



STATEMENT OF ACCOUNTS 2009-10

Approved by the Council's Audit Committee on 29th September 2010

.....

Councillor Peter Doyle

Chair of the Audit Committee

CONTENTS

Explanatory Foreword	2
Statement of Accounting Policies	8
Statement of Responsibilities for the Statement of Accounts	18
Annual Governance Statement	19
Auditor's Certificate and Opinion	34
<u>Core Financial Statements</u>	
- Income and Expenditure Account	37
- Statement of Movement on the General Fund Balance	38
- Statement of Total Recognised Gains and Losses	40
- Balance Sheet	41
- Cash Flow Statement	42
Notes to the Core Financial Statements	43
<u>Supplementary Financial Statement</u>	
- Collection Fund Revenue Account	83
Notes to the Supplementary Financial Statement	84
Glossary of Terms	87

EXPLANATORY FOREWORD

Introduction

The Council's Accounts for the year 2009/10 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 2010 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 2009 code of practice has changed the accounting treatment of certain transactions for 2009/10 compared to the 2008/09 accounts.

For 2009/10 there are revised accounting arrangements included in the SORP 2009 for the Collection Fund to reflect that authorities responsible for collecting Council Tax act as agents and the collection of Council Tax is in substance an agency arrangement. A number of amendments have been made to restate the 2008/09 comparative figures as detailed in Note 1 to the Core Financial Statements on page 43.

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 2009/2010 was approved by the Council on 25th February 2009 and amounted to a net figure of £18.365m. This figure increased to £18.408m with the inclusion of parish and town Council precepts. In determining the budget for the year there was no planned transfer to accumulated General Fund revenue balances and a planned contribution of £0.100m from earmarked reserves. There was however a planned contribution to earmarked reserves of £0.602m arising from the decisions made during the financial year as a result of information provided as part of the revenue budget monitoring. This gave a revised contribution to earmarked reserves of £0.502m.

The Income and Expenditure Account for 2009/10 shows a deficit for the year before adjustments and transfers from reserves of £3.405m. After allowing for adjustments for the effects of depreciation pensions costs etc. this deficit was amended to a surplus figure of £0.284m. This surplus was transferred to earmarked reserves. The level of general fund balances remains 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 2009/10 is shown below.

Revenue Expenditure	Rev. Estimate 2009/10 £m	Actual 2009/10 £m	Difference £m
Net Expenditure on Services	17.1	15.9	1.2
less: Net Depreciation Charges	(1.3)	(1.3)	0.0
	15.8	14.6	1.2
Net Interest Payable	1.0	1.0	0.0
Provision for Debt Repayment	1.2	1.2	0.0
Contributions To Finance Capital Spending	0.2	0.1	0.1
Other Non-Specific Grants	(0.3)	(0.3)	0.0
Transfer (from)/to Reserves	0.5	1.8	(1.3)
Transfer (from)/to General Balances	0.0	0.0	0.0
Expenditure Met from General Grants & Council Tax	18.4	18.4	0

The main reasons for the underspending on the revenue account during 2009/10 were savings in the annual pay award and higher than expected levels of vacant posts. This was partially offset by reduced income in areas including Leisure Services, Green Spaces & Amenities, Land Charges and Planning Application Fees as a result of the economic downturn.

The expenditure of £18.408m shown above was met by use of £11.826m receivable from Revenue Support Grant and the National Non-Domestic Rating Pool and £47,094 Collection Fund surplus. This meant that a sum of £6.535m 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 £2.906m 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.

Capital Expenditure	Rev Estimate 2009/10 £m	Actual 2009/10 £m	Difference £m
Housing Repair, Refurbishment & Clearance	16.1	15.9	0.2
Regeneration	0.2	0.2	0.0
Green Spaces and Amenities	0.8	0.7	0.1
Streetscene	0.7	0.6	0.1
Leisure	0.8	0.8	0.0
Information & Communications Technology	0.2	0.2	0.0
Planning	0.4	0.4	0.0
Property	2.7	2.6	0.1
Chief Executive	0.1	0.1	0.0
Other	0.1	0.1	0.0
Total	22.1	21.6	0.5

In 2009/10 the Council spent £21.6M on capital projects compared with a capital budget of £22.1M. 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.

The major area of capital spending in Housing during the year was £9.1m in clearance areas with £9m of this spending financed by way of funding from Regenerate Pennine Lancashire (formerly Elevate - East Lancashire Housing Market Renewal Initiative). There was also spending of £3m on Housing refurbishment and re-modelling (£2.7m financed from Regenerate PL), £1.3m on disabled facilities grants and £1m on vacant acquisitions. Under Property Consultancy, there was £1.8m spent on the acquisition of the former Waste Transfer Site at Princess Way and under Leisure, a further £800k was spent completing the Refurbishment of Padiham Leisure Centre.

Borrowing

The total amount outstanding on long-term loans borrowed from external organisations and individuals to finance capital expenditure as at 31st March 2010 was £21.9m. The sources of this borrowing, and the periods to repayment, are identified in note 26 on page 62. 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 £73.5m. 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.

In 2009/10 the Council restructured part of its overall borrowing by early repayment of a £2 million loan with 22 years to run with two £1 million loans with periods to maturity of 2.5 and 3 years. The interest rates charged on these new loans are 2.5% and 2.75% less than the loan replaced and the estimated saving on interest over the three years 2009/10 to 2011/12 totals £119k.

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.

Recovery of Overpaid Value Added Tax (VAT)

Claims for overpaid VAT were made on behalf of the Council in March 2009 by consultants appointed specifically to undertake this work on a "no win no fee" basis. These claims were for amounts received by the Council and paid over as VAT due to Her Majesty's Revenues and Customs (HMRC) in respect of fee income 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 resulted in a successful outcome to these claims. A sum of £979k has now been received from HMRC and has generated a net sum of £783k after the payment of fees to the consultants. The Council has decided that this sum should be paid into the Financial Instruments Shortfall Reserve to ensure there is full provision for the £1million investment in Landsbanki Islands HF for which repayment is currently being pursued in the Icelandic courts.

Icelandic Bank Investment

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 8th 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 and interest due will ultimately be recovered (the current legal advice is that the Council's claim will enjoy priority status), although the total amount is not expected to be recovered until 2018. An impairment of this investment has been charged to the accounts in 2009/10 as was the case in 2008/09. The total of the impairment to the end of 2009/10 (£311k) reflects the difference between the £1m plus interest due 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 or 2009/10 by virtue of Government regulations, a sum has been set aside in a reserve to cover any non-repayment. For further details see the notes to the core financial statements dealing with Financial Instruments.

The Landsbanki investment is shown in the Balance Sheet under Long-Term Investments as no repayment is scheduled to be received before 2011/12. In the 2008/09 Statement of Accounts the investment was shown under Investments within Current Assets as at that stage an earlier repayment profile was assumed.

Current Economic Conditions

The “credit crunch” has led to recession and record low levels of interest rates. Many local businesses are under severe pressure and unemployment is rising. This has had an effect upon the levels of housing benefits which the Council pays, whilst the low interest rates continue to reduce valuable investment income to support the council's spending. The Council's financial position is worsened by the continuing fall in income from fees and charges. Property prices are depressed and although the valuation of the Council's assets in the balance sheet is based upon levels prevailing at 1st April 2009 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 2010/11. It is encouraging to note that there has not been a material effect on the Council's debt collection rate.

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 17) and in the notes to the Accounts.

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 in writing to the External Auditor.

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 34 to 36. The address of the Council's auditor is:

Audit Commission, 2nd 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 2009/10 financial year and its position at the year-end of 31st March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 – 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 installments 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 5.6% (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 current bid price, unquoted securities by means of a professional estimate, unitized securities at the current bid price and property at market value.
- The change in the net pensions liability is analysed into 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.

7. 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.

8. 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.

9. 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.

10. 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.

11. 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 an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). 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.

12. Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalized under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of the council tax.

13. 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.

14. 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.

15. 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. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

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

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which a premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustments Account in the Statement of Movement on the General Fund Balance.

16. Financial Assets

These are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.

These are initially 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.

For most of the loans that the Council has made this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account

Any gains or losses that arise on the derecognition of an asset are credited/debited to the Income and Expenditure Account

- 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. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument.

Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

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

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

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognized in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Income and expenditure Account.

Any gains or losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognized in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses)

17. 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.

18. Interests in Companies and Other Entities

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

19. 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 2010.

In preparing this statement I have:

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

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

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

Certificate of Chief Financial Officer

I certify that the Statement of Accounts presents a true and fair view of the financial position of Burnley Borough Council at 31st March 2010 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 30th June 2010.

Nick Aves
Director of Resources

Date: 29th September 2010

ANNUAL GOVERNANCE STATEMENT 2009/10

Contents

	Page
Introduction	
• Scope and Responsibility	20
• Governance Framework	20
• The Council's Corporate Governance Arrangements	21
Core Principles	
• Purposes and Outcomes	23
• Functions and Roles	24
• Conduct and Behaviour	25
• Scrutiny and Managing Risk	26
• Capacity and Capability	28
• Accountability	29
Effectiveness of Governance Framework	
• Review of Effectiveness	31
• Significant Governance Issues	32
• Action Taken to Address Previous Issues	32
• Certification	33

Introduction

1. Scope and Responsibility

- 1.1 Burnley Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Burnley Borough Council has also a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Burnley Borough Council is responsible for putting in place proper arrangements for the governance of its affairs; facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 Burnley Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA¹/SOLACE² Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at:

http://www.burnley.gov.uk/site/scripts/download_info.php?fileID=2761

Or can be obtained from:

Chief Executives Office
 Burnley Borough Council
 Town Hall
 Manchester Road
 Burnley
 BB11 1JA.

- 1.4 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, which require the Council to publish a statement on internal control in accordance with proper practice.

2. The Council's Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads 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.

¹ Chartered Institute of Public Finance and Accountancy

² Society of Local Authority Chief Executives

- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an 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.
- 2.3 The governance framework has been in place at Burnley Borough Council for the year ended 31 March 2010 and has been up to the date of approval of the statement of accounts. This framework reflects the arrangements in place to meet the six core principles of effective governance:
- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area ([Purpose and Outcomes](#))
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles ([Functions and Roles](#))
 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour ([Conduct and Behaviour](#)).
 - Taking informed and transparent decision which are subject to effective scrutiny and managing risk ([Scrutiny and Managing Risk](#))
 - Developing the capacity and capability of members and officers to be effective ([Capacity and Capability](#)).
 - Engaging with local people and other stakeholders to ensure robust and public accountability ([Accountability](#)).

3. The Council's Corporate Governance Arrangements

Corporate Governance Arrangements

- 3.1 The Council takes its corporate governance arrangements seriously and as a result has put in place a rigorous process of reviewing the arrangements on a regular basis. The process of review is as follows:

Management Team

- 3.2 Management Team consists of the Chief Executive, four service Directors and the Head of Chief Executive's Office. From a governance perspective, the role of Management Team (MT) is to review the Council's governance and risk management arrangements.

The Executive

- 3.3 The Executive has primary responsibility for the Council's governance and risk management arrangements and that includes reviewing such arrangements. Where necessary the Executive will make recommendations to the Council on the governance and risk management arrangements. The Executive is responsible for delivering identifiable, accountable, corporate leadership for the Council and the community it serves.

The Audit Committee

- 3.4 The Audit Committee will review annually the effectiveness of the Council's corporate governance and risk management arrangements and will, where necessary, make recommendations to the Council and Executive on any issues arising.

The Council

- 3.5 The Full Council has a responsibility to act upon the recommendations made by the Executive or the Audit Committee in relation to the Council's policy on corporate governance and risk management. This will be subject to recommendations being made by the Executive and/or the Audit Committee but will, at the very least, occur at least once a year when the policies on corporate governance and risk management are reviewed following review by the Audit Committee.

Scrutiny Committee

- 3.6 The Council's Scrutiny Committees assist the Council and the Executive in the development of its Budget and Policy Framework by in-depth analysis of policy issues. Specific Procedure Rules are in place within the Constitution³ to govern these arrangements and ensure an appropriate and full role is played in the corporate governance of the Council by the Scrutiny function.

Standards Committee

- 3.7 The Council's Standards Committee promotes and maintains high standards of conduct by members, co-opted members and officers of the Council and has a responsibility for monitoring and advising on revisions to the Council's Constitution, codes of conduct, complaints etc..

³ Budget and Policy Framework Procedure Rules – Part 4.3

Core Principles

4. Purpose and Outcomes

Strategic Leadership

- 4.1 The Council has a clear vision for the Borough. These are set out in the Sustainable Community Strategy⁴ and the Strategic Plan and are reviewed periodically. The priorities are set out in 4 key areas:
- People
 - Places
 - Prosperity
 - Performance
- 4.2 Burnley Council is a key member of the Local Strategic Partnership⁵ which is made up of organisations from the public, private, voluntary, community and faith sectors. The purpose of the partnership is to develop the strategic vision for Burnley and to develop plans to achieve that vision.

Quality of Service

- 4.3 There are strong links between strategic and financial planning ensuring that decisions taken as part of the budget process are considered in the context of the priorities and overall financial position of the Council. Financial projections set out in the Medium Term Financial Strategy inform service planning and budget setting and ensure resources are aligned to deliver the priorities. Strategic Plans reflect the priorities, incorporate budgets and reflect the resource requirements for service delivery.
- 4.4 The quality of service is linked to the cost of the services to ensure the best use of limited resources. A Value for Money (VFM) Toolkit has been developed to assist with the assessment of VFM.
- 4.5 Performance against the set targets is measured and monitored on a quarterly basis through the use of Performance Plus and is reported to Management Team. Each Unit's Service Plan is clearly linked to the Corporate Strategic Objectives and performance against the agreed targets is monitored through Performance Plus.
- 4.6 The Annual Report provides a comprehensive overview of the Council's activities, achievements and performance over the past year.
- 4.7 In addition to performance measures, there are various approaches to measuring the quality of services e.g. focus groups and citizen surveys. A recent PLACES survey indicated that residents' perception of the Borough was improving.
- 4.8 A new complaint handling procedure⁶ was introduced in April 2009 which will help the Council manage complaints more effectively and will help to identify and address any underlying problems.

⁴ Burnley's Future 2007-2017

⁵ Burnley Action Partnership

⁶ CRM – Front Office Module

Use of Resources

- 4.9 Achieving value for money is a priority for the Council.
- 4.10 The most recent Use of Resources assessment (part of the Comprehensive Area Assessment) resulted in a score of 2 out of a possible 4 (4 being the highest).

5. Functions and Roles

Effective Leadership

- 5.1 The Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable to local people.
- 5.2 The Constitution is regularly reviewed to ensure that it is up to date. All revisions are formally agreed at a meeting of the Full Council.
- 5.3 The respective roles and responsibilities of members, committees and the statutory posts of Head of Paid Service (Chief Executive), Chief Finance Officer (S151 Officer) and the Monitoring Officer are set out in the Constitution (Part 5).
- 5.4 The Chief Executive, as Head of Paid Service, is responsible for determining the structure of the Council and the discharge of functions. The Chief Finance Officer, as s151 Officer, is responsible for the administration of the financial affairs of the Council, including ensuring that appropriate advice is given on all financial matters, keeping proper financial records and accounts and maintaining an effective system of internal financial control. The Head of People and Law is the Monitoring Officer and is responsible for advising the Council on the legality of its decisions and on the conduct of members and officers. Part of the role is to promote and encourage high standards of behaviour in all Council business.
- 5.5 There is a standard form of committee report which seeks to ensure that all matters coming to members for decision have first received consideration in respect of all appropriate and necessary legal, professional and technical matters.

Working Relationships

- 5.6 The Constitution (Part 3) sets out the Scheme of Delegation to Officers including the conditions of delegation and any restrictions. The Scheme of Delegation is regularly reviewed and updated when changes to delegated authority are required.
- 5.7 The Constitution (Part 5) contains the Code of Conduct for Employees and Members Code of Conduct, and an Officer/Member protocol⁷ governing the relationships between officers and members.
- 5.8 All staff have Statement of Particulars⁸ and job descriptions that set out their roles and responsibilities. People and Development strategies, policies and procedures are available on the hub⁹.

⁷ Director/Member/Executive Protocol

- 5.9 Members receive financial allowances in accordance with the Members Allowance Scheme contained in the Constitution (Part 6).
- 5.10 Officers below Head of Service are paid in accordance with the National Joint Council for Local Government Services National Review on Pay and Conditions of Service, locally agreed collective agreements reached with Trade Unions and decisions of the Council.

Relationships with the Public

- 5.12 The Council's vision, priorities, strategic actions and targets are publicised in the Strategic Plan and developed in consultation with the local community and key stakeholders. The Council is committed to partnership working and has protocols in place for its significant partnerships, e.g., Burnley Action Partnership and Lancashire Development Control.

6. Conduct and Behaviour

Standards of Conduct

- 6.1 The Council's leadership promotes a climate of openness, support and respect. Standards of conduct and personal behaviour expected of members and officers are defined and communicated through the statutory Codes of Conduct and Officer / Member protocol. All members are required to sign up to the Members Code of Conduct, and it is their responsibility to comply with the provisions of the Code. The Code requires members to treat people fairly and with respect, put aside their own interests when conducting Council business and to behave in a way that does not bring the Council into disrepute. Members and officers are required to register personal interests and declare any gifts or hospitality that they receive. Training is provided on the Constitution and ethical framework.
- 6.2 Observance of the Members' Code of Conduct is monitored and regulated by the Standards Committee. Terms of reference are set out in the Constitution (Part 3) – Responsibility for Functions. The Committee deals with any matters concerning members' conduct and complaints. Standards Committee activity is reported to Full Council.

Organisational Values

- 6.3 The Council has adopted a set of organisational competencies and behaviours¹⁰ to reflect excellent practice in communications, effectiveness in the job and attributes such as integrity and valuing people. These compliment the codes of conduct and promote a strong ethical framework.
- 6.4 Each member of staff is required to undertake a Performance and Development Review (PDR) on an annual basis which is used to manage performance and behaviour. This also identifies individual development and training requirements.

⁸ Conditions of Employment

⁹ Intranet

¹⁰ Competency Framework Identified Behaviours Levels 1 - 5

- 6.5 The complaints procedure ensures that customer complaints are dealt with in a fair and consistent manner. Complaints received are now entered on to Front Office which will help the management of complaints and will also address underlying issues.
- 6.6 The Council endeavours to ensure Value for Money and upholds public expectation that public funds are spent appropriately, transparently and in an efficient, effective and economic manner. As such, the Council seeks to minimise the risks of fraud and corruption. The Anti-Fraud and Corruption Policy helps prevent fraud and corruption by promoting detection, undertaking investigation and implementing corrective measures where detected.
- 6.7 Good practice is pursued in terms of letting contracts and general financial matters. The Council's Standing Orders for Contracts and Financial Procedure Rules are set out in the Constitution (Part 4).
- 6.8 The Partnership Protocol supports effective working relationships between partners and is the key to ensuring that people who work for, or are members of, partner organisations understand the aims of the partnership and how their organisation's activities link in to the delivery of the Burnley Vision.

7. Scrutiny and Managing Risk

Scrutiny

- 7.1 The Constitution sets out how the Council operates and the process for policy and decision making.
- 7.2 Full Council has overall responsibility for the Constitution, Scheme of Delegation, Terms of Reference, Financial Regulations, Standing Orders and Codes of Conduct; and for corporate plans and strategies including the Strategic Plan and the Medium Term Financial Strategy. Full Council also retains responsibility for the financial performance of the Council (via Resources committee) and regulatory functions (via the Planning Committee and Licensing Sub-Committee).
- 7.3 The decision making process is scrutinised by the Scrutiny Committees¹¹, which carry out policy development and review in relation to the function of the policy committees.
- 7.4 The committee system ensures that agendas are set and decision making documented in a comprehensive and consistent manner. Pre-meetings are held with chairs and vice-chairs prior to committee to improve understanding of information. Meetings are generally open to the public and reports, supporting documents and minutes are published on the Council's website.
- 7.5 In order to safeguard members and officers against conflicts of interest and ensure that gifts and hospitality are declared, the Council has adopted a Members' Code of Conduct and a Code of Conduct for Employees. A protocol governs the relationships between members and officers.

¹¹ Better Services, Economy, Environment & Housing and Leadership & Community

- 7.6 The Audit Committee is an independent committee of the Council and is not subject to scrutiny. The Committee's role is to evaluate policy, corporate issues and implementation of strategies relating to the internal audit of Council services and their improvement. It approves the Internal Audit Plan, monitors performance and considers external inspection and internal audit reports, including the Annual Audit and Inspection Letter. It reviews the annual Statement of Accounts and ensures that appropriate accounting policies have been followed. Any concerns arising from the audit or financial statements are referred to Full Council.
- 7.7 The complaints procedure is effective, transparent and accessible. The Council aims to respond to complaints within 5 days and provide a process of recourse should complainants not be satisfied with the response.

Information, Advice and Support

- 7.8 The Council seeks to ensure that those making decisions are provided with information that is fit for purpose by adopting a standard report format, which ensures that all matters coming before members have received appropriate legal, financial, technical and professional consideration.
- 7.9 Policies and procedures ensure the requirements of the Freedom of Information Act, Environmental Information Regulations and Data Protection Act are met.
- 7.10 The Council is committed to securing data quality.
- 7.11 There is an induction and mentoring programme for new members. Training is provided on the constitution, ethical framework, and specific training is given to committee chairs and vice chairs and members of the Standards, Planning and Licensing committees. Members are issued with a Member Information Pack on a weekly basis which contains all the required information for the following week's meetings.

Risk Management

- 7.12 The council recognises the need for comprehensive risk management arrangements for its services and partnerships. The Risk Management Strategy sets out the approach for managing risk at a strategic and operational level. Overall responsibility for reviewing the effectiveness of risk management lies with the Director of Resources as sponsor of the initiative with the Executive responsible for monitoring arrangements. Each Head of Service and manager is a Risk Manager for their area of responsibility.
- 7.13 The Council's Strategic Risk Register is reviewed annually and actions are taken to mitigate the risks identified. The most significant strategic risks (and principal mitigating activities) are:
- Reviving Burnley's housing market – through working with Regenerate East Lancashire to improve Housing supply and quality.
 - Educational attainment – increasing educational opportunities and aspirations through the Education Trust and Partners.
 - Collection of Tax – maintaining and improving the collection of tax income in the recession

- Asset Management – ensuring that assets meet the requirements of the Community and Council.
- 7.14 This approach is mirrored at Service Unit level. The review of risk is an integral part of annual service planning. Risks are identified through a Service Risk Register and mitigating actions developed and assigned. In addition, specific project risks are considered as apart of the Council’s project management methodology, with requirements for risk analysis and mitigation as part of project planning.
- 7.15 Risk management is important to effective partnership working and consideration is given to risk identification, analysis and mitigation.
- 7.16 Business Continuity arrangements are in place and service specific critical service plans have also been produced. The continuity plan has been tested in a table top exercise; no physical testing has been undertaken at present. In addition Emergency Planning arrangements are maintained.
- 7.17 The Council has a strong ethical framework and maintains high standards of conduct. Members and officers are aware of whistleblowing arrangements; the Whistleblowing Policy is published on the Hub.

Legal Powers

- 7.18 The Council understands its legal powers and limitations, and seeks to ensure that it acts responsibly and lawfully at all times. The Monitoring Officer is responsible for advising the Council if any proposal, decision or omission is likely to give rise to unlawfulness or maladministration, and therefore, performs a key function in ensuring lawfulness and fairness in the operation of the Council’s decision making process.
- 7.19 The Chief Finance Officer, as s151 officer, is responsible for ensuring that sound financial systems are maintained and that expenditure is lawful and appropriate.
- 7.20 The Council’s standard report format and processes ensure that all matters coming before members have received the appropriate legal ‘vetting’ prior to being submitted.

8. Capacity and Capability

Skills and Resources

- 8.1 There is a strong working relationship between members and staff, and the Council aims to ensure that they have the skills, resources and support needed to perform effectively in their roles and recognises the value in training to achieve excellent performance.
- 8.2 The Council has an embedded induction process with tailored processes for both members and officers. Officer induction consists of corporate induction¹², held at least twice a year and a localised induction which commences immediately upon arrival. The Council has a duty to provide, so far as it is practical, the necessary information, instruction, training and supervision to ensure the health and safety at

¹² Corporate Induction Programme

work of all employees. The corporate induction programme provides and insight into the structure of the Council, the decision making process, policy and guidance etc. Local inductions cover departmental and work specific issues and are usually undertaken by the line manager.

- 8.3 New members receive an induction pack and are appointed a mentor. On joining, members agree to the Code of Conduct ensuring high standards in the way they undertake their duties. In addition, training is given on Standards Committee procedures, Licensing and Planning legislation / procedure, audit committee and charring committees for chairs and vice chairs.

Development and Performance

- 8.4 Members are provided with a range of development opportunities. All members are encouraged to complete a Personal Development Plan which will assist in identifying and addressing their own development needs.
- 8.5 Staff performance is managed through Performance and Development Reviews (PDRs). These are aligned to service plans and focus on the Council's values and behaviours. Development and training needs are identified during the appraisal process and help to inform the overall development requirements of the Council.
- 8.6 There is a strategic approach to workforce planning that reflects the corporate priorities and supports the delivery of services. Workforce planning is aligned to service planning. The Organisational Development Strategy¹³ has a strong emphasis on organisational development and learning.

Community Participation

- 8.7 Effective arrangements are in place to engage the community and encourage participation in decision making. The Council undertakes consultation in developing its priorities and consults regularly on a broad range of issues to establish the views of the community.
- 8.8 The Citizen's Panel regularly complete questionnaires to provide feedback on services; the results are collated by an independent body¹⁴ and are fed back to the relevant authorities.
- 8.9 All Council meetings are open to the public, unless confidential items are being discussed.

9. Accountability

Scrutiny and Accountability

- 9.1 Members are democratically accountable, in general terms, to the local electorate. They are accountable for ethical behaviour under the terms of the Members Code of Conduct which mirrors the National Code of Local Government Conduct. All members agree to abide by this Code in their actions as councillors. The accountabilities of staff are set out in the Code of Conduct for Employees.

¹³ Enabling Transformation October 2009

¹⁴ Feedback – collaboration between East Lancashire Councils.

Communications

- 9.2 The Constitution sets out powers to enable the Council to provide clear leadership in the community and supports the active involvement of the community in decision making.
- 9.3 There are effective arrangements for managing communications with the community. There is a corporate identity used to brand communications and services.
- 9.4 The Community Engagement strategy and Future Direction of Communication aim to inform and consult communities on items of interest and, where possible, enable their participation in decision making.
- 9.5 The Council's website is regularly updated, and has recently been re-designed, and provides access to sources of information, advice, online payments and requests for service.

Responsibility to Staff

- 9.6 Staff are kept informed of issues by means of Core Brief and a weekly bulletin from the Chief Executive. All staff have direct access to Management Team through regular Staff Conferences. These combine workshops, question and answer sessions and presentations. The Chief Executive also holds quarterly 'Chat with the Chief' lunches where staff are invited to attend and discuss work related issues.
- 9.7 The Council recognises Unison and GMB as the trade unions for negotiations and consultations. The unions are informed, during monthly meetings with Management Team or as required, of proposals involving changes to staff and services.

Effectiveness of Governance Framework

10. Review of Effectiveness

10.1 Burnley Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the 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 comments made by the external auditors and other review agencies and inspectorates.

In Year Reviews

10.2 The Council annually reviews the effectiveness of its governance framework, including the system of internal control. The review is informed by Heads of Service who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors and by comments made by the external auditors. In addition, a full review of the operation of the governance framework has been completed.

Internal Audits

10.3 Audits have been undertaken according to the annual, risk based, Internal Audit Plan, approved by Audit Committee. These have included Partnerships, Budget Monitoring, Treasury Management, Cashiers, Creditors, Child Protection and Selective Landlord Licensing.

External Audit and Inspection

10.4 The Council's external auditors, the Audit Commission, have undertaken several audits and inspections providing the Council with an external opinion on its financial management and use of resources.

- Use of Resources assessment
- Annual Audit and Inspection Letter

Audit Committee

10.5 Audit Committee have received reports on performance, Internal Audit Effectiveness, the Head of Finance's Internal Audit Opinion, Risk Management, internal audits and external inspections (including the Annual Audit and Inspection Letter). It has also reviewed the Statement of Accounts and ensured that appropriate accounting policies have been followed.

Audit Opinion on System of Internal Control

10.6 Accounting and Audit Regulations require all local authorities to "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal audit".

- 10.7 We have been advised on the implications of the result of the review of the 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.

11 Significant Governance Issues

- 11.1 The review process has highlighted one significant issue regarding the governance environment and the improvement activity required. This is described briefly in the table below:

Issue	Requirement	Action	Target Date
Business Planning			
Security of assets needs to be reviewed to prevent further losses.	Physical assets such as equipment should be secured, as far as practicable, against misuse/loss or theft.	Immediate physical improvements to asset security have been completed and are to complete further agreed actions.	October 2010

12 Action Taken to Address Previous Issues

- 12.1 Actions taken to address significant issues identified on the previous governance statement are listed in the table below:

Issue	Action taken
The Monitoring Officer identified a specific weakness in the process for recording/ approval of hospitality on one occasion.	The Code of Conduct for Employees has been updated, and approved by Council, in respect of the approval of attendance at hospitality events.
The need to review & tighten up internal procedures and control in the Community Engagement and Cohesion Service	Internal procedures have been reviewed and communicated to all staff via Core Brief and are available on the Hub.
Training in Financial Procedure Rules needs to be provided.	Financial Procedure Rules training has been undertaken.
The need to provide ongoing Project Management training	Project Management training has been provided to appropriate officers via the Corporate Training programme.

13 Certification

13.1 We propose over the coming year to take steps to address the matters identified in paragraph 11.1 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.

Signed.....
Councillor Gordon Birtwistle
Leader of the Council

Signed.....
Steve Rumbelow
Chief Executive

Date.....

Date.....

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

I have audited the Authority's accounting statements and related notes of Burnley Borough Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of 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 published by the Audit Commission in April 2008.

Respective responsibilities of the Director of Resources and auditor

The Director of Resources' responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting 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 accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of 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 accounting 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 accounting statements, and consider whether it is consistent with the audited 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 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 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 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 accounting statements and related notes.

Opinion

In my opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 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 for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. 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 October 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 ended 31 March 2010.

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,
Audit Commission
2nd Floor Aspinall House
Aspinall Close
Middlebrook,
Bolton BL6 6QQ

30th September 2010

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

2008/09 Net Expenditure £'000		Gross Expenditure £'000	2009/10 Gross Income £'000	Net Expenditure £'000
Service Areas				
1,159	Central Services to the Public	11,673	(10,620)	1,053
14,137	Cultural, Environmental and Planning Services	36,219	(21,516)	14,703
1,557	Highways, Roads and Transport Services	3,980	(1,685)	2,295
1,329	Housing Services	39,722	(38,670)	1,052
3,101	Corporate and Democratic Core	5,341	(2,071)	3,270
418	Non Distributed Costs	61	-	61
21,701	Net Cost of Services	96,996	(74,562)	22,434
-	Refund of VAT from HMCE			(979)
(369)	(Gain) / Loss on disposal of fixed assets			(555)
48	Parish Council precepts			43
1,162	Interest payable and similar charges			1,136
181	Investment losses			130
(346)	Interest and investment income			(138)
(459)	Other Income			(235)
2,287	Pensions interest cost and expected return on pensions assets			3,744
24,205	Net Operating Expenditure			25,580
(6,212)	Demand on Collection Fund - Borough & Parish Councils			(6,535)
(82)	Collection Fund (surplus)/deficit transferred			(54)
(3,913)	General Government Grants			(5,478)
(10,329)	Non-domestic rates distribution			(9,608)
(62)	Local Authority Business Growth Incentive Grant			(21)
-	Performance Reward Grant			(479)
3,607	Deficit / (Surplus) for the Year			3,405

**STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE
FOR THE YEAR ENDED 31 MARCH 2010**

2008/09		2009/10
£'000		£'000
3,607	(Surplus)/Deficit for the year on the Income and Expenditure Account	3,405
(3,792)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(3,405)
<u>(185)</u>	(Increase)/Decrease in General Fund Balance for the Year	<u>-</u>
(915)	General Fund Balance brought forward	1,100
<u>(1,100)</u>	General Fund Balance carried forward	<u>(1,100)</u>

STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE
EXPLANATORY NOTE

Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	2008/09 £'000	2009'10 £'000
Amortisation of intangible fixed assets	(135)	(124)
Depreciation and impairment of fixed assets	(8,731)	(14,025)
Government Grants Deferred amortisation	6,721	9,948
Financial Instrument Impairment	(153)	(85)
Revenue Expenditure funded from capital under statute (net of grants)	(1,420)	(964)
Net gain on sale of fixed assets	828	745
Net charges made for retirement benefits in accordance with FRS 17	(4,880)	(5,300)
* Amount by which Council Tax income included in the Income & Expenditure Accounts is different from the amount taken to the General Fund in accordance with regulation	40	7
	(7,730)	(9,798)
Amounts not included in the Income & Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
Minimum revenue provision for capital financing	1,152	1,193
Capital expenditure charged in-year to the General Fund Balance	78	141
Employers contributions payable to the Lancashire Pension Fund and retirement benefits payable directly to pensioners	3,385	3,283
	4,615	4,617
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		
Net transfer to or (from) earmarked reserves	(677)	1,776
	(677)	1,776
Net additional amount required to be credited to the General Fund Balance for the year	(3,792)	(3,405)

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2010**

2008/09		2009/10
£'000		£'000
3,607	(Surplus)/Deficit for the year on the Income and Expenditure Account	3,405
(6,690)	(Surplus)/Deficit arising on revaluation of fixed assets	(257)
(2,438)	Actuarial (gains)/losses on pension fund assets and liabilities	16,142
-	Attributable movement on Collection Fund balance	-
<u>(5,521)</u>	Total recognised (gains)/losses for the year	<u>19,290</u>

BALANCE SHEET AS AT 31 MARCH 2010

31/03/2009			31/03/2010	
£'000	£'000		£'000	£'000
203		Intangible Fixed Assets (See Note 21)	157	
		Tangible Fixed Assets		
		Operational assets:		
29,293		Land and buildings (See Note 12)	30,610	
1,328		Vehicles, plant, furniture and equipment (See Note 12)	1,121	
3,582		Community assets (See Note 12)	3,458	
		Non-operational assets:		
40,692		Investment properties (See Note 12)	38,113	
355		Assets under construction (See Note 12)	-	
	75,453	Total Fixed Assets		73,459
	11	Long-term investments		773
	790	Long-term debtors		770
	22	Deferred debtors		14
	76,276	Total Long-Term Assets		75,016
		Current assets		
83		Stocks and work in progress	78	
14,075		Debtors (See Note 23)	16,797	
847		Investments	-	
12		Cash in hand	13	
	15,017			16,888
	91,293	Total Assets		91,904
		Current liabilities		
(9,121)		Short-term borrowing	(11,137)	
(4,833)		Creditors (See Note 24)	(5,429)	
(1,564)		Bank overdraft	(334)	
	(15,518)			(16,900)
	75,775	Total Assets less Current Liabilities		75,004
		Long-term liabilities		
(22,383)		Long-term borrowings (See Note 26)	(21,918)	
(506)		Provisions (See Note 27)	(320)	
(1,178)		Deferred liabilities	(951)	
(11,605)		Deferred Government Grants	(12,843)	
(45,972)		Liability related to defined benefit pension scheme (Note 38)	(64,131)	
	(5,869)	Total Assets less Liabilities		(25,159)
		Financed by:		
10,612		Revaluation Reserve (See Note 29)	10,869	
24,695		Capital Adjustment Account (See Note 30)	21,138	
(153)		Financial Instruments Adjustment Account	(238)	
2,597		Usable Capital Receipt Reserve (See Note 31)	3,076	
22		Deferred Capital Receipts	14	
(45,972)		Pension Reserve	(64,131)	
100		Collection Fund Adjustment Account	107	
1,130		Earmarked Reserves (See Note 32)	2,906	
		Revenue Balances		
1,100		General Fund	1,100	
	(5,869)	Total Net Worth		(25,159)

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

2008/09			2009/10	
£'000	£'000		£'000	£'000
		<u>Revenue Activities</u>		
		Cash Outflows		
20,230		Cash paid to and on behalf of employees	19,621	
19,262		Other operating cash payments	17,878	
<u>26,948</u>	66,440	Housing benefit paid out	<u>30,600</u>	68,099
		Cash Inflows		
(2,334)		Rents (after rebates)	(2,519)	
(6,212)		Council tax receipts	(6,535)	
(10,329)		National non-domestic rate receipts	(9,608)	
(1,438)		Revenue Support Grant	(2,218)	
(35,670)		DWP grants for benefits	(40,129)	
(5,807)		Other government grants	(7,064)	
<u>(9,454)</u>	<u>(71,244)</u>	Cash received for goods and services	<u>(10,071)</u>	<u>(78,144)</u>
	(4,804)	<i>Net Revenue Activities Cashflow</i>		(10,045)
		<u>Returns on Investment & Servicing of Finance</u>		
		Cash Outflows		
1,183		Interest paid	1,134	
<u>1</u>		Interest element of finance lease	<u>2</u>	
1,184			1,136	
		Cash Inflows		
<u>(350)</u>	834	Interest received	<u>(159)</u>	977
		<u>Capital Activities</u>		
		Cash Outflows		
24,839		Purchase of fixed assets	21,591	
		Cash Inflows		
(1,704)		Sale of fixed assets	(1,777)	
(21,264)		Capital grants received	(18,580)	
<u>(337)</u>		Other capital cash receipts	<u>(211)</u>	
<u>(23,305)</u>	1,534		<u>(20,568)</u>	1,023
		<u>Management of Liquid Resources</u>		
-		Net Increase/(decrease) in short-term deposits	-	
<u>7,945</u>	7,945	Net Increase/(decrease) in other liquid resources	<u>8,365</u>	8,365
	5,509	<i>Net Cash Inflow before Financing</i>		320
		<u>Financing</u>		
		Cash Outflows		
7,208		Repayments of amounts borrowed	24,562	
<u>13</u>		Capital element of finance lease rental payments	<u>13</u>	
7,221			24,575	
		Cash Inflows		
-		New long-term loans raised	(2,000)	
(13,094)		New short-term loans	(24,126)	
<u>(13,094)</u>	(5,873)		<u>(26,126)</u>	(1,551)
	(364)	<i>Net (increase)/decrease in cash</i>		(1,231)

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Prior Period Adjustment

As a result of a mandatory change to the 2009 Statement of Recommended Practice (SoRP) there has been a prior period adjustment:

Collection Fund Accounting

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non domestic rates (NDR). The SoRP 2009 gives definitive views as to whether the authorities responsible for collecting council tax act as agents and the collection of Council Tax is in substance an agency arrangement. The cash collected by the billing authority belongs proportionately to the billing authority and preceptors.

As a result, amendments have been made to the 2008/09 accounts within the Income and Expenditure Account, The Statement of Movement on General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the CashFlow Statements as per this note, along with the Debtors and Creditors (Notes 23 and 24, page 61).

The Income & expenditure Account has seen an additional amount of £40k being the proportion of the 2008/09 Collection Fund surplus directly attributable to Burnley Borough Council, as shown in the extract below:

INCOME & EXPENDITURE ACCOUNT (extract)	Adjustments			Restated Value £'000
	Original Value £'000	NDR £'000	Council Tax £'000	
Demand on Collection Fund	6,212	-	-	6,212
Collection Fund (Surplus) / Deficit Transferred	(42)		(40)	(82)
Net (surplus)/Deficit	3,647	-	(40)	3,607

The same value is then included in the Statement of Movement on General Fund Balance Explanatory Note on page 39, shown in the extract below, as part of the amount to be deducted from the Income & Expenditure account to arrive at the General Fund Balance.

Statement of Movement on General Fund Balance Explanatory Note	Adjustments			Restated Value £'000
	Original Value £'000	NDR £'000	Council Tax £'000	
ADD Amount by which Council Tax income included in the Income & expenditure Accounts is different from the amount taken to the General Fund in accordance with regulation		-	40	40
Net additional amount required to be credited to the General fund Balance for the year	(3,832)	-	40	(3,792)

Both figures above then transfer into the summary Statement on General Fund Balance on page 38, restated in full below.

STATEMENT OF MOVEMENT IN GENERAL FUND BALANCE (extract)	Original Value £000	Adjustments		Restated Value £000
		NDR £000	Council Tax £000	
(Surplus)/deficit for the year on the Income and Expenditure Account	3,647		(40)	3,607
Net additional amount required by statute and non-statutory proper practices to be debited/(credited) to the General Fund Balance	(3,832)		40	(3,792)
(Increase)/Decrease in General Fund Balance for the Year	(185)	-	-	(185)

The changes to the Income and Expenditure Account above are shown alongside the withdrawal of the Collection Fund Surplus in the Statement of Total Gains and Losses, restated in full below.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (extract)	Original Value £000	Adjustments		Restated Value £000
		NDR £000	Council Tax £000	
(Surplus)/deficit for the year on the Income and Expenditure Account	3,647		(40)	3,607
Surplus/(deficit) on revaluation of fixed assets	(6,690)			(6,690)
Actuarial gains/(losses) on pension fund assets	(2,438)			(2,438)
Surplus/(deficit) on Collection Fund	(39)		39	-
Total recognised gains & (losses) for the year	(5,520)	-	(1)	(5,521)

The same adjustments are also reflected in the Balance Sheets. The Balance sheet extract below shows the individual changes to the current assets and liabilities split between NNDR and Council Tax.

BALANCE SHEET (extract)	Original Value £'000	Adjustments		Restated Value £'000
		NNDR £'000	Council Tax £'000	
Debtors	14,714	(639)	-	14,075
Creditors	(5,472)	639	-	(4,833)
Total Assets less Liabilities	(5,869)	-	-	(5,869)
Collection Fund Adjustment Account	-	100	-	100
Revenue Balances - Collection Fund	100	(100)	-	-
Net Worth	(5,869)	-	-	(5,869)

Similarly the extract of the Cash Flow Statement below shows the impact of the changes on the revenue activities of Burnley Borough Council and the creation of a new line for 'Other liquid resources'.

CASH FLOW STATEMENT (extract)	Original Value £'000	Adjustments		Restated Value £'000
		NNDR £'000	Council Tax £'000	
National Non-Domestic Rates	23,539	(23,539)	-	-
Precepts Paid	32,860	-	(32,860)	-
Revenue Activities - Cash Outflows	122,839	(23,539)	(32,860)	66,440
Council Tax Receipts	(30,839)	-	24,627	(6,212)
National Non-Domestic Rates Receipts	(23,827)	23,827	-	-
Revenue Activities - Cash Inflows	(119,698)	23,827	24,627	(71,244)
Net Revenue Activities Cash Flow	3,141	288	(8,233)	(4,804)
Net (increase)/decrease in other liquid resources	-	(288)	8,233	7,945
Net Cash Inflow Before Financing	5,509	-	-	5,509

2. Trading Undertakings.

During the year, the Council operated an Open Market and a covered Market Hall in Burnley. The financial results were as follows:

<u>Trading Undertakings</u> <u>Markets</u>	<u>Burnley Markets</u>	
	2008/09	2009/10
	£'000	£'000
Income from Stallholders - Rents & Charges	822	879
Expenditure	753	937
Surplus/(Deficit) to Revenue Account	69	(58)

Note

The 2009/10 expenditure includes an amount of £153k that relates to a valuation impairment of the Market Hall and outdoor Market. The impairment charge related to capital expenditure on improvement work incurred during 2009/10 that didn't increase the value of the Market Hall.

3. Building Control

On the 1st September 2009, the Building Control teams of Blackburn with Darwen and Burnley Councils joined together to form a Pennine Lancashire Building Control Service. Other Pennine authorities have indicated a desire to become members at a future date, which includes Hyndburn, Pendle and Rossendale. Ribble Valley has decided that for the time being they wish to remain an independent Building Control authority.

The initiative to merge the service was driven by PLACE (Pennine Lancashire Leaders and Chief Executives group) who commissioned management consultants Turner and Townsend to carry out a Strategic Development Appraisal for Building Control Services. A business case was subsequently established with the objective of creating a more sustainable and successful service and this was accepted in December 2007.

The purpose of the Service is to administer the participating Council's statutory responsibilities in respect of the Building Regulations. This part of the service operates in competition against the private sector and is intended to be self financing via generation of fee income. The service also deals with dangerous structure situations and inputs into the planning of demolition work in the interests of public safety.

A Pennine Lancashire Building Control Joint Committee has been formed for the purposes of sections 101 and 102 of the Local Government Act 1972 and all other enabling powers, in order to achieve a sustainable and competitive Building Control service offering opportunities for an enhanced Service and economies of scale and ensuring elected member involvement in decision making. Blackburn with Darwen will fund all costs incurred by the Joint Committee and each partner authority shall reimburse Blackburn its share of these costs on the provision of reasonable evidence that such costs have been reasonably incurred, and are in accordance with the financial arrangements set out in the Service Level Agreement.

The Building (Local Authority Charges) Regulations 1998 required 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 up to the end of August 2009. From 2009/10 this information does not need to be disclosed but is shown below for information.

Building Control	2008/09			2009/10 (5 months)		
	Expenditure £ ' 000	Income £ ' 000	Net £ ' 000	Expenditure £ ' 000	Income £ ' 000	Net £ ' 000
Defined Activity	245	185	(60)	85	85	-
Non-Defined Activity	72	0	(72)	28	1	(27)
Surplus / (Deficit)	317	185	(132)	113	86	(27)

4. Agency Services

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

The 2009 SoRP has revised Accounting for Local Taxes and has determined that Billing Authorities act as the agent of their major preceptors when collecting Council Tax on their behalf. In Burnley, the major preceptors are Lancashire County Council, Lancashire Police Authority and Lancashire Combined Fire Authority. No fee is charged for this service. The authority, as the billing authority, also acts as agent for the Government in collecting NNDR. The government paid an allowance for the cost of this collection in 2009/10 of £0.143m (£0.142m in 2008/09).

<u>Agency Services</u>	2008/09	2009/10
	Income £'000	Income £'000
LCC Payment - Residual Works	47	43
Government Allowance for cost of collection of NNDR	142	143
(Surplus) / Deficit	189	186

5. Local Area Agreement

The Council has made a strong contribution to the implementation of the Local Area Agreement (LAA) for Lancashire, which ended on 30th June 2008. The twelve reward targets are measured to the 31st March 2010.

Performance reward grants are due in 2 installments. The first 50% tranche of £478,384 was received on the 8th April 2010. As stated above, the grants are for targets achieved by 31st March 2010 and therefore the amount of £478,384 has been accrued for in 2009/10.

Due to the current economic climate and the new Government's stated intention to review all public spending, the second tranche is now unlikely to be received. A new three year LAA was implemented on 1st 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 Lancashire Partnership Executive on which the Borough Council is represented.

6. General Government Grants

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

General Government Grants	2008/09 £000	2009/10 £000
Revenue Support Grant	1,438	2,218
Area Based Grants		
Working Neighbourhoods Fund	2,183	2,721
Cohesion grant	117	214
Preventing Violent Extremism	105	143
Connecting Communities	-	60
Youth Task Force grant	47	47
Climate Change grant	23	23
Empty Shops	-	52
Total	3,913	5,478

7. Members Allowances

Payment of allowances to elected Members are made in accordance with the scheme approved annually by the Council. The following allowances were paid in 2008/09 and 2009/10.

Members Allowances	2008/09 £	2009/10 £
<u>Allowance rate per member per annum</u>		
Basic Allowance	2,460	2,460
Executive Member	4,050	4,050
Leader Supplement	10,800	10,800
Deputy Leader Supplement	2,700	2,700
Other Group Leaders	1,350	1,350
Scrutiny, Development Control & Licensing Committee Chairs	2,700	2,700
Development Control Vice Chair	1,350	1,350
Licensing Committee Vice Chair	1,350	-
<u>Spending Incurred</u>		
Allowances and expenses payable in the year	£188,333	£186,445

8. Senior Employees Remuneration

The number of employees whose total remuneration (excluding pension contributions) for the year was £50,000 or more is as shown below. The remuneration now includes payments to officers for elections duties. This has resulted in the requirement to restate the 2008/09 comparative figures to bring in an officer that was previously under £50,000 before the addition of elections payments, and the moving up of one officer into the next band.

<u>Employees Remuneration</u>	2008/09 Original Number of Employees	2008/09 Restated Number of Employees	2009/10 Number of Employees
<u>Remuneration Band</u>			
£50,000 - £54,999	1	1	1
£55,000 - £59,999	-	1	-
£60,000 - £64,999	-	-	1
£65,000 - £69,999	3	3	2
£70,000 - £74,999	1	1	2
£75,000 - £79,999	-	-	-
£80,000 - £84,999	-	-	-
£85,000 - £89,999	-	-	-
£90,000 - £94,999	-	-	-
£95,000 - £99,999	-	-	-
£100,000 - £104,999	-	-	-
£105,000 - £109,999	-	-	-
£110,000 - £114,999	-	-	-
£115,000 - £119,999	1	1	1

The details of remuneration in the year to senior employees with a salary of £50,000 or more are shown below. The second table is for 2009/10 and the first table shows comparative information for 2008/09.

Senior Officers Emoluments - Salary between £50,000 and £150,000 - 2008/09

Post/Post Holder	Salary (Including fees & allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Elections	Benefits in Kind (e.g. Car Allowance)	Total Remuneration excluding pension contributions 2008/09	Pension contributions	Total Remuneration including pension contributions 2008/09
	£	£	£	£	£	£	£	£	£
<u>Head of Paid Service</u>									
The Chief Executive Steve Rumbelow	112,815	-	-	-	2,305	-	115,120	15,311	130,431
<u>Statutory Chief Officers</u>									
The Director of Resources (Chief Finance Officer) Nick Aves	67,968	-	-	-	1,617	-	69,585	9,255	78,840
The Head of People and Law (Monitoring Officer) David Wilcock	54,367	-	-	-	968	-	55,335	7,231	62,566
<u>Non-Statutory Chief Officers</u>									
The Director of Community Services Mick Cartledge	73,159	-	-	-	-	-	73,159	9,730	82,889
The Director of Environment David Brown	67,961	-	-	-	-	-	67,961	9,039	77,000
The Director of Regeneration & Housing Mike Cook	67,961	-	-	-	-	-	67,961	9,041	77,002
	444,231	-	-	-	4,890	-	449,121	59,607	508,728

Senior Officers Emoluments - Salary between £50,000 and £150,000 - 2009/10

Post/Post Holder	Salary (Including fees & Allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Elections	Benefits in Kind (e.g. Car Allowance)	Total Remuneration excluding pension contributions 2009/10	Pension contributions	Total Remuneration including pension contributions 2009/10
	£	£	£	£	£	£	£	£	£
<u>Head of Paid Service</u>									
The Chief Executive Steve Rumbelow	112,857	-	-	-	6,652	-	119,509	15,895	135,404
<u>Statutory Chief Officers</u>									
The Director of Resources (Chief Finance Officer) Nick Aves	67,968	-	-	-	4,052	-	72,020	9,040	81,060
The Head of People and Law (Monitoring Officer) David Wilcock	58,666	-	-	-	2,086	-	60,752	7,803	68,555
<u>Non-Statutory Chief Officers</u>									
The Director of Community Services Mick Cartledge	73,159	-	-	-	-	-	73,159	9,730	82,889
The Director of Environment David Brown	67,961	-	-	-	-	-	67,961	9,039	77,000
The Director of Regeneration & Housing Mike Cook	67,961	-	-	-	-	-	67,961	9,039	77,000
	448,572	-	-	-	12,790	-	461,362	60,546	521,908

9. Related Party Transactions

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

Central government 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 government departments are set out in a note relating to the Cash Flow Statement.

Members of the council have direct control over the council's financial and operating policies. During 2009/10, works and services to the value of £348,501.17 were commissioned from organizations in which members had an interest (this includes organizations where the Council had appointed members to represent it). Contracts and transactions were entered into in full compliance with the council's standing orders. In addition there were four members of the Council who are members of Lancashire County Council; the value of works and services entered into with this body in 2009/10 was £2,625,069.33. In addition, the Council paid grants totaling £563,173.73 to organizations in which members had interests (this includes organizations where the Council had appointed members to represent it). The grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Members of the Council were also members of various parish and town councils to which the Council has paid precepts made grants or made other payments to totaling £85,390.23. Details of all these interests are recorded in the Register of Members' Interest, open to public inspection.

Officers of the Council also hold positions in other organisations as a consequence of being appointed by the Council. During 2009/10, 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 Head of Service represents the Council on the board of this joint-venture company. In addition the Council is included in the East Lancashire Housing Market Restructuring Pathfinder (Regenerate) partnership programme between Burnley and the nearby boroughs of Blackburn with Darwen, Hyndburn, Pendle and Rossendale. A Burnley Borough Council Director represents the Council on the board of this company.

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.

10. Audit Costs

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

Disclosure of Audit Costs	2008/09 £'000	2009/10 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	112	109
Fees payable to the Audit Commission in respect of statutory inspection	7	9
Fees payable to the Audit Commission for the certification of grant claims and returns	39	25
	158	143

Planned audit services cost £109,000 in line with the agreed plan and budget.

11. Total Recognised Gains and Losses (see Core Financial Statements – page 40)

Statement of Total Recognised Gains & Losses	2008/09 £'000	2009/10 £'000
Deficit for the year on the Income and Expenditure Account	3,607	3,405
Surplus arising on revaluation of fixed assets	(6,690)	(257)
Actuarial (gains)/losses on pension fund assets and liabilities	(2,438)	16,142
Any other (gains)/losses required to be included within the STRGL	-	-
Total recognised (gains)/losses for the year	(5,521)	19,290

12. Movement on Fixed Assets

Movement on Fixed Assets (Tangible)				
Operational Assets	Land and Buildings £'000	Vehicles, plant etc £'000	Community Assets £'000	TOTAL £'000
Cost or valuation				
At 1 April 2009	32,077	4,375	3,771	40,223
Reclassification	670	-	(411)	259
Additions	1,442	278	333	2,053
Disposals	-	-	-	-
Revaluations	78	-	(46)	32
At 31 March 2010	34,267	4,653	3,647	42,567
Depreciation and Impairments				
At 1 April 2009	(2,784)	(3,047)	(189)	(6,020)
Charge for 2009/10	(917)	(485)	-	(1,402)
Disposals	-	-	-	-
Reclassification	-	-	-	-
Revaluations	44	-	-	44
At 31 March 2010	(3,657)	(3,532)	(189)	(7,378)
Balance sheet amount as at 31 March 2010	30,610	1,121	3,458	35,189
Balance sheet amount at 31 March 2009	29,293	1,328	3,582	34,203
Nature of asset holding				
Owned	30,610	1,121	3,458	35,189
Finance leased	-	-	-	-
	30,610	1,121	3,458	35,189
Non-Operational Assets	Investment Properties £'000	Assets Under Construction £'000	TOTAL £'000	
Cost or valuation				
At 1 April 2009	40,692	355	41,047	
Reclassification	96	(355)	(259)	
Additions	11,264	-	11,264	
Disposals	(1,497)	-	(1,497)	
Revaluations	(12,442)	-	(12,442)	
At 31 March 2010	38,113	-	38,113	
Depreciation				
At 1 April 2009	-	-	-	
Charge for 2009/10	-	-	-	
Disposals	-	-	-	
Reclassification	-	-	-	
Revaluations	-	-	-	
At 31 March 2010	-	-	-	
Balance sheet amount at 31 March 2010	38,113	-	38,113	
Balance sheet amount at 31 March 2009	40,692	355	41,047	
Nature of asset holding				
Owned	38,113	-	38,113	

13. Capital Financing Requirement

This table shows how the capital investment and financing during 2009/10 affected the underlying total of the Council's borrowing requirement as it relates to capital spending:

Capital Expenditure & Financing	2008/09 £'000	2009/10 £'000
Opening Capital Financing Requirement	28,792	28,542
<u>Capital Investment</u>		
Operational assets	1,779	2,131
Non-operational assets	12,538	11,264
Revenue expenditure funded from capital under statute	10,522	8,196
Prior year adjustment	-	
<u>Sources of finance</u>		
Capital receipts	(1,865)	(1,307)
Government grants and other contributions	(21,994)	(18,883)
Sums set aside from revenue	(1,230)	(1,334)
Closing Capital Financing Requirement	28,542	28,609
<u>Explanations of movements in year</u>		
Increase in underlying need to borrow (supported by Government financial assistance)	-	-
Decrease in underlying need to borrow (unsupported by Government financial assistance)	(250)	67
Increase/(Decrease) in Capital Financing Requirement	(250)	67

14. 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.

15. Commitments Under Capital Contracts

Significant commitments at 31st March 2010 for future capital expenditure included the following:

	£'000
Housing Clearance	8,573
Disabled Facilities Grants	264
Housing Refurbishment and Remodelling	358
Vacant Acquisitions	205

16. Information on Assets Held

The major fixed assets held by the authority at 31st March 2010 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)

17. 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 2009/10 was £8,028 (2008/09 £43,301).

Land & Buildings – the authority leases the Parker Lane Contact Burnley building on a short-term lease, which has been accounted for as an operating lease. The rentals payable in 2009/10 were £70,303 (2008/09 £68,256).

Commitments under Operating Leases – the authority was committed at 31st March 2010 to make payments of £72,412 under operating leases, comprising the following elements:

<u>Operating Leases</u>	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000
Leases expiring in 2010/11	-	-
Leases expiring between 2011/12 and 2014/15	-	-
Leases expiring after 2014/15	72	-

Authority as Lessor – with regard to the authority's activity as a lessor, the gross value of assets held for use in operating leases was £22,089,773 (valued at 1 April 2009 and subject to £796,580 depreciation to 31 March 2010). The rentals receivable in 2009/10 were £1,277,731.

Vehicles, Plant and Equipment – the authority has acquired three cremators under a finance lease. The rental payable under these arrangements in 2009/10 was £15,283 (2008/09 £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 31st March 2010, accounted for as part of long-term liabilities, are also shown below:

Finance Leases	Vehicles, Plant & Equipment £'000
Value at 1 April 2009	13
Depreciation	(13)
Value at 31 March 2010	-
Obligations payable in 2010/11	-
Obligations payable between 2011/12 and 2014/15	-
Total Liabilities at 31 March 2010	-

18. Assets Held For Leases

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

19. 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

	Land and Buildings £'000	Vehicles, plant etc £'000	Community Assets £'000	Investment Properties £'000	Assets Under Construction £'000	TOTAL £'000
Valued at historical cost	-	4,653	3,647	-	-	8,300
Valued at current value in:						
2009/10	3,166	-	-	595	-	3,761
2008/09	921	-	-	11,268	-	12,189
2007/08	2,829	-	-	11,877	-	14,706
2006/07	13,436	-	-	12,642	-	26,078
2005/06	13,915	-	-	1,731	-	15,646
Total Valuation	34,267	4,653	3,647	38,113	-	80,680
Less : Cumulative depreciation	(3,657)	(3,532)	(189)	-	-	(7,378)
Valuation net of depreciation	30,610	1,121	3,458	38,113	-	73,302

20. 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 10 of the Statement of Accounting Policies above.

The total **depreciation charge** for the year was £1,403k for tangible fixed assets and £124k for the amortisation of intangible assets as referred to in the note to the Statement of Movement on General Fund Balances on page 39. The £1,403k is included within the larger depreciation and impairment of fixed assets figure.

There were no **changes to the estimated useful life** of assets during 2009/10 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 12 - Movement on Fixed Assets - above

Accumulated depreciation and impairment at the beginning of the financial year are shown in note 12 - Movement on Fixed Assets – above. The end of year position is shown in note 19 – 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 12 – Movement on Fixed Assets – above

21. Intangible Fixed Assets

Movement in intangible assets	Purchased Software Licences £'000
Original cost	671
Amortisations to 1 April 2009	(468)
Balance at 1 April 2009	203
Expenditure in year	78
Written off to revenue in year	(124)
Balance at 31 March 2010	157

22. 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.

Analysis of Net Assets Employed	31/03/2009 £'000	31/03/2010 £'000
General Fund	(6,739)	(26,099)
Trading Operations	870	940
Total Net Assets Employed	(5,869)	(25,159)

23. Debtors

Debtors	31/03/2009 £'000	Restated 31/03/2009 £'000	31/03/2010 £'000
General	1,566	1,566	2,103
Government Grants	9,437	9,616	11,238
EEC Grants	731	731	237
Other Grants	210	210	166
Payments Made in Advance	87	87	112
Community Charge	8	8	8
Council Tax	4,233	682	652
National Non-Domestic Rates	1,123	-	-
Court Fees	1,178	1,178	986
Housing Benefit Overpayments	816	816	827
Public Utilities	36	36	79
Other Local Authorities	133	1,114	1,505
HM Revenues & Customs	351	351	721
	19,909	16,395	18,634
<u>Less: Provision for Bad and Doubtful Debts</u>	5,195	2,320	1,837
Net Debtors Outstanding	14,714	14,075	16,797

24. Creditors

Creditors	31/03/2009 £'000	Restated 31/03/2009 £'000	31/03/2010 £'000
General	1,449	1,449	2,801
Government Grants	716	716	415
EEC Grants	253	253	253
Other Grants	19	19	82
Other Local Authorities	994	994	550
Payments Received in Advance	2,041	1,402	1,328
Total	5,472	4,833	5,429

25. Interests in Companies

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

26. Long Term Borrowing

<u>Long Term Borrowing</u>	<u>Range of Interest Rates</u>		<u>31/03/2009</u>	<u>31/03/2010</u>
	<u>From</u>	<u>To</u>	<u>£'000</u>	<u>£'000</u>
<u>Analysis of loans by type</u>				
Public Works Loan Board	1.800%	9.250%	22,370	21,918
Finance Lease	6.619%	6.619%	13	-
			22,383	21,918
<u>Analysis of loans by maturity</u>				
Between 1 and 2 years	4.800%	8.500%	463	2,000
Between 2 and 5 years	4.350%	7.250%	4,037	6,116
Between 5 and 10 years	4.400%	9.250%	5,096	4,425
Over 10 years	4.550%	7.130%	12,787	9,377
			22,383	21,918

27. Provisions

<u>Provisions</u>	<u>Balance</u> <u>01/04/2009</u> <u>£'000</u>	<u>Increase</u> <u>2009/10</u> <u>£'000</u>	<u>Reduction</u> <u>2009/10</u> <u>£'000</u>	<u>Balance</u> <u>31/03/2010</u> <u>£'000</u>
Redundancy Payments - Car Leasing	94	-	94	-
Grant Clawback Provision	40	-	-	40
Compulsory Purchase Proceeds Liability	75	-	-	75
Bonds and Deposits	100	226	193	133
Pension Strain Provision	197	70	204	62
Redundancy Provision	-	10	-	10
	506	306	491	320

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:

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.

Redundancy Provision – this provision has also been made to cover the liability incurred by decisions taken in the financial year relating to redundancies. When someone is made redundant this may incur a cost. This must be met by the Council. When the payment in respect of this liability is made the provision will be written down accordingly.

28. Movement on Reserves

Movements on Reserves					
Reserve	Balance 01/04/2009 £'000	Net Movement in Year £'000	Balance 31/03/2010 £'000	Purpose of Reserve	Further Detail of Movements
Revaluation Reserve	10,612	257	10,869	Store of gains on revaluation of fixed assets	Note 29 to the Core Financial Statements, page 65 below.
Capital Adjustment Account	24,695	(3,557)	21,138	Store of capital resources set aside to meet past expenditure	Note 30 to the Core Financial Statements, page 65
Financial Instruments Adjustment Account	(153)	(85)	(238)	Balancing account to allow inclusion of Investment in Landsbanki to offset anticipated impairment of value.	Balance Sheet, page 41
Usable Capital Receipts	2,597	479	3,076	Proceeds of fixed asset sales available to meet future capital investment	Note 31 to the Core Financial Statements, page 66
Deferred Capital Receipts	22	(8)	14	Proceeds from sale of fixed assets which have taken place where the full amount has not yet been received	Balance Sheet, page 41
Pensions Reserve	(45,972)	(18,159)	(64,131)	Balancing account to allow inclusion of Pension Liability in the Balance Sheet	Note 38 to the Core Financial Statements, page 70
General Fund	1,100	-	1,100	Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance, page 38
Collection Fund	100	7	107	The Council's element of the overall surplus of £657k	Balance Sheet, page 41 & Collection Fund page 83
Earmarked Reserves	1,130	1,776	2,906		Note 32 to the Core Financial Statements, page 66
	(5,869)	(19,290)	(25,159)		

29. Revaluation Reserve

<u>Revaluation Reserve</u>	Balance 01/04/2009 £'000	Increase 2009/10 £'000	Decrease 2009/10 £'000	Balance 31/03/2010 £'000
Opening balance	10,612			10,612
Changes in valuation	-	257		257
Disposal of fixed assets	-			-
Depreciation	-			-
Closing balance	10,612	257	-	10,869

30. Capital Adjustment Account

<u>Capital Adjustment Account</u>	Balance 01/04/2009 £'000	Increase 2009/10 £'000	Decrease 2009/10 £'000	Balance 31/03/2010 £'000
Opening balance	24,695			24,695
Minimum Revenue Provision		1,193		1,193
<u>Capital Expenditure Financing</u>				
Revenue Contributions to Capital		141		141
Capital Receipts		1,306		1,306
<u>Movements in Year</u>				
REFFCUS charges written out			964	(964)
Downward valuations/impairments			12,623	(12,623)
Disposal of Fixed assets			1,032	(1,032)
Finance lease written down			13	(13)
Fixed asset depreciation			1,513	(1,513)
Government Grants Deferred Amortisation		9,948		9,948
Closing balance	24,695	12,588	16,145	21,138

31. Usable Capital Receipts

Usable Capital Receipts	Balance 01/04/2009 £'000	Increase 2009/10 £'000	Decrease 2009/10 £'000	Balance 31/03/2010 £'000
Opening balance	2,597			2,597
Receipts in Year (Gross)	-	1,786		1,786
Used to reduce net indebtedness	-			-
Used to provide for future repayment	-			-
Required to repay grant	-			-
Used to finance capital expenditure	-		1,306	(1,306)
Closing balance	2,597	1,786	1,306	3,077

32. Earmarked Reserves

Earmarked Reserves	Balance 01/04/2009 £'000	Increase 2009/10 £'000	Decrease 2009/10 £'000	Balance 31/03/2010 £'000
Modernisation Reserve	314	248	92	470
Taxi Licensing Reserve	-	34	-	34
Selective Licensing	-	32	-	32
Highways & Parkwise	32	-	32	-
Financial Instruments Shortfall Reserve	181	819	-	1,000
Building Control Reserve	144	-	27	117
Local Housing Allowance	115	-	96	19
Local Authority Business Growth Incentive	27	-	27	-
Planning Delivery Grant	146	-	21	125
Community Regeneration Reserve	-	806	-	806
Housing Benefits Admin. Subsidy Reserve	-	127	-	127
Transport & Plant Replacement Reserve	168	74	92	150
Other Reserves	3	23	-	26
Closing balance	1,130	2,163	387	2,906

33. Contingent Liabilities and Contingent Assets

On 17th April 2008 the Council entered into two overarching development agreements (ODA) with a lead developer to deliver development in South West Burnley and Burnley Wood. The 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 £605k.

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 31st March 2010 from the eligible start date for claims of April 1978 is £2,320k. 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.

The Council has also lodged claims with HMRC for amounts received by the Council and paid over as VAT due to Her Majesty's Revenues and Customs (HMRC) in respect of fee income from cultural, leisure and sports activities for various periods between 1978 to 1996. Reference is made to these claims in the explanatory foreword to these accounts and a substantial amount of the sums claimed relating to sport, leisure and culture has now been recovered. There are still elements of the claims relating to sports coaching which are being reviewed by HMRC that the Council should also receive in due course. The outstanding claims total £209k which would if paid generate an additional £167k of income after the deduction of consultants' fees.

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 8th 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 £311k potential loss associated with this loan which will require funding in 2010/11. The Council has set aside monies in a reserve to cover any non-repayment. The estimated £311k takes into account the discounted net present value of installments of money that it is estimated will be received on future dates in respect of the investment and interest due.

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.

An application to construct a new retail outlet in Padiham was refused by the Council in Spring 2010. This rejection was appealed by the applicant. The appeal was upheld and the costs of defending against the appeal will amount to approximately £100k.

The Community Alliance was formed in 1999, as a loose forum of resident and community groups. The following year the council was successful with its bid for SRB6 funding. Part of this SRB6 funding was used to employ staff to manage the Community Alliance, run a number of projects on its behalf, and set up the Community Alliance as a properly constituted and self sufficient organisation.

In June 2004, the council's executive approved the transfer of two members of staff to the Community Alliance. As part of the TUPE agreement, the council agreed to provide an indemnity against any potential pension strain liabilities.

The Community Alliance may go into liquidation, resulting in a possible pension strain liability of up to £50,000. It is not yet known whether there are sufficient funds to cover this amount and the potential residual cost to the Council.

34. Authorisation of Accounts for Issue

The Head of Finance has, on 21st September 2010, authorised that this Statement of Accounts should be issued for distribution to Members of the Council's Audit Committee.

35. Events After the Balance Sheet Date

Public Sector Pension Increases – change from RPI to CPI

Since 1972, each April, public-sector pensions have been increased in line with the Retail Price Index ('RPI').

In his budget statement on 22 June 2010, the Chancellor announced that from April 2011 the government would start to increase public service pensions in line with the Consumer Prices Index ('CPI') rather than the Retail Price Index ('RPI'). As a result, future pension increases under the Lancashire County Pension Fund are expected to be slightly lower, on average, than would have been the case if this change had not been made. In the opinion of the Pension Fund Actuary, this change is estimated to reduce the FRS17/IAS19 benefit obligations between 5% and 8% for most employers. The precise financial effect will be taken into account in the FRS17/IAS19 figures for the year ending 31 March 2011.

36. Trust Funds

The Council acts as Trustee for two 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 2009/2010 for each fund is as shown below:

<u>Trust Funds</u>	Income £	Expenditure £	Assets £	Liabilities £
Burnley Acorn Fund	4,774	4,905	426,817	-
JW Shaw Charity	157	5,000	30,470	-
	4,931	9,905	457,287	-

The objects of these trust funds are as follows:

Burnley Acorn Fund (Formerly Burnley Sick Poor Fund)

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

- (1) 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
 - (2) To relieve elderly people residing in their own homes within the Borough of Burnley who are in need, by providing specially designed or adapted housing and items, services or facilities calculated to relieve the needs of such persons.
- The charity received the assets of the 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.

37. Amounts Due To or From Related Parties

The amounts paid to related parties are disclosed in note 9 above.

38. 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 and there is to be a further full actuarial valuation in 2010 which will impact on the 2011/12 accounts.

Public Sector Pension Increases – change from RPI to CPI

Since 1972, each April, public-sector pensions have been increased in line with the Retail Price Index ('RPI').

In his budget statement on 22 June 2010, the Chancellor announced that from April 2011 the government would start to increase public service pensions in line with the Consumer Prices Index ('CPI') rather than the Retail Price Index ('RPI'). As a result, future pension increases under the Lancashire County Pension Fund are expected to be slightly lower, on average, than would have been the case if this change had not been made. In the opinion of the Pension Fund Actuary, this change is estimated to reduce the FRS17/IAS19 benefit obligations between 5% and 8% for most employers. The precise financial effect will be taken into account in the FRS17/IAS19 figures for the year ending 31 March 2011.

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).

Present Net Value of Scheme

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

Scheme Value	2005/06	2006/07	2007/08	2008/09	2009/10
	£'000	£'000	£'000	£'000	£'000
Total Scheme Liabilities as at 31 st March	-133,559	-132,527	-141,937	-120,440	-161,612
Total Scheme Assets as at 31 st March	96,411	100,423	94,830	74,468	97,481
Net Scheme Assets/(Liabilities)	-37,148	-32,104	-47,107	-45,972	-64,131

The liabilities show the underlying commitments that the authority has in the long-run to pay the retirement benefits. The total net liability of £64m 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

	2008/09 £'000	2009/10 £'000
<u>Liabilities</u>		
Liabilities as at 1st April	-141,937	-120,440
Current Service Cost	-2,399	-1,536
Interest on Pension Liabilities	-8,598	-8,441
Members Contributions	-853	-868
Past Service Cost	0	0
Actuarial gains/(losses)	28,308	-35,804
Curtailments	-194	-20
Benefits/transfers paid	5,233	5,497
Total Scheme Liabilities as at 31st March	-120,440	-161,612

The liabilities above include an unfunded element of £8,257k as at the 31st March 2010 (£6,889k as at 31st March 2009)

Present Value of Scheme Assets

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

	2008/09 £'000	2009/10 £'000
<u>Assets</u>		
Assets as at 1st April	94,830	74,468
Expected Return on Assets	6,311	4,697
Actuarial gains/(losses)	-25,678	19,662
Employer Contributions	3,385	3,283
Member Contributions	853	868
Benefits/transfers paid	-5,233	-5,497
Total Scheme Assets as at 31st March	74,468	97,481

These assets are broken down into the following major categories:

Analysis of Scheme Assets

	31st March 2009		31st March 2010	
	£'000	%	£'000	%
Equities	45,573	61.20%	64,337	66.00%
Government Bonds	5,809	7.80%	6,824	7.00%
Other Bonds	9,160	12.30%	11,698	12.00%
Property	5,511	7.40%	4,874	5.00%
Cash/Liquidity	3,649	4.90%	3,899	4.00%
Other	4,766	6.40%	5,849	6.00%
	<u>74,468</u>	<u>100.00%</u>	<u>97,481</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

	2008/09 £'000	2009/10 £'000
Net Cost Of Service		
Current Service Cost	2,399	1,536
Curtailement Cost	194	20
Past Service Gain	0	0
Net Operating Expenditure		
Interest	8,598	8,441
Expected Return On Assets	-6,311	-4,697
Net Charge to Income & Expenditure Account	<u>3,709</u>	<u>5,300</u>
Reversal of net charges made for retirement benefit in accordance with FRS17	4,880	5,300
Actual amount charged against the general fund balance for pensions in the year	<u>-3,385</u>	<u>-3,283</u>
Net adjustment made in the Statement of Movements in General Fund Balance	<u>1,495</u>	<u>2,017</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 40 as follows

Statement of Total Recognised Gains & Losses

	2008/09 £'000	2009/10 £'000
Actuarial gains/(losses) on Liabilities	28,308	-35,804
Actuarial gains/(losses) on Assets	-25,678	19,662
Net Actuarial gain/(loss) in current year	2,630	-16,142
Prior Year change in valuation method	192	0
Total recognized Gains & (Losses)	2,438	-16,142

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

	2008/2009		2009/2010	
	£'000	%	£'000	%
Actual return on Plan Assets	-19,367		24,359	
Experience gains/(losses) on Assets	-25,678	34.50%	-19,662	20.20%
Experience gains/(losses) on Liabilities	0	0.00%	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 31st 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 31st March 2010.

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 %
Financial Assumptions		
Rate of inflation	3.30%	3.30%
Rate of increase in salaries	5.05%	5.05%
Rate of increase in pensions	3.30%	3.30%
Discount rate	7.10%	5.60%
Expected Return On Assets		
Equities	7.50%	7.50%
Government Bonds	4.00%	4.50%
Other Bonds	6.00%	5.20%
Property	6.50%	6.50%
Cash/Liquidity	0.50%	0.50%
Other	7.50%	7.50%
Post retirement mortality assumptions		
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
Life expectancy		
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
Commutation of pension for lump sum at retirement		
	50% take maximum cash, 50% take 3/80ths	
Market value of total fund assets		
	£3,234m (bid value as at 31st December 2008)	£3,718m 31/12/09

Scheme Membership

The membership of the scheme was as follows:

Scheme Membership	31/03/2009	31/03/2010
Active Members	588	554
Deferred Members	618	637
Pensioners	806	813
Widows	207	201

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

<u>Reconciliation of net surplus/deficit on I&E A/c to revenue activities net cash flow</u>	2009/10 £'000
Revenue activities net cash flow	(10,045)
Collection Fund Surplus / Deficit	6
Items not involving Movement of Funds	
- FRS17	2,017
- Depreciation	4,202
- Financial Instrument Impairment	45
- Gain on disposal of fixed assets	(745)
- Revenue expenditure funded from capital under statute	963
(Increase) / Decrease in Debtors	(1,273)
Increase / (Decrease) in Creditors	(853)
(Increase) / Decrease in Stock	5
Increase / (Decrease) in Provisions	(288)
Increase / (Decrease) in Other Liquid resources	8,365
Financing Items shown below Revenue Activities	
- External Interest Paid	1,136
- External Interest Received	(130)
(Surplus)/Deficit on Income & Expenditure Account	3,405

40. Cash Flow Statement – Reconciliation to Net Debt

<u>Reconciliation of Movement in Cash to Net Debt</u>	As at 31/03/2008 £'000	As at 31/03/2009 £'000	Movement In Year £'000	As at 31/03/2009 £'000	As at 31/03/2010 £'000	Movement In Year £'000
Movement in cash	1,916	1,552	(364)	1,552	321	(1,231)
Net Debt Due within 1 year	2,231	9,121	6,890	9,121	11,137	2,016
Debt Due after 1 year	23,400	22,383	(1,017)	22,383	21,918	(465)
Net Cash Inflow before Financing	27,547	33,056	5,509	33,056	33,376	320

41. Cash Flow Statement – Financing

<u>Reconciliation of items under Financing to opening and closing balance sheets</u>	Balance at 31/03/2009 £'000	Balance at 31/03/2010 £'000	Movement In Year £'000
Net Debt	33,056	33,376	320
			320
(Increase)/Decrease in cash for period			(1,231)
Cash received from increase in debt			1,551
			320

42. Cash Flow Statement – Management of Other Liquid Resources

<u>Other Liquid Resources</u>	2008/09	2009/10	Movement
	£'000	£'000	in Year
			£'000
<u>Council Tax</u>			
Precept Payments	32,860	34,034	1,174
Receipts	(30,839)	(33,813)	(2,974)
Less - BBC	6,212	6,535	323
	(24,627)	(27,278)	(2,651)
	8,233	6,756	(1,477)
<u>National Non-Domestic Rates</u>			
Precept Payments	23,539	25,153	1,614
Receipts	(23,827)	(23,544)	283
	(288)	1,609	1,897
	7,945	8,365	420

43. Cash Flow Statement – Analysis of Government Grants

<u>Analysis of Government Grants</u>	2008/09	2009/10
	£'000	£'000
<u>DWP Grants for Benefits</u>		
Rent Allowances	27,278	30,706
Council Tax Benefits	8,349	9,377
Rent Rebates	43	46
	35,670	40,129
<u>Revenue Support Grant</u>		
Grant Based on SSA	1,438	2,218
National Non-Domestic Rates	10,329	9,608
	11,767	11,826
<u>Other Government Grants</u>		
Benefits Administration	1,108	1,254
European Regional Development Fund	104	-
European Social Fund	1	-
Area Based Grants	2,474	3,756
Other	2,120	2,054
	5,807	7,064
	53,244	59,019

44. 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	
	31/03/09 £'000	31/03/10 £'000	31/03/09 £'000	31/03/10 £'000
Financial liabilities at amortised cost	22,383	21,918	10,685	11,471
Total Borrowing	22,383	21,918	10,685	11,471
Loans and Receivables	-	762	847	-
Available-for-sale financial assets	11	11	-	-
Total Investments	11	773	847	-

45. 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:

	2008/09 Total £'000	2009/10			
		Financial Liabilities Liabilities measured at amortised cost £'000	Financial Assets Loans and Receivables £'000	Available-for- sale assets £'000	Fair Value through the I & E A/c £'000
Interest expense	(1,162)	(1,136)	-	-	-
Interest payable and similar charges	(1,162)	(1,136)	-	-	-
Interest income	346	-	138	-	-
Interest and investment income	346	-	138	-	-
Losses on revaluation	-	-	-	-	-
Surplus arising on revaluation of financial assets	-	-	-	-	-
Net gain/(loss) for the year	(816)	(1,136)	138	-	-

46. 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:

- 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 2010 are relatively lower (less costly to redeem) than the 31 March 2009 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 2009		31 March 2010	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB borrowing	23,370	26,550	22,368	24,242
Other borrowing	8,134	8,134	10,687	10,687
Bank overdraft	1,564	1,564	334	334
Total financial liabilities	33,068	36,248	33,389	35,263
Long term investments	11	9	11	8
Long term debtors	790	790	770	770
Total loans and receivables	801	799	781	778

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. The latest information available 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 2018.

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 further 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 38p 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. In calculating the impairment, the authority has used the estimated repayment timetable set out in the CIPFA Local Authority Accounting Panel Bulletin as a basis for its assumption about the timing of recoveries. It is therefore assumed that repayments will be made between October 2011 and October 2018.

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.

47. 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 31st March 2010 totals £2.150m. Included in this is a general provision of £1.431m 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 31/03/2010 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31/03/2010 %	Estimated maximum exposure to default and uncollectability £'000
	A	B	C	(AxC)
Deposits with banks and financial institutions	1,000	-	23.80%	238
Debtors	18,137	40.32%	11.86%	2,150
				2,388

The authority expects settlement terms from debtors of no greater than 14 days. However, £7.2m of the £18.1m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31/03/2009 £'000	31/03/2010 £'000
Less than three months	169	157
Three to six months	80	74
Six months to one year	2,525	2,340
More than one year	5,040	4,670
	7,814	7,241

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 38p 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:

	31/03/09 £'000	31/03/10 £'000
Less than one year	10,701	11,472
Between one and two years	451	2,001
Between two and five years	4,041	6,113
More than five years	17,875	13,803
	33,068	33,389

The figure of £11.472m due in less than one year includes temporary borrowing to cover purchases related to grant funded schemes such as the former waste transfer site and properties under Regenerate Pennine Lancashire (formerly Elevate).

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	16
Increase in interest receivable on variable rate investments	(47)
Impact on Income and Expenditure Account	<u>(31)</u>
Decrease in fair value of fixed rate borrowing liabilities (no impact on Income and Expenditure Account or Statement of Recognised Gains and Losses)	<u>2,041</u>

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 2010

2008/09			2009/10	
£'000	£'000		£'000	£'000
<u>INCOME</u>				
Council Tax				
31,268		Council Taxpayers - net of Benefits Granted	31,602	
8,247		Benefits Granted	9,292	
<u>(2)</u>		Transitional Relief	<u>(1)</u>	
	39,513			40,893
Non-Domestic Rates				
23,800		Business Ratepayers - net of Bad & Doubtful Debts Provision	23,429	
<u>40</u>		Burnley Borough Council - Discretionary Relief Contribution	67	
	23,840			23,496
	<u>63,353</u>	Total Income		<u>64,389</u>
<u>EXPENDITURE</u>				
	38,850	Precepts from Local Authorities (see note 4)		40,320
Non-Domestic Rates				
23,698		Payment to National Pool	23,353	
<u>142</u>		Cost of Collection	<u>143</u>	
	23,840			23,496
	153	Council Tax Bad & Doubtful Debts		
		Provision for Bad Debts		243
	263	Contributions		
		Previous Years Estimated Fund Surplus/(Deficit)		296
	<u>63,106</u>	Total Expenditure		<u>64,355</u>
247		<u>SURPLUS/(DEFICIT) FOR YEAR</u>		34
<u>MOVEMENT IN FUND BALANCE</u>				
381		Opening Surplus/(Deficit) on Collection Fund - as at 1st April		628
-		Adjustment re Community Charge Surplus balance (See Note 1)		(5)
247		Surplus/(Deficit) for Year		34
628		Closing Surplus/(Deficit) on Collection Fund - as at 31st March		657

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 37 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 2010 was a surplus of £656,514 which includes a surplus for the year of £34,368. The balance has been reduced by £5,448 that was the amount of Community Charge that was included in the opening balance. In setting the Council Tax for 2009/10 it was anticipated that there would be a surplus of £296,438 for Council Tax. The reduced surplus from 2009/10 will be taken into account in setting the Council Tax for 2011/12.

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

<u>Collection Fund Surplus / (Deficit)</u>	<u>As at</u> <u>31/03/09</u>	<u>2009/10</u>	<u>As at</u> <u>31/03/10</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Burnley Borough Council	100	7	107
Lancashire County Council	449	13	462
Lancashire Police Authority	54	7	61
Lancashire Combined Fire Authority	25	2	27
Total Surplus / (Deficit)	<u>628</u>	<u>29</u>	<u>657</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 48.1p and other non-domestic properties 48.5p for 2009/2010). The total non-domestic rateable value for the Borough at 31st March 2010 was £60,791,776.

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 2009/10 was 25,735 as shown below.

<u>Council Tax Base 2009/2010</u>						
Property Value Between And £ £		Band	Ratio	Number of Properties	Equivalent Number After Discounts	Band D Equivalent
-	40,000	A	6/9	25,131	20,035	13,351
40,001	52,000	B	7/9	4,790	4,226	3,287
52,001	66,000	C	8/9	6,072	5,554	4,936
66,001	88,000	D	9/9	2,729	2,543	2,543
88,001	120,000	E	11/9	1,253	1,186	1,450
120,001	160,000	F	13/9	324	296	428
160,001	320,000	G	15/9	128	119	198
320,001	higher	H	18/9	10	7	14
Total				40,437	33,966	26,207
less: Allowance for Non-Collection				(1.8%)		472
<u>COUNCIL TAX BASE FOR 2009/10</u>						25,735

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 2009/10 was calculated as follows:

	£
Lancashire County Council precept	28,522,071
Lancashire Police Authority precept	3,656,523
Lancashire Combined Fire Authority precept	1,606,121
Burnley Borough Council precept	6,491,732
Padiham Town Council precept	18,720
Cliviger Parish Council precept	10,000
Worsthorne with Hurstwood Parish Council precept	5,000
Habergham Eaves Parish Council precept	1,500
Briercliffe with Entwistle Parish Council precept	8,000

Total to be met from Council Tax	40,319,667

Divided by the Council Tax Base (25,735) this gives an average Band D Council Tax for the year 2009/10 of £1,566.72.

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.

<u>Collection Fund 2009/10</u> <u>Provision for Bad Debts</u>	Council Tax £	Non-Domestic Rates £
Balance as at 1st April 2009	3,064,131	305,006
add: Amount provided in 2009/10	243,117	328,314
	3,307,248	633,320
less: Debts written off in year	818,068	319,976
	2,489,180	313,344
Balance as at 31st March 2010	3,996,337	1,114,314
Arrears as at 31st March 2010	62%	28%
Provision as proportion of outstanding arrears		

GLOSSARY OF TERMS

ACCOUNTING PERIOD

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

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.

AREA BASED GRANT

An Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. Local authorities are free to use it as they see fit – it is not ringfenced – to support the delivery of local, regional and national priorities in their areas. This includes local area agreement (LAA) targets.

From 2008 onwards, Area Based Grants replaced the previous arrangements under which separate funding streams were paid to local authorities as LAA grants.

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 1st April to the following 31st March inclusive.

FIXED ASSETS

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

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.