping with prudential indicators and guidelines.

Pensions Costs

The requirements of IAS 19 in relation to post-employment benefits, i.e. pensions, have been fully incorporated into the Comprehensive Income & Expenditure Statement with actuarial gains and losses being recognised in Other Comprehensive Income and Expenditure, as Note 39 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; this compares with previously only showing the cash payments to the scheme. 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 31st March 2013 was £64.6m.

Icelandic Bank Deposit

An amount of £1m was deposited by the Council in September 2008 in an Icelandic bank, Landsbanki Islands HF. This short-term deposit was not repaid on the due date of 8th October 2008 and remains partially unpaid. Many local authorities and other major financial institutions together with small investors have also had deposits which have not yet been fully repaid as a consequence of the collapse of the Icelandic banking system.

It is estimated that 100% of the £1m deposit and interest due (after accounting for inflation) will ultimately be recovered as the Council's claim has been given priority status. Repayments totalling £482k have been received to date. It is however not expected that the final payment will be made until 2019. Funds have been set aside in a Financial Instruments Shortfall Reserve (FISR) to cover the net present value of the full amount of the balance of the deposit outstanding shown in the balance sheet at 31st March 2013 (£421k). When repayments are received this reserve will be reduced by the amount repaid and the funds released will be used to support the Council's finances in other areas. In 2012/13 an amount of £143k was transferred to the modernisation reserve from the FISR to reflect the payments received in the year after crediting £38k interest to the Comprehensive Income and Expenditure Statement.

The outstanding Landsbanki deposit of £421k is shown in the Balance Sheet under Long-Term Investments and Deposits (£349k in total), and Short-Term Investments and Deposits (£72k of £1,072k in total).

Current Economic Conditions

The continuing fragile state of the world economy which has led to recession and record low levels of interest rates is of significant concern for the Council's finances. Many local businesses are under severe pressure and unemployment remains high. This has led to increased levels of housing benefits which the Council pays, whilst low interest rates continue to suppress valuable investment income which supports the council's spending. The Council's financial position is worsened by the continuing pressures on income from fees and charges (although the position has stabilised in 2012/13 compared to 2011/12), property rental income has fallen, on top of large reductions in overall income levels from earlier years which have already impacted upon the budget. Property prices are depressed and although the valuation of the Council's assets in the balance sheet is mainly based upon levels prevailing at 1st April 2012 an assessment of the impact on the value of the Council's assets is ongoing. This will inform the process of valuing the Council's assets in 2013/14. It is encouraging to note that there has still not been a material effect on the Council's debt collection rate.

Due to the current economic conditions and the uncertainty in the economy, the Government continues to follow its austerity programme, and further significant reductions in Government core funding are forecast for the next few years.

Accounting Policies

The accounting policies adopted by the Council are explained in the notes to the core financial statements (see note 1) and follow the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Further Information

Further information about the Statement of Accounts is available from the Head of Finance & Property Management, 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. Details as to when this right can be exercised are advertised each year in the Burnley Express and on the Council's website. Residents of the Borough who are Council Tax payers may register any objection to the accounts in writing to the External Auditor.

External Audit

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

Karen Murray
Engagement Lead
Grant Thornton UK LLP
4 Hardman Square,
Spinningfields,
Manchester,
M3 3EB

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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 Director of Resources.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

As Chief Financial Officer, I am responsible for the preparation of the authority's statement of accounts which, in terms of the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 ("the Code"), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2013.

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 present a true and fair view of the financial position of Burnley Borough Council at 31st March 2013 and its income and expenditure for the year then ended including any known post balance sheet events at 25th September 2013

Helen Seechurn
Director of Resources

Date: 25th September 2013

Independent Auditor's Report to the Members of Burnley Borough Council

Opinion on the Authority financial statements

We have audited the financial statements of Burnley Borough Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Burnley Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of Director of Resources Responsibilities, the Director of Resources 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Burnley Borough Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA / SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those 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 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Burnley Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

We certify that we have completed the audit of the financial statements of Burnley Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Karen Murray
Engagement Lead
For and on behalf of Grant Thornton UK LLP, Appointed Auditor

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

September 2013

Core Financial Statements

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure or reduce local taxation – see note 22) and unusable reserves (i.e. those that cannot be applied to fund expenditure or reduce local taxation e.g. pensions reserve – see note 23).

The 'Surplus / (deficit) on the Provision of Services' line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes and details of the adjustments required can be found at Note 6.

The 'Net increase / (decrease) before transfers to reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. Details of these transfers can be found at Note 7. In 2012/13 a net amount of £0.367m was transferred to earmarked reserves.

MOVEMENT IN RESERVES STATEMENT	General Fund Balance £000s	Earmarked Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Authority Reserves £000s
Balance at 31st March 2011	1,100	4,223	2,785	-	8,108	24,645	32,753
Movement in Reserves during 2011/12							
Surplus/(deficit) on the Provision of Services	556	-	-	-	556	-	556
Other Comprehensive Income & Expenditure	-	-	-	-	-	(6,026)	(6,026)
Total Comprehensive Income & Expenditure	556	-	-	-	556	(6,026)	(5,470)
Adjustments between accounting basis & funding basis under regulations (Note 6)	886	-	371	-	1,257	(1,257)	-
Net increase/(decrease) before transfers to Reserves	1,442	-	371	-	1,813	(7,283)	(5,470)
Transfers to/from Earmarked Reserves (Note 7)	(1,442)	1,442	-	-	-	-	-
Increase/(decrease) in year	-	1,442	371	-	1,813	(7,283)	(5,470)
Balance at 31 March 2012	1,100	5,665	3,156	-	9,921	17,362	27,283
Movement in Reserves during 2012/13							
Surplus/(deficit) on the Provision of Services	3,449	-	-	-	3,449	-	3,449
Other Comprehensive Income & Expenditure	-	-	-	-	-	(7,185)	(7,185)
Total Comprehensive Income & Expenditure	3,449	-	-	-	3,449	(7,185)	(3,736)
Adjustments between accounting basis & funding basis under regulations (Note 6)	(2,803)	-	(308)	427	(2,684)	2,684	-
Net increase/(decrease) before transfers to Reserves	646	-	(308)	427	765	(4,501)	(3,736)
Transfers to/from Earmarked Reserves (Note 7)	(367)	367	-	-	-	-	-
Increase/(decrease) in year	279	367	(308)	427	765	(4,501)	(3,736)
Balance at 31 March 2013	1,379	6,032	2,848	427	10,686	12,861	23,547

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement 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 regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement on the previous page.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	Note	31st March 2013			31st March 2012		
		Gross Expend £000s	Income £000s	Net Expend £000s	Gross Expend £000s	Income £000s	Net Expend £000s
Continuing Operations							
Central Services to the Public		11,734	(10,762)	972	11,927	(10,950)	977
Cultural and Related Services		9,036	(3,552)	5,484	9,347	(3,324)	6,023
Environmental & Regulatory Services		6,971	(2,843)	4,128	7,062	(2,678)	4,384
Planning Services		5,264	(3,248)	2,016	6,412	(3,752)	2,660
Highways & Transport Services		1,238	(1,237)	1	1,274	(1,215)	59
Housing General Fund		39,741	(37,529)	2,212	39,924	(38,319)	1,605
Corporate & Democratic Core		3,213	(549)	2,664	3,065	(479)	2,586
Non-Distributed Costs		458	-	458	672	-	672
Cost of Services		77,655	(59,720)	17,935	79,683	(60,717)	18,966
Other Operating Expenditure & Income	8	67	(333)	(266)	55	(682)	(627)
Financing and Investments	9	9,415	(5,996)	3,419	9,414	(6,912)	2,502
Taxation and Non-Specific Grants	10		(24,537)	(24,537)		(21,397)	(21,397)
(Surplus)/Deficit on Provision of Services		87,137	(90,586)	(3,449)	89,152	(89,708)	(556)
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	11			(1,677)			(4,037)
Actuarial (gains)/losses on pension assets/liabilities	39			8,862			10,063
Other Comprehensive (Income) / Expenditure				7,185			6,026
Total Comprehensive (Income) / Expenditure				3,736			5,470

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories, **usable reserves** and **unusable reserves** (see Notes 22 and 23 for further details).

BALANCE SHEET	Note	31st March 2013 £000s	31st March 2012 £000s
Property, Plant & Equipment	11	57,157	51,755
Heritage Assets	12	32,751	32,751
Investment Properties	13b	14,822	15,619
Intangible Assets	14	29	79
Long-term Investments & Deposits	15c	349	452
Long-term Debtors	15d	723	740
Deferred Debtors	23d	6	7
Long-term Assets		105,837	101,403
Short-term Investments & Deposits	15c	1,072	1,123
Assets Held for Sale	19	157	197
Inventories	16	57	61
Short-term Debtors	17	5,327	3,059
Cash & Cash Equivalents	18	5,967	5,731
Current Assets		12,580	10,171
Short-term Borrowing	15e	(1,051)	(3,074)
Short-term Creditors	20	(3,834)	(2,122)
Grants Receipts in Advance - Capital	33b	(4,836)	(2,766)
Grants Receipts in Advance - Revenue	33c	(403)	(362)
Current Liabilities		(10,124)	(8,324)
Long-term Borrowing	15	(18,877)	(18,878)
Provisions	21	(684)	(244)
Net Pensions Liability	39	(64,560)	(54,981)
Other Long-term Liabilities	40	(392)	(303)
Grants Receipts in Advance - Capital	33d	(233)	(1,561)
Long-term Liabilities		(84,746)	(75,967)
Net Assets		23,547	27,283
Represented by:			
Usable Reserves	22		
General Fund		1,379	1,100
Earmarked Reserves	7	6,032	5,665
Capital Receipts Reserve	22a	2,848	3,156
Capital Grants Unapplied	22b	427	-
		10,686	9,921
Unusable Reserves	23		
Revaluation Reserve	23a	50,193	48,834
Capital Adjustment Account	23b	27,240	23,478
Pension Reserve	23c	(64,560)	(54,981)
Deferred Capital Receipts	23d	6	7
Collection Fund Adjustment Account	23e	135	142
Accumulated Absences Account	23f	(153)	(118)
		12,861	17,362
Total Reserves		23,547	27,283

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery.

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

CASH FLOW STATEMENT	Note	31st March 2013 £000	31st March 2012 £000
Operating Activities			
Taxation		6,666	6,672
Grants		59,201	59,471
Sales of goods and rendering of services		8,346	8,428
Interest received		222	152
Other receipts from operating activities		2,217	2,444
Cash inflows generated from operating activities		76,652	77,167
Cash paid to and on behalf of employees		(12,193)	(12,973)
Housing benefit paid out		(35,794)	(34,671)
Precepts paid		(56)	(55)
Cash paid to suppliers of goods and services		(7,602)	(12,316)
Interest paid		(977)	(1,039)
Other payments for operating activities		(4,024)	(4,187)
Cash outflows generated from operating activities		(60,646)	(65,241)
Net cash flows from operating activities	24	16,006	11,926
Investing Activities			
Purchase of property, plant and equipment, investment property and intangible assets		(8,133)	(6,975)
Purchase of short-term investments		(128,679)	(129,272)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets		391	893
Proceeds from short-term investments		130,424	127,554
Other receipts from investing activities		3,248	2,722
Net cash flows from investing activities	25	(2,749)	(5,078)
Financing Activities			
Other payments for financing activities		(13,021)	(8,442)
Net cash flows from financing activities	26	(13,021)	(8,442)
Net increase/(decrease) in cash and cash equivalents		236	(1,594)
Cash and Cash Equivalents at the beginning of the reporting period		5,731	7,325
Cash and Cash Equivalents at the end of the reporting period		5,967	5,731

Notes to Core Financial Statements

Note 1	Accounting Policies	Page 16
Note 2	Accounting Standards that have been issued but not yet adopted	Page 32
Note 3	Critical judgments when applying accounting policies	Page 32
Note 4	Events after the reporting period	Page 33
Note 5	Assumptions made about the future and other major sources of estimation uncertainty	Page 33
Note 6	Adjustments between accounting basis and funding basis under regulation	Page 34
Note 7	Transfers to/from Earmarked Reserves	Page 37
Note 8	Other Operating Expenditure	Page 38
Note 9	Financing and Investment Income and Expenditure	Page 38
Note 10	Taxation and Non Specific Grant Income	Page 38
Note 11	Property, Plant & Equipment	Page 39
Note 12	Heritage Assets	Page 41
Note 13	Investment Properties	Page 42
Note 14	Intangible Assets	Page 43
Note 15	Financial Instruments	Page 44
Note 16	Inventories	Page 47
Note 17	Short-Term Debtors	Page 47
Note 18	Cash and Cash Equivalents	Page 48
Note 19	Assets Held for Sale	Page 48
Note 20	Short-Term Creditors	Page 48
Note 21	Provisions	Page 49
Note 22	Usable Reserves	Page 50
Note 23	Unusable Reserves	Page 51
Note 24	Cash Flow Statement – Operating Activities	Page 55
Note 25	Cash Flow Statement – Investing Activities	Page 55
Note 26	Cash Flow Statement – Financing Activities	Page 55
Note 27	Amounts Reported for Resource Allocation Decisions	Page 56
Note 28	Trading Operations	Page 59
Note 29	Agency Services	Page 59
Note 30	Members' Allowances	Page 60
Note 31	Officers' Remuneration	Page 61
Note 32	External Audit Costs	Page 62
Note 33	Grant Income & Grants Received in Advance	Page 63
Note 34	Related Parties	Page 65
Note 35	Capital Expenditure and Capital Financing	Page 67
Note 36	Leases	Page 67
Note 37	Impairment Losses	Page 68
Note 38	Termination Benefits	Page 68
Note 39	Defined Benefit Pension Schemes	Page 69
Note 40	Other Long-Term Liabilities	Page 72
Note 41	Contingent Liabilities and Contingent Assets	Page 73
Note 42	Nature and Extent of Risks arising from Financial Instruments	Page 74
Note 43	Heritage Assets: Five-year Summary of Transactions	Page 77
Note 44	Heritage Assets: Further Information	Page 77
Note 45	Trust Funds	Page 84
Note 46	Authorisation of Accounts for Issue	Page 84

These financial statements are for the year ended 31st March 2013 and are subject to audit.

Note 1 Accounting Policies

i. General Principles

The Statement of Accounts summarises the authority's transactions for the 2012/13 financial year and its position at the year-end of 31st March 2013. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, 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 2012/13 and the Service reporting Code of Practice 2011/12, 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.

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. Under the accruals principle the Comprehensive Income & Expenditure Statement matches expenditure relating to the production of goods or delivery of services during the financial period with the income to finance those goods and services, regardless of whether the cash transactions have taken place. Income due at the year-end pertaining to services provided are shown in the Balance Sheet as debtors and payments due for goods and services received but not paid for are shown as creditors. The Cash Flow Statement and its notes reconcile the expenditure and income on an accruals basis with the true cash inflows and outflows during the financial period.

In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.
- 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 stocks on the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for 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 income and expenditure has 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Operations acquired or discontinued

Acquired Operations

During the 2012/13 accounting period no operations were acquired by the Council.

Discontinued Operations

No operations have been discontinued by the Council during the reporting periods disclosed within this Statement of Accounts.

iv. Cash and Cash Equivalents – (See note 18)

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments and deposits with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Balance Sheet.

v. Exceptional Items

There are no exceptional items identified in the 2012/13 financial statements.

vi. Prior Period Adjustments and Changes in Accounting Policies

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. There are no such errors in this statement.

vii. 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 accumulation gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

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

viii. Employee Benefits – (See notes 23f, 31, 38 and 39)

The code has interpreted IAS 19 *Employee Benefits* and confirmed that local authorities should account for:

- benefits payable during employment,

- termination benefits
- post-employment benefits
- pension fund accounts

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave 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 leave entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year, see Note 23f. 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' line, but then reversed out through the Movement in Reserves Statement so that leave benefits are charged to revenue in the financial year in which the absence occurs.

Full details of employee benefits paid during employment for senior officers are shown at Note 31.

Termination Benefits – (See notes 31 and 38)

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the authority is demonstrably committed to the termination of the employment of an officer.

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

Post-employment Benefits – (See note 39)

The requirements of IAS 19 in relation to post-employment benefits, ie pensions, have been fully incorporated into the Comprehensive Income & Expenditure Statement with actuarial gains and losses being recognised in Other Comprehensive Income and Expenditure, as Note 39 explains in detail.

Under local government finance legislation local authorities in England are required not to charge to revenue expenditure amounts in respect of liabilities for retirement benefits, but instead to maintain a Pension Reserve to which the pension liabilities are charged.

The amount charged to the General Fund for providing pensions for employees is the amount payable in the year. Where this amount does not match the amount charged to the Surplus or Deficit on the Provision of Service in the Comprehensive Income and Expenditure Statement, the Code stipulates that the difference is taken to the Pension Reserve.

Burnley Borough Council participates in the Local Government Pension Scheme administered by Lancashire County Council. More details about this scheme and its valuations can be found in Note 39.

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.

- The liabilities of the Lancashire County Pension Scheme 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 4.2% (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, unitized securities at the current bid price and property at market value.
- The change in the net pensions liability is analysed into eight components:
 - a) 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 work.
 - b) Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
 - c) Past service gain – the decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is credited to the Comprehensive Income and Expenditure Statement within Cost of Services as an exceptional item.
 - d) Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is debited to the Financing and Investments section in the Comprehensive Income and Expenditure Statement.
 - e) Expected return on assets – the annual investment return on the fund assets attributable to the Council, based upon an average of the expected long-term return. This is credited to the Comprehensive Income and Expenditure Statement as part of the Financing and Investments section.
 - f) Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
 - g) Actuarial gains/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.
 - h) Contributions paid to the Lancashire County Pension Fund – cash paid as employer’s contributions to the pension fund.

ix. Events after the Reporting Period – (See Note 4)

Local authorities are required to account for events, both favourable and unfavourable, which occur between the end of the reporting period and the date when the financial statements are authorised for issue in accordance with IAS 10 *Events after the Reporting Period* and IPSAS 14 *Events after the Reporting Date*. Two types of events can be identified:

- Adjusting Events - where events arising after the balance sheet date provide additional evidence of conditions that existed at the balance sheet date and are of a material nature the amounts should be reflected in the Core Statements.
- Non-adjusting Events – events which arise after the balance sheet date and concern conditions which did not exist at that time should be detailed in Notes to the Core Statements if they are of such materiality that their disclosure is required for the fair presentation of the financial statements, rather than reflected in the Core Statements.

The date on which the financial statements are authorised for issue is stated in Note 46.

x. Financial Instruments – (see notes 15 and 42)

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income & Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest.

Any gains or losses on the repurchase or early settlement of borrowing are charged to the Comprehensive Income & Expenditure Statement. However, where repurchase takes place as part of a restructure the premium or discount is added to the amortised cost and charged over the life of the new or modified loan. Where premiums and discounts are charged directly to the Comprehensive Income & Expenditure Statement regulations permit the impact on the General Fund Balance to be spread over future years. This is achieved by transfer to/from the Financial Instruments Adjustment Account. No such gains or losses arose in the current accounting period.

Financial Assets

These are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market. These are measured at fair value and carried at amortised cost. Annual credits to the Comprehensive Income & Expenditure Statement are based on the carrying amount multiplied by the effective rate of interest. In all cases where the Council has made loans cost has been used as a proxy for fair value.
- Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments. These are initially measured, and carried, at fair value. Credits to the Comprehensive Income & Expenditure Statement for interest are based on the amortised cost multiplied by the effective rate of interest. Gains or losses are posted to the Available for Sale Reserve. On derecognition gains/losses are charged to the Comprehensive Income & Expenditure Statement.

Interest – (See notes 9 and 15)

Interest paid on external borrowings is accrued in the accounts of the period to which it relates and interest earned on the external investment of surplus funds is credited to the Comprehensive Income & Expenditure Statement using the effective interest method as set out in the Code.

Long-term Investments and Deposits – (See note 15c)

Long-term investments and deposits are those with a remaining life of more than 1 year at the Balance Sheet date and are shown in the Balance Sheet at fair value.

Short-term Investments and Deposits – (See notes 15c & 18)

Short-term investments and deposits are those with a life of less than 1 year at the Balance Sheet date and are shown in the Balance Sheet at fair value. These investments and deposits follow policies laid down in the Council's Treasury Management Strategy. Note 18 details the short-term investments and deposits held by the Council at the Balance Sheet date, alongside cash and cash equivalents.

Short-term Debtors – (See note 17)

Authorities account for debtors in accordance with IAS 18 *Revenue*, IPSAS 23 *Revenue from Non-Exchange Transactions* and IAS 39 *Financial Instruments: Recognition and Measurement*, except where interpretations or adaptations to fit the public sector have been detailed in the Code.

The revenue accounts of the Council are maintained on an accruals basis, therefore sums due to the Council for services delivered or rendered during the financial year are included whether or not the cash has actually been received. Debtors are then recognised in the Balance Sheet as the full value of the consideration receivable, in most cases in cash or cash equivalents.

Provision for Impairment – (See notes 17 and 42)

The Council prepares its accounts in a prudent manner and as such recognises that the value of debtors receivable is subject to a degree of risk. The Council assesses the risk attributable to each individual class of debtors in order to arrive at a realisable value and more information on Financial Instrument Risks can be found in Note 42.

The difference between the full value and the realisable value of Financial Instruments is called a Provision for Impairment. Debts written off are charged to this provision and any requirement to make new provisions is charged as an expense to the cost of provision of services within the Comprehensive Income & Expenditure Statement.

Short-term Creditors – (See note 20)

Under IAS 18 *Revenue*, the annual provision of services by the Council is accounted for on an accruals basis. That is, sums due from the Council pertaining to the acquisition of goods or services used in the provision of services within the year are included whether or not the cash has actually been paid in the year.

Repurchase of Borrowing

The Code requires gains or losses on the repurchase of borrowing to be recognised in the Comprehensive Income and Expenditure Statement in the year in which they are realised. Where, however, the repurchase is coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect, gains or losses are to be recognised over the life of the replacement borrowing. No such gains or losses were experienced in 2012/13.

Minimum Revenue Provision

In accordance with the requirements of the Local Government and Housing Act 1989, the authority is required to set aside a minimum revenue provision for repayment of debt. Minimum Revenue Provision is a charge to the General Fund, but does not appear in the Comprehensive Income & Expenditure Statement, details of which can be found in Notes 23b and 35. Such amounts shall be transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement. In March 2008, in line with Government guidance, the Council changed the basis on which MRP should be calculated from that date, to match the life of the asset.

xi. Government Grants and Contributions – (See note 33)

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement. There was a change in accounting policy, in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12, where 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. In previous years such grant income has been recognised against the relevant service line 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.

Taxation and Non-Specific Grant Income – (See note 33)

Note 33 gives greater detail on the amounts received and accrued for along with an analysis of all non-service related grants including Revenue Support Grant and National Non Domestic Rates Grant.

xii. Heritage Assets – (See notes 12, 43 and 44)

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Council. The Council now requires heritage assets to be carried in the balance sheet at valuation. The Authority's Heritage Assets are held at Towneley Hall Art Gallery & Museum and Burnley Town Hall. The Authority has seven collections of heritage assets which are held principally for their contribution to knowledge, understanding and appreciation of the Authority's history and local area. Heritage Assets are recognised and measured (including treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage as detailed below. The Authority's collections of heritage assets are accounted for as follows.

Art Collection

The art collection includes paintings (both oil and watercolour), book illustrations and prints and is reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on a regular basis and are undertaken by an external valuer. The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation and valuations provided by the external valuers and with reference to appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

Furniture

The collection of furniture includes various items, some of which date back as far as the 16th century, and is reported in the Balance Sheet at market value. These valuations are updated on a regular basis and are undertaken by an external valuer for insurance purposes. The assets within the collection are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

The collection is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at valuation and valuations provided by the external valuers and with reference to appropriate commercial markets for the furniture using the most relevant and recent information from sales at auctions.

Sculptures

The collection of sculptures includes sculptures made from marble, bronze, plaster, alabaster and wood. The collection is reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on a regular basis and are undertaken by an external valuer. The assets within the collection are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation and valuations provided by the external valuers and with reference to appropriate commercial markets for the sculptures using the most relevant and recent information from sales at auctions.

Ceramics, Ivories and Glassware

The collection of ceramics, ivories and glassware include a collection of Pilkington ceramics, ivory carvings and other ceramic and glass items from throughout the history of the local area. These items are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on a regular basis and are undertaken by an external valuer. The assets within the collection are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation and valuations provided by the external valuers and with reference to appropriate commercial markets for the items using the most relevant and recent information from sales at auctions.

Medals, Watches and Silverware

The collection includes a number of medals, watches and other silverware from the history of the local area. The collection is reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on a regular basis and are undertaken by an external valuer. The assets within the collection are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

The collection is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at valuation and valuations provided by the external valuers and with reference to appropriate commercial markets for the items using the most relevant and recent information from sales at auctions.

Vestments

This is a collection of vestments from Whalley Abbey and is reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on a regular basis and are undertaken by an external valuer. The vestments are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

Civic Regalia

The collection of civic regalia includes the civic chains and badges (both before and after the government reorganisation that took place in 1974) and is reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on a regular basis and are undertaken by an external valuer. The civic regalia are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

Heritage Assets - General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, eg where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see note xix in this summary of significant accounting policies. The Authority may occasionally dispose of heritage assets which are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see notes xxi and xix in this summary of significant accounting policies). There have been no disposals, acquisitions or donations of heritage assets during the year that have a material value and the balance has remained the same for all heritage assets.

xiii. Intangible Assets – (See note 14)

IAS 38 *Intangible assets* defines intangible assets as non-financial assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights, such as software, which are expected to provide future service benefits or be used in the provision of services over several years to come.

Recognition and Measurement

This Council does not have any internally-generated intangible assets.

Other intangible assets are capitalised at cost incurred to acquire and bring to use, eg the implementation costs of specific software. Costs associated with maintaining computer software are recognised as an expense when incurred.

An intangible asset may be acquired by way of government grant or other contribution, either in full or in part. In such instances both the asset and the grant or contribution are recognised initially at fair value.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Comprehensive Income and Expenditure Statement as a cost of using the asset in the provision of services. The useful lives and associated amortisation rates of computer software have been estimated at 5 years.

xiv. Interests in Companies and Other Entities

The Council has no material interests in companies and other entities that require it to produce group accounts.

xv. Inventories – (See note 16)

Stocks of materials or supplies to be consumed in the provision of future services are accounted for under IAS 2 *Inventories*, except for financial instruments and work in progress under construction contracts. Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the course of operations, less the estimated costs of completion and any estimated costs necessary to make the sale, exchange or distribution.

Work in progress under construction contracts is subject to *IAS 11 Construction Contracts* and an interim valuation is obtained covering the cost of works completed at the end of the reporting period plus any overheads reasonably attributable to those works. This value is then included in the Balance Sheet within property, plant and equipment rather than listed within current inventory assets.

xvi. Investment Properties – (See note 13)

Authorities now account for investment properties in accordance with IAS 40 *Investment Property*, except where the Code has provided a definitive interpretation for the public sector. Under this definition, an investment property is one that is used solely to earn rentals or for capital appreciation, or both.

Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet this definition and is hence accounted for as property, plant and equipment. Therefore, assets earning rentals as an outcome of regeneration policy, such as industrial units are accounted for as property, plant and equipment.

Recognition and Measurement

The Code requires investment property to be accounted for under the fair value model and this applies to the measurement of investment property interests held under a lease and to investment property provided to a lessee under an operating lease. Investment assets are recognised only when it is probable that the future economic benefits will flow to the authority and the cost or fair value of the asset can be measured reliably.

The fair value must reflect the market conditions at the Balance Sheet date. Therefore the periodic revaluation approach used for other property is only used where the carrying amount does not differ materially from that which is determined using fair value at the Balance Sheet date. With the fair value being reviewed at each Balance Sheet date, investment properties are not depreciated.

xvii. Leases – (See note 36)

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Where assets are acquired under operating leases the leasing rentals payable are recognised in the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease.

Assets held by the Council for use in operating leases (acting as a lessor) are recorded in the Balance Sheet as fixed assets and depreciated over their useful life. Rental incomes from such assets are recognised on a straight line basis and matched against costs of insurance and maintenance in the Comprehensive Income and Expenditure Statement. The value of the incomes receivable are disclosed in Note 36.

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

xviii. Cost of Support Services (Overheads)

Local authorities in England prepare their Comprehensive Income & Expenditure Statement in accordance with the Service Reporting Code of Practice (SeRCoP). The SeRCoP stipulates the service divisions to be used in the Comprehensive Income & Expenditure Statement and stipulates that such costs of service management and support services are apportioned across operational services as 'users', rather than being retained as administrative overheads. The cost of service strategy and regulation of any service to the public is allocated to a separate objective expenditure head in the accounts of that service.

These recharges are generally made at a rate to recover staff costs and typical overheads incurred, although in cases where overheads for IT services are particularly high the services are recharged on the basis of a full allocation of the costs incurred. The basis of apportionment is calculated either as time spent by support staff, usage of technology or space occupied in buildings. With the exception of a small balance, all used portions of these overheads have been allocated on the above basis.

In accordance with the SeRCoP, unused and unrealisable elements of central support services are charged to Non-Distributed Costs.

xix. Property, Plant and Equipment – (See note 11)

Local authorities now account for tangible fixed assets in accordance with IAS 16 *Property, Plant and Equipment*. Property, plant and equipment are tangible assets (ie assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one accounting period. These assets are further classified as follows:

- Operational land and buildings,
- Operational plant, furniture, equipment, and motor vehicles.
- Infrastructural assets which are the fixed utility systems, and
- Community assets.

Recognition and Measurement

Under IAS 16 property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses. However, for the public sector the following adaptations have been applied:

- Infrastructure, community assets and assets under construction (excluding investment properties) are measured at historical cost. Historical cost is deemed to be the carrying amount of an asset at 1st April 2007 or at the date of acquisition, whichever is the later, and adjusted for subsequent depreciation or impairment (if applicable).
- All other classes of assets are measured at fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Fair value for land and buildings is interpreted as the amount that would be paid for the asset in its existing use, in accordance with UK Policy Statement (UKPS) 1.3 of the valuation standards issued by The Royal Institution of Chartered Surveyors (RICS)
- Where there is no market-based evidence of fair value because of the specialist nature of an asset, or such assets are rarely sold, the Council may need to estimate fair value using a depreciated replacement cost approach, accounting for all physical deterioration and all relevant forms of obsolescence and optimisation.

Cost is defined as the cash or cash equivalents paid in relation to:-

- the acquisition, reclamation, enhancement or laying out of land;
- the acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures, including insulation works and disabled adaptations;

- the acquisition, installation or replacement of movable or immovable plant, machinery, vehicles, apparatus or vessels;

All expenditure on the acquisition, creation or enhancement of assets is capitalised on an accruals basis in the accounts, provided that the asset yields benefits to the authority and the services it provides for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to provision of services within the Comprehensive Income and Expenditure Statement.

Revaluation

Revaluations of fixed assets are undertaken by professionally qualified valuers on a five year rolling basis. Any unrealised gains on revaluation are shown in the Comprehensive Income & Expenditure Statement then removed in the Movement in Reserves Statement to the Revaluation Reserve on the Balance Sheet.

Revaluation gains are depreciated in line with the asset to which they relate. Future revaluation losses are matched against any balance in the Revaluation Reserve in the first instance on a strict per-asset basis, with the remaining balance being transferred to the Capital Adjustment Account.

Impairment

In accordance with IAS 36 *Impairment of Assets*, an impairment review is undertaken at the end of each accounting period and material changes to asset valuations are adjusted as they occur. Impairment loss on a re-valued asset is recognised in the Revaluation Reserve to the extent that the impairment does not exceed the balance in the Revaluation Reserve for that asset and thereafter as a cost to the provision of services in the Comprehensive Income & Expenditure Statement.

However, the Code stipulates that impairments do not impact on the council tax, hence an adjusting transaction must be made in the Movement in Reserves Statement. The Council however had no property impairments in 2012/13.

Depreciation

Depreciation is provided for on all operational assets with a finite useful life (which can be determined at the time of acquisition or revaluation over the useful life of the asset) using the straight-line method calculated on a daily basis.

Charges for Depreciation cover buildings, vehicles, plant, furniture and equipment. Infrastructure, community assets and surplus non-operational assets are not depreciated each year but measured at historical cost.

Depreciation is charged to the Comprehensive Income and Expenditure Statement as a cost of the provision of services. As with impairments, the Code stipulates that depreciation does not impact on the council tax, hence an adjusting transaction can be found in the Movement in Reserves Statement (see workings at Note 6).

Disposals

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposal are credited to the Comprehensive Income and Expenditure Statement 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). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorized as capital receipts. The receipts are credited to the Capital Receipts Reserve, and can only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement).

Component Accounting

Where the asset comprises two or more major components with substantially different useful economic lives, each component should be accounted for separately for depreciation purposes and depreciated over its individual useful life. Componentisation has been introduced officially from 1st April 2010 without retrospective applications, therefore components will be considered as assets and professionally revalued within the 5-year programme. 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.

Disposals and Non-current Assets Held for Sale (See note 19)

In line with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. These assets are not depreciated or amortised.

Assets held for sale are now separated into two categories. Those with specific intentions to be sold in the following accounting period are classified under Current Assets as 'Assets held for sale within one year'. Those held for inclusion in longer-term regeneration plans are classified under Long-term Assets. As at 31st March 2013, the value of both of these categories is shown within Note 19.

xx. Provisions, Contingent Liabilities and Contingent Assets

Provisions – (See note 21)

Under the Code local authorities now apply IPSAS 19, which interprets IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* for the public sector. Proper provisions are required for any liabilities or losses of uncertain timing or amount. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the Surplus or Deficit on Provision of Service in the Comprehensive Income & Expenditure Statement. Provisions are utilised only for the purpose for which they were established, except where a regular review to determine the appropriateness of the level of the charge and the balance of the provision properly requires a change. The provisions held and any changes in their use are disclosed in Note 21 along with activity on the provision in the accounting period.

Provision for Impairment has also been made for doubtful debts and known uncollectable debts have been written off during the year. The balance of the Provision for Impairment, used to reduce the overall level of Current Assets outstanding, is disclosed in Note 17.

Contingent Liabilities – (see note 41)

A contingent liability is either: (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or (b) a present obligation that arises from past events but is not recognised because: (i) it is not probable that a transfer of economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability.

A material contingent liability is not recognised within the accounts as an item of expenditure. It is, however, disclosed in a note unless the possibility of a transfer of economic benefits in settlement is remote.

Contingent Assets – (See note 41)

A contingent asset is a possible asset that may arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Contingent assets are not recognised in the revenue account or the balance sheet because prudence cautions that the gain might never be realised, instead they are disclosed in the Notes to the Core Statements.

When realisation of the gain is virtually certain, then the item ceases to be a contingent asset and can be accounted for as revenue or capital income as appropriate.

Landfill Allowances Scheme

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities to reduce the amount of non-biodegradable municipal waste disposed of into landfill sites. Burnley Borough Council, as waste collection authority for the borough, is a partner in a cost-share agreement with Lancashire County Council, who are the disposal authority for this area.

Burnley Borough Council operated within its allocated landfill allowances under the cost-share agreement during the reporting periods covered by these statements. As a result confirmation has been received from Lancashire County Council that no charges will be incurred in the 2012/13 financial year.

xxi. Reserves

The Council maintains certain reserves for the purpose of meeting liabilities other than those covered by provisions. A distinction is made in the Balance Sheet between usable reserves, which are cash-backed reserves available for use by the Council in the future provision of services and unusable reserves which are used for statutory accounting purposes and cannot be used directly to finance future service costs.

Usable Reserves – (See note 22)

- The General Fund Balance is the accumulation of surplus or deficit on operational services attributable to council tax payers. Such funds are not held for any specific purpose, but are available to assist with the management of financial risks and to deal with any emergencies which might arise. The Medium Term Financial Strategy sets out the Council's policy for the recommended value of the General Fund Balance in order to provide assurance against the estimates and assumptions used in the annual budgeting process.
- Earmarked Reserves are resources set aside to meet specific future running costs and investments. The Medium Term Financial Strategy sets out the Council's policy for Earmarked Reserves, including their nature and suggested requirements. Full details of the movements on each reserve can be found at Note 7.
- The Usable Capital Receipts Reserve holds the proceeds of fixed asset sales available to meet future capital investment (see Movement in Reserves Statement and note 22a).
- Capital Grants Unapplied – holds the balance of grants received where the conditions of grant entitlement have not yet been met. From April 2010, government grants and other contributions are now accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Grants received in advance of these conditions being met are held as Unapplied Government Grants until released into the Comprehensive Income & Expenditure Statement when conditions are finally met (see Movement in Reserves Statement and note 22b).

Unusable Reserves – (See note 23)

- Revaluation Reserve records unrealised revaluation gains, net of depreciation and disposals on a strict per-asset basis (see note 23a)
- Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and financed through the capital controls mechanism (see note 23b).
- 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. Pensions Reserve is a balancing account to allow the inclusion of the Pensions Liability in the Balance Sheet. Details of Pension Fund assets/liabilities can be found in Note 23c and note 39.
- Deferred Capital Receipts holds the gain recognised on the disposal of non-current assets for which cash settlement has yet to take place (see note 23d).
- Collection Fund Adjustment Account holds the surplus/(deficit) on the Collection Fund which is directly attributable to Burnley Borough Council (details can be found in note 23e).
- 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 neutralized by transfers to or from the Account (see note 23f).

Capital Receipts – (See note 22a)

Amounts to be treated as capital receipts are defined by statute and usually arise from disposal of an interest in a fixed asset. Any difference between the receipt value and the carrying value of the asset in the balance sheet at the time of disposal is shown in the Comprehensive Income & Expenditure Statement as a gain or loss on disposal.

However, some statutorily defined capital receipts do not arise from the disposal of an interest in a fixed asset and as such are treated separately in the Comprehensive Income and Expenditure Statement as 'Other Income'. One example of such income arises from retained Right to Buy receipts from the sale of former Council houses following the transfer of housing stock to Calico Housing on the 8th March 2000.

Capital receipts are not attributable to the General Fund Balance and are therefore transferred to the Usable Capital Receipts Reserve in the Movement in Reserves Statement (see workings at Note 22a).

xxii. Revenue Expenditure funded from Capital under Statute

This is expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset. It has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax - see workings at Note 6.

xxiii. Value Added Tax

VAT incurred by the Council on goods and services is fully recoverable from HM Revenue & Customs, except in certain exceptional cases. Consequently, all expenditure shown in the Comprehensive Income & Expenditure Statement excludes VAT.

Where the Council charges for goods and services which are subject to VAT, the income included in the Comprehensive Income & Expenditure Statement is shown excluding the VAT element which must be passed on to HM Revenue & Customs.

Due to the nature of local government services the net position of VAT payable and recoverable generally results in a short-term debtor in the Balance Sheet.

xxiv. Carbon Reduction Commitment Allowances

The CRC Energy Efficiency Scheme (often referred to as simply 'the CRC') is a mandatory scheme aimed at improving energy efficiency and cutting emissions in large public and private sector organisations. These organisations are responsible for around 10% of the UK's greenhouse gas emissions. Participants purchase and surrender allowances to offset their emissions. Allowances can either be bought at annual fixed-price sales, or traded on the secondary market. One allowance must be surrendered for each tonne of CO₂ emitted. The allowance price in Phase 1 has been set at £12 per tonne of CO₂. Qualification for the scheme is based on electricity usage. Organisations will qualify if, during the qualification year, they consumed over 6,000 megawatt-hours (MWh) of qualifying electricity through settled half-hourly meters. In 2008 (the qualification year) the Council's three half hourly electricity meters consumed only 772 MWh of electricity, which was well below the threshold. Therefore, accounting for carbon reduction does not apply.

xxv. Other Accounting Policies

Foreign currency transactions do not play a material part in the Council's financial transactions. However, following the 'winding up' of Landsbanki Islands HF, it has a deposit to the value of approximately £8k held in Icelandic kroner in an Icelandic bank.

xxvi Public Finance Initiative (PFI)

The Council has not entered into any PFI schemes.

Note 2 Accounting Standards That Have Been Issued or Proposed But Have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 has introduced two changes in accounting policies requiring disclosure in the 2012/13 accounts of Burnley Borough Council. These changes will be applicable from 1st April 2013 and are explained below:

- IFRS 7 Financial Instruments: Disclosures – An amendment has been made to disclose offsetting of financial assets and liabilities. This is not considered to have a significant impact on the Statement of Accounts.
- IAS 19 Employee Benefits – The revisions change the recognition and measurement of pension's expense and termination benefits and the disclosures required. For 2012/13 this would result in a £0.84m expense increase in the Comprehensive Income and Expenditure Statement. However, this is reversed out of the General Fund via the Movement in Reserves Statement.
- Non Domestic Rate appeals outstanding at 31 March 2013. When the new arrangements for the retention of business rates come into effect on 1 April 2013, the Council will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts that were paid over (to Central Government) in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the authorities, but would have been transferred to DCLG. When the Council assumes these liabilities on 1 April 2013, a provision will need to be recognised. It is estimated that the Council's share of these liabilities on the 1 April 2013 will be £549k.
- Recognition and measurement of property, plant and equipment – In addition, section 4.1.2.35 of the Code now requires items within a class of property, plant and equipment to be revalued simultaneously. The Code does permit a class of assets to be revalued on a rolling basis provided the revaluation is completed within a short period and provided the revaluations are kept up to date. This proposal would require an increase in the frequency of undertaking property valuations beyond the current practice of a five year rolling programme basis.

Note 3 Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in preparing this Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service. In line with the Council's Medium Term Financial Strategy, where services are at potential risk the intention would be to realise the value of any assets deemed surplus to requirements before any impairment occurred.
- In order to facilitate the early closure of the Council's accounts an estimate of the outstanding housing and council tax benefit grant has been included in the Comprehensive Income and Expenditure Statement. The value of the grant income outstanding, included in the Balance Sheet as Short-term Debtors, is £494k. The payment was received in May and the claim will be subject to audit in the coming months with any adjustments made during the audit paid/received in October.

- 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 note 1 xix component accounting).

Note 4 Events after the reporting period

The Statement of Accounts was authorised for issue by the Head of Finance & Property Management on 28th June 2013. 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 31st March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 5 Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Council's Balance Sheet at 31st March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year 2012/13 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 £79k Vehicles & equipment £227k Intangible assets £22k.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns in pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions have been included in detail within Note 39. Any change in the uncertainties listed opposite would lead to a significant change in the estimated pensions liability reported.
Arrears	Each year the Council reviews the significant balances for Council Tax and sundry debtor arrears. Officers estimate the potential impairment of those debts based on historical default experience, and the age of the debts. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £412k for council tax debts and £197k for sundry debts.

Note 6 Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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. This grant was a ring-fenced grant until 2011/12 meaning that it could only be utilised for a specific purpose. As a result, it was treated as a grant received in advance in 2011/12 because the Council took a view that there were conditions attached to the grant that were not met and this meant that the possibility that the grant would be repaid still existed. As the conditions no longer remain, the Council has changed its treatment of these grants in 2012/13. The 2011/12 accounts have not been restated because the balance on the 31st March 2012 of £80k is considered immaterial.

Adjustments between accounting basis and funding basis under regulations	Usable Reserves			Movement in Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£000s	£000s	£000s		
2012/13					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	1,553			1,553	(1,553)
Revaluation losses on Property, Plant and Equipment	810			810	(810)
Movements in the fair value of Investment Properties	797			797	(797)
Amortisation of intangible assets	50			50	(50)
Capital grants and contributions applied	(6,086)			(6,086)	6,086
Revenue expenditure funded from capital under statute	1,987			1,987	(1,987)
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	98			98	(98)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	(1,222)			(1,222)	1,222
Capital expenditure charged against the General Fund	(128)			(128)	128
Adjustments primarily involving the Capital Adjustment Account	(2,141)	-	-	(2,141)	2,141
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(379)	380		1	(1)
Use of the Capital Receipts Reserve to finance new capital expenditure		(688)		(688)	688
Adjustments primarily involving the Capital Receipts Reserve	(379)	(308)	-	(687)	687
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,042)		1,042	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(615)	(615)	615
Adjustments primarily involving the Capital Grants Unapplied Account	(1,042)	-	427	(615)	615
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,868			3,868	(3,868)
Employer's pension contributions and direct payments to pensioners payable in the year	(3,151)			(3,151)	3,151
Adjustments primarily involving the Pensions Reserve	717	-	-	717	(717)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	7			7	(7)
Adjustments primarily involving the Collection Fund Adjustment Account	7	-	-	7	(7)
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	35			35	(35)
Adjustments primarily involving the Accumulated Absences Account	35	-	-	35	(35)
Total Adjustments	(2,803)	(308)	427	(2,684)	2,684

Adjustments between accounting basis and funding basis under regulations	Usable Reserves			Movement in Usable Reserves	Movement in Unusable Reserves
	General Fund	Capital Receipts Reserve	Capital Grants Unapplied		
	Balance	Reserve	Unapplied		
<u>2011/12 Comparative Figures</u>	£000s	£000s	£000s	£000s	£000s
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	1,527			1,527	(1,527)
Revaluation losses on Property, Plant and Equipment	1,751			1,751	(1,751)
Movements in the fair value of Investment Properties	319			319	(319)
Amortisation of intangible assets	50			50	(50)
Capital grants and contributions applied	(4,577)			(4,577)	4,577
Revenue expenditure funded from capital under statute	4,033			4,033	(4,033)
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	455			455	(455)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	(1,195)			(1,195)	1,195
Capital expenditure charged against the General Fund	(660)			(660)	660
Adjustments primarily involving the Capital Adjustment Account	1,703	-	-	1,703	(1,703)
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(890)	893	-	3	(3)
Use of the Capital Receipts Reserve to finance new capital expenditure		(522)	-	(522)	522
Adjustments primarily involving the Capital Receipts Reserve	(890)	371	-	(519)	519
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-
Adjustments primarily involving the Capital Grants Unapplied Account	-	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,405			3,405	(3,405)
Employer's pension contributions and direct payments to pensioners payable in the year	(3,291)			(3,291)	3,291
Adjustments primarily involving the Pensions Reserve	114	-	-	114	(114)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(9)			(9)	9
Adjustments primarily involving the Collection Fund Adjustment Account	(9)	-	-	(9)	9
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	(32)			(32)	32
Adjustments primarily involving the Accumulated Absences Account	(32)	-	-	(32)	32
Total Adjustments	886	371	-	1,257	(1,257)

Note 7 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/13.

Earmarked Reserves	Balance at	Transfers	Transfers	Balance at	Transfers	Transfers	Balance at
	31 March 2011 £000s	Out 2011/12 £000s	In 2011/12 £000s	31 March 2012 £000s	Out 2012/13 £000s	In 2012/13 £000s	31 March 2013 £000s
Modernisation Reserve	1,007	337	1,280	1,950	552	1,156	2,554
Taxi Licensing Reserve	20	14	39	45	-	-	45
Selective Licensing	189	75	21	135	37	-	98
Financial Instruments Shortfall Reserve	796	232	-	564	143	-	421
Building Control Reserve	84	61	3	26	26	-	-
Local Housing Allowance Reserve	5	5	-	-	-	-	-
Grant Equalisation Reserve	-	-	1,444	1,444	-	-	1,444
Local Development Framework Reserve	196	100	142	238	106	-	132
Community Regeneration Reserve	1,673	748	118	1,043	140	179	1,082
Housing Benefit Admin Subsidy Reserve	110	74	12	48	58	107	97
Transport & Plant Replacement Reserve	43	79	108	72	124	111	59
Utilities Equalisation Reserve	100	-	-	100	-	-	100
Total	4,223	1,725	3,167	5,665	1,186	1,553	6,032

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

Modernisation Reserve – to meet the costs of improving and adapting the organisation through change including meeting any costs from changes in the structure of the Council's workforce and covering the costs of new initiatives not provided for elsewhere.

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.

Financial Instruments Shortfall Reserve – this reserve is to offset any potential non-repayment of the Council's remaining deposit in an Icelandic Bank. A sum equivalent to the amount shown as due in the balance sheet for this deposit is held in this reserve. When repayments are made in the future, and it is expected that 100% of the deposit will ultimately be repaid, an amount equal to these repayments will then be transferred out of this reserve so that the funds may be used elsewhere to support the Council's finances.

Building Control Reserve – this was used to fund the retained costs to the Council following the transfer of the service to the Pennine Lancashire building control service. The reserve has now been fully utilised.

Grant Equalisation Reserve – the Council has established a reserve to meet shortfalls in Government grant funding in future years.

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.

Community Regeneration Reserve – to provide resources for future key regeneration projects and initiatives within the Borough in pursuit of the Council’s strategic objectives.

Housing Benefit Administration Subsidy Reserve – to support spending in future years on the additional administration costs due to the increased number of payments of housing benefits and the changes to the benefits system introduced from 2013/14.

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.

Utilities Equalisation Reserve – to cover potential fluctuations in the cost of gas, electricity and water given market uncertainty in the recent past concerning future price increases and changes in charging methodology.

Note 8 Other Operating Expenditure & Income

	2012/13 £000s	2011/12 £000s
Parish council precepts	56	55
Refund of VAT from HMRC	(20)	(247)
(Gains)/Losses on the disposal of non-current assets	11	(11)
Other Income	(313)	(424)
	(266)	(627)

Note 9 Financing and Investment Income and Expenditure

	2012/13 £000s	2011/12 £000s
Pensions interest cost and expected return on pension assets	1,869	1,365
Interest payable and similar charges	977	1,039
Interest receivable and similar income	(210)	(192)
Investment and deposit (gains)/ losses	(14)	(29)
Income & expenditure in relation to Investment Properties	797	319
	3,419	2,502

Note 10 Taxation and Non Specific Grant Income

	2012/13 £000s	2011/12 £000s
Council tax income	(6,684)	(6,680)
Redistributed Non domestic rates	(8,071)	(6,963)
Revenue Support Grant	(156)	(2,152)
Non-ringfenced government grants	(3,486)	(4,213)
Capital grants and contributions	(6,140)	(1,389)
	(24,537)	(21,397)

Note 11 Property, Plant & Equipment

In the table below, the values of £1.613m (11/12 = £3.341m) and £0.064m (£0.696m) total £1.677m (£4.037m) which is the surplus on revaluation figure that appears in the Comprehensive Income and Expenditure Statement.

Movements in 2012/13						Total Property, Plant & Equipment
	Other Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	Assets Under Construction	Community Assets	£000s
	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation						
At 1 April 2012	35,481	6,663	13,620	-	3,200	58,964
Additions	197	640	451	4,694	164	6,146
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,944	-	(331)	-	-	1,613
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(145)	-	(699)	-	-	(844)
Derecognition - disposals	-	-	(98)	-	-	(98)
Assets reclassified (to)/from Held for Sale	-	-	40	-	-	40
Assets reclassified (to)/from Investment Properties	-	-	-	-	-	-
Other movements in cost or valuation	(161)	-	1	-	160	-
At 31 March 2013	37,316	7,303	12,984	4,694	3,524	65,821
Accumulated Depreciation and Impairment						
At 1 April 2012	(2,649)	(4,506)	(13)	-	(41)	(7,209)
Depreciation charge	(1,022)	(531)	-	-	-	(1,553)
Depreciation written out to the Revaluation Reserve	58	-	6	-	-	64
Depreciation written out to the Surplus/Deficit on the Provision of Services	25	-	9	-	-	34
Other movements in depreciation and impairment	6	-	(2)	-	(4)	-
At 31 March 2013	(3,582)	(5,037)	-	-	(45)	(8,664)
Net Book Value						
At 31 March 2013	33,734	2,266	12,984	4,694	3,479	57,157
At 31 March 2012	32,832	2,157	13,607	-	3,159	51,755

Comparative Movements in 2011/12						Total Property, Plant & Equipment
	Other Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	Assets Under Construction	Community Assets	£000s
	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation						
At 1 April 2011	34,804	5,353	12,467	11	3,415	56,050
Additions	182	1,299	1,408	-	3	2,892
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,217	-	1,124	-	-	3,341
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,846)	-	(1,250)	-	-	(3,096)
Derecognition - disposals	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	(652)	-	-	(652)
Assets reclassified (to)/from Investment Properties	-	-	429	-	-	429
Other movements in cost or valuation	124	11	94	(11)	(218)	-
At 31 March 2012	35,481	6,663	13,620	-	3,200	58,964
Accumulated Depreciation and Impairment						
At 1 April 2011	(3,536)	(4,012)	(22)	-	(153)	(7,723)
Depreciation charge	(1,020)	(494)	(13)	-	-	(1,527)
Depreciation written out to the Revaluation Reserve	691	-	5	-	-	696
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,328	-	17	-	-	1,345
Other movements in depreciation and impairment	(112)	-	-	-	112	-
At 31 March 2012	(2,649)	(4,506)	(13)	-	(41)	(7,209)
Net Book Value						
At 31 March 2012	32,832	2,157	13,607	-	3,159	51,755
At 31 March 2011	31,268	1,341	12,445	11	3,262	48,327

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 2013, the Authority has significant commitments for future capital expenditure in 2013/14 and future years budgeted to cost £8.811M. Similar commitments at 31 March 2012 were £2.691M. The commitments are:

	<u>£000</u>
• Clearance & Acquisitions	1,943
• Disabled Facilities Grants	358
• Empty Homes Programme	122
• Vacant Acquisitions	97
• Burnley Railway Station Manchester Road	413
• University Technical College	5,878

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on historic cost.

Revaluations	Vehicles, Other Land Plant & Surplus & Buildings Equipment Assets £000s £000s £000s			Total £000s
	Other Land & Buildings £000s	Plant & Equipment £000s	Surplus Assets £000s	
Carried at historical cost	-	2,266	-	2,266
Valued at fair value as at:				
31 March 2013	5,440	-	1,976	7,416
31 March 2012	12,138	-	10,778	22,916
31 March 2011	9,571	-	135	9,706
31 March 2010	4,479	-	95	4,574
31 March 2009	2,106	-	-	2,106
Total Cost or Valuation at 31 March 2013	33,734	2,266	12,984	48,984

Note 12 Heritage Assets**Reconciliation of the Carrying Value of Heritage Assets Held by the Authority**

Movements in 2012/13							Total Property, Plant & Equipment
	Oil Paintings £000s	Water Colours £000s	Furniture £000s	Sculpture £000s	Ceramics £000s	Other £000s	£000s
Cost or Valuation							
At 1 April 2012	25,908	1,546	2,024	1,218	601	1,454	32,751
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
At 31 March 2013	25,908	1,546	2,024	1,218	601	1,454	32,751
Comparative Movements in 2011/12							Total Property, Plant & Equipment
	Oil Paintings £000s	Water Colours £000s	Furniture £000s	Sculpture £000s	Ceramics £000s	Other £000s	£000s
Cost or Valuation							
At 1 April 2011	25,908	1,546	2,024	1,218	601	1,454	32,751
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
At 31 March 2012	25,908	1,546	2,024	1,218	601	1,454	32,751

The Council's external valuer 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 2012/13 there have been no material additions or disposals and the whole collection is not due to be revalued for 10 years.

Note 13 Investment Properties

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

Table 13a Investment Properties Income and Expenses	2012/13	2011/12
	£000s	£000s
Rental income from investment property	1,055	1,069
Direct operating expenses arising from investment property	(12)	(7)
Net gain / (loss)	1,043	1,062

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 repairs, maintenance or enhancement.

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

Table 13b Investment Properties	2012/13	2011/12
	£000s	£000s
Balance at start of the year	15,619	16,317
Additions:		
Purchases	-	-
Subsequent expenditure on enhancement	-	50
Disposals	-	-
Net gains / (losses) from fair value adjustments	(797)	(319)
Transfers:		
(To) / from Held for Sale	-	-
(To) / from Property, Plant and Equipment	-	(429)
Balance at end of the year	14,822	15,619

Note 14 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets only include purchased licenses.

All software is given a finite useful life, based on an assessment of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software applications used by the Authority are shown in the table:

Period	Software
5 years	Torex tilling system Planning mainframe Flare system HRIS/Time and attendance Radius Financials DIP/Workflow
6 years	Contact Centre software

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £50k charged to revenue in 2012/13 was charged directly to service headings in the Cost of Services. The movement on Intangible Asset balances during the year is as follows:

Intangible Assets	2012/13 £000s	2011/12 £000s
Balance at start of the year:		
Gross carrying amounts	783	783
Accumulated amortisation	(704)	(654)
Net carrying amount at start of year	79	129
Additions:		
Purchases	-	-
Other disposals	-	-
Amortisation for the period	(50)	(50)
Net carrying amount at end of year	29	79
Comprising:		
Gross carrying amounts	783	783
Accumulated amortisation	(754)	(704)
	29	79

Note 15 Financial Instruments

Categories of Financial Instruments – Table 15a

The following categories of financial instrument are carried in the Balance Sheet. The PWLB Long-Term Loans of £18.877m (11/12 = £18.878m) are described as Long-Term Borrowing.

Table 15a - Categories of Financial Instruments	Long-term		Current	
	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s
Investments and Deposits (Note 15c)				
Loans and receivables	349	441	7,184	8,980
Available-for-sale financial assets	-	11	-	-
Total Investments and Deposits	349	452	7,184	8,980
Debtors				
Long-Term Loans and receivables (Note 15d)	723	740		
Short-Term Loans and receivables (Note 17)			5,327	3,059
Total Debtors	723	740	5,327	3,059
Borrowings				
Financial liabilities at amortised cost				
PWLB Loans	(18,877)	(18,878)	(1,000)	(3,037)
Local Loans	-	-	(51)	(37)
Money Market	-	-	-	-
Bank Overdraft	-	-	(161)	(2,141)
Total Borrowings	(18,877)	(18,878)	(1,212)	(5,215)
Creditors (Note 20)				
Financial liabilities at amortised cost	-	-	(3,834)	(2,122)
Total Creditors	-	-	(3,834)	(2,122)

Income, Expense, Gains and Losses – Table 15b

Table 15b - Income, Expense, Gains and Losses	2012/13				2011/12			
	Financial Liabilities measured at amortised cost £000s	Financial Assets: Loans and receivables £000s	Financial Assets: Available for sale £000s	Total £000s	Financial Liabilities measured at amortised cost £000s	Financial Assets: Loans and receivables £000s	Financial Assets: Available for sale £000s	Total £000s
Interest expense	977	-	-	977	1,039	-	-	1,039
Total expense in Surplus or Deficit on the Provision of Services	977	-	-	977	1,039	-	-	1,039
Interest income	-	(210)	-	(210)	-	(192)	-	(192)
Total income in Surplus or Deficit on the Provision of Services	-	(210)	-	(210)	-	(192)	-	(192)
Impairment loss/(gain) on revaluation	-	(14)	-	(14)	-	(29)	-	(29)
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	(14)	-	(14)	-	(29)	-	(29)
Net gain/(loss) for the year	977	(224)	-	753	1,039	(221)	-	818

Investments and Deposits – Table 15c

Table 15c - Investments and Deposits	Long-term		Current	
	31 March	31 March	31 March	31 March
	2013	2012	2013	2012
	£000s	£000s	£000s	£000s
Loans and receivables				
Former Landbanki deposit outstanding > 12 months	349	441	-	-
Available-for-sale financial assets - War stock	-	11	-	-
Total Long-term Investments and Deposits	349	452	-	-
Loans and receivables				
Short-term deposits with other banks between 3 and 12 months	-	-	1,000	1,000
Former Landbanki deposit outstanding between 3 and 12 months	-	-	72	123
Total Short-term Investments and Deposits	-	-	1,072	1,123
Cash and Cash Equivalents (Note 18)				
Former Landbanki deposit in kroner	-	-	8	7
Short-term deposits in call account with Council's bank	-	-	3,104	850
Short-term deposits with other banks < 3 months	-	-	3,000	7,000
Total Investments and Deposits in Cash and Cash Equivalents	-	-	6,112	7,857

Long-Term Debtors – Table 15d

Table 15d - Long-Term Debtors	Pendle Council transferred services debt £000s	Mortgages - Muir Housing Association £000s	Mortgages - Royal British Housing Association £000s	Car Loans £000s	Total £000s
Balance at 1 April 2012	165	405	123	47	740
Advances	-	-	-	12	12
Receipts	-	(6)	(1)	(22)	(29)
Balance at 31 March 2013	165	399	122	37	723

Short-Term Borrowing – Table 15e

Table 15e - Short-Term Borrowing	31 March 2013 £000s	31 March 2012 £000s
Financial liabilities at amortised cost		
PWLB Loans	(1,000)	(3,037)
Local Loans	(51)	(37)
Total Short-Term Borrowing	(1,051)	(3,074)

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.

The fair values calculated are as follows:

Table 15f - Fair Values of Assets and Liabilities	31 March 2013		31 March 2012	
	Carrying amount £000s	Fair value £000s	carrying amount £000s	Fair value £000s
Financial liabilities				
PWLB borrowing	(19,877)	(24,353)	(21,915)	(26,087)
Other borrowing	(51)	(51)	(37)	(37)
Bank overdraft	(161)	(161)	(2,141)	(2,141)
Total financial liabilities	(20,089)	(24,565)	(24,093)	(28,265)
Loans and receivables				
Long-term investments and deposits	349	349	452	451
Long-term debtors	723	723	740	740
Total financial assets	1,072	1,072	1,192	1,191

The fair value figures for PWLB borrowing above have been taken from the PWLB website and are greater than the carrying amounts because current market rates at the 31st March 2013 are lower than the existing individual loan rates.

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

In 2008 the Council deposited £1m with Landsbanki Islands HF, the former Icelandic bank entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. The latest information available indicates that recovery of 100% of the Council's deposit will be achieved by 2019.

Recovery is subject to the uncertainty and risk regarding the impact of exchange rate fluctuations on the value of assets recovered and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 8th October 2008 in the sum of £3k.

Note 16 Inventories

	Towneley Hall		Leisure centre materials		Green Spaces stores		Mechanics bar		Other		Total	
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
Balance outstanding at start of	47	60	5	4	0	3	8	6	1	1	61	74
Purchases	30	27	26	12	0	113	44	43	33	24	133	219
Recognised as an expense in the year	(35)	(40)	(26)	(11)	0	(116)	(44)	(41)	(32)	(24)	(137)	(232)
Balance outstanding at year-end	42	47	5	5	0	0	8	8	2	1	57	61

Note 17 Short-term Debtors

The short-term debtors shown in the table below are net of provisions for bad and doubtful debts.

	31 March 2013 £000s	31 March 2012 £000s
Central Government Bodies	1,315	1,241
Other Local Authorities	421	404
NHS Bodies	28	16
Other Entities and Individuals	3,563	1,398
Total	5,327	3,059

A breakdown of the provision for bad and doubtful debts figures reflected in the table above are as follows.

Provision for bad & doubtful debts	31 March 2013 £000s	31 March 2012 £000s
Council Tax	(412)	(419)
Court Fees	(706)	(764)
Housing Benefits	(837)	(781)
General	(277)	(267)
Total	(2,232)	(2,231)

Note 18 Cash and Cash Equivalents

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

	31 March 2013 £000s	31 March 2012 £000s
Cash held by the Authority	16	15
Bank current account	(161)	(2,141)
Former Landbanki deposit in kroner	8	7
Short-term deposits in call account with Council's bank	3,104	850
Short-term deposits with other banks < 3 months	3,000	7,000
Total Cash and Cash Equivalents	5,967	5,731

Note 19 Assets Held for Sale

	Current		Long-Term	
	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s
Balance outstanding at start of year	197	-	-	-
Assets newly classified as held for sale:				
Property, Plant & Equipment	77	652	-	-
Assets declassified as held for sale:				
Property, Plant & Equipment	(117)	-	-	-
Assets sold	-	(455)	-	-
Balance outstanding at year-end	157	197	-	-

Note 20 Short-term Creditors

	31 March 2013 £000s	31 March 2012 £000s
Central Government Bodies	(819)	(37)
Other Local Authorities	(308)	(864)
Other Entities & Individuals	(2,707)	(1,221)
Total	(3,834)	(2,122)

Note 21 Provisions

	Overarching Development costs £000s	Compulsory purchase proceeds liability £000s	Bonds and deposits £000s	Provision for Town centre Development £000s	Section 106 monies £000s	Total £000s
Balance at 1 April 2012	-	75	135	-	34	244
Additional provisions made in 2012/13	209	-	64	225	-	498
Amounts used in 2012/13	-	-	(58)	-	-	(58)
Balance at 31 March 2013	209	75	141	225	34	684

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

Overarching Development Agreement

A provision has now been made for the Council's estimated share of the costs of recent housing site developments around Burnley. The payment is due in 2014 but will be dependent on whether the planned number of properties will be achieved. This is the maximum sum to which the Council is liable.

Compulsory Purchase Proceeds Liability

The Council has previously acquired properties in housing clearance areas where the owners could not be contacted. This sum is due to the owners of the properties. There has been no movement in this provision in 2012/13.

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

Town Centre Development

It is proposed that part of the central shopping area is redeveloped in partnership with the Council's head lessee. This provision is to cover the majority of the Council's contribution towards the overall development costs in accordance with the tenancy agreement.

Planning Obligations under s106, Town & Country Planning Act 1990

Amounts held as a particular liability for potential return to a provider after a specified period. There has been no movement in this provision in 2012/13.

Note 22 Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Note 6.

Table 22 - Usable Reserves	31 March 2013 £000s	31 March 2012 £000s
General Fund	1,379	1,100
Earmarked Reserves	6,032	5,665
Capital Receipts Reserve	2,848	3,156
Capital Grants Unapplied Reserve	427	-
Total Usable Reserves	10,686	9,921

Table 22a - Capital Receipts Reserve	2012/13 £000s	2011/12 £000s
Balance at 1 April	3,156	2,785
Capital receipts in year		
Sale of Assets	87	572
Other Income	293	321
Capital receipts used to fund capital expenditure	(688)	(522)
Balance at 31 March	2,848	3,156

Table 22b - Capital Grants Unapplied Reserve	2012/13 £000s	2011/12 £000s
Balance at 1 April	-	-
Receipts in year	1,042	-
Receipts Applied in year	(615)	-
Balance at 31 March	427	-

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. This grant was a ring-fenced grant until 2011/12 meaning that it could only be utilised for a specific purpose. As a result, it was treated as a grant received in advance in 2011/12 because the Council took a view that there were conditions attached to the grant that were not met and this meant that the possibility that the grant would be repaid still existed. As the conditions no longer remain, the Council has changed its treatment of these grants in 2012/13. The 2011/12 accounts have not been restated because the balance on the 31st March 2012 of £80k is considered immaterial.

Note 23 Unusable Reserves

Table 23 - Unusable Reserves	31 March 2013 £000s	31 March 2012 £000s
Revaluation reserve	50,193	48,834
Capital Adjustment Account	27,240	23,478
Deferred Capital Receipts Reserve	6	7
Pensions Reserve	(64,560)	(54,981)
Collection Fund Adjustment Account	135	142
Accumulated Absences Account	(153)	(118)
Total Unusable Reserves	12,861	17,362

Revaluation Reserve (Note 23a)

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

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

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

Table 23a - Revaluation Reserve	2012/13 £000s	2011/12 £000s
Balance at 1 April	48,834	44,965
Upward revaluation of assets	2,186	5,841
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(509)	(1,804)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	1,677	4,037
Difference between fair value depreciation and historical cost depreciation	(252)	-
Accumulated gains on assets sold or scrapped	(66)	(168)
Amounts written off to the Capital Adjustment Account	(318)	(168)
Balance at 31 March	50,193	48,834

Capital Adjustment Account (Note 23b)

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

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

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

Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Table 23b - Capital Adjustment Account	2012/13 £000s	2011/12 £000s
Balance at 1 April	23,478	24,491
Writing out of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(1,553)	(1,527)
Revaluation losses on Property, Plant and Equipment	(810)	(1,751)
Amortisation of intangible assets	(50)	(50)
Revenue expenditure funded from capital under statute	(1,987)	(4,033)
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	(98)	(455)
Adjusting amounts written out of the Revaluation Reserve	318	168
Net written out amount of the cost of non-current assets consumed in the year	(4,180)	(7,648)
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	688	522
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	6,086	4,577
Application of grants to capital financing from the Capital Grants Unapplied Account	615	-
Statutory provision for the financing of capital investment charged against the General Fund balance	1,222	1,195
Capital expenditure charged against the General Fund balance	128	660
Capital financing applied in the year	8,739	6,954
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(797)	(319)
Balance at 31 March	27,240	23,478

Pensions Reserve (Note 23c)

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

Table 23c - Pensions Reserve	2012/13 £000s	2011/12 £000s
Balance at 1 April	(54,981)	(44,804)
Actuarial gains or (losses) on pensions assets and liabilities	(8,862)	(10,063)
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	(3,868)	(3,405)
Employer's pensions contributions and direct payments to pensioners payable in year	3,151	3,291
Balance at 31 March	(64,560)	(54,981)

Deferred Capital Receipts Reserve (Note 23d)

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

Table 23d - Deferred Capital Receipts Reserve	2012/13 £000s	2011/12 £000s
Balance at 1 April	7	10
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1)	(3)
Transfer to the Capital Receipts Reserve upon receipt of cash	-	-
Balance at 31 March	6	7

Collection Fund Adjustment Account (Note 23e)

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

Table 23e - Collection Fund Adjustment Account	2012/13 £000s	2011/12 £000s
Balance at 1 April	142	133
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(7)	9
Balance at 31 March	135	142

Accumulated Absences Account (Note 23f)

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.

Table 23f - Accumulated Absences Account	2012/13 £000s	2011/12 £000s
Balance at 1 April	(118)	(150)
Settlement or cancellation of accrual made at the end of the preceding year	118	150
Amounts accrued at the end of the current year	(153)	(118)
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	(35)	32
Balance at 31 March	(153)	(118)

Note 24 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2012/13 £000s	2011/12 £000s
Cash inflows	76,652	77,167
Cash outflows	(60,646)	(65,241)
Net cash flows from operating activities	16,006	11,926

Note 25 Cash Flow Statement – Investing Activities

	2012/13 £000s	2011/12 £000s
Purchase of property, plant and equipment, investment property and intangible assets	(8,133)	(6,975)
Purchase of short-term and long-term investments	(128,679)	(129,272)
Proceeds from short-term and long-term investments	130,424	127,554
Proceeds from sale of property, plant and equipment, investment property and intangible assets	391	893
Other receipts from investing activities	3,248	2,722
Net cash flows from investing activities	(2,749)	(5,078)

Note 26 Cash Flow Statement – Financing Activities

	2012/13 £000s	2011/12 £000s
Other repayments for financing activities	(13,021)	(8,442)
Net cash flows from financing activities	(13,021)	(8,442)

Note 27 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Executive on the basis of budget reports analysed across portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and not charged to portfolios.

The income and expenditure of the Authority's portfolios recorded in the budget reports for the year is as follows in:

Portfolio Income and Expenditure 2012/13	Leader £000s	Resources £000s	Leisure & Culture £000s	Planning & Environment £000s	Community Safety £000s	Regeneration & Economic Development £000s	Customer Access & Community Engagement £000s	Total £000s
Fees, charges & other service income	(107)	(3,360)	(4,526)	-	(2,182)	(1,523)	(20)	(11,718)
Government grants	(73)	(46,889)	(68)	-	-	(458)	-	(47,488)
Total Income	(180)	(50,249)	(4,594)	-	(2,182)	(1,981)	(20)	(59,206)
Employee expenses	1,641	4,408	4,478	-	1,359	2,294	1,093	15,273
Other service expenses	853	48,388	3,028	-	4,628	2,622	307	59,826
Support service recharges	896	4,931	3,234	-	1,349	1,192	314	11,916
Total Expenditure	3,390	57,727	10,740	-	7,336	6,108	1,714	87,015
Net Expenditure	3,210	7,478	6,146	-	5,154	4,127	1,694	27,809

Portfolio Income and Expenditure 2011/12 Comparative Figures	Leader £000s	Resources £000s	Leisure & Culture £000s	Planning & Environment £000s	Community Safety £000s	Regeneration & Economic Development £000s	Customer Access & Community Engagement £000s	Total £000s
Fees, charges & other service income	(96)	(3,496)	(4,384)	(604)	(2,097)	(3,537)	(2)	(14,216)
Government grants	-	(45,839)	(4)	(17)	-	(469)	-	(46,329)
Total Income	(96)	(49,335)	(4,388)	(621)	(2,097)	(4,006)	(2)	(60,545)
Employee expenses	1,733	4,001	4,496	1,248	1,312	1,558	1,164	15,512
Other service expenses	792	48,472	3,104	281	4,498	4,475	366	61,988
Support service recharges	843	5,680	3,155	934	1,412	826	340	13,190
Total Expenditure	3,368	58,153	10,755	2,463	7,222	6,859	1,870	90,690
Net Expenditure	3,272	8,818	6,367	1,842	5,125	2,853	1,868	30,145

Reconciliation of Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2012/13 £000s	2011/12 £000s
Net expenditure in the Portfolio Analysis	27,809	30,145
Net expenditure of services and support services not included in the Analysis	2,274	1,639
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(12,148)	(12,818)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(9,874)	(11,179)
Cost of Services in Comprehensive Income and Expenditure Statement	17,935	18,966

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2012/13	Portfolio Analysis £000s	Services and Support Services not in Analysis £000s	Amounts not reported to management for decision making £000s	Amounts not included in I&E £000s	Allocation of Recharges £000s	Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges and other service income	(11,718)	23	-	-	(14,562)	(26,257)	(6,167)	(32,424)
Interest and investment & deposit income	-	-	-	-	-	-	(216)	(216)
Income from council tax	-	-	-	-	-	-	(6,690)	(6,690)
Government grants and contributions	(47,488)	-	-	-	-	(47,488)	(11,713)	(59,201)
Total Income	(59,206)	23	-	-	(14,562)	(73,745)	(24,786)	(98,531)
Employee expenses	15,273	354	-	-	-	15,627	-	15,627
Other service expenses	59,826	72	-	-	-	59,898	1,880	61,778
Support service recharges	11,916	1,825	-	-	-	13,741	1	13,742
Depreciation, amortisation and impairment	-	-	2,413	-	-	2,413	782	3,195
Interest payments	-	-	1	-	-	1	977	978
Precepts and levies	-	-	-	-	-	-	56	56
Gain or loss on disposal of non-current assets	-	-	-	-	-	-	(294)	(294)
Total Expenditure	87,015	2,251	2,414	-	-	91,680	3,402	95,082
Surplus or deficit on the provision of services	27,809	2,274	2,414	-	(14,562)	17,935	(21,384)	(3,449)

2011/12 Comparative Figures	Portfolio Analysis £000s	Services and Support Services not in Analysis £000s	Amounts not reported to management for decision making £000s	Amounts not included in I&E £000s	Allocation of Recharges £000s	Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges and other service income	(14,216)	-	-	263	(15,357)	(29,310)	(8,343)	(37,653)
Interest and investment & deposit income	-	-	(190)	190	-	-	(190)	(190)
Income from council tax	-	-	-	-	-	-	(6,681)	(6,681)
Government grants and contributions	(46,329)	-	-	-	-	(46,329)	(13,328)	(59,657)
Total Income	(60,545)	-	(190)	453	(15,357)	(75,639)	(28,542)	(104,181)
Employee expenses	15,512	364	-	-	-	15,876	-	15,876
Other service expenses	61,988	25	-	(1,050)	-	60,963	8,523	69,486
Support service recharges	13,190	1,250	-	(2)	-	14,438	2	14,440
Depreciation, amortisation and impairment	-	-	3,328	-	-	3,328	291	3,619
Interest payments	-	-	-	-	-	-	1,039	1,039
Precepts and levies	-	-	-	-	-	-	55	55
Gain or loss on disposal of non-current assets	-	-	-	-	-	-	(890)	(890)
Total Expenditure	90,690	1,639	3,328	(1,052)	-	94,605	9,020	103,625
Surplus or deficit on the provision of services	30,145	1,639	3,138	(599)	(15,357)	18,966	(19,522)	(556)

Note 28 Trading Operations

During the year the Authority operated an open market and a covered market in Burnley. The financial results are as follows:

	2012/13 £000s	2011/12 £000s
Turnover	(677)	(775)
Expenditure	599	653
Net (Surplus) / Deficit on trading operations	(78)	(122)

The Markets trading operation is incorporated into the Comprehensive Income and Expenditure Statement. In 2012/13 the markets operation generated a surplus of £78k compared to a surplus of £122k in 2011/12.

Note 29 Agency Services

The Authority undertakes certain relevant highways tasks via a Residual Highways Agreement, for which it receives an annual allocation. The income and expenditure figures for operating this agency agreement are shown in the table below:

	2012/13 £000s	2011/12 £000s
Management fee payable by Lancashire County Council	(72)	(77)
Net (surplus)/deficit arising on the agency arrangement	(72)	(77)

The Authority, as a billing authority, also acts as agent for the Government in collecting National Non-Domestic Rates. The Government pays the Authority an allowance towards the cost of collecting the tax. Income and expenditure for providing the Government with this agency service is shown in the table below:

	2012/13 £000s	2011/12 £000s
Expenditure incurred in providing a non-domestic rate collection service on behalf of the Government	180	187
Management fee payable by the Government	(148)	(146)
Net (surplus)/deficit arising on the agency arrangement	32	41

Note 30 Members' Allowances

The following amounts were paid to members of the council during the year.

	2012/13 £	2011/12 £
Allowance Payments	177,884	181,396
Expenses Payments	2,988	1,743
Total	180,872	183,139

Payments of allowances to elected members are made in accordance with the scheme approved annually by the Authority.

	2012/13 £	2011/12 £
Allowance rate paid per annum		
Basic Allowance	2,700	2,700
Executive Member	4,050	4,050
Leader Supplement	10,800	10,800
Deputy Leader Supplement	2,700	2,700
Other Group Leaders	1,350	1,350
Scrutiny and Development Control Chairs	2,700	2,700
Licensing Committee Chair	1,350	1,350
Development Control Vice Chair	1,350	1,350

Note 31 Officers' Remuneration

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

		Salary, Fees and Allowances £	Elections £	Compensation for loss of office £	Pension contribution £	Total £
Chief Executive	2012/13	112,635	6,627		14,980	134,242
	2011/12	112,830	6,221	-	15,834	134,885
Director of Resources - to 31/12/2012	2012/13	53,473	2,901		7,112	63,486
	2011/12	68,032	4,502	-	9,048	81,582
Director of Resources - from 01/01/2013	2012/13	17,423			2,317	19,740
	2011/12	-	-	-	-	-
Director of Community Services	2012/13	73,624			9,792	83,416
	2011/12	73,159	-	-	9,730	82,889
Director of Environment	2012/13	-	-	-	-	-
	2011/12	68,085	-	37,146	49,265	154,496
Director of Economic Regeneration	2012/13	69,694			9,269	78,963
	2011/12	68,110	-	-	9,059	77,169
Head of People, Law & Regulation	2012/13	55,008	1,402		7,316	63,726
	2011/12	54,501	2,532	-	7,249	64,282

The Director of Environment was made redundant on 31st March 2012 and the previous Director of Resources retired on the 31st December 2012.

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 includes those officers above.

Remuneration band	2012/13 Number of employees	2011/12 Number of employees
£50,000 - £54,999	3	4
£55,000 - £59,999	3	1
£60,000 - £64,999	-	-
£65,000 - £69,999	1	1
£70,000 - £74,999	1	2
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	1
£110,000 - £114,999	-	-
£115,000 - £119,999	1	1

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

(a) Exit package cost band (including special payments)	(b) Number of compulsory departures		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [[b) + (c)]		(e) Total cost of exit packages in each band	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
£0 - £20,000	27	9	-	-	27	9	£213,517	£30,451
£20,001 - £40,000	2	3	-	-	2	3	£42,891	£77,910
£40,001 - £60,000		1	-	-	-	1		£46,266
£60,001 - £80,000		2	-	-	-	2		£139,823
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
Total	29	15	-	-	29	15	£256,408	£294,450

Note 32 External Audit Costs

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

	2012/13 £000	2011/12 £000
Fees payable to the Audit Commission / Grant Thornton (2012/13) with regard to external audit services carried out by the appointed auditor for the year	62	102
Fees payable to the Audit Commission / Grant Thornton (2012/13) in respect of statutory inspections	-	-
Fees payable to the Audit Commission / Grant Thornton (2012/13) for the certification of grant claims and returns for the year	19	19
Total	81	121

Planned audit services cost £62,000 in line with the agreed plan and budget. The 2012/13 fees include a rebate of £5,900 given during the year.

Note 33 Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2012/13:

Table 33a Grant Income	2012/13 £000	2011/12 £000
Credited to Taxation and Non Specific Grant Income		
National Non-Domestic Rate	(8,071)	(6,963)
Revenue Support Grant	(156)	(2,152)
Non-ringfenced Government Grants		
New Homes Bonus	(77)	(70)
Council Tax Freeze Grant	(165)	(165)
Local Services Support Grant	(3,244)	(3,978)
Capital Grants & Contributions		-
Department for Education	(3,969)	-
Department for Communities & Local Government (DFG)	(1,042)	-
Heritage Lottery Fund	(368)	(136)
Market Renewal Programme	(72)	(376)
Homes and Communities Agency	(203)	-
ERDF	-	(49)
HMR Transition Grant	(67)	(461)
English Heritage	(38)	(209)
Other Capital Grants & Contributions	(381)	(158)
Total	(17,853)	(14,717)
Credited to Services		
Housing Benefit & Council Tax Benefit Subsidy	(45,505)	(44,633)
Housing Benefit Administration Subsidy	(1,007)	(1,057)
Lancashire County Council	(943)	(897)
East Lancashire Health Authority	(195)	(181)
Homes & Communities Agency	(233)	(272)
Arts Council	(295)	-
Pendle Borough Council	(89)	(91)
Department for Education	(82)	-
Other Revenue Grants	(942)	(949)
Capital Grants & Contributions (see		
Market Renewal Programme	-	(1,041)
Regional Growth Funding	(237)	-
Housing Capital Grant	(268)	(93)
Disabled Facilities Grants	-	(824)
Heritage Lottery Fund	(4)	(50)
Homes and Communities Agency	(67)	-
ERDF	-	(292)
HMR Transition Grant	(243)	(475)
English Heritage	(78)	(61)
Other Capital Grants & Contributions	(91)	(352)
Total	(50,279)	(51,268)

The table above reflects a change in accounting policy, in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, where 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. In previous years such grant income has been recognised against the relevant service line in the Comprehensive Income and Expenditure Statement.

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

Current Liabilities

Table 33b					Transfer between current & long-term	Balance
Capital Grants Receipts in Advance	Balance 31 March 2012 £,000	Receipts £,000	Applied £,000		£,000	Balance 31 March 2013 £,000
Capital Grants Receipts in Advance						
Housing Capital Grant	(869)	-	268	-		(601)
Housing Market Renewal	(1,093)	-	73	(1,428)		(2,448)
HMR Transition Grant	(503)	-	310	-		(193)
Disabled Facilities Grant	(80)	(962)	1,042	-		-
Section 106 Contributions	(221)	(8)	199	-		(30)
Empty Homes Programme	-	(1,776)	212	-		(1,564)
Total	(2,766)	(2,746)	2,104	(1,428)		(4,836)

Table 33c				Balance
Revenue Grants Receipts in Advance	Balance 31 March £,000	Receipts £,000	Applied £,000	Balance 31 March £,000
Revenue Grants Receipts in Advance				
Homelessness Grant	(362)	(127)	87	(403)
Total	(362)	(127)	87	(403)

Long-term Liabilities

Table 33d					Transfer between current & long-term	Balance
Capital Grants Receipts in Advance	Balance 31 March 2012 £,000	Receipts £,000	Applied £,000		£,000	Balance 31 March 2013 £,000
Capital Grants Receipts in Advance						
Housing Market Renewal	(1,428)	-	-	1,428		-
Section 106 Contributions	(133)	(108)	8	-		(233)
Total	(1,561)	(108)	8	1,428		(233)

Note 34 Related Parties

Related Parties

The Authority 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 allow the 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 Authority

Central Government

The UK Government has a significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg Council Tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 27 on the reporting for resource allocation decisions. Grants receipts outstanding at 31 March 2013 are shown in Note 33.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members allowances paid in 2013/13 is shown in Note 30. During 2012/13 works and services to the value of £30,019 were commissioned from organizations in which members had an interest (this includes organizations where the Council had appointed members or Officers to represent it). Contracts and transactions were entered into in full compliance with the council's standing orders. In addition, the Council paid grants to the value of £122,593 to organizations in which members had interests (this includes organizations where the Council had appointed members to represent it). The grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. There were four members of the Council who are members of Lancashire County Council; the value of works and services entered into with this body in 2012/13 was £631,385. Members of the Council were also members of various parish and town councils to which the Council has paid precepts made grants or made other payments to totalling £82,109. Details of all these interests are recorded in the Register of Members' Interest which is open to public inspection and in the relevant minutes of the council where appointments to external organisations are approved.

Officers

Officers of the Council also hold positions in other organisations as a consequence of being appointed by the Council. During 2012/13, no material grants or payments (other than those included in this statement) were paid to companies in which officers had an interest. Other than where declared in this statement, there were no material transactions between the Council and organisations or companies in which Officers declared an interest or had been appointed to as representatives of the Council.

Other Public Bodies (subject to common control by central government)

The Council operates contracting arrangements with Lancashire County Council for Payroll Services and with Rossendale District Council for the provision of a Health and Safety service to a value of £29,057. There is a joint service delivery arrangement with Blackburn with Darwen Council for Building Control Services. During 2012/13 the value of joint Building Control expenditure and income was £686,395 and £447,572 respectively. The Council also has a joint delivery arrangement with Pendle Borough Council in relation to some Legal and Insurance services which was for £6,750 in 2012/13. In addition the Council is included in the East Lancashire Housing Market Restructuring Pathfinder (Regenerate) partnership programme between Burnley and the nearby boroughs of Blackburn with Darwen, Hyndburn, Pendle and Rossendale. A Burnley Borough Council Director represents the Council on the board of this company.

Entities Controlled or Significantly Influenced by the Authority

The Council has a joint venture company with Barnfield Investment Properties Ltd called Barnfield and Burnley (Developments) Ltd. The Council has a 50% share of the joint venture company. The Council has appointed three directors to the joint venture company; the Leader of the Council, the Chief Executive Officer and a service director. During 2012/13 the Council made a payment of £10,000 to this company. From Barnfield Investment Properties Ltd three directors have been appointed to the joint venture company and two of these are also company directors of Barnfield Construction Ltd. During 2012/13 the Council supplied £3,758 of goods and services to Barnfield Investment Properties Ltd and paid Barnfield Construction Limited £4,333,705 in respect of the supply of goods and services and supplied £5,000 of services to it. Barnfield Construction Ltd is the appointed contractor for the redevelopment of the Weaver's Triangle.

Registers of Members/Officers Interests

Members of the Council have influence and control in relation to the Council's operating and financial policies. As required by section 30 of the Localism Act 2011 and The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, Members' outside interests are recorded in a formal register (the records of these disclosures are recorded on the Council's website) and the Code of Conduct 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. Of the 45 elected Councillors – one has failed to make a declaration for 2012/13. A register of chief officers' interests has been established in which officers outside interests are also recorded.

Note 35 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

	2012/13 £000	2011/12 £000
Opening Capital Financing Requirement	28,089	28,068
Capital Investment:		
Property, Plant and Equipment	6,146	2,892
Investment Properties	-	50
Revenue Expenditure Funded from Capital under Statute	1,987	4,033
Sources of finance:		
Capital receipts	(688)	(522)
Government grants and other contributions	(6,701)	(4,577)
Sums set aside from revenue:		
Direct revenue contributions	(128)	(660)
Minimum Revenue Provision	(1,222)	(1,195)
Closing Capital Financing Requirement	27,483	28,089
Explanation of movements in year:		
Decrease / (Increase) in underlying need to borrow (unsupported by Government financial assistance)	(606)	21
Increase / (decrease) in Capital Financing Requirement	(606)	21

Note 36 Leases

Authority as Lessee

Operating Leases

The Authority leases a building on Parker Lane which houses its contact centre, Contact Burnley, on a lease which has 7 years remaining.

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

Table 36a	31 March 2013 £000s	31 March 2012 £000s
Not later than one year	79	77
Later than one year and not later than five years	336	330
Later than five years	162	247
Minimum lease payments	577	654

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to this lease was £76,821 (£74,695 in 2011/12).

Authority as Lessor**Operating Leases**

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

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

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

Table 36b	31 March 2013 £000s	31 March 2012 £000s
Not later than one year	(1,055)	(1,069)
Later than one year and not later than five years	(3,590)	(3,719)
Later than five years	(84,643)	(85,484)
Minimum lease payments	(89,288)	(90,272)

Note 37 Impairment Losses

The Council had no property, plant and equipment or intangible asset impairment losses for 2012/13.

Note 38 Termination Benefits

The Authority terminated the contracts of 29 employees in 2012/13, incurring liabilities of £256k (£294k in 2011/12) who were made redundant as part of the Council's rationalisation of services.

Note 39 Defined Benefit Pension Schemes

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

The Authority participates in the Local Government Pension Scheme, administered locally by Lancashire County Council. It is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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 39a Reconciliation of the Movement in the Pension Fund Reserve	2012/13 £000s	2011/12 £000s
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
Current service costs	1,959	1,913
Settlements and curtailments	40	127
<i>Financing and Investment Income and Expenditure</i>		
Interest cost	7,641	8,056
Expected return on scheme assets	(5,772)	(6,691)
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	3,868	3,405
<i>Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
Actuarial (gains) and losses	8,862	10,063
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	8,862	10,063
<i>Movement in Reserves Statement</i>		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	3,868	3,405
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
Employers' contributions payable to the scheme	(3,151)	(3,291)
In Year Increase/(Decrease) in Pension Reserve	9,579	10,177

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement on pension assets and liabilities at 31 March 2013 was a loss of £3.868m compared with a loss of £3.405m as at 31st March 2012.

Assets and Liabilities in Relation to Post-employment Benefits

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

Table 39b Funded Liabilities: Local Government Pension Scheme	2012/13 £000s	2011/12 £000s
Opening balance at 1 April	157,865	148,312
Current service cost	1,959	1,913
Interest cost	7,641	8,056
Contributions by scheme participants	670	710
Actuarial (gains) and losses	18,493	5,054
Benefits paid	(6,523)	(6,307)
Curtailments	40	127
Closing balance at 31 March	180,145	157,865

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

Table 39c Local Government Pension Scheme	2012/13 £000s	2011/12 £000s
Opening balance at 1 April	102,884	103,508
Expected rate of return	5,772	6,691
Actuarial gains and losses	9,631	(5,009)
Employer contributions	3,151	3,291
Contributions by scheme participants	670	710
Benefits paid	(6,523)	(6,307)
Closing balance at 31 March	115,585	102,884

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 £15.402m (2011/12 = £1.683m).

Scheme History

Table 39d Local Government Pension Scheme	2008/09 £000s	2009/10 £000s	2010/11 £000s	2011/12 £000s	2012/13 £000s
Present value of liabilities	(120,440)	(161,612)	(148,312)	(157,865)	(180,145)
Fair value of assets in the Local Government Pension Scheme	74,468	97,481	103,508	102,884	115,585
Surplus / (deficit) in the scheme	(45,972)	(64,131)	(44,804)	(54,981)	(64,560)

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. The total liability of £180.145m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a net overall balance of £23.55m. However, statutory arrangements for funding the deficit mean

that the financial position of the Authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2014 is £3.014m.

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 1st April 2010.

The principal assumptions used by the actuary have been:

Table 39e Local Government Pension Scheme	2012/13	2011/12
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.00%	7.00%
Government bonds	2.80%	3.10%
Other bonds	3.90%	4.10%
Property	5.70%	6.00%
Cash/liquidity	0.50%	0.50%
Other	7.00%	7.00%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.1	21.7
Women	24.8	24.3
Longevity at 65 for future pensioners:		
Men	23.9	23.1
Women	26.7	25.9
Rate of inflation - CPI	2.40%	2.50%
Rate of increase in salaries	4.40%	4.50%
Rate of increase in pensions	2.40%	2.50%
Rate for discounting scheme liabilities	4.20%	4.90%
Take-up of option to convert annual pension into retirement lump sum	50.00%	50.00%

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

Table 39f Local Government Pension Scheme	2012/13 %	2011/12 %
Equity investments	62	58
Government bonds	8	5
Other bonds	17	15
Property	9	10
Cash/liquidity	4	5
Other assets	-	7
	100	100

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

Table 39g Local Government Pension	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Differences between the expected and actual return on assets - gains/(losses)	11.20	34.50	20.20	0.90	(4.90)	8.30
Experience gains and losses on liabilities	2.60	23.50	22.20	7.70	-	-

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 were changed.

Table 39h Sensitivity Analysis based on assumptions made as at 31st March 2013		Sensitivity 1 + 0.1% p.a. rate as at Current Estimate £'000	Sensitivity 2 + 0.1% p.a. salary inflation as at 31st March 2013 £'000	Sensitivity 3 1 year addition to member's life expectancy as at 31st March 2013 £'000
Liabilities as at 31st March 2013	180,145	177,245	183,097	183,805
Assets as at 31st March 2013	(115,585)	(115,585)	(115,585)	(115,585)
Deficit/(Surplus) as at 31st March 2013	64,560	61,660	67,512	68,220
Projected Current Service Cost for year commencing 1st April 2013	2,460	2,386	2,536	2,516
Projected Expected Return on Assets for year commencing 1st April 2013	(6,307)	(6,307)	(6,307)	(6,307)
Projected Interest Cost for the year commencing 1st April 2013	7,495	7,547	7,620	7,650

Note 40 Other Long-Term Liabilities

Table 40 - Other Long-Term Liabilities (Third Party Contributions)	Planning £000s	Sport & Culture, Green Spaces £000s	Property £000s	Housing £000s	Streetscene £000s	Total £000s
Balance at 1 April 2012	20	55	147	9	72	303
Receipts	-	33	250	24	-	307
Adjustments in Year	-	63	-	-	(9)	54
Financing in Year	-	(46)	(201)	(24)	(1)	(272)
Balance at 31 March 2013	20	105	196	9	62	392

Note 41 Contingent Liabilities and Contingent Assets

Contingent Liabilities

Overarching Development Agreements in Burnley Wood and South West Burnley

Phase Costs and Zone Wide Costs.

On 17th April 2008 the Council entered into two Overarching Development Agreements (ODA) with a lead developer to deliver development in South West Burnley and Burnley Wood. The ODAs give exclusive rights to develop within the area action zones for a period of 10 years. In these ODAs there is reference to the preliminary zone-wide costs e.g. business plans, surveys, research and development etc. incurred by the developer. The assumption is that these costs will be recovered by the developer during the initial phases of development outlined in the zone-wide business plan. It is part of the agreement that if the initial phases of development do not proceed, the developer is entitled to reimbursement of the eligible zone-wide costs on the sixth anniversary of the agreement – on 16th April 2014. The current accumulated zone-wide costs for South West Burnley and Burnley Wood are £209,091 (11/12 was £300k). In addition there is also a potential obligation to pay the developer if there is a deficit on any of the phases of development at the end of the ODAs. If so, a payment will become due by the Council on the tenth anniversary of the agreements i.e. 16th April 2018. The assumption is that these costs will be reduced during the development of phases outlined in the zone-wide business plan. This obligation on the Council extends to a maximum payment of half of any deficit on phase costs subject to a maximum of £300k in South West Burnley and £250k in Burnley Wood. The Council's potential liability for phase costs is £483,735 (11/12 was £480k).

A provision has been set up in 2012/13 for £209k for the accumulated zone-wide costs.

Judicial Review on HMR Transition Grant

Save Britain's Heritage issued judicial review proceedings to challenge the decision of the Secretary of State for Communities and Local Government to grant transitional funding to five Housing Market Renewal areas. (Save Britain's Heritage believe that Britain's Victorian heritage is being lost by reason of monies awarded being spent on demolition of existing properties rather than on works of repair and refurbishment).

The monies awarded under the transitional grant have largely been spent or committed by Local Authorities and the Council, in common with the other interested parties, have argued in its representations that a requirement to repay the monies granted would place in jeopardy the completion of targeted projects (to the detriment of those inhabitants and property owners who have yet to be re-housed and/or sell their interest to the Council) as well as causing great financial hardship to the Council (particularly where it would cost the Council more to reverse the projects already commenced than it would do to complete them).

The value of the grant awarded to Burnley Borough Council is £1.439m. The current position on the HMR Transition Grant is that the judicial review proceedings were settled by consent on the basis that the review be allowed and the decision of the Secretary of State to award the Grant be quashed as being unlawful.

There had been an indication from the Secretary of State that the Government would not be seeking to recover the grant monies from the local authorities concerned and a request was made to the Treasury Solicitor for this to be put in writing. At the time of reporting, no response has as yet been received.

Contingent Assets

No contingent assets have been identified at the time of the statement of accounts being produced.

Note 42 Nature and Extent of Risks arising from Financial Instruments

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

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

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they are rated independently. The authority has a policy of not lending more than a certain amount to any one institution dependent upon the rating of that institution as approved by Sector. The maximum amounts invested in any institution was £2m. In the case of the Council's own bankers the limit is set at £15m.

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

The Authority's maximum exposure to credit risk in relation to its deposits in banks and building societies of £7.5m (including £0.4m in respect of the former Landsbanki Islands HF) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for British based banks and building societies to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2013 that this was likely to occur.

The following analysis summarises the authority's potential maximum exposure to credit risk on financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions. The Council's provision for 'bad and doubtful debts' at 31 March 2013 totals £2.232m. Included within this amount is a general provision of £1.820m for customers such as trade debtors. It is believed that the Council has provided more than sufficient to cover for future losses due to default.

Table 41a Credit Risk	Amount at 31 March 2013 £000s	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2013 %	Estimated maximum exposure to default and uncollectability at 31 March 2013 £000s	Estimated maximum exposure at 31 March 2012 £000s
	A	B	C	(A x C)	
Deposits with former Landsbanki Islands HF	421	0.00%	0.00%	-	-
Deposits with other banks and financial institutions	7,112	0.00%	0.00%	-	-
Customers	7,559	34.91%	29.53%	2,232	2,231
				2,232	2,231

The authority expects settlement terms from debtors of no greater than 14 days, such that £2.946m of the £7.559m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

Table 41b - Customer Debt past due date	31 March 2013 £000s	31 March 2012 £000s
Less than three months	213	156
Three to six months	59	57
Six months to one year	511	639
More than one year	2,163	1,958
	2,946	2,810

Liquidity Risk

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

Table 41c - liquidity Risk	31 March 2013 £000s	31 March 2012 £000s
Less than one year	1,739	5,215
Between one and three years	2,075	1,000
Between two and five years	4,000	5,077
Between five and ten years	6,701	6,628
Between ten and fifteen years	5,954	5,990
More than fifteen years	147	183
	20,616	24,093

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

Market Risk

Interest Rate Risk

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

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

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

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

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

According to this assessment strategy, at 31 March 2013, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Table 41d	31 March 2013 £000s	31 March 2012 £000s
Increase in interest payable on variable rate borrowings	-	-
Increase in interest receivable on variable rate investments	(123)	(189)
Impact on Surplus or Deficit on the Provision of Services	(123)	(189)
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	3,106	3,126

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

Price Risk

The Authority does not invest in equity shares.

Foreign Exchange Risk

As a result of the phased repayment of the Council's deposit with the former Landsbanki Islands HF bank, the Authority has a deposit equivalent to £8k in Icelandic Kroner held on deposit in Iceland. It is not known at this stage in which currencies the £421k balance of the deposit will be repaid.

Note 43 Heritage Assets: Five-year Summary of Transactions

This note requires the identification of the costs of art collection and ceramics that have been purchased and the value of those that have been donated. It is not practicable to provide this information prior to 1 April 2010, and it can be confirmed that no such assets have been acquired since that date.

Note 44 Heritage Assets: Further Information

The Authority'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 textiles¹ (5%), including vestments (100%)
- Arms and armour¹ (3%)
- Archaeology¹ (local) (0%)
- Egyptology¹ (23%)
- Ethnography¹ (3%)
- Natural history¹ (15%) and geology¹ (4%)
- Local, social and industrial history¹ (80%) (artefacts, archives and photographs)
- War memorials¹ (100%)

Works not on display are held in storage but access is permitted to scholars and others for research purposes. Loans are administered to recognised bodies.

¹The authority does not consider that reliable cost or valuation information can be obtained for these donated items. This is because of the diverse nature of the assets held and lack of comparable market values. These items are therefore not included within the balance sheet.

Fine Art**Oil paintings and watercolour paintings**

The collection of oil paintings was built up first through gifts and purchases using money from local taxation. In 1908, a purpose built art gallery was established on the top floor of the north wing. In 1921, an annual income was made available from the Edward Stocks Massey Bequest. Paintings were purchased through the bequest at regular intervals. There are over 300 oil paintings in the collection, the acquisitions being evenly divided between gifts and

purchases plus around 20 paintings transferred from Burnley Central Library and Padiham Museum in the 1970s.

The earliest watercolours in the collection were of historical rather than artistic value but from 1919 there was a move to begin collecting watercolours more actively and the watercolour gallery was created in 1923. There was no clear collecting policy in the 1920s and 1930s and purchases seem to have been determined on an ad hoc basis. In more recent years the emphasis has been on local artists and local scenes.

At any time, 70 per cent of the oil painting collection is on display. The remaining works are held in storage but access is permitted to scholars and others for research purposes. None of the watercolour painting collection is on display. The works are held in storage but access is permitted to scholars and others for research purposes. Individual work or groups from the oil or watercolour painting collections are used in displays from time to time. Loans are administered to recognised bodies.

Prints

The collection of over 300 prints includes a set of engravings after paintings by Sir Edwin Landseer. Many of the prints relate to local people and places. The collection displays a variety of print making methods and these are explained in a group of prints and drawings in several volumes produced by P G Hamerton.

At any time, 2 per cent of the print collection is on display. The remaining works are held in storage but access is permitted to scholars and others for research purposes. Individual work or groups from the print collection are used in displays from time to time. Loans are administered to recognised bodies.

Book illustrations

The collection of book illustrations was purchased from Mr Hardcastle of Halifax in 1927 and this represents the core of the present collection. There are over 500 items, most of which date from around 1880 to 1920, including magazine illustrations and cartoons as well as many illustrations for children's publications.

None of the book illustration collection is on display. All are held in storage but access is permitted to scholars and others for research purposes. Individual work or groups of book illustrations are used in displays from time to time. Loans are administered to recognised bodies.

Furniture

When Lady O'Hagan left Towneley Hall in 1902 she removed virtually all of the furniture. The only things left were a large table and long settle in the entrance hall, a dining table and 3 forms in the servant's hall and kitchen equipment in the kitchen. It was only with the Edward Stocks Massey Bequest in the early 1920s that the Museum could start to build up the collection of furniture. The first purchases were for the Long Gallery and that is where most of the items can still be seen today. In the early 1930s more furniture was bought for the family dining room. Nearly all of these items came from Needham's of Manchester with purchases continuing into the 1940s. A number of individual items have been donated over the years to expand the range of the collections. The largest group is 17th century regional oak furniture from Lancashire and Yorkshire. Oak furniture is now one of the museum's most important collections and can be considered of national importance.

At any time, 99 per cent of the furniture collection is on display. The remaining pieces are held in storage but access is permitted to scholars and others for research purposes. Loans are administered to recognised bodies.

Sculpture

Sculpture was not a collecting priority in the Museum's early days. The main acquisitions before 1933 had been busts, provided mainly by Edward Stocks Massey and a loan from the O'Hagan family together with purchases by the museum. The most important recent purchase was in 2008 of a bust of Charles Townley created by Joseph Nollekens.

At any time, 98 per cent of the sculpture collection is on display. The remaining pieces are held in storage but access is permitted to scholars and others for research purposes. Loans are administered to recognised bodies.

Ceramics, Ivories and Glassware

Ceramics

Ceramics were not important in the early history of the Museum but over the years they have developed into an important part of the collections and one that is still being expanded. The first important items were Royal Lancastrian Pottery donated by the manufacturers in 1910. Between 1914 and 1920 around a dozen gifts of pottery were received, particularly teapots and commemorative mugs, jugs and ornaments. The first item of local Cliviger pottery was donated in 1921 and since then another dozen items have been added to the collection. A significant event in 1936 was the purchase of 64 items of Chinese porcelain using money from the Edward Stocks Massey Bequest. Collections of donated Goss china followed in the 1940s and 1950s. The range of the ceramics collection was extended in 1957 when a large collection of tiles c. 1890-1910 was donated. There is a small but significant collection of donated local commemorative ceramics. From the 1980s the museum has acquired, mainly by purchase, a collection of studio pottery.

At any time, 10 per cent of the collection is on display. The remaining pieces are held in storage but access is permitted to scholars and others for research purposes. Individual pieces or groups of the ceramic collections are used in displays from time to time. Loans are administered to recognised bodies.

Ivories

The collection of ivories contains around 200 items, most having been bequeathed by George Eastwood of Southport in 1907. The objects include plaques, figures, carved tusks, tankards, vases and ornaments, with examples of Chinese, Indian and Japanese carving.

At any time, 14 per cent of the collection is on display. The remaining pieces are held in storage but access is permitted to scholars and others for research purposes. Individual pieces or groups of the ivory collection are used in displays from time to time. Loans are administered to recognised bodies.

Glass

The main glass collection is the Holroyd collection of 18th century drinking glasses purchased by Dr. Henry Holroyd in the 1920s. There is a range of special glasses including gin, ale, jelly, sweetmeat glasses and rummings. Of particular relevance to the Jacobite Towneley family is a glass engraved with symbols of the Stuart cause. The collection was bequeathed by Dr Holroyd's widow in 1935. It was extended with a number of purchases of 18th century glass in the 1970s and 1980s. Other glass items include 25 objects of Victorian coloured glass and a collection of glass beer and mineral water bottles in the Museum of Local History.

At any time, 5 per cent of the collection is on display. The remaining pieces are held in storage but access is permitted to scholars and others for research purposes. Individual pieces or groups of the glass collection are used in displays from time to time. Loans are administered to recognised bodies.

Medals, Watches & Silver ware

Military Medals

The military medals are a collection of war decorations and badges of rank, the most important being the Victoria Crosses awarded to two local men in the First World War. Another medal of similar distinction is the Albert Medal awarded to a sailor in 1941.

Some of the earliest medals, such as a General Service Medal (1793-1814) with bars for battles in Spain and two Waterloo medals were presented to the Museum by the East Lancashire Regiment. Service medals reflect the conflicts in which Britain has been involved from the 19th century to the present day. The medals also include awards for gallantry (including Military Medals, Distinguished Conduct Medals, Military Crosses, a Distinguished Flying Medal and Royal Red Cross).

At any time, 13 per cent of the collection is on display. The remaining pieces are held in storage but access is permitted to scholars and others for research purposes. Individual items or groups of the medal collection are used in displays from time to time. Loans are administered to recognised bodies.

Numismatics, Medals and Horology

The collection of coins started in 1906 when coins declared as treasure trove were presented to the museum. The collections accumulated since then cover both English coins from Henry III and coins from around the world. They include donations, large and small, from a number of individuals.

As set out in the summary of significant accounting policies, the Authority does not consider that reliable cost or valuation information can be obtained for these donated items held in its numismatics collection. This is because of the diverse nature of the assets held and lack of comparable market values.

None of the collection is on display. The pieces are held in storage but access is permitted to scholars and others for research purposes. Individual items or groups of the numismatic collection are used in displays from time to time. The remaining pieces are held in storage but access is permitted to scholars and others for research purposes. Loans are administered to recognised bodies from stores and displays.

Two cases of English historic medallions were donated by the British Museum. It is believed that similar sets were widely distributed. The largest group of medallions covers royal, military and local events.

As set out in the summary of significant accounting policies, the Authority does not consider that reliable cost or valuation information can be obtained for these donated items held in its medal collection. This is because of the diverse nature of the assets held and lack of comparable market values.

None of the collection is on display. The pieces are held in storage but access is permitted to scholars and others for research purposes. Individual items or groups of the medal collection are used in displays from time to time. The remaining pieces are held in storage but access is permitted to scholars and others for research purposes. Loans are administered to recognised bodies displays.

The horology (mainly watch) collection was started with a gift from the Victoria and Albert Museum in 1916. This consisted of around 20 watches. There are another 25 watches donated over a number of years by many different people (clocks are generally represented in the furniture collection).

As set out in the summary of significant accounting policies, the Authority does not consider that reliable cost or valuation information can be obtained for these donated items held in its

medal collection. This is because of the diverse nature of the assets held and lack of comparable market values.

At any time, 2 per cent of the collection is on display. The remaining pieces are held in storage but access is permitted to scholars and others for research purposes. Individual pieces or groups from the horology collection are used in displays from time to time. The remaining pieces are held in storage but access is permitted to scholars and others for research purposes. Loans are administered to recognised bodies.

Metal ware

The metal ware collection consists of pewter and brass items. The majority of these are kitchen utensils.

At any time, 95 per cent of the collection is on display. The remaining pieces are held in storage but access is permitted to scholars and others for research purposes. Loans are administered to recognised bodies.

Silver

The collection of silver consists of a number of teapots, coffee pots and a large number of souvenir spoons from various countries. The main part of the collection interest is items of local interest. There is also a small collection of Regimental silver. At any time, 1 per cent of the collection is on display. The remaining pieces are held in storage but access is permitted to scholars and others for research purposes. Individual pieces or groups of the silver collection are used in displays from time to time. Loans are administered to recognised bodies.

Vestments

This is a collection of vestments from Whalley Abbey. These 15th century garments were worn by Catholic priests at Whalley Abbey during mass. They were rescued by the Townley family at the time of Henry VIII's dissolution of the monasteries.

All of this collection is on display.

Other collections

The authority has the following collections that it does not consider that reliable cost or valuation information can be obtained for these donated items. This is because of the diverse nature of the assets held and lack of comparable market values. The items below are, therefore, not included within the balance sheet.

Costume and Textiles

The costume collection consists of women and children's wear and to a lesser extent male clothing including work clothing together with accessories.

At any time, 5 per cent of the collection is on display. The remaining pieces are held in storage but access is permitted to scholars and others for research purposes. Individual items or groups of the textile collection are used in displays from time to time. Loans are administered to recognised bodies.

Arms and Armour

From the first opening of the museum there were weapons and armour on display. In the years before World War I, many of the exhibits were little more than tourist items from Africa and India. An important part of the collection relates to the East Lancashire Regiment but otherwise the items are fragmentary and the collection is not a core element of the museum. The collection is divided between armour, guns, edged weapons, truncheons and accessories.

At any time, 3 per cent of the collection is on display. The remaining pieces are held in storage but access is permitted to scholars and others for research purposes. Individual items

or groups of the arms and armour collection are used in displays from time to time. Loans are administered to recognised bodies from stores.

Archaeology

The archaeology collections consist of local pre-iron age material, mostly acquired in the 1950's.

Local amateur archaeologists and antiquarians made the collections in the latter part of the nineteenth century and early part of the 20th century. Many items acquired in the early years of the museum lacked site details. Later collections such as those from Magson and Bennett were carefully catalogued. The Beattie collection of stone implements from all over the world was put together by John Beattie.

None of the collection is on display. Individual finds or groups of the archaeology are used in displays from time to time. The remaining pieces are held in storage but access is permitted to scholars and others for research purposes. Loans are administered to recognised bodies.

Egyptology

The collection was presented before the First World War with the majority coming from four donors.

At any time, 23 per cent of the collection is on display. The remaining pieces are held in storage but access is permitted to scholars and others for research purposes. Individual finds or groups of the Egyptology collection are used in displays from time to time. The remaining pieces are held in storage but access is permitted to scholars and others for research purposes. Loans are administered to recognised bodies.

Ethnography

The eclectic collection of native articles collected in foreign lands contains items from Kashmir, Africa, Mexico, Ceylon and South America. Amongst the collection are axes, drums, masks, musical instruments, footwear, beads and religious symbolism.

At any time, 3 per cent of the collection is on display. The remaining pieces are held in storage but access is permitted to scholars and others for research purposes. Individual items or groups of the ethnography collection are used in displays from time to time. The remaining pieces are held in storage but access is permitted to scholars and others for research purposes. Loans are administered to recognised bodies.

Natural History and Geology

The museum made its natural history collections a particular feature after the purchase of the collection of the G.A Booth bird collection 1924.

The collections were increased to include birds eggs, mounted specimens of both birds and mammals and a reference collection of British insects, in particular Lepidoptera.

At any time, 15 per cent of the natural history collection is on display. The remaining pieces are held in storage but access is permitted to scholars and others for research purposes. Individual specimens or groups of the natural history collection are used in displays from time to time. The remaining pieces are held in storage but access is permitted to scholars and others for research purposes. Loans are administered to recognised bodies.

The geology collection was collected in a haphazard way. Items continued to be donated at irregular intervals up until the 1970s. They came from all over the UK and the rest of the world and only a relatively small percentage are from the local area.

At any time, 4 per cent of the geology collection is on display. The remaining pieces are held in storage but access is permitted to scholars and others for research purposes. Individual items or groups of the geology collection are used in displays from time to time. The remaining pieces are held in storage but access is permitted to scholars and others for research purposes. Loans are administered to recognised bodies.

Local, social and industrial history

Local history collecting started in earnest in the 1960s. Covering all aspects of local life, it includes artefacts as well as archives and photographs. Many of these are displayed in a separate building, the Museum of Local History, as well as Towneley Hall.

At any time, 80 per cent of the collection is on display. Individual items or groups from the local, social and industrial history collections are used in displays from time to time. The remaining pieces are held in storage but access is permitted to scholars and others for research purposes. Loans are administered to recognised bodies.

War Memorials

The Authority has identified 5 war memorials within the borough that have been donated. The Burnley War Memorial was erected in 1966 and is situated in the Peace Garden between Burnley Library and Thompson Car Park. The Towneley War Memorial was built in 1926 and is situated in Towneley Park near the Hall. The Padiham War Memorial was unveiled by Mrs R Shuttleworth in October 1921, containing 315 names from the First World War and 43 from the Second World War, and is situated near the entrance to Memorial Park. Padiham Memorial Park was officially opened in 1921 as a memorial to those from the town who lost their lives in the First World War and contains a war memorial shelter with a bronze plaque. The Memorial Park also includes a marble memorial to remember those from Padiham who lost their lives in the Spanish air disaster of 1970.

Heritage assets of particular importance

Items of particular significance by value include:

- J Zoffany, *Charles Townley and his Friends in the Townley Gallery, 33, Park Street*
- *Sir L Alma-Tadema, The Picture Gallery*
- *JW Waterhouse, Destiny*
- *Sir ECB Jones, Wood Nymphs*
- J Nollekens, Charles Townley
- J Nollekens, Clytie
- The Whalley Abbey Vestments
- Flemish altarpiece

Preservation and management

Each of the collections is managed by a curator of the Museum. The Curators manage the collection in accordance with policies that are approved by the Authority and Arts Council England. Further information is provided in the Museum's Collections Management Plan which has been produced in accordance with national guidelines.

The publication sets out that the assets in the collection are only disposed of when they no longer contribute to the interest of the general public in the area and the diversity of the collection. Acquisitions will continue to be made, primarily by donation or through the use of grants, externally, or provided by the Edward Stocks Massey Bequest and the Towneley Hall Society. However, on the rare occasions when a particularly important asset is available for purchase, the Authority will undertake to purchase the asset provided that it meets the objectives of the Museum and the Authority in terms of its collection of heritage assets.

Assets are collated, preserved and managed in accordance with the aforementioned guidelines. The register for its collections records the nature, provenance, condition and current location of each asset.

Note 45 Trust Funds

The Council acts as Trustee for two trust funds. As a custodian trustee the Council holds the property but takes no decisions on its use. In neither case do the funds represent the assets of the Council and therefore have not been included in the Balance Sheet.

Funds for which the Council acts as custodian trustee:

2012/13	Income £	Expenditure £	Assets £	Liabilities £
Burnley Acorn Fund	8,744	9,653	483,231	-
JW Shaw Charity	80	5,000	13,258	-
Total	8,824	14,653	496,489	-

2011/12	Income £	Expenditure £	Assets £	Liabilities £
Burnley Acorn Fund	7,791	9,494	443,836	-
JW Shaw Charity	104	5,000	18,178	-
Total	7,895	14,494	462,014	-

The objects of these trust funds are as follows:

Burnley Acorn Fund

The objects of the Charity are governed by the Charity Commission Scheme, dated 30 November 1951, and be resolutions made under section 74 of the Charities Act 1993, as amended by S74D, dated 1 July 2008 and 24 March 2009 and are as follows:

- (1) Making grants of money for providing or paying for items, services and facilities for the relief of the sick-poor living in the Borough of Burnley, either generally or individually through the provision of grants, goods or services, and
- (2) To relieve elderly people residing in their own homes within the Borough of Burnley who are in need, by providing specially designed or adapted housing and items, services or facilities calculated to relieve the needs of such persons.

JW Shaw Charity

The object of the charity is governed by the will of the late John William Shaw, and is for the benefit of the elderly people of Padiham, extended to the Borough of Burnley.

Note 46 Authorisation of Accounts for Issue

The Head of Finance & Property Management has, on 28th June 2013, authorised that this Statement of Accounts should be issued to the Director of Resources (the Council's Chief Financial Officer) for certification.

Supplementary Financial Statement

The Collection Fund Statement

COLLECTION FUND	31st March 2013 £'000	31st March 2012 £'000
Income		
Council Tax		
Council tax - net of benefits granted	(31,499)	(31,320)
Transfers from the General Fund:		
Council tax benefits	(9,448)	(9,677)
Transitional relief	2	1
	(40,945)	(40,996)
Non-Domestic Rates		
Business ratepayers - net of bad and doubtful debt provision	(25,773)	(25,345)
Transfers from the General Fund:		
Discretionary relief contribution	(41)	(34)
	(25,814)	(25,379)
Total Income	(66,759)	(66,375)
Expenditure		
Precepts from Local Authorities	40,646	40,551
Non-Domestic Rates		
Payment to national pool	25,666	25,233
Costs of collection	148	146
	25,814	25,379
Impairment of debt		
Provision for bad debts	192	348
Contributions		
Previous year's estimated Collection Fund surplus	148	39
Total Expenditure	66,800	66,317
(Surplus) / Deficit for the year	41	(58)
Movement on Fund Balance		
Opening (surplus) / deficit on Collection Fund at 1 April	(871)	(813)
(Surplus) / deficit for year	41	(58)
Closing (Surplus) / deficit on Collection Fund at 31 March	(830)	(871)

Notes to the Collection Fund Statement

Note 1 General

Council tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities including the Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts: 25,706 for 2012/13 (25,706 for 2011/12)). This basic amount of council tax for a Band D property (£1,579.01 for 2012/13 (£1,575.35 for 2011/12)) is multiplied by the proportion specified for the particular band to give an individual amount due.

The purpose of the Collection Fund is to provide resources to pay the precepts levied by the Borough Council, the County Council, the County Police Authority, the Lancashire Combined Fire Authority and Town & Parish Councils. These precepts are calculated prior to the start of the financial year and are estimated to be the amount required to finance the net revenue spending of the precepting authority in that year. The precept is credited to the General Fund of each precepting authority (see the Comprehensive Income and Expenditure Statement on page 13 for Burnley Borough Council's demand on the Collection Fund which includes the sums required by Town and Parish Councils).

The Local Government Finance Act 1992, provides for the treatment of balances on the Collection Fund as follows. The anticipated year-end balance on the Collection Fund is to be estimated on 15th January of each year and any balance relating to Council Tax is apportioned between the billing authority (Burnley Borough Council) and the precepting authorities. This amount is paid to or recovered from each authority during the following financial year.

The balance on the Fund at 31 March 2013 was a surplus of £830,382 which includes a deficit for the year of £41,006. In setting the Council Tax for 2012/13 it was anticipated that there would be a surplus of £329,478 for Council Tax. The reduced surplus from 2012/13 will be taken into account in setting the Council Tax for 2014/15.

The allocation of the surplus between the Council and the precepting authorities is shown below.

Collection Fund (Surplus) / Deficit	31 March 2013 £000s	Surplus / (deficit) for year £000s	31 March 2012 £000s
Burnley Borough Council	135	(7)	142
Lancashire County Council	584	(29)	613
Lancashire Police	77	(4)	81
Lancashire Combined Fire Authority	34	(1)	35
Total (Surplus) / Deficit	830	(41)	871

Note 2 Non-Domestic Rates

The Council is responsible for collecting all such rates for properties in the Burnley area and this money is paid into a national pool managed by Central Government. This money is then redistributed from the pool to local authorities in proportion to their population. Business rates are calculated by multiplying the rateable value for the property by the standard national rates in the pound (small businesses 45.0p (42.6p in 2011/12) and other non-domestic properties 45.8p (43.3p in 2011/12) for 2012/13). The total non-domestic rateable value for the Council's area at 31st March 2013 was £71,662,619 (£72,392,179 at 31st March 2012).

Note 3 Council Tax Base

The Council Tax due for each property is dependent on the valuation band into which it has been placed. The ranges for each band, the relevant multiplier, the number of properties in each band at October 2011 (the relevant date), are shown in the table below. The Council Tax level for each property is derived from the Council Tax Base calculated prior to the commencement of the financial year. The Tax base is expressed as the equivalent number of Band D properties and the figure for 2012/13 was 25,706 (25,706 in 2011/12) as shown below.

Property Value		Band	Ratio	Number of properties	Equivalent number after discounts	Band D equivalent
Between £	And £					
-	40000	A	6/9	25,145	19,961	13,302
40001	52000	B	7/9	4,846	4,260	3,313
52001	66000	C	8/9	6,113	5,557	4,939
66001	88000	D	9/9	2,727	2,531	2,531
88001	120000	E	11/9	1,262	1,183	1,446
120001	160000	F	13/9	327	298	431
160001	320000	G	15/9	137	119	198
320001	Higher	H	18/9	19	8	17
Total				40,576	33,917	26,177
Less:	Allowance for non-collection			1.8%		471
Taxbase for year						25,706

Note 4 Council Tax

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 2012/13 was calculated as follows:

	2012/13 £
Lancashire County Council	28,489,990
Lancashire Police	3,854,012
Lancashire Combined Fire Authority	1,636,187
Burnley Borough Council	6,609,784
Padiham Town Council	30,000
Cliviger Parish Council	10,000
Worsthorne with Hurstwood Parish Council	6,000
Habergham Eaves Parish Council	2,208
Briercliffe with Extwistle Parish Council	8,000
Total to be met from Council Tax	40,646,181

Divided by the Council Tax Base (25,706) this gives an average Band D Council Tax for the year 2012/13 of £1,581.19 (£1,577.48 in 2011/12). This is slightly higher than the figure in note 1 due to the inclusion above of the parish and town council precept amounts.

GLOSSARY OF TERMS

ACCOUNTING PERIOD

The period of time covered by the accounts, 12 months commencing on 1st April and ending on 31st 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 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 1st 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 1st 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 AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single-purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

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 1st April to the following 31st 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 share of NNDR national pool.

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 1st April 2007 (i.e. b/f from 31st March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment (if applicable).

HOUSING REVENUE ACCOUNT (HRA)

An account which includes the expenditure and income arising from the provision of council housing by Councils. This is now closed.

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 which must be charged to the Council's revenue account each year as required by the Local Government Act 2003 and the capital finance regulations.

NATIONAL NON-DOMESTIC RATES (NNDR)

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 paid into a national pool and redistributed by the Government between local authorities, mainly in proportion to their adult populations.

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, Lancashire Police Authority, Lancashire Combined Fire Authority, Town & Parish Councils) on the Council, requiring the Council to collect income from council taxpayers on behalf of the precepting authorities and paying over the cash collected to them.

PROVISION

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

PRUDENCE

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

PRUDENTIAL FRAMEWORK

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

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

PUBLIC WORKS LOAN BOARD (PWLB)

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

RELATED PARTIES

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

- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same source; or
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

RELATED PARTY TRANSACTIONS

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

RENT ALLOWANCE

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

RESERVE

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

RESIDUAL VALUE

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

REVALUATION RESERVE

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

REVENUE ACCOUNT

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

REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE (REFFCUS)

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

REVENUE SUPPORT GRANT (RSG)

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

SECTION 137 EXPENDITURE

Section 137 of the Local Government Act 1972 (as amended) empowers authorities to incur expenditure for the benefit of some or all of their inhabitants that is not authorised under other powers, within set maximum values per head of relevant population.

The Local Government Act 2000 granting new powers to local authorities to promote well-being in their areas, the majority of the provisions of S137 of the Local Government Act 1972 were repealed with effect from October 2000 for 'principal' authorities (including district Councils). However, principal authorities are to continue to disclose any expenditure under S137, subsection 3, comprising expenditure on contributions to:

- Funds of any charitable body in furtherance of its work in the United Kingdom; or
- Funds of anybody which provide any public service in the UK; or
- Any fund raised in connection with a particular event affecting UK residents on behalf of whom there is a mayoral appeal.

There is no specific statutory limit on S137 (3) expenditure.

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.

ZONE WIDE BUSINESS PLAN

This is the business plan for the Zone - areas specified in the Overarching Development Agreement (ODA) - as this evolves & develops it is updated pursuant to the provisions specified in the ODA.

ZONE WIDE COSTS

These are reasonable & proper costs actually incurred by the developer e.g. masterplanning, environmental impact assessment, desk-top ground surveys, statutory services surveys, community consultation, transport studies, etc.