



# STATEMENT OF ACCOUNTS 2008-09

Approved by the Council's Audit Committee on 24<sup>th</sup> September 2009

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Councillor Francis Ashworth

Chair of the Audit Committee

## CONTENTS

Explanatory Foreword	2
Statement of Accounting Policies	8
Statement of Responsibilities for the Statement of Accounts	17
Annual Governance Statement	18
Auditor's Certificate and Opinion	24
<b><u>Core Financial Statements</u></b>	
- Income and Expenditure Account	27
- Statement of Movement on the General Fund Balance	28
- Statement of Total Recognised Gains and Losses	30
- Balance Sheet	31
- Cash Flow Statement	32
Notes to the Core Financial Statements	33
<b><u>Supplementary Financial Statement</u></b>	
- Collection Fund Revenue Account	66
Notes to the Supplementary Financial Statement	67
Glossary of Terms	70

## **EXPLANATORY FOREWORD**

### **Introduction**

The Council's Accounts for the year 2008/09 are set out on the following pages. They consist of:

- **Statement of Accounting Policies** - which supports and explains the basis for the figures which have been used in the accounts.
- **Statement of Responsibilities for the Statement of Accounts** – relating to the responsibilities of the Council and the Chief Financial Officer.
- **Annual Governance Statement** – which sets out and certifies the framework within which corporate governance is managed and reviewed, including arrangements for internal audit.
- **Income and Expenditure Account** - the Council's main revenue account showing the net cost for the year of all the functions for which the Council is responsible. It also demonstrates how that cost has been financed from general Government grants and contributions from local taxpayers.
- **Statement of Movement on the General Fund Balance** – which shows the movements in the level of the Council's general fund balance as a result of certain defined amounts, adjustments and transfers to and from earmarked reserves.
- **Statement of Total Recognised Gains and Losses** – showing the gains and losses experienced by the Council through its normal operating performance and also those gains and losses arising from revaluations of assets and liabilities.
- **Balance Sheet** - which sets out the financial position of the Council on the 31st March 2009 as reflected in assets, liabilities and reserves.
- **The Cash Flow Statement** - which summarises the cash inflows and outflows during the year arising from transactions with third parties.
- **Collection Fund Revenue Account** – which is the mechanism for accounting for local taxes and the distributions to the Borough Council, the County Council, the Police Authority, the Combined Fire Authority and Parish and Town Councils.

The Statement of Accounts has been prepared following the best accounting practice laid down by the Chartered Institute of Public Finance & Accountancy. This foreword provides a brief explanation of the main financial aspects of the Council's activities and identifies the main characteristics of the Council's current financial position.

### **Statutory Framework**

The requirement for English local authorities to produce accounts is contained within the Accounts and Audit Regulations 2003. In addition the accounts must be prepared in accordance with "proper practices" as defined in section 21(2) of the Local Government Act

2003. The audit of the accounts of local authorities are governed by section 5 of the Audit Commission Act 1998.

### Changes in Accounting Treatment

The Statement of Accounts must be prepared in accordance with “proper practices”. For local authorities the Code of Practice on Local Authority Accounting in the United Kingdom is the relevant statement of recommended practice (often referred to as the SORP). The 2008 code of practice has changed the accounting treatment of certain transactions for 2008/09 compared to the 2007/08 accounts.

For 2008/09 the expenditure previously referred to as deferred charges has now become redundant and deleted from the SORP. A new category of expenditure – revenue expenditure funded from capital under statute (REFFCUS) - is now included in the accounts for 2008/09. Legislation in England and Wales allows some 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. The purpose of this is to enable the expenditure to be funded from capital resources rather than be charged to the General Fund and impact on the Council Tax. REFFCUS is generally grants and expenditure on property not owned by the Council. The expenditure is charged to services with grants and contributions relating to this expenditure being credited to services. The balance of expenditure charged is adjusted for in the Statement of Movement in General Fund Balances. REFFCUS and the grants and contributions funding it – which are revenue grants - are shown in the note on capital expenditure and financing and the revenue portion of the cashflow statement

In the 2007/08 accounts there was one significant change in the Council’s accounting policies concerning the way in which pension costs are accounted for. When someone retires before their normal retirement age, with the agreement of the Authority, this creates a strain on the pension fund as the pension is paid earlier than planned. The cost of this pension strain has to be paid for by the employer, Burnley Borough Council, rather than the pension fund. Prior to 2007/08 this cost was charged to the Council in equal installments for up to 6 years by the Lancashire County Council Pension Fund and these charges were included within the accounts each year. To comply with the requirements of the SORP, any payments in respect of pension strain where the decision on early retirement or redundancy was taken during 2007/08 were charged to the income and expenditure account in full. This accounting treatment has continued in 2008/09 to ensure full compliance with the SORP and FRS 12. In addition it was not envisaged in the 2007/08 accounts that the sums due to the pension fund from the previous installments methodology would be paid until the end of 2009/10. During 2008/09 however it was agreed that all of the remaining liability for payment under the previous installments methodology should be charged to the income and expenditure account in 2008/09. The figure involved was £150,692.

### Revenue Expenditure

Revenue spending and income generally relates to those items which are consumed within the year. 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 financial year to incorporate known changes in planned and actual spending/income.

The revenue budget for 2008/2009 was approved by the Council on 27th February 2008 and amounted to a net figure of £17.973m. This figure increased to £18.020m with the inclusion of parish and town Council precepts. In determining the budget for the year there was a planned transfer to accumulated General Fund revenue balances of £0.1m and a planned contribution of £0.24m from earmarked reserves. There was a further planned use of earmarked reserves of £0.726m arising from the decisions made during the financial year as a result of information provided as part of the revenue budget monitoring.

The Income and Expenditure Account for 2008/09 shows a deficit for the year before adjustments and transfers from reserves of £3.647m. After allowing for adjustments for the effects of depreciation pensions costs etc. this deficit was amended to a surplus figure of £0.526m. Of this surplus an amount of £0.341m was transferred to earmarked reserves leaving a balance representing an increase in general fund balances of £0.185m. This increase left the overall level of general fund balances at the prescribed level of £1.1m under the Council's medium term financial strategy

A summary of the estimated net spending and a comparison with income and expenditure actually incurred for 2008/09 is shown below.

<b>Revenue Expenditure</b>	<b>Estimate 2008/09 £m</b>	<b>Actual 2008/09 £m</b>	<b>Difference £m</b>
Net Expenditure on Services	17.9	18.6	( 0.7)
less: Net Depreciation and Impairment Charges	( 1.5)	(2.2)	0.7
	16.4	16.4	0.0
Net Interest Payable	0.9	1.1	( 0.2)
Provision for Debt Repayment	1.2	1.2	0.0
Contributions To Finance Capital Spending	0.0	0.1	( 0.1)
Other Non-Specific Grants	(0.3)	(0.3)	0.0
Transfer (from)/to Reserves	(0.3)	(0.7)	0.4
Transfer (from)/to General Balances	0.1	0.2	( 0.1)
<b>Expenditure Met from General Grants &amp; Council Tax</b>	<b>18.0</b>	<b>18.0</b>	<b>0</b>

The main reason for the underspending on the revenue account during 2008/09 was a higher than expected level of housing benefit overpayment subsidy and the one-off credit to revenue account of overpayments for NNDR of £0.164m and Council Tax of £0.018m, which have accumulated over a number of years.

The expenditure of £18.021m shown above was met by use of £11.767m receivable from Revenue Support Grant and the National Non-Domestic Rating Pool and £41,769 Collection Fund surplus. This meant that a sum of £6.212m remained to be financed from the Council Tax levied for the year.

At the end of the financial year the Council's earmarked revenue reserves amounted to £1.130m and General Fund balances (non-earmarked) were £1.100m. These sums are available to finance expenditure in future years. The Council's policy is that General Fund balances should not fall below £1.1m.

## Housing

Local authorities providing Council housing are required to operate a Housing Revenue Account, which carries all expenditure & income relating to the provision of council housing, so as to avoid a deficit on the Account.

The Council has transferred its housing stock to a non-profit making company, Calico Housing Limited, and therefore does not operate a Housing Revenue Account.

## Capital Expenditure

Capital spending relates to the cost of provision 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 2008/09 the Council spent £24.8M on capital projects compared with a capital budget of £26.1M. 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.

<b>Capital Expenditure</b>	Estimate 2008/09 £m	Actual 2008/09 £m	Difference £m
Housing Repair, Refurbishment & Clearance	17.2	17.2	0.0
Regeneration	0.4	0.4	0.0
Green Spaces and Amenities	1.7	1.6	0.1
Streetscene	0.6	0.4	0.2
Leisure	1.3	0.6	0.7
Information & Communications Technology	0.2	0.2	0.0
Planning	3.4	3.5	-0.1
Property	0.6	0.6	0.0
People and Law	0.1	0.1	0.0
Corporate	0.3	0.1	0.2
Other	0.3	0.1	0.2
<b>Total</b>	<b>26.1</b>	<b>24.8</b>	<b>1.3</b>

The above table includes revenue expenditure funded from capital under statute (Reffcus) of £1.42m.

The major area of capital spending in Housing during the year was £11.3M in clearance areas with £10.7m of this spending financed by way of funding from Elevate (East Lancashire Housing Market Renewal Initiative). There was also spending of £2.2M on Housing refurbishment and re-modelling, £1.2M on disabled facilities grants and £1.2M on vacant acquisitions. Under Green Spaces & Amenities there was £891k spent on Towneley Park projects, under Planning & Environmental Services, £3.4M was spent on acquiring properties within the Weavers Triangle, Townscape Heritage Initiative and under Leisure & Recreation Services, £481k spent on refurbishing Padiham leisure centre.

## Borrowing

The total amount outstanding on long-term loans borrowed from external organisations and individuals to finance capital expenditure as at 31<sup>st</sup> March 2009 was £22.4m. The sources of this borrowing, and the periods to repayment, are identified in note 28 to the Balance Sheet on page 45. This borrowing should be seen in the context of the total value of the Council's fixed assets which is shown in the accounts at £75.4m. The amount which the Council is permitted to borrow was previously limited by central government borrowing allocations. The Prudential Code for Capital Finance in Local Authorities now 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

Financial Reporting Standard (FRS) 17 - Pensions Costs is applicable to local authorities. 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 Income and Expenditure account and the Statement of Movement on the General Fund Balance 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.

## Changes to the Scheme Valuation and Presentation

In December 2006, the Accounting Standards Board (ASB) made a number of changes to the FRS 17 accounting standard. In the main, these related to the presentation of the figures rather than the underlying calculations themselves. However, they did also include a requirement for most assets to be valued at "realizable values" (i.e. bid values), as opposed to the previous requirement of "fair values" (in effect, mid-market values).

For local government, 2008/09 is the first year for which the figures need to be presented in the new format. Comparative figures for 2007/08 have been provided using the new asset calculation methods. In practice the difference between the bid and mid-market values tends to be fairly small, typically no more than 0.25% of the overall value of the assets at 1<sup>st</sup> April 2007 was an adverse £192,000, which is below the Council's materiality level, hence a full restatement of the 2007/08 accounts has not been performed. Instead, both old and new figures are shown for information.

## Accounting Policies

The accounting policies adopted by the Council comply with the relevant recommended accounting practices. The Council's policies are explained in the Statement of Accounting Policies (pages 8 to 16) and in the notes to the Accounts.

## Recent Events in the Local and World Economy

The events in world economic markets during Autumn 2008 have had a significant impact on organisations and people generally in most developed countries. The Council and the local area which it serves has also been affected by these events. An amount of £1m was deposited by the Council in September 2008 in an Icelandic bank, Landsbanki Islands HF. This short-term investment was not repaid on the due date of 8<sup>th</sup> October 2008 and remains unpaid. Many local authorities and other major financial institutions together with small investors have also had investments which were not repaid as a consequence of the collapse of the Icelandic banking system.

It is estimated that 95% of the £1m investment will ultimately be recovered by 2012. An impairment of this investment has been charged to the accounts in 2008/09 reflecting the difference between the £1m and the present value of the amount expected to be recovered. Whilst this amount has not been met from the Council's General Fund balances in 2008/09 due to Government regulations, a sum has been set aside to cover the estimated non-repayment. For further details see the notes to the core financial statements dealing with Financial Instruments.

The "credit crunch" has also led to recession and record low levels of interest rates. Many local businesses are under severe pressure and unemployment is rising. This will have an effect upon the levels of housing benefits which the Council pays, whilst the low interest rates have reduced valuable income to support the council's spending. Property prices are depressed and although the valuation of the Council's assets in the balance sheet is based upon levels prevailing at 1<sup>st</sup> April 2008 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 2009/10.

## Further Information

Further information about the Statement of Accounts is available from the Head of Finance, Town Hall, Manchester Road, Burnley. 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. Residents of the Borough who are Council Tax payers may register any objection to the accounts they may have and can arrange to see the External Auditor on the appointed audit day on any issue relating to the accounts.

## External Audit

The Audit Commission is responsible for the external audit of the Council's accounts. The Auditor's Report & Opinion is shown on pages 24 to 26. The address of the Council's auditor is:

Audit Commission, 2<sup>nd</sup> Floor, Aspinall House, Aspinall Close,  
Middlebrook, BOLTON. BL6 6QQ

## Statement of Accounting Policies

### 1. General Principles

The Statement of Accounts summarises the council's transactions for the 2008/09 financial year and its position at the year-end of 31st March 2009. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008 – A Statement of Recommended Practice (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

### 2. Accruals of Income and Expenditure

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

### 3. Provisions

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. 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 appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the

likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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

#### 4. Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the council – these reserves are explained in the relevant policies below.

#### 5. Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

#### 6. Retirement Benefits

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 7.1% (based upon the indicative rate of return on an AA corporate 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 mid market value, unquoted securities by means of a professional estimate, unitized securities at the average of bid and offer rates and property at market value.
- The change in the net pensions liability is analysed into seven components:
  - a) current service cost – the increase in liabilities as a result of years of service earned in the year and allocated to the Income and Expenditure Account 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 Income and Expenditure Account as part of Non-Distributed Costs
  - c) 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 Net Operating Expenditure in the Income and Expenditure Account
  - d) 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 Net Operating Expenditure in the Income and Expenditure Account.
  - e) 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 Income and Expenditure Account as part of Non-Distributed Costs
  - f) 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. This is debited to the Statement of Total Recognised Gains and Losses
  - g) contributions paid to the Lancashire County Pension Fund – cash paid as employer’s contributions to the pension fund

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

#### Changes to the Scheme Valuation and Presentation

In the main, these related to the presentation of the figures rather than the underlying calculations themselves. However, they did also include a requirement for most assets to be valued at “realizable values” (i.e. bid values), as opposed to the previous requirement of “fair values” (in effect, mid-market values).

For local government, 2008/09 is the first year for which the figures need to be presented in the new format. Comparative figures for 2007/08 have been provided using the new asset calculation methods. In practice the difference between the bid and mid-market values tends to be fairly small, typically no more than 0.25%. The effect on the overall value of the assets at 1<sup>st</sup> April 2007 was an adverse £192,000, which is below the Council’s materiality level, hence a full restatement of the 2007/08 accounts has not been performed. Instead, both old and new figures are shown for information.

#### 7. Pension Strain

When someone retires before their normal retirement age, this creates a strain on the pension fund as the pension is paid earlier than planned. The cost of this pension strain has to be paid for by the employer, Burnley Borough Council, rather than the pension fund. The full cost of the pension strain is charged to the revenue account in the year in which the early retirement decision is taken and a provision is established to cover the payment to Lancashire County Council as pension fund authority.

There is a provision included in the balance sheet as at 31<sup>st</sup> March 2009 of £197k relating to the pension strain costs charged to 2008/09 but not yet paid as at 31<sup>st</sup> March 2009. When payment is made in respect of these costs, the provision will be written down accordingly. This accounting treatment will continue in future years to ensure full compliance with the SORP and FRS 12.

#### 8. VAT

VAT has been excluded from all income and expenditure within the financial statements, both of a revenue or capital nature, unless it is deemed to be irrecoverable.

#### 9. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP). The total absorption costing

principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the council’s status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

#### 10. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the council (e.g. software licences) is capitalised when it will bring benefits to the council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

#### 11. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

##### **Recognition:**

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

##### **Measurement:**

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- infrastructure assets and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost

- investment properties and surplus assets – market value.

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains may be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

### **Impairment:**

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account.
- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

### **Disposals:**

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account 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 categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be 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). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on General Fund balance.

**Depreciation:**

Depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer
- vehicles, plant and equipment – a percentage of the value of each class of assets in the balance sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years.

Where an asset has major components with different estimated useful lives, these are depreciated separately.

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

**Grants and contributions:**

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

12. Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off

- amortisation of intangible fixed assets attributable to the service.

The council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

### 13. Revenue Expenditure Funded from Capital Under Statute

Revenue expenditure funded from capital under statute is expenditure classified as capital for funding purposes when it does not result in the expenditure being carried on the balance sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's Council Tax. These items are generally grants and expenditure on property not owned by the Council. Such expenditure is charged to the Income and Expenditure account in accordance with the general provisions of the SORP. Any statutory provision that allows capital resources to meet the expenditure is accounted for by debiting the Capital Adjustment Account and crediting General Fund Balances and shown as a reconciling item in the Statement of Movement on the General Fund Balance.

### 14. Finance Leases

The council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

### 15. Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

## 16. Financial Liabilities

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

Any gains or losses on the repurchase or early settlement of borrowing are credited and debited to the Income and Expenditures Account. However, where repurchase has taken 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 Income and Expenditure Account regulations permit the impact on the General Fund Balance to be spread over future years. No such gains or losses arose in 2008/09.

## 17. Financial Assets

These are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted on the open market. These are measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. 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 Income and Expenditure Account 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 or losses are credited/debited to the Income and Expenditure Account.

## 18. Stocks and Work in Progress

Stocks are included in the balance sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the balance sheet at cost plus any profit reasonably attributable to the works.

## 19. Interests in Companies and Other Entities

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

## 20. Private Finance Initiative

The council has no PFI contracts.

## **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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("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 2009.

In preparing this statement I have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;

I have also: - kept proper accounting records which were up to date;

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### Certificate of Chief Financial Officer

I certify that the Statement of Accounts presents fairly the financial position of Burnley Borough Council at 31<sup>st</sup> March 2009 and its income and expenditure for the year then ended. These financial statements replace the unaudited financial statements authorised at the Audit Committee meeting on 30<sup>th</sup> June 2009.

Nick Aves

Date: 24<sup>th</sup> September 2009

## **ANNUAL GOVERNANCE STATEMENT**

### **Scope of Responsibility**

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

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

Burnley Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at [http://www.burnley.gov.uk/downloads/constitution\\_main.pdf](http://www.burnley.gov.uk/downloads/constitution_main.pdf) or can be obtained from Chief Executives Office, Burnley Borough Council, Town Hall, Manchester Road, Burnley, BB11 1JA. This statement explains how Burnley Borough Council has complied with the code and also meets the requirements of regulation 4[2] of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit [Amendment] [England] Regulations 2006 in relation to the publication of a statement on internal control.

### **The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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

The governance framework has been in place at Burnley Borough Council for the year ended 31 March 2009 and has been up to the date of approval of the statement of accounts.

## The Governance Framework

- The Council's Governance Framework (systems and processes of organisational control) has been reviewed throughout the organisation to ensure that assurance has been provided in the key governance aims of;
  - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
  - Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
  - Developing the capacity and capability of members and officers to be effective
  - Taking informed decisions which are subject to effective scrutiny and managing risk
  - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
  - Engaging with local people and other stakeholders to ensure robust public accountability
  
- An essential element of the Governance Framework is that there is effective internal control and assurance has been provided on the following key areas;
  - Mechanism established to identify principal statutory obligations
  - Mechanism in place to establish corporate objectives
  - Effective corporate governance arrangements are embedded within the authority (to implement and achieve the obligations and objectives)
  - Performance management arrangements are in place
  - The authority has robust systems and processes in place for the identification and management of strategic and operational risk
  - The authority has robust system of internal control which includes systems and procedures to mitigate principal risks
  
- Partnership working is a fundamental element in Community Cohesion in neighbourhoods, with community groups and engaging focus groups – the Council has recently been awarded Beacon Status for Cohesive and Resilient Communities, along with other members of the Lancashire Community Cohesion Partnership.
  
- There is a process of reviewing and updating key documents, such as the constitution, (which also contains the Standing Orders for Contracts, Financial Procedure Rules, the Scheme of Delegation, Member and Officer protocols, Codes of Conduct, Whistle-blowing policy, Anti-fraud and corruption policy etc). These are used to support the processes in services that operate the controls that are in place to manage the risks that may prevent the Council from achieving its objectives. Legal Services have maintained its Lexcel accreditation for this year.
  
- Various approaches are undertaken to measure the quality of services provided – performance measures, focus groups and citizen surveys. A recent PLACES survey indicated that residents' perception of the Borough was improving. Performance measurement is promoted, recorded and monitored effectively using a single system. The quality of services are linked to the cost of the services to ensure a best use of limited resources. A Value for Money (VFM) Toolkit has been developed to assist with the assessment of VFM.

- The Audit Committee principally reviews the arrangements for production of this statement, the Annual statement of accounts, the activities of internal and external audit and the authority's arrangements for risk management.
- Burnley Borough Council ensures that it operates in compliance with relevant laws and regulations, in addition to having arrangements to ensure that its members and officers comply with its own policies and procedures.
- There is an effective mechanism in place for receiving complaints and there is a whistle-blowing policy that is in place to encourage issues to be addressed.
- Both the development needs of members and officers are identified and addressed through development programmes to ensure that they can meet their roles in the achievement of the authorities objectives.

### **Review of Effectiveness**

Burnley Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by the comments made by external auditors and other review agencies and inspectorates.

- The Head of People and Law (Monitoring Officer) has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Constitution is reviewed on an ongoing basis. This is achieved through consultation with the Member Structures Working Group. Full Council approves all amendments to the Constitution.
- The Monitoring Officer has reviewed the ethical standards of members in conjunction with external audit. There are arrangements to ensure officers in key services are aware of the standards of conduct and ethics required and sign-up to them annually.
- Key policy decisions are made by the Full Council, Council's Executive or under delegation to individual Executive Members. The Council has four Scrutiny Committees who can 'call in' such decisions, which have been made (either collectively or by individual Members of the Executive) but not yet implemented, to enable them to consider whether the decision is appropriate.
- The Council has an Audit Committee with clear terms of reference to consider the control environment of the Council. This includes monitoring the performance and effectiveness of Internal Audit, External Audit, and, reviewing the adequacy of internal controls including the arrangements for production of this statement and risk management.

- The effectiveness of the Council's governance and internal control arrangements is monitored by management and tested by the Internal Audit section through completion of audit work allocated from the Annual Audit Plan. Principal areas that have been considered during 2008/09 are the Ethical Standards – Members and Officers; Partnerships; Information Security Standards; Gifts and Hospitality Registers and Policy and Strategy Development.
- The External Auditor has also carried out a Use of Resources assessment as part of the Corporate Performance Assessment; an element of this covers large sections of the corporate governance environment, principally internal control including risk management and value for money. Overall an increased score of 3, from 2 (on a scale of 1 – 4) for Use of Resources was achieved for 2007/08. The Use of Resources assessment for 2008/09 has not yet been completed.
- Risk Management continued to be embedded within the authority. The Strategic Risk Register supported by Service Risk Registers, are both supported by Risk Management training provided to officers and members. Significant improvements in the Health and Safety arrangements of the authority are being made through corporate and service specific action plans identified through Health and Safety Reviews.
- The Management Team reviews progress on Continual Process Improvement projects. Team Burnley project groups are tasked with specific briefs to tackle issues in the performance of the Council. Performance against National Indicators and Local Performance Indicators is reviewed quarterly by the Management Team. Comparisons of levels of expenditure have been reviewed at a corporate level leading to new approaches to budget setting.
- Each Executive Member reports to every meeting of Full Council on the element of the Strategic Objective Delivery Plan for which they are responsible.
- On a half-yearly basis each Scrutiny Committee reviews progress made towards achievement of Strategic Objective Delivery Plans. Action is taken as appropriate to ensure that the best possible outcomes are achieved.
- The budget planning process is clearly linked to service objectives and is based on a medium term financial plan. Projections of future budgets for the next three financial years are undertaken and considered by Members twice annually. Revenue and capital budgets are considered by the Finance and Performance Scrutiny Panel and the Executive recommends these budgets to full Council for approval. These budgets are closely controlled and monitored, and, are reviewed by managers and Executive Members on a monthly basis. Any amendments to budget are subject to formal approval.
- Assurances have been obtained from all Service Managers and Directors and these have been verified through the use of Corporate Governance Questionnaires and Interviews. These assurances cover the corporate governance and internal control environment in operation in each service for 2008/09.
- Assurances were also obtained from Executive Members and the Chair's of Scrutiny Committees through the use of a questionnaire covering Balancing Rules and Trust; Independent Overview; Leadership and, Transparency

- The Council has also reviewed key elements of the governance environment during 2008/09: Whistle-Blowing Policy, Anti-Fraud and Corruption Policy and Financial Procedure Rules.
- The Audit Committee has reviewed the effectiveness of the system of Internal Audit during the year as required by the Accounts and Audit Regulations.

We have been advised on the implications of the results of the review of effectiveness of the governance framework (by the Audit Committee), and a plan to address weaknesses and ensure continuous improvement of the systems is in place.

### Significant Governance Issues

Issue	Requirement	Action	Target Date
<b>Code of Conduct</b>			
Monitoring Officer identified a specific weakness in the process for recording/ approval of hospitality on one occasion.	All hospitality must be approved under employee code of conduct.	The code has now been reviewed and approved by Council clarifying the approval of attendance at hospitality events.	May 2009
<b>General</b>			
The need to review & tighten up internal procedures and control in the Community Engagement and Cohesion Service	The internal procedures and controls in all areas of the Council need to be maintained at an acceptable standard	Ensure that all managers are aware of their responsibilities in respect of key controls.	June 2009
<b>Training &amp; Development</b>			
Training in Financial Procedure Rules needs to be provided.	All staff must be aware of and comply with Financial Procedure Rules.	Provide appropriate training in Financial Procedure Rules	October 2009
The need to provide ongoing Project Management training	All relevant staff should receive Project Management training prior to undertaking projects.	Continue to run appropriate training and support for Project Management.	October 2009

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the

need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

We have completed actions to address all identified weaknesses in previous Annual Governance Statements / Statements of Internal Control.

Signed Gordon Birtwistle  
Leader of the Council

1<sup>st</sup> June 2009

Steve M Rumbelow  
Chief Executive

29<sup>th</sup> May 2009

For and behalf of Burnley Borough Council

## **Independent auditor's report to the Members of Burnley Borough Council**

### **Opinion on the financial statements**

I have audited the accounting statements and related notes of Burnley Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The Authority's accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### **Respective responsibilities of the Chief Finance Officer and Auditor**

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the Authority accounting statements, and consider whether it is consistent with the audited Authority accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

## **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority's accounting statements and related notes.

## **Opinion**

In my opinion the Authority's financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority's Responsibilities**

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 regularly to review the adequacy and effectiveness of these arrangements.

### **Auditor's Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Burnley Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

## **Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Clive Portman  
District Auditor

2nd Floor Aspinall House

Aspinall Close

Middlebrook

Bolton

BL66QQ

Date: **September 2009**

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

2007/08 Net Expenditure £'000		Gross Expenditure £'000	2008/09 Gross Income £'000	Net Expenditure £'000
	<b>Service Areas</b>			
1,181	Central Services to the Public	10,835	(9,676)	1,159
14,924	Cultural, Environmental and Planning Services	26,108	(11,971)	14,137
1,405	Highways, Roads and Transport Services	3,633	(2,076)	1,557
441	Housing Services	37,695	(36,366)	1,329
4,053	Corporate and Democratic Core	5,369	(2,268)	3,101
1,791	Non Distributed Costs	418	-	418
<b>23,795</b>	<b>Net Cost of Services</b>	<b>84,058</b>	<b>(62,357)</b>	<b>21,701</b>
(49)	(Gain) / Loss on disposal of fixed assets			(369)
35	Parish Council precepts			48
-	(Surplus) / Deficit on trading accounts			-
1,210	Interest payable and similar charges			1,162
-	Investment losses			181
(391)	Interest and investment income			(346)
(696)	Other Income			(459)
532	Pensions interest cost and expected return on pensions assets			2,287
<b>24,436</b>	<b>Net Operating Expenditure</b>			<b>24,205</b>
(5,974)	Demand on Collection Fund - Borough & Parish Councils			(6,212)
21	Collection Fund (surplus)/deficit transferred			(42)
(1,663)	General Government Grants			(3,913)
(9,911)	Non-domestic rates distribution			(10,329)
(378)	Local Authority Business Growth Incentive Grant			(62)
(4)	Performance Reward Grant			-
<b>6,527</b>	<b>Deficit / (Surplus) for the Year</b>			<b>3,647</b>

**STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE  
FOR THE YEAR ENDED 31 MARCH 2009**

<b>2007/08</b>		<b>2008/09</b>
<b>£'000</b>		<b>£'000</b>
6,527	(Surplus)/Deficit for the year on the Income and Expenditure Account	3,647
(6,342)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(3,832)
<u>185</u>	<b>(Increase)/Decrease in General Fund Balance for the Year</b>	<u>(185)</u>
(1,100)	General Fund Balance brought forward	(915)
<u><b>(915)</b></u>	<b>General Fund Balance carried forward</b>	<u><b>(1,100)</b></u>

**STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE**  
**EXPLANATORY NOTE**

<b><u>Note of reconciling items for the Statement of Movement on the General Fund</u></b>	<b>2007/08 £'000</b>	<b>2008/09 £'000</b>
<b>Amounts included in the Income &amp; Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>		
Amortisation of intangible fixed assets	(107)	(135)
Depreciation and impairment of fixed assets	(13,568)	(8,731)
Government Grants Deferred amortisation	6,750	6,721
Financial Instrument Impairment	0	(153)
Revenue Expenditure funded from capital under statute (net of grants)	(868)	(1,420)
Net gain on sale of fixed assets	745	828
Net charges made for retirement benefits in accordance with FRS 17	(3,709)	(4,880)
	<b>(10,757)</b>	<b>(7,770)</b>
<b>Amounts not included in the Income &amp; Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>		
Minimum revenue provision for capital financing	1,114	1,152
Capital expenditure charged in-year to the General Fund Balance	99	78
Employers contributions payable to the Lancashire Pension Fund and retirement benefits payable directly to pensioners	3,282	3,385
	<b>4,495</b>	<b>4,615</b>
<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>		
Net transfer to or (from) earmarked reserves	(80)	(677)
	<b>(80)</b>	<b>(677)</b>
<b>Net additional amount required to be credited to the General Fund Balance for the year</b>	<b>(6,342)</b>	<b>(3,832)</b>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 MARCH 2009**

<b>2007/08</b>		<b>2008/09</b>
<b>£'000</b>		<b>£'000</b>
6,527	(Surplus)/Deficit for the year on the Income and Expenditure Account	3,647
(4,285)	(Surplus)/Deficit arising on revaluation of fixed assets	(6,690)
14,384	Actuarial (gains)/losses on pension fund assets and liabilities	(2,438)
(45)	Attributable movement on Collection Fund balance	(39)
<b><u>16,581</u></b>	<b>Total recognised (gains)/losses for the year</b>	<b><u>(5,520)</u></b>

**BALANCE SHEET AS AT 31 MARCH 2009**

31/03/2008			31/03/2009	
£'000	£'000		£'000	£'000
200		<b>Intangible Fixed Assets (See Note 23)</b>	203	31
		<b>Tangible Fixed Assets</b>		
		<b>Operational assets:</b>		
29,271		Land and buildings (See Note 14)	29,293	
1,142		Vehicles, plant, furniture and equipment (See Note 14)	1,328	
3,453		Community assets (See Note 14)	3,582	
		<b>Non-operational assets:</b>		
30,325		Investment properties (See Note 14)	40,692	
-		Assets under construction (See Note 14)	355	
<hr/>	<b>64,391</b>	<b>Total Fixed Assets</b>	<hr/>	<b>75,453</b>
	11	Long-term investments		11
	819	Long-term debtors		790
	26	Deferred debtors		22
	<hr/>	<b>Total Long-Term Assets</b>		<hr/>
	<b>65,247</b>			<b>76,276</b>
		<b>Current assets</b>		
84		Stocks and work in progress	83	
10,280		Debtors (See Note 25)	14,714	
-		Investments	847	
12		Cash in hand	12	
<hr/>	10,376		<hr/>	15,656
	<hr/>	<b>Total Assets</b>		<hr/>
	<b>75,623</b>			<b>91,932</b>
		<b>Current liabilities</b>		
(2,231)		Short-term borrowing	(9,121)	
(5,030)		Creditors (See Note 26)	(5,472)	
(1,928)		Bank overdraft	(1,564)	
<hr/>	(9,189)		<hr/>	(16,157)
	<hr/>	<b>Total Assets less Current Liabilities</b>		<hr/>
	<b>66,434</b>			<b>75,775</b>
		<b>Long-term liabilities</b>		
(23,400)		Long-term borrowings (See Note 28)	(22,383)	
(273)		Provisions (See Note 29)	(506)	
(1,599)		Deferred liabilities	(1,178)	
(5,635)		Deferred Government Grants	(11,605)	
(46,915)		Liability related to defined benefit pension scheme (Note 41)	(45,972)	
<hr/>	<b>(11,388)</b>	<b>Total Assets less Liabilities</b>	<hr/>	<b>(5,869)</b>
		<b>Financed by:</b>		
3,922		Revaluation Reserve ( See Note 31)	10,612	
26,042		Capital Adjustment Account (See Note 32)	24,695	
-		Financial Instruments Adjustment Account	(153)	
2,754		Usable Capital Receipt Reserve ( See Note 33 )	2,597	
26		Deferred capital receipts	22	
(46,915)		Pension Reserve	(45,972)	
1,807		Earmarked Reserves (See Note 34)	1,130	
		Revenue Balances		
915		General Fund	1,100	
61		Collection Fund	100	
<hr/>	<b>(11,388)</b>	<b>Total Net Worth</b>	<hr/>	<b>(5,869)</b>

## CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

2007/08		2008/09	
£'000	£'000	£'000	£'000
<b>Revenue Activities</b>			
<b>Cash Outflows</b>			
19,787			20,230
10,998			19,262
24,793			26,948
20,673			23,539
31,447	107,698		32,860
<hr/>		<hr/>	
			122,839
<b>Cash Inflows</b>			
(2,242)		(2,334)	
(29,703)		(30,839)	
(21,542)		(23,827)	
(11,574)		(11,767)	
(33,028)		(35,670)	
(4,729)		(5,807)	
(9,887)		(9,454)	
(1)	(112,706)	-	(119,698)
<hr/>		<hr/>	
	<b>(5,008)</b>		<b>3,141</b>
<b>Net Cashflow from Revenue Activities</b>			
<b>Returns on Investment &amp; Servicing of Finance</b>			
<b>Cash Outflows</b>			
1,235		1,183	
1		1	
<hr/>		<hr/>	
1,236		1,184	
<b>Cash Inflows</b>			
(408)	828	(350)	834
<hr/>		<hr/>	
<b>Capital Activities</b>			
<b>Cash Outflows</b>			
20,191		24,839	
-		-	
<hr/>		<hr/>	
20,191		24,839	
<b>Cash Inflows</b>			
(1,301)		(1,704)	
(17,192)		(21,264)	
(1,165)		(337)	
<hr/>		<hr/>	
(19,658)	533	(23,305)	1,534
<hr/>		<hr/>	
	<b>(3,647)</b>		<b>5,509</b>
<b>Net Cash Inflow before Financing</b>			
<b>Financing</b>			
<b>Cash Outflows</b>			
9,177		7,208	
13		13	
<hr/>		<hr/>	
9,190		7,221	
<b>Cash Inflows</b>			
-		-	
(6,919)		(13,094)	
<hr/>		<hr/>	
(6,919)		(13,094)	
<b>Movement in Net Debt</b>			
	2,271		(5,873)
<hr/>		<hr/>	
	<b>(1,376)</b>		<b>(364)</b>
<b>Net (increase)/decrease in cash</b>			

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Prior Period and Exceptional/Extraordinary Items

There were no such items.

### 2. Trading Undertakings.

During the year, the Council operated an Open Market and a covered Market Hall in Burnley. Padiham Market ceased trading at the beginning of October 2007 and the site was cleared. The financial results were as follows:

<u>Trading Undertakings</u> <u>Markets</u>	<u>Padiham Market</u>		<u>Burnley Markets</u>		<u>TOTAL</u>	
	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09
	£'000	£'000	£'000	£'000	£'000	£'000
Income from Stallholders - Rents & Charges	10	0	851	822	861	822
Expenditure	60	0	1,631	753	1,691	753
Surplus/(Deficit) to Revenue Account	<b>(50)</b>	<b>0</b>	<b>(780)</b>	<b>69</b>	<b>(830)</b>	<b>69</b>

#### Note

The 2007/08 expenditure includes a property rental charge of £907k, in respect of impairments to Burnley Markets of £885k and Padiham Market of £22k.

### 3. Section 137, Local Government Act 1972

The majority of the provisions of section 137 were repealed in October 2000, under the Local Government Act 2000. Principal Authorities will continue to disclose any expenditure incurred under section 137 but there is no specified limit on such expenditure. The Council's expenditure incurred under the above-mentioned legislation was £2,528 in 2008/09 (£2,290 for 2007/08).

### 4. Section 5, Local Government Act 1986

The Council's expenditure on publicity which is required to be disclosed under the above-mentioned section amounted to a total of £310,135. Details of this total are as follows:

<u>Publicity Expenditure</u>	<u>2007/08</u> £	<u>2008/09</u> £
Recruitment advertising	112,014	90,648
Other advertising and publicity	29,539	53,685
Marketing, publicity & promotion	161,058	165,802
	<b>302,611</b>	<b>310,135</b>

## 5. Building Control

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the administration of the building control function and the setting of charges. However, certain activities performed by the building control service cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control service divided between the defined (chargeable) and non-defined (non-chargeable) activities.

<b>Building Control</b>	<b>2007/08</b>			<b>2008/09</b>		
	<b>Expenditure £ ' 000</b>	<b>Income £ ' 000</b>	<b>Net £ ' 000</b>	<b>Expenditure £ ' 000</b>	<b>Income £ ' 000</b>	<b>Net £ ' 000</b>
Defined Activity	230	209	(21)	245	185	(60)
Non-Defined Activity	91	0	(91)	72	0	(72)
<b>Surplus / (Deficit)</b>	<b>321</b>	<b>209</b>	<b>(112)</b>	<b>317</b>	<b>185</b>	<b>(132)</b>

## 6. Agency Services

The Borough Council undertakes certain relevant highways tasks via a Residual Highways Agreement, for which it receives an annual allocation. The income and expenditure incurred in operating this agency is shown below.

<b>Agency Services</b>	<b>2007/08</b>			<b>2008/09</b>		
	<b>Expenditure £'000</b>	<b>Income £'000</b>	<b>Net £'000</b>	<b>Expenditure £'000</b>	<b>Income £'000</b>	<b>Net £'000</b>
LCC Payment - Residual Works	48	48	0	47	47	0
<b>(Surplus) / Deficit</b>	<b>48</b>	<b>48</b>	<b>0</b>	<b>47</b>	<b>47</b>	<b>0</b>

## 7. Local Area Agreement

The Council has made a strong contribution to the implementation of the Local Area Agreement (LAA) for Lancashire, which ended on 30<sup>th</sup> June 2008. The twelve reward targets are measured to the 31<sup>st</sup> March 2009 and any performance reward grants are due during December 2009. Consequently, this is dealt with in note 35 to the statement of accounts as a contingent asset and liability.

A new three year LAA was implemented on 1<sup>st</sup> July 2008.

All financial and other performance data is reported to Lancashire County Council as part of the agreed LAA performance management arrangements. It is reviewed by the LAA Performance Working Group on which the Borough Council is represented.

## 8. General Government Grants

The following grants are included in General Government Grants within the Income and Expenditure Account.

<u>General Government Grants</u>	2007/08 £000	2008/09 £000
Revenue Support Grant	1,663	1,438
Area Based Grants		
Working Neighbourhoods Fund	-	2,183
Cohesion grant	-	117
Preventing Violent Extremism	-	105
Youth Task Force grant	-	47
Climate Change grant	-	23
<b>Total</b>	<b>1,663</b>	<b>3,913</b>

## 9. Members Allowances

Payment of allowances to elected Members are made in accordance with the scheme approved annually by the Council. The following allowances were payable in 2008/09.

<u>Members Allowances</u>	2007/08 £	2008/09 £
<u>Allowance rate per member per annum</u>		
Basic Allowance	2,200	2,460
Executive Member	3,300	4,050
Leader Supplement	8,800	10,800
Deputy Leader Supplement	2,200	2,700
Other Group Leaders	1,100	1,350
Scrutiny, Development Control & Licensing Committee Chairs	2,200	2,700
Development Control and Licensing Committee Vice Chairs	1,100	1,350
<u>Spending Incurred</u>		
Allowances and expenses payable in the year	<b>£162,446</b>	<b>£188,333</b>

## 10. Employees Remuneration

The number of employees whose total remuneration for the year was £50,000 or more in bands of £10,000 is as shown below.

<u>Employees Remuneration</u>	<b>2007/08 Number</b>	<b>2008/09 Number</b>
<u>Remuneration band</u>		
£50,000 - £59,999	1	1
£60,000 - £69,999	3	3
£70,000 - £79,999	1	1
£80,000 - £89,999	-	-
£90,000 - £99,999	-	-
£100,000 - £109,999	-	-
£110,000 - £119,999	1	1

During the year, the Chief Executive Steve Rumbelow was paid a gross salary of £112,334.

## 11. Related Party Transactions

Under the Accounting Code of Practice and Financial Reporting Standard number 8, the Council is required to disclose details of any material transactions, not disclosed elsewhere, with related parties. These are 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 allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. A number of these transactions have already been disclosed within the financial statements. The position may be summarised as follows:

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with Central Government have been disclosed within both the Income and Expenditure Account and the Cash Flow Statement, as well as in other notes to the accounts.

Members of the Council have direct control over the Council's financial and operating policies. During 2008/09, grants and payments were paid totalling £707,817 to 10 voluntary organisations and companies in which Members had an interest through being appointed by the Council to those organisations or companies. The grants were material financial assistance in relation to the total funding available. There were material transactions between the Council and two organisations or companies in which Members declared an interest other than those organisations or companies where the Members were appointed to that position by the Council. The total of payments and grants made was £95,624.

Officers of the Council also hold positions in other organisations as a consequence of being appointed by the Council. During 2008/09, no grants or payments (other than included above) were paid to companies in which officers had an interest. There were no material transactions between the Council and organisations or companies in which Officers declared an interest.

Companies and Joint Ventures – the Council has no substantial interests in companies and as such has not needed to incorporate any transactions in this Statement of Accounts on a Group Accounts basis. The Lancashire Digital Technology Centre is now in operation and was established through funding secured by the Council. A joint venture company manages the facility and the Council, Burnley College, and Lancashire County Developments Limited are the parties involved in this joint-venture company. A Burnley Borough Council Member and a Director represent the Council on the board of this joint-venture company. In addition the Council is included in the East Lancashire Housing Market Restructuring Pathfinder (Elevate) 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.

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 81 of the Local Government Act 2000, Members' outside interests are recorded in a formal register 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. A register of officers' interests has been established in which officers outside interests are also recorded.

## 12. Audit Costs

Details of audit costs incurred by the Council are as follows:

<b>Disclosure of Audit Costs</b>	<b>2007/08 £'000</b>	<b>2008/09 £'000</b>
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	96	112
Fees payable to the Audit Commission in respect of statutory inspection	6	6
Fees payable to the Audit Commission for the certification of grant claims and returns	47	39
Fees payable in respect of other services provided by the appointed auditor	-	1
	<b>149</b>	<b>158</b>

Included within the £112,000 for Fees payable with regard to the external audit services were the planned audit services costing £104,000 in line with the agreed plan and budget.

13. Total Recognised Gains and Losses (see Core Financial Statements – page 30)

<b>Statement of Total Recognised Gains &amp; Losses</b>	<b>2007/08 £'000</b>	<b>2008/09 £'000</b>
Deficit for the year on the Income and Expenditure Account	6,527	3,647
Surplus arising on revaluation of fixed assets	(4,285)	(6,690)
Actuarial (gains)/losses on pension fund assets and liabilities	14,384	(2,438)
Any other (gains)/losses required to be included within the STRGL	(45)	(39)
<b>Total recognised (gains)/losses for the year</b>	<b>16,581</b>	<b>(5,520)</b>

The surplus arising from the revaluation of fixed assets includes an amount of £1.07M relating to the Elevate programme (East Lancashire Housing Market Renewal Initiative). This figure has been included on the basis that the assets are currently owned by the Council. However, as these assets were funded from Elevate grant, the Council will not retain any capital receipt on the sale of the land acquired and assembled and the overall net worth of the Council as shown in the Balance Sheet will therefore reduce.

14. Movement on Fixed Assets

<b><u>Movement on Fixed Assets (Tangible)</u></b>				
<b><u>Operational Assets</u></b>	<b>Land and Buildings £'000</b>	<b>Vehicles, plant etc £'000</b>	<b>Community Assets £'000</b>	<b>TOTAL £'000</b>
<b>Cost or valuation</b>				
At 1 April 2008	31,331	3,645	3,642	38,618
Reclassification	510	-	(904)	(394)
Additions	308	730	603	1,641
Disposals	(175)	-	-	(175)
Revaluations	103	-	430	533
<b>At 31 March 2009</b>	<b>32,077</b>	<b>4,375</b>	<b>3,771</b>	<b>40,223</b>
<b>Depreciation</b>				
At 1 April 2008	(2,060)	(2,503)	(189)	(4,752)
Charge for 2008/09	(833)	(544)	-	(1,377)
Disposals	-	-	-	-
Reclassification	109	-	-	109
Revaluations	-	-	-	-
<b>At 31 March 2009</b>	<b>(2,784)</b>	<b>(3,047)</b>	<b>(189)</b>	<b>(6,020)</b>
<b>Balance sheet amount as at 31 March 2009</b>	<b>29,293</b>	<b>1,328</b>	<b>3,582</b>	<b>34,203</b>
<b>Balance sheet amount at 31 March 2008</b>	<b>29,271</b>	<b>1,142</b>	<b>3,453</b>	<b>33,866</b>
<b><u>Nature of asset holding</u></b>				
<b>Owned</b>	<b>29,293</b>	<b>1,314</b>	<b>3,582</b>	<b>34,189</b>
<b>Finance leased</b>	<b>-</b>	<b>14</b>	<b>-</b>	<b>14</b>
	<b>29,293</b>	<b>1,328</b>	<b>3,582</b>	<b>34,203</b>
<b><u>Non-Operational Assets</u></b>	<b>Investment Properties £'000</b>	<b>Assets Under Construction £'000</b>	<b>TOTAL £'000</b>	
<b>Cost or valuation</b>				
At 1 April 2008	30,325	-	30,325	
Reclassification	394	-	394	
Additions	12,182	355	12,537	
Disposals	(903)	-	(903)	
Revaluations	(1,306)	-	(1,306)	
<b>At 31 March 2009</b>	<b>40,692</b>	<b>355</b>	<b>41,047</b>	
<b>Depreciation</b>				
At 1 April 2008	-	-	-	
Charge for 2008/09	-	-	-	
Disposals	-	-	-	
Reclassification	-	-	-	
Revaluations	-	-	-	
<b>At 31 March 2009</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Balance sheet amount at 31 March 2009</b>	<b>40,692</b>	<b>355</b>	<b>41,047</b>	
<b>Balance sheet amount at 31 March 2008</b>	<b>30,325</b>	<b>-</b>	<b>30,325</b>	
<b><u>Nature of asset holding</u></b>				
<b>Owned</b>	<b>40,692</b>	<b>355</b>	<b>41,047</b>	

## 15. Capital Financing Requirement

This table shows how the capital investment and financing during 2008/09 affected the underlying total of the Council's borrowing requirement as it relates to capital spending:

<b>Capital Expenditure &amp; Financing</b>	<b>2007/08 £'000</b>	<b>2008/09 £'000</b>
Opening Capital Financing Requirement	29,056	28,792
<u>Capital Investment</u>		
Operational assets	1,281	1,779
Non-operational assets	9,756	12,538
Revenue expenditure funded from capital under statute	9,153	10,522
Prior year adjustment	-	-
<u>Sources of finance</u>		
Capital receipts	(1,500)	(1,865)
Government grants and other contributions	(17,741)	(21,994)
Sums set aside from revenue	(1,213)	(1,230)
<b>Closing Capital Financing Requirement</b>	<b>28,792</b>	<b>28,542</b>
Explanations of movements in year		
Increase in underlying need to borrow (supported by Government financial assistance)	-	-
Decrease in underlying need to borrow (unsupported by Government financial assistance)	(264)	(250)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(264)</b>	<b>(250)</b>

## 16. Revenue Expenditure Funded From Capital Under Statute (REFFCUS)

This is expenditure classified as capital for funding purposes when it does not result in it being carried on the balance sheet as a fixed asset. The purpose of this is to enable the expenditure to be funded from capital resources rather than be charged to the General Fund and impact on the Council Tax. REFFCUS is generally grants and expenditure on property not owned by the Council. The expenditure is charged to services with grants and contributions relating to this expenditure being credited to services. The balance of expenditure charged is adjusted for in the Statement of Movement in General Fund Balances. REFFCUS and the grants and contributions funding it – which are revenue grants - are shown in the note on capital expenditure and financing and the revenue portion of the cashflow statement

## 17. Commitments Under Capital Contracts

Significant commitments at 31<sup>st</sup> March 2009 for future capital expenditure included the following:

	£'000
Housing Clearance	6,886
Disabled Facilities Grants	301
Housing Refurbishment and Remodelling	350
Vacant Acquisitions	610
Padiham Leisure Centre Refurbishment	645

## 18. Information on Assets Held

The major fixed assets held by the authority at 31<sup>st</sup> March 2009 are as follows:

Burnley Town Hall  
 Padiham Town Hall  
 Parker Lane Offices  
 Nicholas Street Offices  
 Burnley Bus Station  
 Towneley Hall Art Gallery & Museum  
 Towneley Craft Centre  
 Towneley Natural History Centre  
 Padiham Leisure Centre  
 St Peters Leisure Centre  
 Burnley Mechanics Arts & Entertainments Centre  
 Burnley Cemetery  
 Padiham St John's Cemetery  
 Burnley Crematorium  
 Burnley Market  
 Parks and Other Green Spaces – 474 hectares  
 Burnley Town Centre Shopping Area  
 Former Pioneer Store Site  
 Weaver's Triangle Development Area  
 Various Cleared Sites In Elevate Areas  
 Burnley Town Centre Shopping Area (Freehold)  
 Off Street Car Parks (20)

## 19. Assets Held Under Leases

*Vehicles, Plant and Equipment* – the authority uses vehicles and equipment financed under terms of an operating lease. The amount paid under these arrangements in 2008/09 was £43,301 (2007/08 £51,126).

*Commitments under Operating Leases* – the authority was committed at 31<sup>st</sup> March 2009 to make payments of £8,028 under operating leases, comprising the following elements:

<u>Operating Leases</u>	Vehicles, Plant & Equipment £'000
Leases expiring in 2009/10	-
Leases expiring between 2010/11 and 2013/14	8
Leases expiring after 2013/14	-

*Vehicles, Plant and Equipment* – the authority has acquired three cremators under a finance lease. The rental payable under these arrangements in 2008/09 was £15,283

(2007/08 £15,283), charged to the Income and Expenditure Account as £1,783 finance costs (debited to interest payable) and £13,500 relating to the write-down of obligations to the lessor (debited as part of the appropriation to the Capital Adjustment Account in the Statement of Movement on the General Fund Balance).

The following values of assets are held under a finance lease by the authority, accounted for as part of Tangible Fixed Assets. Outstanding obligations under these finance leases (excluding finance costs) at 31<sup>st</sup> March 2009, accounted for as part of long-term liabilities, are also shown below:

<b>Finance Leases</b>	<b>Vehicles, Plant &amp; Equipment £'000</b>
Value at 1 April 2008	27
Depreciation	(13)
<b>Value at 31 March 2009</b>	<b>14</b>
Obligations payable in 2009/10	14
Obligations payable between 2010/11 and 2013/14	-
<b>Total Liabilities at 31 March 2009</b>	<b>14</b>

## 20. Assets Held For Leases

The Council does not hold any assets which are leased to other parties.

## 21. Asset Value Information

### Valuation of tangible fixed assets carried at current value

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The valuations of land and property assets were carried out by Farida Ahmed MRICS, internal valuer. The basis for the valuation is set out in the statement of accounting policies

	<b>Land and Buildings £'000</b>	<b>Vehicles, plant etc £'000</b>	<b>Community Assets £'000</b>	<b>Investment Properties £'000</b>	<b>Assets Under Construction £'000</b>	<b>TOTAL £'000</b>
Valued at historical cost	-	4,375	3,771	-	-	8,146
Valued at current value in:						
2008/09	921	-	-	11,269	355	12,545
2007/08	2,829	-	-	11,877	-	14,706
2006/07	13,436	-	-	12,642	-	26,078
2005/06	13,915	-	-	1,731	-	15,646
2004/05	976	-	-	3,173	-	4,149
<b>Total Valuation</b>	<b>32,077</b>	<b>4,375</b>	<b>3,771</b>	<b>40,692</b>	<b>355</b>	<b>81,270</b>
<b>Less : Cumulative depreciation</b>	<b>(2,784)</b>	<b>(3,047)</b>	<b>(189)</b>	<b>-</b>	<b>-</b>	<b>(6,020)</b>
<b>Valuation net of depreciation</b>	<b>29,293</b>	<b>1,328</b>	<b>3,582</b>	<b>40,692</b>	<b>355</b>	<b>75,250</b>

## 22. Information on Depreciation Methodologies

The **depreciation methods** used in the accounts and estimated **useful lives of assets/depreciation rates used** are referred to in paragraph 11 of the Statement of Accounting Policies above.

The total **depreciation charge** for the year was £1,377k for tangible fixed assets and £135k for the amortisation of intangible assets as referred to in the note to the Statement of Movement on General Fund Balances on page 29. The £1,377k is included within the larger depreciation and impairment of fixed assets figure.

There were no **changes to the estimated useful life** of assets during 2008/09 and no consequential financial effect in the accounts

The **revalued amount** for assets at the beginning and end of the financial year are referred to in note 14 - Movement on Fixed Assets - above

**Accumulated depreciation and impairment** at the beginning of the financial year are shown in note 14 - Movement on Fixed Assets – above. The end of year position is shown in note 21 – Asset Value Information – above.

**A reconciliation of the movements in fixed assets** in the financial year and the net carrying amount for the Council's fixed assets is contained within note 14 – Movement on Fixed Assets – above

## 23. Intangible Fixed Assets

<b><u>Movement in intangible assets</u></b>	<b>Purchased Software Licences £'000</b>
Original cost	533
Amortisations to 1 April 2008	(333)
<b>Balance at 1 April 2008</b>	<b>200</b>
Expenditure in year	138
Written off to revenue in year	(135)
<b>Balance at 31 March 2009</b>	<b>203</b>

## 24. Analysis of Net Assets Employed

The following shows the split between the General Fund and Trading Operations (market services) of the net worth as shown on the face of the Balance Sheet. The net liability identified to the General Fund is mainly due to the Pensions Fund. However, statutory arrangements for funding the deficit on retirement pensions 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. The Market service is disclosed as a trading undertaking in note 2 above.

<b><u>Analysis of Net Assets Employed</u></b>	<b>31/03/2008 £'000</b>	<b>31/03/2009 £'000</b>
General Fund	(12,279)	(6,739)
Trading Operations	891	870
<b>Total Net Assets Employed</b>	<b>(11,388)</b>	<b>(5,869)</b>

## 25. Debtors

<b><u>Debtors</u></b>	<b>31/03/2008 £'000</b>	<b>31/03/2009 £'000</b>
General	2,209	1,566
Government Grants	4,669	9,437
EEC Grants	776	731
Other Grants	39	210
Payments Made in Advance	159	87
Community Charge	8	8
Council Tax	3,846	4,233
National Non-Domestic Rates	999	1,123
Court Fees	1,052	1,178
Housing Benefit Overpayments	656	816
Public Utilities	85	36
Other Local Authorities	581	133
HM Revenues & Customs	233	351
	<b>15,312</b>	<b>19,909</b>
<u>Less:</u> Provision for Bad and Doubtful Debts	5,032	5,195
<b>Net Debtors Outstanding</b>	<b>10,280</b>	<b>14,714</b>

26. Creditors

<u>Creditors</u>	31/03/2008 £'000	31/03/2009 £'000
General	1,665	1,449
Government Grants	289	716
EEC Grants	1	253
Other Grants	46	19
Other Local Authorities	1,035	994
Payments Received in Advance	1,994	2,041
<b>Total</b>	<b>5,030</b>	<b>5,472</b>

27. Interests in Companies

The Council has no substantial interests in companies and has no investments in subsidiary or associated companies.

28. Long Term Borrowing

<u>Long Term Borrowing</u>	Range of Interest Rates		31/03/2008 £'000	31/03/2009 £'000
	From	To		
<u>Analysis of loans by type</u>				
Public Works Loan Board	4.300%	9.250%	23,373	22,370
Finance Lease	6.619%	6.619%	27	13
			<b>23,400</b>	<b>22,383</b>
<u>Analysis of loans by maturity</u>				
Between 1 and 2 years	4.300%	8.500%	1,002	463
Between 2 and 5 years	4.350%	7.250%	3,513	4,037
Between 5 and 10 years	4.400%	9.250%	6,083	5,096
Over 10 years	4.550%	7.130%	12,802	12,787
			<b>23,400</b>	<b>22,383</b>

29. Provisions

<u>Provisions</u>	<b>Balance 01/04/2008 £'000</b>	<b>Increase 2008/09 £'000</b>	<b>Reduction 2008/09 £'000</b>	<b>Balance 31/03/2009 £'000</b>
Redundancy Payments	-	94		94
Grant Clawback	-	40	-	40
Compulsory Purchase Proceeds Liability	75	-	-	75
Bonds and Deposits	96	519	515	100
Pension Strain Provision	102	481	386	197
	<b>273</b>	<b>1,134</b>	<b>901</b>	<b>506</b>

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:

Redundancy Payments – an Employment Tribunal has awarded a sum to members of the Council's car leasing scheme as compensation for an effective redundancy due to the phased withdrawal of the Council's car leasing facility up to 2010.

Grant Clawback – sums have been received from the administrators of a company which previously received assistance from the Council. A proportion of these sums received have been credited to this provision to fund the repayment of grant to the funding body.

Compulsory Purchase Proceeds Liability – the Council have previously acquired properties in housing clearance areas where the owners could not be contacted. This sum is due to the owners of the properties

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

Pension Strain – this provision has been made to cover the liability incurred by decisions taken in the financial year relating to retirements. When someone retires before their normal retirement age this creates a strain on the pension fund which must be met by the

Council. When the payment in respect of this liability is made the provision will be written down accordingly.

### 30. Movement on Reserves

<b><u>Movements on Reserves</u></b>					
<b>Reserve</b>	<b>Balance 01/04/2008 £'000</b>	<b>Net Movement in Year £'000</b>	<b>Balance 31/03/2009 £'000</b>	<b>Purpose of Reserve</b>	<b>Further Detail of Movements</b>
Revaluation Reserve	3,922	6,690	10,612	Store of gains on revaluation of fixed assets	Note 31 to the Core Financial Statements, page 48 below.
Capital Adjustment Account	26,042	(1,347)	24,695	Store of capital resources set aside to meet past expenditure	Note 32 to the Core Financial Statements, page 48
Financial Instruments Adjustment Account	-	(153)	(153)	Balancing account to allow inclusion of Investment in Landsbanki to offset anticipated impairment of value.	Balance Sheet, page 31
Usable Capital Receipts	2,754	(157)	2,597	Proceeds of fixed asset sales available to meet future capital investment	Note 33 to the Core Financial Statements, page 49
Deferred Capital Receipts	26	(4)	22	Proceeds from sale of fixed assets which have taken place where the full amount has not yet been received	Balance Sheet, page 31
Pensions Reserve	(46,915)	943	(45,972)	Balancing account to allow inclusion of Pension Liability in the Balance Sheet	Note 40 to the Core Financial Statements, page 53
General Fund	915	185	1,100	Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance, page 28
Collection Fund	61	39	100	The Council's element of the overall surplus of £628k	Balance Sheet, page 31 & Collection Fund page 66
Earmarked Reserves	1,807	(677)	1,130		Note 34 to the Core Financial Statements, page 49
	<b>(11,388)</b>	<b>5,519</b>	<b>(5,869)</b>		

31. Revaluation Reserve

<u>Revaluation Reserve</u>	Balance 01/04/2008 £'000	Increase 2008/09 £'000	Decrease 2008/09 £'000	Balance 31/03/2009 £'000
Opening balance	3,922	-	-	3,922
Changes in valuation		6,690	-	6,690
Disposal of fixed assets		-	-	-
Depreciation		-	-	-
<b>Closing balance</b>	<b>3,922</b>	<b>6,690</b>	<b>-</b>	<b>10,612</b>

32. Capital Adjustment Account

<u>Capital Adjustment Account</u>	Balance 01/04/2008 £'000	Increase 2008/09 £'000	Decrease 2008/09 £'000	Balance 31/03/2009 £'000
Opening balance	26,042			26,042
Minimum Revenue Provision		1,152		1,152
<u>Capital Expenditure Financing</u>				
Revenue Contributions to Capital		78		78
Capital Receipts		1,865		1,865
<u>Reductions</u>				
Deferred charges written out			1,420	(1,420)
Downward valuations/impairments			7,355	(7,355)
Disposal of Fixed assets			1,078	(1,078)
Finance leases written down			13	(13)
Commutation credit - Income & Expenditure A/c Reduction			-	-
Fixed asset depreciation			1,498	(1,498)
Government Grants Deferred Amortisation		6,922		6,922
<b>Closing balance</b>	<b>26,042</b>	<b>10,017</b>	<b>11,364</b>	<b>24,695</b>

### 33. Usable Capital Receipts

<b>Usable Capital Receipts</b>	<b>Balance 01/04/2008 £'000</b>	<b>Increase 2008/09 £'000</b>	<b>Decrease 2008/09 £'000</b>	<b>Balance 31/03/2009 £'000</b>
Opening balance	2,754			2,754
Receipts in Year (Gross)		1,708		1,708
Used to reduce net indebtedness	-			-
Used to provide for future repayment	-			-
Required to repay grant	-			-
Used to finance capital expenditure			1,865	(1,865)
<b>Closing balance</b>	<b>2,754</b>	<b>1,708</b>	<b>1,865</b>	<b>2,597</b>

### 34. Earmarked Reserves

<b>Earmarked Reserves</b>	<b>Balance 01/04/2008 £'000</b>	<b>Increase 2008/09 £'000</b>	<b>Decrease 2008/09 £'000</b>	<b>Balance 31/03/2009 £'000</b>
Modernisation Reserve	171	734	591	314
Capital Projects Reserve	595	-	595	-
Highways & Parkwise	124	-	92	32
Financial Instrument Adjustment Reserve	-	181	-	181
Building Control Reserve	204	-	60	144
Local Housing Allowance	115	-	-	115
Local Authority Business Growth Incentive	207	-	180	27
Planning Delivery Grant	225	-	79	146
Transport & Plant Replacement Reserve	162	6	-	168
Other Reserves	4	-	1	3
<b>Closing balance</b>	<b>1,807</b>	<b>921</b>	<b>1,598</b>	<b>1,130</b>

### 35. Contingent Liabilities and Contingent Assets

On 17<sup>th</sup> 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 ODA gives 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.

The current accumulated zone-wide costs for South West Burnley and Burnley Wood are approximately £720k.

There is currently a protracted legal case involving certain Councils and HM Revenues and Customs (HMRC) where the charging of VAT on car parking income is being contested. The Council has claimed an amount of £1,923k from HMRC in relation to VAT charged on car parking income in previous financial years. The total amount of VAT on car parking charges up to 31<sup>st</sup> March 2009 from the eligible start date for claims of April 1978 is £2,164k. Although the outcome of this case is still uncertain, if the ruling is against HMRC then the Council will stand to benefit by way of a reimbursement of the total VAT paid on car parking income since the eligible start date for claims.

Further claims on HMRC on behalf of the Council were made in March 2009. These claims were for amounts received from cultural, leisure and sports activities for various periods between 1978 to 1996. Recent interpretations of the impact of EU law and the effect upon VAT exemptions have produced a situation where it is recommended by our consultant VAT advisors that there are grounds for claims which may well be successful. If these claims are upheld it is estimated that the Council would stand to benefit by an amount of up to £650k. This amount may furthermore be considerably increased if the associated claim for compound interest is also accepted.

The Council currently has a deposit with an Icelandic bank, Landsbanki Islands HF. £1 million was deposited in September 2008 and repayment was due on 8<sup>th</sup> October 2008. This loan has still not yet been repaid and whilst it is estimated that 95% of the loan will be recovered, there is an estimated £181k potential loss associated with this loan which may require funding from General Fund balances in 2010/11. The estimated £181k takes into account the discounted net present value of installments of money that is received at a future date and the interest foregone that could have been earned.

The leasehold interests in seven properties have been acquired by the Council in south west Burnley as part of the Elevate housing market renewal programme. These leasehold interests were acquired by agreement and it was anticipated that the freehold interests would also be acquired by agreement. The freeholder has successfully applied to the Land Registry to assume the ownership of the Council's leasehold interests due to a delay in the payment of the ground rent. The Council has applied to the County Court to regain the leasehold interest but shortly after the application to the Land Registry the freeholder sold the properties to a third party who bought them on the basis of full ownership. If the Council is not successful in regaining the leasehold interest there could be a loss of up to an estimated £300k

The Council is a member of the Lancashire Local Area Agreement (LAA) which ended on 31<sup>st</sup> March 2009. Under this agreement constituent authorities are due to receive performance reward grants (PRG). In the case of this Council any LAA PRG received will be payable to the Local Strategic Partnership (LSP) for spending under their direction. It is not yet clear precisely what the payments will be but it is estimated that the amount to be received is around £1million – half of which is for capital purposes and half of which is revenue. This is a contingent asset because whilst a number of the stretch targets which must be achieved have been met there is a degree of uncertainty relating to the need for the new administration at Lancashire County Council to review the proposed sums prior to final payment. This contingent asset is however also matched by a contingent liability to pay the LSP all of the funds received by way of PRG.

### 36. Authorisation of Accounts for Issue

The Director of Resources has, on 24<sup>th</sup> September 2009, authorised that this Statement of Accounts should be issued for distribution to Members of the Council's Audit Committee.

### 37. Events After the Balance Sheet Date

The Statement of Accounts includes any necessary disclosures after the balance sheet date up to the 24<sup>th</sup> September 2009. There are no events after the balance sheet date which materially affect the fair presentation of the financial statements contained within the Statement of Accounts.

### 38. Trust Funds

The Council acts as Trustee for several Bequest and Trust Funds. The annual income which accrues is used for various charitable causes which benefit the people of the Borough. The income and expenditure for the year 2008/2009 for each fund is as shown below:

<u>Trust Funds</u>	<b>Income</b> £	<b>Expenditure</b> £	<b>Assets</b> £	<b>Liabilities</b> £
Ingham Charity	25	1,189	-	-
Matthew Cocker Charity	6	290	-	-
Padiham Town Council Charitable Trust	13,996	-	19,756	-
HJ Helm Charity	1	12,236	-	-
Dr WJD Bromley Charity	3	1,411	-	-
Burnley Acorn Fund	254,637	1,416	382,760	-
JW Shaw Charity	1,309	5,000	35,313	-
	<b>269,977</b>	<b>21,542</b>	<b>437,829</b>	-

The objects of these trust funds is as follows:

#### **W A Ingham**

The object of the Charity is governed by it's Charity Commission Scheme, dated 1<sup>st</sup> October 1948, and is to provide a Christmas treat for necessitous old people in the Borough of Burnley. The charity was dissolved in November 2008 and the assets were transferred to Burnley Acorn Fund.

#### **Matthew Cocker Charity**

The object of the Charity is governed by it's Charity Commission Scheme, dated 31<sup>st</sup> August 1956, and is to provide at Christmas toys or gifts in money or in kind for poor children resident in the Borough of Burnley or the neighbourhood thereof. The charity was dissolved in November 2008 and the assets were transferred to Burnley Acorn Fund.

### **Padiham Town Council Charitable Trust (Formerly James Blackburn Legacy)**

The objects of the Charity are governed by its trust deed, dated 12<sup>th</sup> August 1924, and amended by resolution under Section 74 of the Charities Act 1993, effective from 25<sup>th</sup> February 2008, and are for the purpose of advancement of education and relief of social needs of individuals and voluntary groups resident in the town of Padiham. The administration of the charity was transferred to Padiham Town Council with effect from October 2008.

### **H J Helm Charity**

The object of the Charity is governed by the Charity Commission Scheme, dated 17<sup>th</sup> January 1922, and is for the purpose of sending sick poor residing in the area of the former Padiham Urban District Council to convalescent homes for periods not exceeding four weeks in each case. The charity was dissolved in April 2008 and the assets were transferred to Padiham Town Council Charitable Trust.

### **Dr W J D Bromley**

The object of the Charity is governed by the will of Dr WJD Bromley, dated 13 January 1931 and is for the entertainment or otherwise for the benefit of the children or old people of Padiham. The charity was dissolved in April 2008 and the assets were transferred to Padiham Town Council Charitable Trust.

### **Burnley Acorn Fund ( Formerly Burnley Sick Poor Fund)**

The objects of the Charity are governed by the Charity Commission Scheme, dated 30<sup>th</sup> November 1951, and by resolutions made under Section 74 of the Charities Act 1993 dated 1 July 2008 and 24 March 2009 and are for:

Making grants of money for providing or paying for items, services or facilities for the relief of the sick-poor living in the Borough of Burnley, either generally or individually, and 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.

The charity received funds from the legacies of Nora Bradburn and Elsie Elwood during the year as well as the assets of the Ingham and Cocker charities.

### **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.

## **39. Amounts Due To or From Related Parties**

The amounts paid to related parties are disclosed in note 11 above.

#### 40. Local Government Pension Scheme

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that the employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme administered by Lancashire County Council. This is a funded 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. The scheme underwent a full valuation in March 2007 which affected the Council's Pension Scheme Liabilities and Pension Reserve in the Consolidated Balance Sheet as at 31<sup>st</sup> March 2008 and 31<sup>st</sup> March 2009.

#### **Changes to Scheme Valuation and Presentation**

In December 2006 the Accounting Standards Board (ASB) made a number of changes to the FRS17 accounting standard. In the main these related to the presentation of the figures and disclosures below rather than the underlying calculations themselves. However, they did also include a requirement for most assets to be valued at "realizable values" (i.e. bid values), as opposed to the previous requirement for "fair Values" (in effect, mid-market values).

For local government 2008/2009 is the first year for which the figures need to be presented in the new format. Comparative figures for 2007/2008 have been provided below using the new asset calculation methods. In practice the difference between the bid and mid-market values tends to be fairly small, typically no more than 0.25% of the overall value of the assets. The total effect on the assets at 1<sup>st</sup> April 2007 was an adverse £192k, which is below the Council's materiality level, hence a full restatement of the 2007/2008 accounts has not been performed. Instead both old and new figures are shown below for information.

#### **Present Net Value of Scheme**

The underlying assets and liabilities for retirement benefits attributable to Burnley Borough Council at 31<sup>st</sup> March are as follows:-

<b>Scheme Value</b>	Original	Revalued	
	2007/08	2007/08	2008/09
	£'000	£'000	£'000
Total Scheme Liabilities as at 31 <sup>st</sup> March	-141,937	-141,937	-120,440
Total Scheme Assets as at 31 <sup>st</sup> March	95,022	94,830	74,468
<b>Net Scheme Assets/(Liabilities)</b>	<b>-46,915</b>	<b>-47,107</b>	<b>-45,972</b>

The "Original" figures for 2007/2008 relate to data used in the Balance Sheet on page 31. The "Revalued" figures shown incorporate the changes in valuation methodologies referred to above.

The liabilities show the underlying commitments that the authority has in the long-run to pay the retirement benefits. The total net liability of £46m has a substantial impact on the net worth of the authority, as recorded in the balance sheet. 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, as assessed by the scheme actuary.

### Present Value of Scheme Liabilities

The following table reconciles the opening and closing values of the scheme liabilities

	2007/08 £'000	2008/09 £'000
<b><u>Liabilities</u></b>		
Liabilities as at 1st April	-132,527	-141,937
Current Service Cost	-2,042	-2,399
Interest on Pension Liabilities	-7,088	-8,598
Members Contributions	-771	-853
Past Service Cost	-720	0
Actuarial (gains)/losses	-3,712	28,308
Curtailments	-415	-194
Benefits/transfers paid	5,338	5,233
<b>Total Scheme Liabilities as at 31st March</b>	<b>-141,937</b>	<b>-120,440</b>

The liabilities above include an unfunded element of £6,889k as at the 31<sup>st</sup> March 2009 (£8,042k as at 31<sup>st</sup> March 2008)

### Present Value of Scheme Assets

The following table reconciles the opening and closing values of the scheme assets

	Original 2007/08 £'000	Revalued 2007/08 £'000	2008/09 £'000
<b><u>Assets</u></b>			
Assets as at 1st April	100,423	100,222	94,830
Expected Return on Assets	6,533	6,542	6,311
Actuarial gains/(losses)	-10,649	-10,649	-25,678
Employer Contributions	3,282	3,282	3,385
Member Contributions	771	771	853
Benefits/transfers paid	-5,338	-5,338	-5,233
<b>Total Scheme Assets as at 31st March</b>	<b>95,022</b>	<b>94,830</b>	<b>74,468</b>

These assets are broken down into the following major categories:

**Analysis of Scheme Assets**

	31st March 2008		31st March 2009	
	£'000	%	£'000	%
Equities	58,984	64.30%	45,573	61.20%
Government Bonds	6,733	8.40%	5,809	7.80%
Other Bonds	14,225	12.50%	9,160	12.30%
Property	5,690	7.00%	5,511	7.40%
Cash/Liquidity	3,129	4.50%	3,649	4.90%
Other	6,069	3.30%	4,766	6.40%
	<u>94,830</u>	<u>100.00%</u>	<u>74,468</u>	<u>100.00%</u>

**Income and Expenditure Account**

We recognize the cost of retirement benefits in the Income and Expenditure Account 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 that the real cost of retirement benefits is reversed out of the Statement of Movement in General Fund Balance and replaced with the cash paid in the year.

The table below shows transactions which have been made in the Income and Expenditure Account during the year and the corresponding adjustments made in the Statement of Movement in General Fund Balance.

**Income & Expenditure Account**

	2007/08 £'000	2008/09 £'000
<b>Net Cost Of Service</b>		
Current Service Cost	2,042	2,399
Curtailement Cost	415	194
Past Service Gain	720	0
<b>Net Operating Expenditure</b>		
Interest	7,088	8,598
Expected Return On Assets	-6,556	-6,311
<b>Net Charge to Income &amp; Expenditure Account</b>	<u>3,709</u>	<u>4,880</u>
Reversal of net charges made for retirement benefit in accordance with FRS17	-3,709	4,880
Actual amount charged against the general fund balance for pensions in the year	<u>3,282</u>	<u>-3,385</u>
Net adjustment made in the Statement of Movements in General Fund Balance	<u>-427</u>	<u>1,495</u>

## Statement of Total Recognised Gains and Losses

The impact of the above asset and liability valuations can be seen in the Statement of Total recognized Gains and Losses on page 38 as follows

### Statement of Total Recognised Gains & Losses

	2007/08 £'000	2008/09 £'000
Actuarial gains/(losses) on Liabilities	-3,712	28,308
Actuarial gains/(losses) on Assets	-10,649	-25,678
<b>Net Actuarial gain/(loss) in current year</b>	<b>-14,361</b>	<b>2,630</b>
Prior Year change in valuation method	-23	192
<b>Total recognized Gains &amp; (Losses)</b>	<b>-14,384</b>	<b>2,438</b>

### Actual Gains and Losses

The actual gains measured against experience gains/(losses) in the year can be seen in the following table, along with the relevant percentages of period-end assets and liabilities which these values represent:

### Actual Gains and Losses

	2007/2008		2008/2009	
	£'000	%	£'000	%
Actual return on Plan Assets	-1,474		-19,367	
Experience gains/(losses) on Assets	-10,649	11.20%	-25,678	34.50%
Experience gains/(losses) on Liabilities	4,783	3.40%	0	0.00%

### Actuarial Assumptions

The Borough Council Fund liabilities and assets have been assessed by Mercer Human Resource Consulting, an independent firm of actuaries, and their estimates have been based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2007 which was published in March 2008. The main assumptions used in their calculations at the beginning and end of the year are shown below, with an effective date of 31<sup>st</sup> March 2009.

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

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion with their expected rates of return at the beginning of the year:

## Actuarial Assumptions

	Beginning Of Period %	End Of Period %
<b>Financial Assumptions</b>		
Rate of inflation	3.60%	3.30%
Rate of increase in salaries	5.35%	5.05%
Rate of increase in pensions	3.60%	3.30%
Discount rate	6.10%	7.10%
<b>Expected Return On Assets</b>		
Equities	7.50%	7.50%
Government Bonds	4.60%	4.00%
Other Bonds	6.10%	6.00%
Property	6.50%	6.50%
Cash/Liquidity	5.25%	0.50%
Other	7.50%	7.50%
<b>Post retirement mortality assumptions</b>		
Non retired members (retiring in the future in normal health)	PA92mc YoB Tables + 1 year	PA92mc YoB Tables + 1 year
Current pensioners (retired in normal health)	PA92mc YoB Tables + 1 year	PA92mc YoB Tables + 1 year
<b>Life expectancy</b>		
of a male (female) future pensioner aged 65 in 20 years	22.2 (25.0) yrs	22.2 (25.0) yrs
of a male (female) current pensioner aged 65	21.1 (24.0) yrs	21.2 (24.0) yrs
<b>Commutation of pension for lump sum at retirement</b>	50% take maximum cash, 50% take 3/80ths	
<b>Market value of total fund assets</b>	£3,670m (mid-market value as at 31st March 2008)	£3,234m (bid value as at 31st December 2008)

## **Scheme Membership**

The membership of the scheme was as follows:

<b>Scheme Membership</b>	31st March 2008	31st March 2009
Active Members	602	588
Deferred Members	596	618
Pensioners	804	806
Widows	209	207

41. Cash Flow Statement – Reconciliation to Income and Expenditure Account

<b>Reconciliation of net surplus/deficit on I&amp;E A/c to revenue activities net cash flow</b>	<b>2008/09 £'000</b>
Revenue activities net cash flow	3,141
Collection Fund Surplus / Deficit	39
Items not involving Movement of Funds	
- FRS17	1,495
- Depreciation	2,327
- Gain on disposal of fixed assets	(828)
- Revenue expenditure funded from capital under statute	1,420
(Increase) / Decrease in Debtors	(5,445)
Increase / (Decrease) in Creditors	441
(Increase) / Decrease in Stock	1
Increase / (Decrease) in Provisions	187
Financing Items shown below Revenue Activities	
- External Interest Paid	1,162
- External Interest Received	(293)
<b>(Surplus)/Deficit on Income &amp; Expenditure Account</b>	<b>3,647</b>

42. Cash Flow Statement – Reconciliation to Net Debt

<b>Reconciliation of Movement in Cash to Net Debt</b>	<b>As at 31/03/2007 £'000</b>	<b>As at 31/03/2008 £'000</b>	<b>Movement In Year £'000</b>	<b>As at 31/03/2008 £'000</b>	<b>As at 31/03/2009 £'000</b>	<b>Movement In Year £'000</b>
Movement in cash	3,292	1,916	(1,376)	1,916	1,552	(364)
Net Debt Due within 1 year	4,413	2,231	(2,182)	2,231	9,121	6,890
Debt Due after 1 year	23,489	23,400	(89)	23,400	22,383	(1,017)
<b>Net Cash Inflow before Financing</b>	<b>31,194</b>	<b>27,547</b>	<b>(3,647)</b>	<b>27,547</b>	<b>33,056</b>	<b>5,509</b>

43. Cash Flow Statement – Financing

<u>Reconciliation of items under Financing to opening and closing balance sheets</u>	<b>Balance at 31/03/2008 £'000</b>	<b>Balance at 31/03/2009 £'000</b>	<b>Movement In Year £'000</b>
Net Debt	27,547	33,056	5,509
			<b>5,509</b>
(Increase)/Decrease in cash for period			(364)
Cash received from increase in debt			5,873
			<b>5,509</b>

44. Cash Flow Statement – Analysis of Government Grants

<u>Analysis of Government Grants</u>	<b>2007/08 £'000</b>	<b>2008/09 £'000</b>
<u>DWP Grants for Benefits</u>		
Rent Allowances	25,027	27,278
Council Tax Benefits	7,943	8,349
Rent Rebates	58	43
	<b>33,028</b>	<b>35,670</b>
<u>Revenue Support Grant</u>		
Grant Based on SSA	1,663	1,438
National Non-Domestic Rates	9,911	10,329
	<b>11,574</b>	<b>11,767</b>
<u>Other Government Grants</u>		
Benefits Administration	1,128	1,108
Single Regeneration Budget	102	-
European Regional Development Fund	346	104
European Social Fund	65	1
Area Based Grants	-	2,474
Other	3,088	2,120
	<b>4,729</b>	<b>5,807</b>
	<b>49,331</b>	<b>53,244</b>

#### 45. Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-Term		Current	
	31/03/08	31/03/09	31/03/08	31/03/09
	£'000	£'000	£'000	£'000
Financial liabilities at amortised cost	23,400	22,383	4,159	10,685
<b>Total Borrowing</b>	<b>23,400</b>	<b>22,383</b>	<b>4,159</b>	<b>10,685</b>
Available-for-sale financial assets	11	11	-	-
<b>Total Investments</b>	<b>11</b>	<b>11</b>	<b>-</b>	<b>-</b>

#### 46. Financial Instruments Gains/Losses

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

#### 47. Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables 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:

	2007/08 Total £'000	2008/09			
		Financial Liabilities	Financial Assets		Fair Value through the I & E A/c £'000
		Liabilities measured at amortised cost £'000	Loans and Receivables £'000	Available-for- sale assets £'000	
Interest expense	(1,210)	(1,162)	-	-	-
<b>Interest payable and similar charges</b>	<b>(1,210)</b>	<b>(1,162)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Interest income	391	-	346	-	-
<b>Interest and investment income</b>	<b>391</b>	<b>-</b>	<b>346</b>	<b>-</b>	<b>-</b>
Losses on revaluation	-	-	-	-	-
<b>Surplus arising on revaluation of financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net gain/(loss) for the year</b>	<b>(819)</b>	<b>(1,162)</b>	<b>346</b>	<b>-</b>	<b>-</b>

- 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.
- The fair value figures for 31st March 2009 are relatively higher (more costly to redeem) than the 31 March 2008 comparators.
- 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:

	31 March 2008		31 March 2009	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB borrowing	23,446	24,529	23,370	26,550
Other borrowing	2,185	2,185	8,134	8,134
Bank overdraft	1,928	1,928	1,564	1,564
<b>Total financial liabilities</b>	<b>27,559</b>	<b>28,642</b>	<b>33,068</b>	<b>36,248</b>
Long term investments	11	9	11	9
Long term debtors	819	819	790	790
<b>Total loans and receivables</b>	<b>830</b>	<b>828</b>	<b>801</b>	<b>799</b>

#### Landsbanki Islands HF

Landsbanki Islands HF is an Icelandic 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. Old Landsbanki's latest public presentation of its affairs was made to creditors on 20 February 2009 and can be viewed on its website. This and other relevant information indicates that recovery of between 90-100 % could be achieved, and the authority has taken a mid point position and assumed recovery at 95% by 2012.

The authority has therefore decided to recognise an impairment based on it recovering 95p in the £.

Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of old Landsbanki to enjoy rights in New Landsbanki.
- The impact (if any) of the freezing order made by the UK Government over Landsbanki's London branch assets.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the Bond remains at its current value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 33p in the £.

No information has been provided by the resolution committee about the timing of any payments to depositors. Because it is anticipated that all the assets of Landsbanki Islands HF will need to be realised to repay priority creditors, settlement in a single sum is unlikely. Therefore, in calculating the impairment, the authority has used the estimated repayment timetables for two other Icelandic banks, Heritable and Kaupthing Singer & Friedlander as a basis for its assumption about the timing of recoveries. It is therefore assumed that the repayment will be split roughly evenly between March 2010, December 2010, December 2011 and December 2012.

Recoveries are expressed as a percentage of the authority's claim in the administration, which it is expected may validly include interest accrued up to 8th October 2008.

#### 48. 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. Burnley Borough 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 one institution dependent upon the rating of that institution. The maximum amounts range between £1m and £2m. In the case of the Council's own bankers the limit is set at £5m.

Customers 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 Burnley Borough Council.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions. The provision for 'bad debts' at 31<sup>st</sup> March 2009 totals £5.195m. Included in this is a general provision of £1.826m 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.

	Amount at 31/03/2009 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31/03/2009 %	Estimated maximum exposure to default and uncollectability £'000
	A	B	C	(AxC)
Deposits with banks and financial institutions	1,000	-	15.30%	153
Debtors	19,909	40.32%	26.10%	5,195
				<b>5,348</b>

The authority expects settlement terms from debtors of no greater than 14 days. However, £7.8m of the £19.9m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31/03/2008 £'000	31/03/2009 £'000
Less than three months	337	169
Three to six months	55	80
Six months to one year	1,671	2,525
More than one year	5,333	5,040
	<b>7,396</b>	<b>7,814</b>

#### Landsbanki

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the Bond remains at its current value. Therefore, if

preferential creditor status is not achieved the recoverable amount may only be 33p in the £.

## Liquidity risk

As the authority has ready access to borrowings from 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:

	31/03/08 £'000	31/03/09 £'000
Less than one year	4,172	10,701
Between one and two years	1,016	451
Between two and five years	3,486	4,041
More than five years	18,885	17,875
	<b>27,559</b>	<b>33,068</b>

The figure of £10.701m due in less than one year includes temporary borrowing to cover purchases related to grant funded schemes such as Weavers Triangle.

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

## Market Risk

### (a) Interest rate risk

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

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise.
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall.
- investments at variable rates – the interest credited to the Income and Expenditure Account will rise.
- investments 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 Income and Expenditure Account or Statement of Total Recognised Gains and Losses. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance £ for £. Movements in the fair value of fixed rate investments will be reflected in the Statement of Total Recognised Gains and Losses.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The in-house treasury team, supported by the Council's independent management consultants, will monitor market and forecast interest rates within the year to adjust exposures appropriately.

If interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	3
Increase in interest receivable on variable rate investments	(68)
<b>Impact on Income and Expenditure Account</b>	<b>(65)</b>
Decrease in fair value of fixed rate borrowing liabilities (no impact on Income and Expenditure Account or Statement of Recognised Gains and Losses)	1,991

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

### **(b) Price risk**

The Council does not invest in equity shares but does have shareholdings to the value of £11,000 in 3.5% War Stock. The shares are all classified as 'available-for-sale', meaning that all movements in price will impact on gains and losses recognised in the Statement of Total Recognised Gains and Losses.

### **(c) Foreign exchange risk**

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

## COLLECTION FUND REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

2007/08			2008/09	
£'000	£'000		£'000	£'000
<b><u>INCOME</u></b>				
<b>Council Tax</b>				
30,101		Council Taxpayers - net of Benefits Granted	31,268	
7,875		Benefits Granted	8,247	
<u>(3)</u>		Transitional Relief	<u>(2)</u>	
	37,973			39,513
<b>Non-Domestic Rates</b>				
21,731		Business Ratepayers - net of Bad & Doubtful Debts Provision	23,800	
<u>38</u>		Burnley Borough Council - Discretionary Relief Contribution	<u>40</u>	
	21,769			23,840
	<u><b>59,742</b></u>	<b>Total Income</b>		<u><b>63,353</b></u>
<b><u>EXPENDITURE</u></b>				
	37,494	<b>Precepts from Local Authorities</b> (see note 4)		38,850
<b>Non-Domestic Rates</b>				
21,626		Payment to National Pool	23,698	
<u>143</u>		Cost of Collection	<u>142</u>	
	21,769			23,840
	327	<b>Council Tax Bad &amp; Doubtful Debts</b>		
		Provision for Bad Debts		153
	(129)	<b>Contributions</b>		
		Previous Years Estimated Fund Surplus/(Deficit)		263
	<u><b>59,461</b></u>	<b>Total Expenditure</b>		<u><b>63,106</b></u>
<b>281</b>		<b><u>SURPLUS/(DEFICIT) FOR YEAR</u></b>		<b>247</b>
<b><u>MOVEMENT IN FUND BALANCE</u></b>				
	100	Opening Surplus/(Deficit) on Collection Fund - as at 1st April		381
	281	Surplus/(Deficit) for Year		247
<b>381</b>		Closing Surplus/(Deficit) on Collection Fund - as at 31st March		<b>628</b>

## NOTES TO THE COLLECTION FUND ACCOUNTS

### 1. General

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 page 27 for Burnley Borough Council's demand on the Collection Fund which includes the sums required by 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 31st March 2009 was a surplus of £627,593 which includes a surplus for the year of £246,747. In setting the Council Tax for 2008/09 it was anticipated that there would be a surplus of £296,438 for Council Tax. The additional surplus from 2008/09 will be taken into account in setting the Council Tax for 2010/11.

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

<u>Collection Fund Surplus / (Deficit)</u>	<u>As at 31/03/08</u>	<u>2008/09</u>	<u>As at 31/03/09</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Burnley Borough Council	61	39	100
Lancashire County Council	273	176	449
Lancashire Police Authority	32	22	54
Lancashire Combined Fire Authority	15	10	25
Total Surplus / (Deficit)	<u>381</u>	<u>247</u>	<u>628</u>

### 2. National 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 adult population. Business rates are calculated by multiplying the rateable value for the property by the standard national rates in the pound (small businesses 45.8p and other non-domestic properties 46.2p for 2008/2009). The total non-domestic rateable value for the Borough at 31st March 2009 was £59,525,551.

### 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 November 2007 (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 2008/09 was 25,635 as shown below.

<b>Council Tax Base 2008/2009</b>						
Property Value Between      And £              £		Band	Ratio	Number of Properties	Equivalent Number After Discounts	Band D Equivalent
-	40,000	A	6/9	25,098	20,084	13,385
40,001	52,000	B	7/9	4,712	4,144	3,223
52,001	66,000	C	8/9	6,042	5,519	4,906
66,001	88,000	D	9/9	2,712	2,526	2,526
88,001	120,000	E	11/9	1,246	1,178	1,439
120,001	160,000	F	13/9	310	282	407
160,001	320,000	G	15/9	135	124	207
320,001	higher	H	18/9	10	6	12
Total				40,265	33,863	26,105
less: Allowance for Non-Collection				(1.8%)		470
<b><u>COUNCIL TAX BASE FOR 2008/09</u></b>						<b>25,635</b>

#### 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 2008/09 was calculated as follows:

	£
Lancashire County Council precept	27,610,537
Lancashire Police Authority precept	3,485,413
Lancashire Combined Fire Authority precept	1,542,202
Burnley Borough Council precept	6,164,448
Padiham Town Council precept	23,395
Cliviger Parish Council precept	10,000
Worsthorne with Hurstwood Parish Council precept	5,000
Habergham Eaves Parish Council precept	1,125
Briercliffe with Entwistle Parish Council precept	8,000
	-----
Total to be met from Council Tax	38,850,120
	-----

Divided by the Council Tax Base (25,635) this gives an average Band D Council Tax for the year 2008/09 of £1,515.51.

#### 5. Bad Debts

The Collection Fund Revenue Account must make proper provision for debts which it may prove impossible to collect. The movements on these provisions, and the write-offs that have been made, are shown in the table below.

<b>Collection Fund 2008/09</b> <b>Provision for Bad Debts</b>	Council Tax £	Non-Domestic Rates £
Balance as at 1st April 2008	3,119,378	270,336
add: Amount provided in 2008/09	153,304	163,889
	3,272,682	434,225
less: Debts written off in year	208,551	129,219
	3,064,131	305,006
Balance as at 31st March 2009	4,233,520	1,123,357
Arrears as at 31st March 2009	72%	27%
Provision as proportion of outstanding arrears		

## **GLOSSARY OF TERMS**

### **ACCOUNTING PERIOD**

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

### **ACCRUALS**

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

### **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.

### **ASSET**

Something of worth which is measurable in monetary terms. See also current asset and fixed asset

### **AUDITOR'S OPINION**

The opinion required by statute from the Council's external auditors, indicating whether the statement of accounts presents fairly the financial position of the authority.

### **BALANCE SHEET**

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

### **BUDGET**

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

### **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 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 RECEIPTS**

Proceeds in excess of £10,000 from the sale of fixed assets, such as land or buildings, and any other receipt as determined in the capital finance regulations.

**CAPITAL RECEIPTS - DEFERRED**

Capital receipts to be received by instalments over agreed periods of time.

**COLLECTION FUND**

The account which shows the transactions of the Council in relation to non-domestic rates and council tax and the distribution of these to Lancashire County Council, Lancashire Police Authority, Lancashire Combined Fire Authority and the Borough Council's General Fund. The Collection Fund is consolidated with the other accounts of the Council.

**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.

**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 potential liability at the balance sheet date which arises as a result of a condition which exists where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. The liability should be included in the balance sheet if it can be estimated reasonably accurately. Otherwise, where the contingency is likely to be material, the fact that it exists should be disclosed as a note to the accounts.

**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.

**CREDITOR**

An amount owed by the Council for goods received, or services rendered to it within the accounting period but for which payment has not been made.

**CURRENT ASSET**

An asset held which will be consumed or cease to have value within the next financial year e.g. stocks and debtors.

**CURRENT LIABILITY**

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

**DEBT REDEMPTION**

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

**DEBTOR**

An amount of income due to the Council within the accounting period but not received at the balance sheet date.

**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 wearing out, consumption, or other reduction in the useful economic life of a fixed asset.

**EXPENDITURE**

The costs incurred relating to the accounting period irrespective of whether or not the amounts due have been paid or not. The difference between expenditure and payments is calculated by reference to the levels of accruals

**FINANCIAL YEAR**

In the context of a local authority this means the period from 1<sup>st</sup> April to the following 31<sup>st</sup> 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.

**FIXED ASSET RESTATEMENT ACCOUNT**

Represents principally the balance of the surpluses or deficits arising from the periodic revaluation of assets. No longer used from 2007-08.

**GENERAL FUND**

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

**GOING CONCERN**

The concept that an organisation will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to significantly curtail the scale of operations.

**GROSS EXPENDITURE**

The cost of service provision before allowing for Government grants, Council Taxes and other income.

**HOUSING REVENUE ACCOUNT (HRA)**

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

**INCOME**

Amounts due to be received in respect of the accounting period irrespective of whether or not such amounts have been received as at the balance sheet date.

**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.

**LEASING**

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

**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 concept that the statement of accounts should include all amounts which, if omitted or incorrectly stated, could be expected to lead to a distortion to a reader of the accounts.

**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)**

National non-domestic rate poundages for commercial premises including small businesses are set annually by the government and collected by all local authorities. The proceeds are redistributed between local authorities 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.

**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.

**PRECEPT**

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf.

**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.

**PUBLIC WORKS LOAN BOARD (PWLB)**

A Government agency which provides longer-term loans to local authorities.

**RELATED PARTY TRANSACTIONS**

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**

Amounts included in one financial years accounts to provide for payment for goods or services, whether revenue or capital, in a future financial year.

**REVALUATION RESERVE**

This replaced the former FARA. The RR will, like the FARA, 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.

**SECTION 137 EXPENDITURE**

Section 137 of the Local Government Act 1972 empowers authorities to incur expenditure for the benefit of some or all of their inhabitants that is not authorised under other powers.

**STOCKS AND WORK IN PROGRESS**

Items of stores and raw materials which have been procured for use on an ongoing 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.