



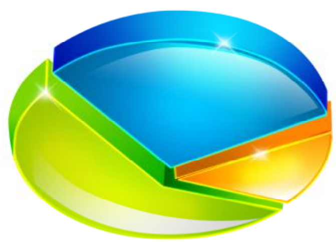


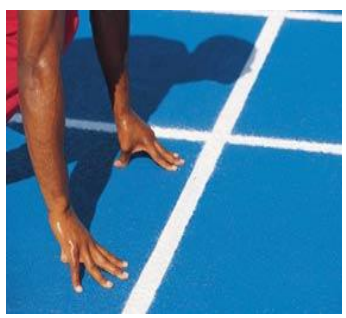


STATEMENT OF ACCOUNTS 2010/11

Approved by the Council's Audit Committee on 28th September 2011

.... Councillor Peter Doyle

Chair of the Audit Committee

CONTENTS

EXPLANATORY FOREWORD

This booklet presents the Council's accounts for the year ended 31st March 2011. The accounts conform to the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code), which is based on International Financial Reporting Standards (IFRSs).

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

Explanatory Statements

- Explanatory Foreword - provides interested parties with an easily understandable guide to the most significant matters reported in the accounts, including a summary of operating activity during the year.
- Statement of Responsibilities - explains the responsibilities of the Council and its Chief Financial Officer in relation to the Council's financial affairs and the Statement of Accounts.

Core Statements

- Movement in Reserves Statement – this statement shows the movement in year on the different reserves held by the Council, analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves.
- Comprehensive Income and Expenditure Statement - a summary of the resources generated and consumed by the authority in the year in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
- Balance Sheet - this shows the value of the Council's assets and liabilities at the beginning and at the end of the year. The net assets of the Council (assets less liabilities) are matched by the value of reserves held.
- Cash Flow Statement - summarises changes in cash and cash equivalents during the year, including how the Council generates and uses cash through operating, investing and financing activities.

Notes to the Core Financial Statements

All the notes to the core statements above are now collected in one place, including at Note 1 an explanation of the policies used in the preparation of the figures in these accounts, especially changes made during the year.

Other Statements

- The Collection Fund – this statement reflects the Council's statutory obligation to maintain a separate Collection Fund for its transactions as a billing authority in relation to council tax and non-domestic rates.

Glossary

- At the end of the booklet there is a glossary which explains some of the technical terms used in these accounts.

Revenue Income and Expenditure

Revenue income and expenditure relates to the day to day running of all the services that the Council provides. Before the start of the financial year the Council prepares the annual revenue budget reflecting the estimated net expenditure to be incurred in the year on the provision of services. The budget is then regularly reviewed and revised during the year to incorporate known changes in planned and actual revenue income and expenditure.

The revenue budget for 2010/11 was approved by Full Council on the 24th February 2010 and amounted to a net figure of £18.519m. This net budget figure was funded as follows:

	£
Formula Grant	11.885m
Council Tax Levied	6.622m
Collection Fund Surplus	0.012m

In addition, the Council received requests for precepts on the Collection Fund of £0.048m to fund expenditure by Parish and Town Councils. In total this resulted in a Collection Fund Precept of £6.670m.

In determining the budget for the year there was no planned transfer to or from accumulated General Fund revenue balances and a planned contribution of £0.678m to earmarked reserves. There were however planned contributions from earmarked reserves of £0.733m to support net revenue spending arising from decisions made during the financial year as part of the revenue budget monitoring process. This gave a revised net overall contribution from earmarked reserves of £0.055m to support net revenue spending.

The Statement of Accounts shows that there was a revenue budget surplus for the year before transfers to earmarked reserves of £1.372m as detailed below:

	£	
The Comprehensive Income and Expenditure Statement	3.031m	(see page 14)
Adjustments between Accounting and Funding Basis	- 4.348m	(see page 39)
Surplus transferred to earmarked reserves	- 1.317m	
Planned transfer to earmarked reserves (per above)	- 0.055m	
Revenue budget surplus for the year	- 1.372m	

The level of general fund balances remains unchanged at the prescribed level of £1.1m under the Council's medium term financial strategy. The main reasons for the net overall surplus generated on the revenue account are:

Savings on vacant posts - £277k

Delayed funding of the Princess Way Gateway capital scheme - £250k

Concessionary travel costs - £174k.

Utility costs - £215k due to reductions in annual tender prices and consumption.

Grants and contributions received for spending after 2010/11 - £427k

Other net underspending in services - £484k (of which £262k has been requested to carry forward to 2011/12)

In addition there are some deficits within the overall surplus, primarily due to the economic downturn, as follows:

Leisure and recreation services income shortfall - £110k
Council tax court costs recovery income shortfall - £141k.
Impairment of Icelandic deposit - £204k (see section below for further details)

A summary of estimated net revenue spending and a comparison with income and expenditure actually incurred for 2010/11 is shown below.

Revenue Expenditure	Revised Estimate 2010/11 £m	Actual 2010/11 £m	Difference £m
Cost of Services	20.0	21.6	1.6
Other Operating Expenditure & Income	1.6	(0.3)	(1.9)
Financing & Investments	0.1	3.5	3.4
	21.7	24.8	3.1
Adjustments To Accounting Entries to Reconcile to Funding (See note 7 on page 39)			
Capital and Valuation Adjustments	0.4	(12.8)	(13.2)
Capital Receipts Credited to Revenue	-	1.2	1.2
Pensions Adjustments Included in Revenue	(0.4)	6.9	7.3
Other	-	0.4	0.4
	21.7	20.5	(1.2)
Non Service Related Government Grants	(3.0)	(3.2)	(0.2)
Net Adjusted Spending and Deficit/(Surplus) for Year	18.7	17.3	(1.4)
Transfer to/(from) Earmarked Reserves	(0.1)	1.3	1.4
Net Spending after Transfer to/(from) Earmarked Reserves	18.6	18.6	0.0
Funded by:			
Formula Grant	(11.9)	(11.9)	0.0
Council Tax Levied	(6.6)	(6.6)	0.0
Borough Council Funding Requirement	(18.5)	(18.5)	0.0
Parish and Town Council Precepts	(0.1)	(0.1)	0.0
	(18.6)	(18.6)	0.0

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 the provision of, or enhancement of, assets or other expenditure where the benefits last beyond the financial year in question. The precise definition of capital expenditure is set out in the Capital Finance Regulations. Capital and revenue transactions must be accounted for separately.

In 2010/11 the Council spent £11.8M on capital projects compared with a capital budget of £12.4M. The differences on the various areas of the capital budget are summarised below. The shortfall in spending compared to that allowed for in the budget for the services shown below was largely due to schemes which did not progress as quickly as anticipated and will now be carried out in the following financial year.

Capital Expenditure	Revised Estimate 2010/11 £m	Actual 2010/11 £m	Difference £m
Housing Repair, Refurbishment & Clearance	9.2	8.7	0.5
Economic Regeneration & Business Support	1.2	1.2	0.0
Green Spaces and Amenities	0.6	0.6	0.0
Streetscene	0.5	0.5	0.0
Information & Communications Technology	0.1	0.1	0.0
Property	0.4	0.4	0.0
Chief Executive	0.2	0.1	0.1
Corporate	0.2	0.2	0
Total	12.4	11.8	0.6

The major area of capital spending in Housing during the year was £4.6m in clearance areas with £4m of this spending financed by way of funding from Regenerate Pennine Lancashire as part of the Housing Market Renewal initiative. There was also spending of £1.2m on housing refurbishment and re-modelling (also financed from Regenerate Pennine Lancashire), £1m on disabled facilities grants and £0.860m on vacant property acquisitions. Under Economic Regeneration & Business Support the main area of spending was £0.820m in respect of the Weavers Triangle Redevelopment programme.

Capitalisation of Redundancy Costs

On the17th December 2010, it was announced that the Council had been successful with a bid to the Department of Communities and Local Government (DCLG) for the capitalisation of some of the costs of redundancies incurred as a result of the workforce planning exercise which led to the loss of approximately 90 posts (representing around 15% of the workforce). The capitalisation directive was for £205,200 and is included above within the Corporate figures.

Borrowing

The total amount outstanding as at 31st March 2011 on long-term loans borrowed from the Public Works Loan Board (PWLB) to finance capital expenditure was £20.9m. In addition there was at this date £3.1m of short-term borrowing (including £2m PWLB loans). The sources of this borrowing, and the periods to repayment, are identified in notes 15 and 40 to the core financial statements. 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 £64.8m. The amount which the Council is permitted to borrow was previously limited by central government borrowing allocations. The Prudential Code for Capital Finance in Local Authorities now regulates local authority borrowing and gives freedom to Councils to borrow as long as the revenue costs are capable of being met in the opinion of the Chief Financial Officer and are in keeping with Prudential indicators and guidelines.

Pensions Costs

The requirements of IAS 19 in relation to post-employment benefits, i.e. pensions, have been fully incorporated into the Comprehensive Income & Expenditure Statement with actuarial gains and losses being recognised in Other Comprehensive Income and Expenditure, as Note 38 explains in detail. A pensions reserve and a pensions liability are incorporated within the Council's accounts reflecting the amount by which the Burnley element of the Lancashire County Council pension fund is under-funded compared with the assessed payment liabilities to pensioners now and in the future. There are also entries in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement to show the pensions benefits earned in the year; this compares with previously only showing the cash payments to the scheme. All of these pensions costs entries do not however affect the amount calculated as being due from taxpayers through Council Tax. The overall pensions liability of the Council as at 31st March 2011 was £44.8m.

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 further sum of £154k has now been received from HMRC in 2010/11 and has generated a net sum of £123k after the payment of fees to the consultants.

Icelandic Bank Deposit

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

It is estimated that 95% of the £1m deposit and interest due (after accounting for inflation) will ultimately be recovered as the current legal position is that the Council's claim will enjoy priority status. It is however not expected that the final payment will be made until 2018. An impairment of this deposit has been charged to the accounts in 2010/11 as was the case in 2008/09 and 2009/10. The total of the impairment to the end of 2010/11 (£318k) reflects the difference between the £1m plus interest due and the present value of the amount expected to be recovered. Prior to 2010/11 this amount was not charged to the income and expenditure account by virtue of Government regulations. This concession has now ended and in 2010/11 the full amount of the cumulative impairment of £318k, less a cumulative amount of interest to 31st March 2011 of £114k has been charged to the Comprehensive Income and Expenditure Statement. Funds have been set aside in a reserve to cover the full amount of the balance of the deposit outstanding shown in the balance sheet at 31st March 2011 (£796k). When repayments are received this reserve will be reduced by the amount repaid and the funds released will be used to support the Council's finances in other areas. For further details see note 40.

The Landsbanki deposit is shown in the Balance Sheet under Long-Term Investments and Deposits as no repayment is scheduled to be received before 2012/13.

Current Economic Conditions

The continuing fragile state of the world economy which has led to recession and record low levels of interest rates is of significant concern for the Council's finances. Many local businesses are under severe pressure and unemployment is rising. This has led to increased levels of housing benefits which the Council pays, whilst the low interest rates continue to suppress valuable investment income which supports the council's spending. The Council's financial position is worsened by the continuing reduction in income from fees and charges on top of large reductions in overall income levels which have already impacted upon the budget. Property prices are depressed and although the valuation of the Council's assets in the balance sheet is mainly based upon levels prevailing at 1st April 2010 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 2011/12. It is encouraging to note that there has still 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 notes to the core financial statements (see note 1) and follow the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

Annual Governance Statement

The Annual Governance Statement is no longer required to be a part of the Statement of Accounts and is considered as a separate report to the Audit Committee. The Annual Governance Statement was approved by the Audit Committee on the 29th June 2011.

Further Information

Further information about the Statement of Accounts is available from the Head of Finance, Town Hall, Manchester Road, Burnley, BB11 1JH. In addition, members of the public have the statutory right to inspect the Statement of Accounts and supporting documents at certain times prior to the audit being completed. Details as to when this right can be exercised are advertised each year in the Burnley Express and on the Council's website. Residents of the Borough who are Council Tax payers may register any objection to the accounts in writing to the External Auditor.

External Audit

The Audit Commission is responsible for the external audit of the Council's accounts. The Auditor's Report & Opinion is contained within the statement of accounts. The name and address of the Council's External Auditor is:

Clive Portman
District Auditor
Audit Commission,
2nd Floor, Aspinall House,
Aspinall Close,
Middlebrook,
BOLTON. BL6 6QQ

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs – the statutory Chief Financial Officer. In this authority that officer is the Director of Resources.

- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- to approve the statement of accounts

The Chief Financial Officer's Responsibilities

As Chief Financial Officer, I am responsible for the preparation of the authority's statement of accounts which, in terms of the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 ("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 2011.

In preparing this statement I have:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the Code;

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

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

Certificate of Chief Financial Officer

I certify that the Statement of Accounts present a true and fair view of the financial position of Burnley Borough Council at 31st March 2011 and its income and expenditure for the year then ended including any known post balance sheet events at 28th September 2011.

Nick Aves
Director of Resources

Date: 28th September 2011

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

Opinion on the Authority accounting statements

I have audited the accounting statements of Burnley Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, 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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Burnley Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

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

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007.

Conclusion on Authority’s 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 to review regularly the adequacy and effectiveness of these arrangements.

Auditor’s responsibilities

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

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Burnley Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

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

Clive Portman
District Auditor

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

29 September 2011

Core Financial Statements
Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves.

The 'Surplus/(deficit) on Provision of Services' line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes and details of the adjustments required can be found at Note 7.

The 'Net increase/(decrease) before transfers to reserves' line shows the adjusted net revenue account surplus before any discretionary transfers to or from earmarked reserves undertaken by the Council. Details of these transfers can be found at Note 8.

MOVEMENT IN RESERVES STATEMENT	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31st March 2009	**1,100**	**1,130**	**2,597**	**4,827**	**683**	**5,510**
Movement in Reserves during 2009/10						
Surplus/(deficit) on Provision of Services	(2,181)	-	-	(2,181)	-	(2,181)
Other Comprehensive Expenditure & Income	-	-	-	-	(15,885)	(15,885)
Total Comprehensive Expenditure & Income	**(2,181)**	**-**	**-**	**(2,181)**	**(15,885)**	**(18,066)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	3,957	-	479	4,436	(4,436)	-
Net increase/(decrease) before transfers to Reserves	**1,776**	**-**	**479**	**2,255**	**(20,321)**	**(18,066)**
Transfers to/from Earmarked Reserves (Note 8)	(1,776)	1,776	-	-		-
Increase/(decrease) in year	**-**	**1,776**	**479**	**2,255**	**(20,321)**	**(18,066)**
Balance at 31 March 2010	**1,100**	**2,906**	**3,076**	**7,082**	**(19,638)**	**(12,556)**
Movement in Reserves during 2010/11						
Surplus/(deficit) on Provision of Services	(3,031)	-	-	(3,031)	-	(3,031)
Other Comprehensive Expenditure and Income	-	-	-	-	15,647	15,647
Total Comprehensive Expenditure & Income	**(3,031)**	**-**	**-**	**(3,031)**	**15,647**	**12,616**
Adjustments between accounting basis & funding basis under regulations (Note 7)	4,348	-	(291)	4,057	(4,059)	(2)
Net increase/(decrease) before transfers to Reserves	**1,317**	**-**	**(291)**	**1,026**	**11,588**	**12,614**
Transfers to/from Earmarked Reserves (Note 8)	(1,317)	1,317	-	-		-
Increase/(decrease) in year	**-**	**1,317**	**(291)**	**1,026**	**11,588**	**12,614**
Balance at 31 March 2011	**1,100**	**4,223**	**2,785**	**8,108**	**(8,050)**	**58**

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement on the previous page.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	Note	31st March 2011			31st March 2010		
		Gross Expend £000s	Income £000s	Net Expend £000s	Gross Expend £000s	Income £000s	Net Expend £000s
Continuing Operations							
Central Services to the Public		11,973	(10,773)	1,200	11,673	(10,620)	1,053
Cultural, Environmental & Planning		37,061	(12,591)	24,470	36,219	(23,273)	12,946
Highways, Roads & Transport Services		3,213	(1,745)	1,468	3,980	(1,680)	2,300
Housing General Fund		40,436	(41,881)	(1,445)	39,722	(38,664)	1,058
Corporate & Democratic Core		3,040	(563)	2,477	5,341	(2,028)	3,313
Non-Distributed Costs		2,605	-	2,605	75	-	75
Exceptional Item: Pension Gain	38	-	(9,153)	(9,153)	-	-	-
Cost of Services		98,328	(76,706)	21,622	97,010	(76,265)	20,745
Other Operating Expenditure & Income	9						
Parish Council Precepts		48	-	48	43	-	43
Refund of VAT from HMCE		-	(155)	(155)	-	(979)	(979)
(Gain)/Loss on disposal of non-current assets		-	(4)	(4)	-	(90)	(90)
Other Income		-	(166)	(166)	-	(235)	(235)
Financing and Investments	10						
Interest payable on debt		1,077	-	1,077	1,136	-	1,136
Pensions interest cost		9,000	-	9,000	8,441	-	8,441
Expected return on pension assets		-	(6,225)	(6,225)	-	(4,697)	(4,697)
Interest and investment & deposit income		-	(168)	(168)	-	(138)	(138)
Investment & deposit losses - Icelandic deposit		7	-	7	130	-	130
Capitalisation of Redundancy costs		-	(205)	(205)	-	-	-
Taxation and Non-Specific Grants	11						
Council Tax			(6,707)	(6,707)		(6,589)	(6,589)
National Non-Domestic Rates			(10,378)	(10,378)		(9,608)	(9,608)
Revenue Support Grant			(1,507)	(1,507)		(2,218)	(2,218)
Non service related Government Grants			(3,208)	(3,208)		(3,760)	(3,760)
(Surplus)/Deficit on Provision of Services		108,460	(105,429)	3,031	106,760	(104,579)	2,181
(Surplus)/Deficit on Revaluations:-							
Fixed assets							
Property, Plant & Equipment	12			(3,219)			(257)
Pension fund assets	38			(12,428)			16,142
Other Comprehensive (Income)/Expenditure				(15,647)			15,885
Total Comprehensive (Income)/Expenditure				(12,616)			18,066

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories, **usable reserves** and **unusable reserves** (see Notes 21 and 22 for further details).

BALANCE SHEET	Note	31st March 2011 £000s	31st March 2010 £000s	1st April 2009 £000s
Property, Plant & Equipment	12			
Other Land and Buildings		31,268	30,610	29,293
Vehicles, Plant, Furniture & Equipment		1,341	1,121	1,328
Surplus Assets		12,445	20,623	22,895
Assets Under Construction		11	-	355
Community Assets		3,318	3,458	3,582
		48,383	**55,812**	**57,453**
Investment Properties	13	16,317	17,490	17,797
Intangible Assets	14	129	157	203
Long-term Investments & deposits	15	807	773	11
Long-term Debtors	15	741	770	790
Deferred Debtors		10	14	22
Long-term Assets		**66,387**	**75,016**	**76,276**
Short-term Investments & deposits	15	-	-	847
Inventories	16	74	78	83
Short Term Debtors	17	5,343	16,797	14,075
Cash & Cash Equivalents	18	7,325	-	-
Current Assets		**12,742**	**16,875**	**15,005**
Cash & Cash Equivalents	18	-	(321)	(1,552)
Short-term Borrowing	15	(2,054)	(11,137)	(9,121)
Short-term Creditors	19	(5,038)	(5,255)	(4,349)
Current Liabilities		**(7,092)**	**(16,713)**	**(15,022)**
Long Term Borrowing	15	(20,916)	(21,918)	(22,383)
Provisions	20	(291)	(320)	(506)
Net Pensions Liability	38	(44,804)	(64,131)	(45,972)
Other Long term Liabilities		(214)	(260)	(289)
Capital Grants Receipts in Advance	32	(5,754)	(1,105)	(1,599)
Long- term Liabilities		**(71,979)**	**(87,734)**	**(70,749)**
Net Assets		**58**	**(12,556)**	**5,510**
Represented by:				
Usable Reserves	**21**			
General Fund		1,100	1,100	1,100
Earmarked Reserves		4,223	2,906	1,130
Capital Receipts Reserve		2,785	3,076	2,597
		8,108	**7,082**	**4,827**
Unusable Reserves	**22**			
Revaluation Reserve		12,270	9,051	8,794
Financial Instruments Adjustment Account		-	(238)	(153)
Instruments Reserve				
Pension Reserve		(44,804)	(64,131)	(45,972)
Accumulated Absences Account		(150)	(240)	(226)
Capital Adjustment Account		24,491	35,799	38,118
Deferred Capital Receipts		10	14	22
Collection Fund Adjustment Account		133	107	100
		(8,050)	**(19,638)**	**683**
Total Reserves		**58**	**(12,556)**	**5,510**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting periods. The statement shows how the authority uses cash and cash equivalents, classified separately between operating, investing and financing activities.

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

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. The cash outflows here relate to capital spend on assets held by the Council, such as buildings, vehicles and equipment, which will be used to provide services in the future. Cash inflows relate to the sale of assets no longer required by the Council to provide its services, or capital grants and contributions received by the Council.

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

CASH FLOW STATEMENT	Note	31st March 2011 £000	31st March 2010 £000
Operating Activities			
Taxation		6,670	6,535
Grants		61,111	59,019
Sales of goods and rendering of services		9,001	10,072
Interest received	**23**	145	159
Other receipts from operating activities		2,496	2,519
Cash inflows generated from operating activities		**79,423**	**78,304**
Cash paid to and on behalf of employees		(15,457)	(15,505)
Housing benefit paid out		(32,956)	(30,600)
Precepts paid		(48)	(43)
Cash paid to suppliers of goods and services		(15,581)	(17,835)
Interest paid	**23**	(1,077)	(1,136)
Other payments for operating activities		(4,238)	(4,116)
Cash outflows generated from operating activities		**(69,357)**	**(69,235)**
Net cash flows from operating activities		**10,066**	**9,069**
Investing Activities			
Purchase of property, plant and equipment, investment property and intangible assets		(11,814)	(21,591)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets		1,235	1,777
Other receipts from investing activities		25,751	18,790
Net cash flows from investing activities	**24**	**15,172**	**(1,024)**
Financing Activities			
Cash receipts of short-term and long-term borrowing		108,866	26,127
Cash payments for the reduction of the outstanding liabilities relating to finance leases		-	(14)
Repayments of short-term and long-term borrowing		(118,951)	(24,562)
Other payments for financing activities		(7,507)	(8,365)
Net cash flows from financing activities	**25**	**(17,592)**	**(6,814)**
Net increase/(decrease) in cash and cash equivalents		**7,646**	**1,231**
Cash and Cash Equivalents at the beginning of the reporting period		(321)	(1,552)
Cash and Cash Equivalents at the end of the reporting period		**7,325**	**(321)**

Notes to Core Financial Statements

Introduction

Burnley Borough Council, as a local authority in England, is subject to the Local Government Act 2003, section 21, which stipulates that the preparation of the Statement of Accounts is governed by the proper practice requirements of CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code).

This Code replaces CIPFA's Statement of Recommended Practice 2009 (SORP) and is now based on International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) adapted as interpreted for the public sector by the International Public Sector Accountancy Standards (IPSASs). Any changes in accounting policies as a result of the new Code are explained below. In order to maintain comparability the 2009/10 position has been restated to incorporate these changes, the financial effects of which are shown in Note 2 to the Core Statements.

These financial statements are for the year ended 31st March 2011 and are subject to audit.

Note 1 Accounting Policies

Accounting Concepts & Principles

The Code specifies many of the accounting policies and estimation techniques to be adopted for material items. The financial statements give a true and fair view of the financial position, financial performance and cash flows of the authority through faithful representation of the effects of transactions, other events and conditions in accordance with the definition and recognition criteria for assets, liabilities, income and expenses set out in the Code.

The authority has adopted the following accounting concepts to be followed in the preparation of the Statement of Accounts and the selection and application of accounting policies and estimation techniques and in the exercise of professional judgement.

- The qualitative characteristics of financial information
  - *relevance*
  - *reliability*
  - *comparability*
  - *understandability*
- Materiality
- Pervasive accounting concepts
  - *accruals*
  - *going concern*
  - *primacy of legislative requirements*

Policies are reviewed regularly to ensure they remain appropriate to the Authority's circumstances with a full disclosure of any changes to accounting policies where necessary.

Changes to Accounting Policies

Upon the adoption of the Code three significant changes in policy have been applied to the Council's accounts. The financial effects of retrospective application of these changes to the 2009/10 comparator accounts can be seen in Note 2.

Separation of current and non-current surplus assets held for sale

In line with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, surplus assets are now separated into current and non-current classifications. Current assets held for sale are those which are intended to be marketed and sold within the normal operating cycle in their present condition and expected to be realised within 12 months after the reporting date. As at 31st March 2010 the Council did not hold any of these assets.

Non-current surplus assets are not used in the provision of services, but held to meet longer-term intentions, such as regeneration plans. As at 31st March 2010 these were valued at £20.6m.

Both current and non-current surplus assets for sale are held at fair value, interpreted as the amount which would be paid for the asset in its highest and best use, i.e. market value.

Government and non-government grants

In line with the Code's adoption of IAS 20 *Accounting for Government Grants,* grants and contributions for capital purposes should be recognised immediately, unless any conditions have not been met; an authority shall not include grants and contributions deferred on the Balance Sheet.

The value of Government Grants Deferred in the Council's previous financial statements relates to grants received to finance capital works to tangible and intangible assets. The value of these grants was then amortised through the Comprehensive Income and Expenditure Statement over the economic useful life of the assets, along the same straight-line basis as depreciation.

Retrospective application of the change in policy has resulted in all remaining Government Grants Deferred being incorporated into the Capital Adjustment Account as if they had been recognised when the asset was first created. This has also meant that the value of amortised grant formerly recognised in 2009/10 has been reversed. Full details of both these changes can been seen in Note 2 to the Core Statements.

Accrual for Employee Benefit Expenses

The only change which applies under this heading is in the treatment of short-term compensated absences, i.e. the value of annual leave entitlement which is carried forward at the year-end and due to be settled within 12 months after the year-end.

Retrospective application of this change to the 2009/10 financial statements has meant that an accrual of £226k would have been made at 31st March 2009 had the Code then applied and this value increased to £240k by the 31st March 2010. The effects of this change on the 2009/10 statements are shown in Note 2.

Revenue Recognition

Revenue is the gross inflow of economic benefit, in cash and cash equivalents, in the reporting period. Revenue is measured at the fair value of the consideration received or receivable. In most cases the consideration receivable is in the form of cash or cash equivalents.

The term 'revenue' is also used to refer to the operational activities of the Council within each financial year, as distinct from 'capital' which refers to transactions affecting assets or liabilities with an economic life covering more than one accounting period.

Accruals of Expenditure & Income

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

In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the balance sheet.

- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.

- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Employee Benefit Expenses – (See notes 2, 19, 22g and 30)

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

- benefits payable during employment,
- termination benefits
- post-employment benefits
- pension fund accounts

Short-term benefits to be accrued for include:

- wages, salaries and social security contributions
- short-term compensated absences
- bonuses and similar payments
- non-monetary benefits

Full details of Employee Benefits paid during employment are shown for senior officers at Note 30. Accruals for short-term compensated absences, calculated per employee at each year-end, are also shown as a separate item within the Short-Term Creditors analysis at Note 19.

Pensions – (See note 38)

The requirements of IAS 19 in relation to post-employment benefits, ie pensions, have been fully incorporated into the Comprehensive Income & Expenditure Statement with actuarial gains and losses being recognised in Other Comprehensive Income and Expenditure, as Note 38 explains in detail.

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

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

Burnley Borough Council participates in the Local Government Pension Scheme administered by Lancashire County Council. More details about this scheme and its valuations can be found in Note 38.

Most employees of the Council are members of the Local Government Pension Scheme, administered by Lancashire County Council. It is accounted for as a defined benefits scheme providing retirement lump sums and pensions.

- The liabilities of the Lancashire County Pension Scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – this entails an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based upon assumptions about mortality rates, employee turnover rates and projected future earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based upon the indicative rate of return on an AA corporate bond - not the highest quality AAA bond but nevertheless a “high grade” bond).

- The assets of the Lancashire County Pension Fund attributable to the Council are included in the balance sheet at their fair value – quoted securities at current bid price, unquoted securities by means of a professional estimate, unitized securities at the current bid price and property at market value.

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

  a) current service cost – the increase in liabilities as a result of years of service earned in the year and allocated to the Comprehensive Income and Expenditure Statement to the services for which the employees work.

  b) past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.

  c) past service gain – the decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is credited to the Comprehensive Income and Expenditure Statement within Cost of Services as an exceptional item. In 2010/11 £9.153m has been included as a result of the change from RPI to CPI.

  d) interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is debited to the Financing and Investments section in the Comprehensive Income and Expenditure Statement.

  e) expected return on assets – the annual investment return on the fund assets attributable to the Council, based upon an average of the expected long-term return. This is credited to the Comprehensive Income and Expenditure Statement as part of the Financing and Investments section.

  f) gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.

  g) actuarial gains/losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.

  h) contributions paid to the Lancashire County Pension Fund – cash paid as employer’s contributions to the pension fund

Interest – (See notes 10 and 15)

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

Non Service Related Grants – (See note 32)

The Council is a participant in a Local Area Agreement (LAA) – a partnership with other public bodies involving the pooling of Grants from the government to finance work towards jointly agreed objectives for local public services. In 2008/09 the LAA laid down a three-year agreement.

In accordance with IAS 20 *Accounting for Government Grants,* the Council's entitlement is recognised as soon as the conditions have been met, accruing for any grant due but not received at the year-end. The receipt of Performance Reward Grant under this LAA was accrued for in 2009/10 and 2010/11 as a result of achieving set targets.

Note 32 gives greater detail on the amounts received and accrued for along with an analysis of all non service related grants including Area Based Grants, Revenue Support Grant and National Non Domestic Rates Grant.

Operations acquired or discontinued

<u>Acquired Operations</u>

During the 2010/11 accounting period no operations were acquired by the Council.

<u>Discontinued Operations</u>

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

Value Added Tax

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

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

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

Cost of Support Services (Overheads)

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

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

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

Landfill Allowances Scheme

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

Burnley Borough Council operated within its allocated landfill allowances under the cost-share agreement during the reporting periods covered by these statements. As a result confirmation has been received from Lancashire County Council that no charges will be incurred in the 2011/12 financial year.

The Carbon Reduction Commitment scheme, which applies from 1st April 2010, is operating on a reporting basis only for the 2010/11 financial year. No allowances will be required for 2010/11, and consequently no accounting for the scheme is required within these accounts.

Property, Plant and Equipment – (See note 12)

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

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

<u>Recognition and Measurement</u>

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

- Infrastructure, community assets and assets under construction (excluding investment properties) are measured at historical cost. Historical cost is deemed to be the carrying amount of an asset at 1st April 2007 or at the date of acquisition , whichever is the later, and adjusted for subsequent depreciation or impairment (if applicable).
- All other classes of assets are measured at fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm’s length transaction. Fair value for land and buildings is interpreted as the amount that would be paid for the asset in its existing use, in accordance with UK Policy Statement (UKPS) 1.3 of the valuation standards issued by The Royal Institution of Chartered Surveyors (RICS)

- Where there is no market-based evidence of fair value because of the specialist nature of an asset, or such assets are rarely sold, the Council may need to estimate fair value using a depreciated replacement cost approach, accounting for all physical deterioration and all relevant forms of obsolescence and optimisation.

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

- the acquisition, reclamation, enhancement or laying out of land;
- the acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures, including insulation works and disabled adaptations;
- the acquisition, installation or replacement of movable or immovable plant, machinery, vehicles, apparatus or vessels;

All expenditure on the acquisition, creation or enhancement of assets is capitalised on an accruals basis in the accounts, provided that the asset yields benefits to the authority and the services it provides for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to provision of services within the Comprehensive Income and Expenditure Statement. Any assets with a cost of less than £10k are treated as deminimis and not capitalised.

Revaluation

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

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

Impairment

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

However, the Code stipulates that impairments do not impact on the council tax, hence an adjusting transaction must be made in the Movement in Reserves Statement. The Council however had no property impairments in 2010/11.

Depreciation

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

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

Depreciation is charged to the Comprehensive Income and Expenditure Statement as a cost of the provision of services. As with impairments, the Code stipulates that depreciation does not impact on the council tax, hence an adjusting transaction can be found in the Movement in Reserves Statement (see workings at Note 7).

Disposals

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

Component Accounting

Where the asset comprises two or more major components with substantially different useful economic lives, each component should be accounted for separately for depreciation purposes and depreciated over its individual useful life. Componentisation has been introduced officially from 1st April 2010 without retrospective applications, therefore components will be considered as assets and professionally revalued within the 5-year programme. The policy is to include assets with a net book value in excess of £700k (being approximately 1% of the value of the Council's long term assets). The minimum value for separate componentisation has been set at £100k as it is believed that anything below this would result in a trivial impact on the Council's accounts. However, the major components of land and buildings have already been separated for many years, with no depreciation being applied to the land element.

Investment Properties – (See note 13)

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

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

Recognition and Measurement

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

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

Intangible Assets – (See note 14)

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

Recognition and Measurement

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

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

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

Amortisation

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

Assets held for sale

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

Assets held for sale are now separated into two categories. Those with specific intentions to be sold in the following accounting period are classified under Current Assets as 'Assets held for sale within one year'. Those held for inclusion in longer-term regeneration plans are classified under Long-term Assets. As at 31st March 2011, the value of both of these categories within the Council's balance sheet is nil.

Leases – (See note 35)

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

Assets held by the Council for use in operating leases (acting as a lessor) are recorded in the Balance Sheet as fixed assets and depreciated over their useful life. Rental incomes from such assets are recognised on a straight line basis and matched against costs of insurance and maintenance in the Comprehensive Income and Expenditure Statement. The value of the incomes receivable are disclosed in Note 35.

Revenue Expenditure funded from Capital under Statute

Legislation allows some items of expenditure to be funded from capital resources that under IFRS and normal accounting practice would be charged to Surplus or Deficit on the Provision of Services. Such expenditure termed 'Revenue Expenditure funded from Capital under Statute' within the Code and is written off to the Comprehensive Income and Expenditure Statement in the year incurred and matched by the grants received.

The types of expenditure to which this usually refers are improvement grants and decent homes assistance where the local authority does not receive the economic benefits arising from the expenditure. A reversing entry in the Movement in Reserves Statement ensures there is no impact on the Council Tax or General Fund Balance - see workings at Note 7.

Government Grants and Other Contributions – (See note 32)

In line with the Code's adoption of IAS 20 *Accounting for Government Grants,* grants and contributions for capital purposes should be recognised immediately, unless any conditions have not been met; an authority shall not include grants and contributions deferred on the Balance Sheet. Retrospective application of the change in policy has resulted in all remaining Government Grants Deferred being incorporated into the Capital Adjustment Account as if they had been recognised when the asset was first created.

From April 2010, government grants and other contributions are now accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Grants received in advance of these conditions being met are held as Capital Grants Received in Advance until released into the Comprehensive Income & Expenditure Statement when conditions are met (see Note 32).

Capital Receipts – (See note 21)

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

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

Capital receipts are not attributable to the General Fund Balance and are therefore transferred to the Usable Capital Receipts Reserve in the Movement in Reserves Statement (see workings at Note 21).

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

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

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

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

Inventories – (See note 16)

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

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

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

Short-term Debtors – (See note 17)

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

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

Debtors also arise where the Council has made payment in advance of receipt of goods or services from suppliers, shown in the analysis in Note 17 as 'Payments made in advance'.

Cash and Cash Equivalents – (See note 18)

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

Provision for Impairment – (See notes 17 and 40)

The Council prepares its accounts in a prudent manner and as such recognises that the value of debtors receivable is subject to a degree of risk. The Council assesses the risk attributable to each individual class of debtors in order to arrive at a realisable value and more information on Financial Instrument Risks can be found in Note 40.

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

Short-term Creditors – (See note 19)

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

Creditors also arise where the Council receives income from customers ahead of the provision of goods or services. Such payments are shown separately in the detailed analysis at Note 19 as 'Receipts in Advance'.

Provisions – (See note 20)

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

Provisions are charged to the Surplus or Deficit on Provision of Service in the Comprehensive Income & Expenditure Statement. Provisions are utilised only for the purpose for which they were established, except where a regular review to determine the appropriateness of the level of the charge and the balance of the provision properly requires a change. The provisions held and any changes in their use are disclosed in Note 20 along with activity on the provision in the accounting period.

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

Contingent Liabilities – (see note 39)

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

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

Contingent Assets – (See note 39)

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

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

Reserves

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

Usable Reserves – (See note 21)

- The General Fund Balance is the accumulation of surplus or deficit on operational services attributable to council tax payers. Such funds are not held for any specific purpose, but are available to assist with the management of financial risks and to deal with any emergencies which might arise. The Medium Term Financial Strategy sets out the Council's policy for the recommended value of the General Fund Balance in order to provide assurance against the estimates and assumptions used in the annual budgeting process.
- Earmarked Reserves are resources set aside to meet specific future running costs and investments. The Medium Term Financial Strategy sets out the Council's policy for Earmarked Reserves, including their nature and suggested requirements. Full details of the movements on each reserve can be found at Note 8.
- The Usable Capital Receipts Reserve holds the proceeds of fixed asset sales available to meet future capital investment (see Movement in Reserves Statement and note 8).
- Capital Grants Unapplied – holds the balance of grants received where the conditions of grant entitlement have not yet been met. From April 2010, government grants and other contributions are now accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Grants received in advance of these conditions being met are held as Unapplied Government Grants until released into the Comprehensive Income & Expenditure Statement when conditions are finally met. As at 31st March, in 2009/10 and 2010/11, the balance sheet showed a value of nil for these.

Unusable Reserves – (See note 22)

- Revaluation Reserve records unrealised revaluation gains, net of depreciation and disposals on a strict per-asset basis (see note 22a)
- Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and financed through the capital controls mechanism (see note 22b).
- Available-for-sale Financial Instruments Reserve stores gains on revaluation of investments not yet realised through sales. The Council does not have any of these.
- The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Authority uses the account to manage premiums due and impairments in respect of the Icelandic deposit (see note 22c)
- Collection Fund Adjustment Account holds the surplus/(deficit) on the Collection Fund which is directly attributable to Burnley Borough Council (details can be found in note 22f).
- Deferred Capital Receipts holds the gain recognised on the disposal of non current assets for which cash settlement has yet to take place (see note 22e).

- A Pensions Reserve and a Pensions Liability are incorporated within the Council's accounts reflecting the amount by which the Burnley element of the Lancashire County Council pension fund is under-funded compared with the assessed payment liabilities to pensioners now and in the future. Pensions Reserve is a balancing account to allow the inclusion of the Pensions Liability in the Balance Sheet. Details of Pension Fund assets/liabilities can be found in Note 22d and note 38.
- The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralized by transfers to or from the Account (see note 22g).

Repurchase of Borrowing

The Code requires gains or losses on the repurchase of borrowing to be recognised in the Comprehensive Income and Expenditure Statement in the year in which they are realised. Where, however, the repurchase is coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect, gains or losses are to be recognised over the life of the replacement borrowing. No such gains or losses were experienced in 2010/11.

Minimum Revenue Provision

In accordance with the requirements of the Local Government and Housing Act 1989, the authority is required to set aside a minimum revenue provision for repayment of debt. Minimum Revenue Provision is a charge to the cost of services in the Comprehensive Income & Expenditure Statement, details of which can be found in Notes 22b and 34. In March 2008, in line with Government guidance, the Council changed the basis on which MRP should be calculated to match the life of the asset.

Financial Instruments – (see note 40)

Financial Liabilities

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

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

Financial Assets

These are classified into two types:

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

on the amortised cost multiplied by the effective rate of interest. Gains or losses are posted to the Available for sale Reserve. On derecognition gains/losses are charged to the Comprehensive Income & Expenditure Statement.

Exceptional Items – (see note 38)

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to the understanding of the Authority's financial performance. An amount of £9.153m has been recognized in the Comprehensive Income and Expenditure Statement as a past service gain in accordance with guidance set down in Urgent Issues Task Force Abstract 48.

Prior Period Adjustments (See note 2)

Prior period adjustments are material adjustments applicable to prior years arising from changes in accounting policies or estimates or from the correction of fundamental errors, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Code requires that the financial statements should disclose, where practicable the nature of the change in policy and the impact of any adjustment on the preceding accounting period where practicable. Where this is not practicable, the fact this is so and the reasons for it should be disclosed.

This year the Council's Statement of Accounts includes at Note 2 to the Core Financial Statements an explanation of the adjustments made to comply with the transition to IFRS and the new Code of Practice on Local Authority Accounting Practice in the UK. The extensive nature of this policy change has affected all the Core Statements, though the explanations at Note 1 only show extracts of each Statement where amounts have been amended. Minor presentational changes have not been included in Note 2.

Events after the Balance Sheet date – (See Note 5)

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

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

The date on which the financial statements are authorised for issue is stated in Note 41.

Interests in Companies and Other Entities

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

Other Accounting Policies

Foreign currency transactions do not play a material part in the Council's financial transactions.

The Council has not entered into any PFI schemes.

Note 2 Restatement of Prior Year Accounts under current policies

The Council's accounts for 2010/2011 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code), which is based on International Financial Reporting Standards (IFRSs).

In this first year of IFRS compliance, Councils are required to restate the prior year accounts as if IFRS had always been applied. Many of the changes are presentational, in that the former Statement of Movement on the General Fund Balances and the Statement of Total Gains and Losses have been removed and replaced with additional items in the Comprehensive Income and Expenditure Statement and the new Movement in Reserves Statement.

Surplus Assets for Disposal

Under the Code, assets that were previously included as Investment Properties have been reclassified as Surplus Assets. The value of the assets transferred between the categories at 31st March 2010 was £20,623k.

The Balance Sheet has seen several presentational changes including the distinction now made between surplus assets held for sale within the following year (current assets) and those held in relation to longer-term plans. Of the £20,623k of surplus assets at 31st March 2010, none were intended for sale within 2010/11.

Holiday Pay Accrual

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognized when employees render services that increase entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required. The value of accrued holiday pay at the 1 April 2009 and 31 March 2010 was £226k and £240k respectively.

The government has issued regulations that mean that local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Embedded Leases

- Under the Code, the Council is required to review its contractual arrangements and assess whether these contracts contain a lease. Where this is the case the Council is required to separate the lease from the remainder of the contract and account for the lease separately. The Council has identified no contracts that contain a finance lease arrangement.

Government Grants Deferred

Grants and contributions for capital schemes are recognized as income when they become receivable. Previously, grants were held in a grants deferred account and recognized as income over the life of the assets which they were intended to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been reversed out to give a nil balance.

- Portions of government grants deferred have previously been recognized as income in 2009/10. These have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Grants have been received in previous years and have been used to finance capital expenditure in 2009/10. Following the change in accounting policy, these grants were transferred from creditors and other long term liabilities to Capital Grants Receipts in Advance during 2009/10 as the grant conditions were met and the grants were fully utilised. The grants have been recognised in the Consolidated Income and Expenditure Statement.

Extracts of the above changes to the Comprehensive Income and Expenditure Statement and the Balance Sheet are shown below. None of the changes above have affected the Cash Flow Statement.

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT (extract)	2009/10 £000s
Deficit on Income and Expenditure Account previously reported	3,405
REMOVE Amortisation of Government Grants Deferred	10,413
ADD Capital Grants utilised and conditions met	(11,651)
ADD Increase in accrual for holiday pay carried forward	14
(Surplus)/Deficit on Provision of Services	**2,181**
Items formerly reported in Statement of Total Recognised Gains & Losses	
(Surplus)/deficit on revaluation of Fixed Assets	
Property, Plant & Equipment	(417)
Investment Properties	160
(Surplus)/deficit on revaluation of Pension Fund Assets	16,142
Net (Surplus)/Deficit	**18,066**

BALANCE SHEET (extract)	Original Value March 2010 £000s	Adjustments Surplus Assets £000s	Investment Properties £000s	Holiday Pay Accrual £000s	Grants Rec'd in Advance £000s	Govt Grants Deferred £000s	Restated Value March 2010 £000s
Vehicles, Plant, Furniture & Equipment	1,121		-				1,121
Surplus Assets	-	20,623					20,623
Investment Properties	38,113	(20,623)					17,490
Creditors	(5,429)			(240)	414		(5,255)
Capital Grants Receipts in Advance	-				(1,105)		(1,105)
Long Term Borrowing	(21,918)		-				(21,918)
Government Grants Deferred	(12,843)					12,843	-
Other Long Term Liabilities	(951)				691		(260)
Other Balance Sheet entries not changed	(23,252)						(23,252)
Total Assets less Liabilitites	**(25,159)**	**-**	**-**	**(240)**	**-**	**12,843**	**(12,556)**
Accumulated Absences Account	-			(240)			(240)
Revaluation Reserve	10,869		(1,818)				9,051
Capital Adjustment Account	21,138		1,818			12,843	35,799
Other Balance Sheet entries not changed	(57,166)						(57,166)
Net Equity	**(25,159)**	**-**	**-**	**(240)**	**-**	**12,843**	**(12,556)**

Note 3 Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of Heritage Assets held by the Authority, which will need to be adopted fully by the authority in the 2011/12 financial statements.
The authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Authority, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Authority is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Authority's Balance Sheet in the 2011/12 financial statements.

FRS 30 further defines a Heritage Asset as "A tangible asset with historic, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture." It is considered that Towneley Hall, Burnley meets the heritage tests as it is a historic stately home used as a museum for the storage, interpretation and display of art and artefacts associated with the history of the Borough, it is a definable physical unit and it is held and maintained principally for its contribution to knowledge and culture.

Conventional valuation methodologies are not appropriate for valuing the majority of this asset. Generally such assets do not have a market for sale, there are not likely to be any comparable sales of similar assets to relate to and they are not capable of producing a cash flow or income but rather, are liabilities requiring maintenance.

Equally it is impossible to quantify what economic benefits they generate to the community in terms of attracting tourists, promoting education etc.

The guidance states that Depreciated Replacement Cost (DRC) is inappropriate as a method for assessing Heritage assets and that Componentisation is irrelevant.

Existing Use Value can be adopted where this is relevant but this implies that the asset has a use that can be valued.

Where Valuation methods cannot be applied it is sufficient for the Valuer to report that the asset cannot be valued in any meaningful way or to present a negative value to reflect the liability.

Application of Valuation Methodology to the identified asset

As at 31st March 2011 Towneley Hall was classified as other land and buildings with a carrying value of £855k. From April 2011 it will be reclassified as a Heritage Asset. The majority of the Hall is used as a museum/visitor attraction in conjunction with the surrounding park land. This element of the asset cannot be valued in any meaningful way. That element of the asset such as the new visitors centre extension which is used for operational purposes will be shown on a depreciated replacement costs basis.

Note 4 Critical judgements in applying accounting policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service. In line with the Council's Medium Term Financial Strategy, where services are at potential risk the intention would be to realise the value of any assets deemed surplus to requirements before any impairment occurred.
- In order to facilitate the early closure of the Council's accounts an estimate of the outstanding housing and council tax benefit grant has been included in the Comprehensive Income and Expenditure Statement. The value of the grant income outstanding, included in the Balance Sheet as Short-term Debtors, is £46k. This will be subject to audit in the coming months and the final settlement should be received in October.
- Componentisation limits have been set at a minimum value of £100k as it is believed that the effect of different asset lives on items valued at less than this would be trivial to the accounts.
- The investment with Landsbanki Islands HF, which has gone into administration, has been partly impaired as at 31st March 2011 in accordance with Cipfa's recommended practice on accounting for deposits with Icelandic banks. A decision by the courts was that the Authority will have the status of a preferred creditor. Legal advice has been obtained to support a judgement that this status will be secured and that the majority of the deposit will be repaid.

Note 5 Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Director of Resources on 20th September 2011. Events taking place after this date are not reflected in the financial statement or notes. Where events taking place before this date provided information about conditions existing at 31st March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 6 Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Council's Balance Sheet at 31st March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that for every year that useful lives were reduced the annual depreciation charge would increase as follows: buildings & infrastructure £36k vehicles & equipment £114k intangible assets £16k.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns in pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions have been included in detail within Note 38. Any change in the uncertainties listed opposite would lead to a significant change in the estimated pensions liability reported.
Arrears	Each year the Council reviews the significant balances for Council Tax and sundry debtor arrears. Officers estimate the potential impairment of those debts based on historical default experience, and the age of the debts. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £399k for council tax debts and £223k for sundry debts.

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations

2010/11	Usable Reserves General Fund Balance £000s	 Capital Receipts Reserve £000s	Movement in Usable Reserves £000s	Movement in Unusable Reserves £000s
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	1,474		1,474	(1,474)
Revaluation losses on Property, Plant and Equipment	12,032		12,032	(12,032)
Movements in the market value of Investment Properties	2,226		2,226	(2,226)
Amortisation of intangible assets	62		62	(62)
Capital grants and contributions applied	(9,356)		(9,356)	9,356
Revenue expenditure funded from capital under statute	6,810		6,810	(6,810)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,059		1,059	(1,059)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(1,196)		(1,196)	1,196
Capital expenditure charged against the General Fund	(274)		(274)	274
Adjustments primarily involving the Capital Adjustment Account	**12,837**	**-**	**12,837**	**(12,837)**
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,238)	1,238	-	
Use of the Capital Receipts Reserve to finance new capital expenditure		(1,529)	(1,529)	1,529
Adjustments primarily involving the Capital Receipts Reserve	**(1,238)**	**(291)**	**(1,529)**	**1,529**
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(237)		(237)	237
Adjustments primarily involving the Financial Instruments Account	**(237)**	**-**	**(237)**	**237**
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,845)		(3,845)	3,845
Employer's pension contributions and direct payments to pensioners payable in the year	(3,054)		(3,054)	3,054
Adjustments primarily involving the Pensions Reserve	**(6,899)**	**-**	**(6,899)**	**6,899**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(26)		(26)	26
Adjustments primarily involving the Collection Fund Adjustment Account	**(26)**	**-**	**(26)**	**26**
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(89)		(89)	89
Adjustments primarily involving the Accumulated Absences Account	**(89)**	**-**	**(89)**	**89**
Total Adjustments	**4,348**	**(291)**	**4,057**	**(4,057)**

2009/10 Comparative Figures	Usable Reserves General Fund Balance £000s	 Capital Receipts Reserve £000s	Movement in Usable Reserves £000s	Movement in Unusable Reserves £000s
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	1,403		1,403	(1,403)
Revaluation losses on Property, Plant and Equipment	11,430		11,430	(11,430)
Movements in the market value of Investment Properties	1,193		1,193	(1,193)
Amortisation of intangible assets	124		124	(124)
Capital grants and contributions applied	(18,883)		(18,883)	18,883
Revenue expenditure funded from capital under statute	8,196		8,196	(8,196)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,497		1,497	(1,497)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(1,193)		(1,193)	1,193
Capital expenditure charged against the General Fund	(141)		(141)	141
Adjustments primarily involving the Capital Adjustment Account	**3,626**	**-**	**3,626**	**(3,626)**
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,778)	1,786	8	(8)
Use of the Capital Receipts Reserve to finance new capital expenditure		(1,307)	(1,307)	1,307
Adjustments primarily involving the Capital Receipts Reserve	**(1,778)**	**479**	**(1,299)**	**1,299**
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	85		85	(85)
Adjustments primarily involving the Financial Instruments Account	**85**	**-**	**85**	**(85)**
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	5,300		5,300	(5,300)
Employer's pension contributions and direct payments to pensioners payable in the year	(3,283)		(3,283)	3,283
Adjustments primarily involving the Pensions Reserve	**2,017**	**-**	**2,017**	**(2,017)**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(7)		(7)	7
Adjustments primarily involving the Collection Fund Adjustment Account	**(7)**	**-**	**(7)**	**7**
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	14		14	(14)
Adjustments primarily involving the Accumulated Absences Account	**14**	**-**	**14**	**(14)**
Total Adjustments	**3,957**	**479**	**4,436**	**(4,436)**

Note 8 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11.

Earmarked Reserves	Balance at 1 April 2009 £000s	Transfers Out 2009/10 £000s	Transfers In 2009/10 £000s	Balance at 31 March 2010 £000s	Transfers Out 2010/11 £000s	Transfers In 2010/11 £000s	Balance at 31 March 2011 £000s
Modernisation Reserve	314	92	248	**470**	568	1,105	**1,007**
Taxi Licensing Reserve	-	-	34	**34**	14	-	**20**
Selective Licensing	-	-	32	**32**	-	157	**189**
Highways & Parkwise Reserve	32	32	-	**-**	-	-	**-**
Financial Instruments Shortfall Reserve	181	-	819	**1,000**	204	-	**796**
Building Control Reserve	144	27	-	**117**	57	24	**84**
Local Housing Allowance Reserve	115	96	-	**19**	14	-	**5**
Local Authority Business Growth Incentive	27	27	-	**-**	-	-	**-**
Local Planning Reserve	146	21	-	**125**	84	155	**196**
Community Regeneration Reserve	-	-	806	**806**	469	1,336	**1,673**
Housing Benefits Admin Subsidy Reserve	-	-	127	**127**	78	61	**110**
Transport & Plant Replacement Reserve	168	92	74	**150**	238	131	**43**
Utilities Equalisation Reserve (New)	-	-	-	**-**	-	100	**100**
Other Reserves	3	-	23	**26**	193	167	**-**
Net Equity	**1,130**	**387**	**2,163**	**2,906**	**1,919**	**3,236**	**4,223**

The Council's major earmarked reserves are:

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

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

Financial Instruments Shortfall Reserve – this reserve is to offset any potential non-repayment of the Council's £1 million deposit in an Icelandic Bank. A sum equivalent to the amount shown as due in the balance sheet for this deposit is held in this reserve. When repayments are made in the future, and it is expected that 95% of the deposit will ultimately be repaid, an amount equal to these repayments will then be transferred out of this reserve so that the funds may be used elsewhere to support the Council's finances.

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

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

Housing Benefit Subsidy Administration Reserve – to support spending in future years on the additional administration costs due to the increased number of payments of housing benefits by matching Government subsidy previously received.

Utilities Equalisation Reserve – to cover potential fluctuations in the cost of gas, electricity etc. given recent announcements of significant future price increases

Note 9 Other Operating Expenditure & Income

	2010/11 £000s	2009/10 £000s
Parish council precepts	48	43
Refund of VAT from HMRC	(155)	(979)
(Gains)/Losses on the disposal of non-current assets	(4)	(90)
Other Income	(166)	(235)
	(277)	(1,261)

Note 10 Financing and Investment Income and Expenditure

	2010/11 £000s	2009/10 £000s
Pensions interest cost and expected return on pensions	2,775	3,744
Capitalisation of Redundancy Costs	(205)	-
Interest payable and similar charges	1,077	1,136
Interest receivable and similar income	(168)	(138)
Investment and deposit losses - Icelandic deposit	7	130
	3,486	4,872

Note 11 Taxation and Non Specific Grant Income

	2010/11 £000s	2009/10 £000s
Council tax income	(6,707)	(6,589)
Non domestic rates	(10,378)	(9,608)
Non-ringfenced government grants	(4,715)	(5,978)
	(21,800)	(22,175)

Note 12 Property, Plant & Equipment

Movements in 2010/11	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Surplus Assets £000s	Assets Under Construction £000s	Community Assets £000s	Total Property, Plant & Equipment £000s
Cost or Valuation						
At 1 April 2010	34,267	4,653	20,623	-	3,647	63,190
Additions	236	700	3,895	11	71	4,913
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,971	-	(445)	-	-	2,526
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,567)	-	(9,860)	-	-	(12,427)
Derecognition - disposals	-	-	(941)	-	-	(941)
Other movements in cost or valuation	(103)	-	(805)	-	(247)	(1,155)
At 31 March 2011	34,804	5,353	12,467	11	3,471	56,106
Accumulated Depreciation and Impairment						
At 1 April 2010	(3,657)	(3,532)	-	-	(189)	(7,378)
Depreciation charge	(972)	(480)	(22)	-	-	(1,474)
Depreciation written out to the Revaluation Reserve	693	-	-	-	-	693
Depreciation written out to the Surplus/Deficit on the Provision of Services	395	-	-	-	-	395
Other movements in depreciation and impairment	5	-	-	-	36	41
At 31 March 2011	(3,536)	(4,012)	(22)	-	(153)	(7,723)
Net Book Value						
At 31 March 2011	**31,268**	**1,341**	**12,445**	**11**	**3,318**	48,383
At 31 March 2010	**30,610**	**1,121**	**20,623**	**-**	**3,458**	55,812

Comparative Movements in 2009/10	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Surplus Assets £000s	Assets Under Construction £000s	Community Assets £000s	Total Property, Plant & Equipment £000s
Cost or Valuation						
At 1 April 2009	32,077	4,375	22,895	355	3,771	**63,473**
Additions	1,442	278	10,181	-	333	**12,234**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	804	-	(712)	-	281	**373**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(726)	-	(10,377)	-	(327)	**(11,430)**
Derecognition - disposals	-	-	(1,460)	-	-	**(1,460)**
Other movements in cost or valuation	670	-	96	(355)	(411)	**-**
At 31 March 2010	34,267	4,653	20,623	-	3,647	63,190
Accumulated Depreciation and Impairment						
At 1 April 2009	(2,784)	(3,047)	-	-	(189)	**(6,020)**
Depreciation charge	(917)	(485)	-	-	-	**(1,402)**
Depreciation written out to the Revaluation Reserve	44	-	-	-	-	**44**
At 31 March 2010	(3,657)	(3,532)	-	-	(189)	(7,378)
Net Book Value						
At 31 March 2010	**30,610**	**1,121**	**20,623**	**-**	**3,458**	**55,812**
At 31 March 2009	**29,293**	**1,328**	**22,895**	**355**	**3,582**	**57,453**

Depreciation

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

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

Capital Commitments

At 31 March 2011, the Authority has significant commitments for future capital expenditure in 2011/12 and future years budgeted to cost £4,294k. Similar commitments at 31 March 2010 were £9,400k. The major commitments are:

	£000
• Housing Clearance	3,191
• Disabled Facilities Grants	171
• Housing Refurbishing and Remodelling	806
• Vacant Acquisitions	126

Revaluations

The Authority carries out a rolling programme that ensures than all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Revaluations	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Surplus Assets £000s	Total £000s
Carried at historical cost	-	1,341	-	**1,341**
Valued at fair value as at:				
31 March 2011	10,224	-	12,350	**22,574**
31 March 2010	5,060	-	95	**5,155**
31 March 2009	2,058	-	-	**2,058**
31 March 2008	6,611	-	-	**6,611**
31 March 2007	7,315	-	-	**7,315**
Total Cost or Valuation at 31 March 2011	**31,268**	**1,341**	**12,445**	**45,054**

Note 13 Investment Properties

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

	2010/11 £000s	2009/10 £000s
Rental income from investment property	(1,151)	(1,162)
Direct operating expenses arising from investment property	18	22
Net gain / (loss)	**(1,133)**	**(1,140)**

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

Investment Properties	2010/11 £000s	2009/10 £000s
Balance at start of the year	17,490	17,797
Additions:		
Purchases	-	840
Subsequent Expenditure	58	244
Disposals	(119)	(38)
Net gains/losses from fair value adjustments	(2,267)	(1,353)
Transfers:		
To/from Inventories	1,997	-
To/from Property, Plant and Equipment	(842)	-
Balance at end of the year	**16,317**	**17,490**

Note 14 Intangible Assets

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

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £62k charged to revenue in 2010/11 was charged directly to service headings in the Cost of Services. The movement on Intangible Asset balances during the year is as follows:

Intangible Assets	2010/11 £000s	2009/10 £000s
Balance at start of the year:		
Gross carrying amounts	749	671
Accumulated amortisation	(592)	(468)
Net carrying amount at start of year	**157**	**203**
Additions:		
Purchases	34	78
Subsequent Expenditure	-	-
Other disposals	-	-
Amortisation for the period	(62)	(124)
Net carrying amount at end of year	**129**	**157**
Comprising:		
Gross carrying amounts	783	749
Accumulated amortisation	(654)	(592)
	129	**157**

Note 15 Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-term		Short-term	
	31 March 2011 £000s	31 March 2010 £000s	31 March 2011 £000s	31 March 2010 £000s
Investments and Deposits				
Loans and receivables	796	762	8,400	-
Available-for-sale financial assets	11	11	-	-
Total Investments and Deposits	**807**	**773**	**8,400**	**-**
Financial liabilities at amortised cost				
Borrowings				
PWLB Loans	20,916	21,918	2,000	450
Local Loans	-	-	54	177
Money Market	-	-	-	10,510
Bank Overdraft	-	-	1,091	334
Total Borrowings	**20,916**	**21,918**	**3,145**	**11,471**

Income, Expense, Gains and Losses

	2010/11				2009/10			
	Financial Liabilities measured at amortised cost £000s	Financial Assets: Loans and receivables £000s	Financial Assets: Available for sale £000s	Total £000s	Financial Liabilities measured at amortised cost £000s	Financial Assets: Loans and receivables £000s	Financial Assets: Available for sale £000s	Total £000s
Interest expense	(1,077)	-	-	**(1,077)**	(1,136)	-	-	**(1,136)**
Total expense in Surplus or Deficit on the Provision of Services	(1,077)	-	-	(1,077)	(1,136)	-	-	(1,136)
Interest income	-	168	-	**168**	-	138	-	**138**
Total income in Surplus or Deficit on the Provision of Services	-	168	-	168	-	138	-	138
Losses on revaluation	-	(7)	-	**(7)**	-	(130)	-	**(130)**
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	(7)	-	(7)	-	(130)	-	(130)
Net gain/(loss) for the year	(1,077)	161	-	(916)	(1,136)	8	-	(1,128)

Fair Values of Assets and Liabilities

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 2011 are relatively higher (more costly to redeem) than the 31 March 2010 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 2011		31 March 2010	
	Carrying amount £000s	Fair value £000s	carrying amount £000s	Fair value £000s
Financial liabilities				
PWLB borrowing	22,916	25,147	22,368	24,242
Other borrowing	54	54	10,687	10,687
Bank overdraft	1,091	1,091	334	334
Total financial liabilities	**24,061**	**26,292**	**33,389**	**35,263**
Loans and receivables				
Long-term investments and deposits	807	804	773	770
Long-term debtors	741	741	770	770
Total loans and receivables	**1,548**	**1,545**	**1,543**	**1,540**

The fair value figures for PWLB borrowing above have been taken from the PWLB website and are greater than the carrying amounts because current market rates at the 31st March 2011 are lower than the existing individual loan rates.

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 midpoint 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.

Note 16 Inventories

	Towneley Hall		Leisure centre materials		Green Spaces stores		Mechanics bar		Other		Total	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Balance outstanding at start of year	66	70	5	7	5	4	-	-	2	2	**78**	**83**
Purchases	29	22	10	22	63	89	29	-	3	5	**134**	**138**
Recognised as an expense in the year	(35)	(26)	(11)	(24)	(65)	(88)	(23)	-	(4)	(5)	**(138)**	**(143)**
Written off balances	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Balance outstanding at year-end	**60**	**66**	**4**	**5**	**3**	**5**	**6**	**-**	**1**	**2**	**74**	**78**

Note 17 Short-term Debtors

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

	31 March 2011 £000s	31 March 2010 £000s	1 April 2009 £000s
Central Government Bodies	1,625	11,970	9,980
Other Local Authorities	1,884	1,505	1,114
NHS Bodies	1	-	-
Public Corporations	13	79	35
Other Entities & Individuals	1,820	3,243	2,946
Total	**5,343**	**16,797**	**14,075**

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

	31 March 2011 £000s	31 March 2010 £000s	1 April 2009 £000s
Provision for bad & doubtful debts			
Council Tax	(399)	(406)	(494)
Court Fees	(739)	(677)	(902)
Housing Benefits	(564)	(486)	(571)
General	(273)	(268)	(353)
Total	**(1,975)**	**(1,837)**	**(2,320)**

Note 18 Cash and Cash Equivalents

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

	31 March 2011 £000s	31 March 2010 £000s
Cash held by the Authority	16	13
Bank current accounts	(1,091)	(334)
Short-term deposits with other local authorities	7,600	-
Short-term deposits with Councils bank	800	-
Total Cash and Cash Equivalents	**7,325**	**(321)**

Note 19 Short-term Creditors

	31 March 2011 £000s	31 March 2010 £000s	1 April 2009 £000s
Central Government Bodies	(1)	-	(8)
Other Local Authorities	(2,119)	(1,086)	(1,549)
NHS Bodies	-	-	-
Public Corporations	-	-	-
Other Entities & Individuals	(2,918)	(4,169)	(2,792)
Total	**(5,038)**	**(5,255)**	**(4,349)**

Note 20 Provisions

	Grant clawback provision £000s	Compulsory purchase proceeds liability £000s	Bonds and deposits £000s	Pension strain provision £000s	Redundancy provision £000s	Section 106 monies £000s	Total £000s
Balance at 1 April 2010	40	75	133	62	10	-	320
Additional provisions made in 2010/11	-	-	131	23	-	34	188
Amounts used in 2010/11	-	-	(131)	(76)	(10)	-	(217)
Unused amounts reversed in 2010/11	-	-	-	-	-	-	-
Balance at 31 March 2011	**40**	**75**	**133**	**9**	**-**	**34**	**291**

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 six 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 has previously acquired properties in housing clearance areas where the owners could not be contacted. This sum is due to the owners of the properties

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.

Planning Obligations under s106, Town & Country Planning Act 1990
Amounts held as a particular liability for potential return to a provider after a specified period.

Note 21 Usable Reserves

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

Usable Reserves	31 March 2011 £000s	31 March 2010 £000s
General Fund	1,100	1,100
Earmarked Reserves	4,223	2,906
Capital Receipts Reserve	2,785	3,076
Total Usable Reserves	**8,108**	**7,082**

Capital Receipts Reserve	2010/11 £000s	2009/10 £000s
Balance at 1 April	**3,076**	**2,597**
Capital receipts in year		
Sale of Assets	1,063	1,587
Other Income	175	199
Capital receipts used to fund capital expenditure	(1,529)	(1,307)
Balance at 31 March	**2,785**	**3,076**

Note 22 Unusable Reserves

Unusable Reserves	31 March 2011 £000s	31 March 2010 £000s
Revaluation reserve	12,270	9,051
Capital Adjustment Account	24,491	35,799
Financial Instrument Adjustment Account	-	(238)
Deferred Capital Receipts Reserve	10	14
Pensions Reserve	(44,804)	(64,131)
Collection Fund Adjustment Account	133	107
Accumulated Absences Account	(150)	(240)
Total Unusable Reserves	**(8,050)**	**(19,638)**

Revaluation Reserve (Note 22a)

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

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

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

Revaluation Reserve	2010/11 £000s	2009/10 £000s
Balance at 1 April	**9,051**	**8,794**
Upward revaluation of assets	6,407	1,827
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(3,188)	(1,570)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**3,219**	**257**
Difference between fair value depreciation and historical cost depreciation	-	-
Accumulated gains on assets sold or scrapped	-	-
Amounts written off to the Capital Adjustment Account	**-**	**-**
Balance at 31 March	**12,270**	**9,051**

Capital Adjustment Account (Note 22b)
The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical costs basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction or enhancement.

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

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

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	2010/11 £000s	2009/10 £000s
Balance at 1 April	**35,799**	**38,118**
Reversal of items relating to capital expenditure debited and credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(1,474)	(1,403)
Revaluation losses on Property, Plant and Equipment	(14,258)	(12,623)
Amortisation of intangible assets	(62)	(124)
Revenue expenditure funded from capital under statute	(6,810)	(964)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,059)	(1,497)
Adjusting amounts written out of the Revaluation Reserve	-	-
Net written out amount of the cost of non-current assets consumed in the year	**(23,663)**	**(16,611)**
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	1,529	1,307
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	9,356	11,651
Statutory provision for the financing of capital investment charged against the General Fund balances	1,196	1,193
Capital expenditure charged against the General Fund balances	274	141
Capital financing applied in the year	**12,355**	**14,292**
Reversal of finance lease contained with contract identified under IFRS	-	-
Balance at 31 March	**24,491**	**35,799**

Financial Instruments Adjustment Account (Note 22c)

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Authority uses the account to manage premiums due and impairments in respect of the Icelandic deposit.

Financial Instruments Adjustment Account	2010/11 £000s	2009/10 £000s
Balance at 1 April	**(238)**	**(153)**
Premiums incurred in the year and credited to the Comprehensive Income and Expenditure Statement	-	45
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	238	(130)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	**238**	**(85)**
Balance at 31 March	**-**	**(238)**

Pensions Reserve (Note 22d)

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

Pensions Reserve	2010/11 £000s	2009/10 £000s
Balance at 1 April	**(64,131)**	**(45,972)**
Actuarial gains or (losses) on pensions assets and liabilities	12,428	(16,142)
Reversal of items relating to retirement benefits debited or credited to the Surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	3,845	(5,300)
Employer's pensions contributions and direct payments to pensioners payable in year	3,054	3,283
Balance at 31 March	**(44,804)**	**(64,131)**

Deferred Capital Receipts Reserve (Note 22e)

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

Deferred Capital Receipts Reserve	2010/11 £000s	2009/10 £000s
Balance at 1 April	**14**	**22**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4)	(8)
Transfer to the Capital Receipts Reserve upon receipt of cash	-	-
Balance at 31 March	10	14

Collection Fund Adjustment Account (Note 22f)

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

Collection Fund Adjustment Account	2010/11 £000s	2009/10 £000s
Balance at 1 April	**107**	**100**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	26	7
Balance at 31 March	133	107

Accumulated Absences Account (Note 22g)

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

Accumulated Absences Account	2010/11 £000s	2009/10 £000s
Balance at 1 April	**(240)**	**(226)**
Settlement or cancellation of accrual made at the end of the preceding year	240	226
Amounts accrued at the end of the current year	(150)	(240)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**90**	**(14)**
Balance at 31 March	(150)	(240)

Note 23 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following activities:

	2010/11 £000s	2009/10 £000s
Interest received	145	159
Interest paid	(1,077)	(1,136)

Note 24 Cash Flow Statement – Investing Activities

	2010/11 £000s	2009/10 £000s
Purchase of property, plant and equipment, investment property and intangible assets	(11,814)	(21,591)
Proceeds from sale of property, plant and equipment, investment	1,235	1,777
Other receipts from investing activities	25,751	18,790
Net cash flows from investing activities	15,172	(1,024)

Note 25 Cash Flow Statement – Financing Activities

	2010/11 £000s	2009/10 £000s
Cash receipts of short-term and long-term borrowing	108,866	26,127
Cash payments for the reduction of the outstanding liabilities relating to finance leases	-	(14)
Repayments of short-term and long-term borrowing	(118,951)	(24,562)
Other repayments for financing activities	(7,507)	(8,365)
Net cash flows from investing activities	(17,592)	(6,814)

Note 26 Amounts Reported for Resource Allocation Decisions

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

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)

- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

- Expenditure on some support services is budgeted for centrally and not charged to portfolios.

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

Portfolio Income and Expenditure 2010/11	Leader £000s	Resources £000s	Leisure & Culture £000s	Planning & Environment £000s	Community Safety £000s	Regeneration & Economic Development £000s	Customer Access & Community Engagement £000s	Total £000s
Fees, charges & other service income	(149)	(3,203)	(4,844)	(556)	(2,579)	(9,259)	(1)	**(20,591)**
Government grants	(44)	(44,563)	(24)	(66)	(172)	(1,295)	-	**(46,164)**
Total Income	**(193)**	**(47,766)**	**(4,868)**	**(622)**	**(2,751)**	**(10,554)**	**(1)**	**(66,755)**
Employee expenses	1,918	4,802	5,224	1,503	1,494	2,476	1,380	**18,797**
Other service expenses	1,353	47,141	3,043	408	4,870	7,085	361	**64,261**
Support service recharges	937	5,465	3,423	1,001	1,528	996	391	**13,741**
Total Expenditure	**4,208**	**57,408**	**11,690**	**2,912**	**7,892**	**10,557**	**2,132**	**96,799**
Net Expenditure	**4,015**	**9,642**	**6,822**	**2,290**	**5,141**	**3**	**2,131**	**30,044**

Portfolio Income and Expenditure 2009/10 Comparative Figures	Leader £000s	Resources £000s	Leisure & Culture £000s	Planning & Environment £000s	Community Safety £000s	Regeneration & Economic Development £000s	Customer Access & Community Engagement £000s	Total £000s
Fees, charges & other service income	(200)	(3,375)	(4,631)	(753)	(2,507)	(7,391)	(42)	**(18,899)**
Government grants	(40)	(41,959)	(46)	(55)	(237)	(1,259)	-	**(43,596)**
Total Income	**(240)**	**(45,334)**	**(4,677)**	**(808)**	**(2,744)**	**(8,650)**	**(42)**	**(62,495)**
Employee expenses	1,767	4,531	4,857	1,491	1,577	2,262	1,310	**17,795**
Other service expenses	2,028	45,040	3,576	400	5,108	8,220	393	**64,765**
Support service recharges	959	4,802	3,155	958	1,514	1,050	372	**12,810**
Total Expenditure	**4,754**	**54,373**	**11,588**	**2,849**	**8,199**	**11,532**	**2,075**	**95,370**
Net Expenditure	**4,514**	**9,039**	**6,911**	**2,041**	**5,455**	**2,882**	**2,033**	**32,875**

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

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

	2010/11 £000s	2009/10 £000s
Net expenditure in the Portfolio Analysis	30,044	32,875
Net expenditure of services and support services not included in the Analysis	4,197	(9,713)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(12,619)	(2,417)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	**(8,422)**	**(12,130)**
Cost of Services in Comprehensive Income and Expenditure Statement	**21,622**	**20,745**

Reconciliation to Subjective Analysis

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

2010/11	Portfolio Analysis £000s	Services and Support Services not in Analysis £000s	Amounts not reported to management for decision making £000s	Amounts not included in I&E £000s	Allocation of Recharges £000s	Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges and other service income	(20,591)	(52)	-	-	(19,259)	(39,902)	(6,605)	**(46,507)**
Interest and investment & deposit income	-	-	(75)	74	-	(1)	(153)	**(154)**
Income from council tax	-	-	-	-	-	-	(6,682)	**(6,682)**
Government grants and contributions	(46,164)	-	-	-	-	(46,164)	(15,093)	**(61,257)**
Total Income	**(66,755)**	**(52)**	**(75)**	**74**	**(19,259)**	**(86,067)**	**(28,533)**	**(114,600)**
Employee expenses	18,797	505	-	-	-	19,302	(205)	**19,097**
Other service expenses	64,261	86	-	-	-	64,347	10,251	**74,598**
Support service recharges	13,741	3,658	-	-	-	17,399	2	**17,401**
Depreciation, amortisation and impairment	-	-	15,794	-	-	15,794	7	**15,801**
Interest payments	-	-	-	-	-	-	1,077	**1,077**
Precepts and levies	-	-	-	-	-	-	48	**48**
Gain or loss on disposal of non-current assets	-	-	-	-	-	-	(1,238)	**(1,238)**
Past Service Gain - Pensions (note 38)	-	-	(9,153)	-	-	(9,153)	-	**(9,153)**
Total Expenditure	**96,799**	**4,249**	**6,641**	**-**	**-**	**107,689**	**9,942**	**117,631**
	30,044	4,197	6,566	74	(19,259)	21,622	(18,591)	3,031

2009/10 Comparative Figures	Portfolio Analysis £000s	Services and Support Services not in Analysis £000s	Amounts not reported to management for decision making £000s	Amounts not included in I&E £000s	Allocation of Recharges £000s	Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges and other service income	(18,899)	(11,659)	-	-	(16,566)	(47,124)	(1,042)	**(48,166)**
Interest and investment & deposit income	-	-	(130)	129	-	(1)	(129)	**(130)**
Income from council tax	-	-	-	-	-	-	(6,590)	**(6,590)**
Government grants and contributions	(43,596)	-	-	-	-	(43,596)	(15,585)	**(59,181)**
Total Income	**(62,495)**	**(11,659)**	**(130)**	**129**	**(16,566)**	**(90,721)**	**(23,346)**	**(114,067)**
Employee expenses	17,795	108	-	-	-	17,903	-	**17,903**
Other service expenses	64,765	193	-	-	-	64,958	7	**64,965**
Support service recharges	12,810	1,645	-	-	-	14,455	2	**14,457**
Depreciation, amortisation and impairment	-	-	14,150	-	-	14,150	130	**14,280**
Interest payments	-	-	-	-	-	-	4,879	**4,879**
Precepts and levies	-	-	-	-	-	-	43	**43**
Gain or loss on disposal of non-current assets	-	-	-	-	-	-	(279)	**(279)**
Total Expenditure	**95,370**	**1,946**	**14,150**	**-**	**-**	**111,466**	**4,782**	**116,248**
Surplus or deficit on the provision of services	32,875	(9,713)	14,020	129	(16,566)	20,745	(18,564)	2,181

Note 27 Trading Operations

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

	2010/11 £000s	2009/10 £000s
Turnover	(871)	(879)
Expenditure	759	937
Net (Surplus) / Deficit on trading operations	**(112)**	**58**

In 2010/11 a surplus was made of £112k compared to a deficit of £58k in 2009/10. 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 the year that didn't increase the value of the market hall.

Note 28 Agency Services

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

	2010/11 £000s	2009/10 £000s
Management fee payable by Lancashire County Council	(42)	(43)
Net (surplus)/deficit arising on the agency arrangement	**(42)**	**(43)**

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

	2010/11 £000s	2009/10 £000s
Expenditure incurred in providing a non-domestic rate collection service on behalf of the Government	208	176
Management fee payable by the Government	(147)	(143)
Net (surplus)/deficit arising on the agency arrangement	**61**	**33**

Note 29 Members' Allowances

Payments of allowances to elected members are made in accordance with the scheme approved annually by the Authority. The following amounts were paid to members of the council during the year. The total allowances paid for 2010/11were £184,039 (2009/10 £186,445).

	2010/11 £	2009/10 £
Allowance rate paid per annum		
Basic Allowance	2,700	2,460
Broadband	-	240
Executive Member	4,050	4,050
Leader Supplement	10,800	10,800
Deputy Leader Supplement	2,700	2,700
Other Group Leaders	1,350	1,350
Scrutiny and Development Control Chairs	2,700	2,700
Licensing Committee Chair	1,350	2,700
Development Control Vice Chair	1,350	1,350

Note 30 Officers' Remuneration

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

		Salary, Fees and Allowances £	Elections £	Compensation for loss of office £	Pension contribution £	Total £
Chief Executive	2010/11	112,728	6,806	-	15,898	**135,432**
(Steve Rumbelow)	2009/10	112,857	6,652	-	15,895	**135,404**
Director of Resources	2010/11	67,963	4,605	-	9,039	**81,607**
(Nick Aves)	2009/10	67,968	4,052	-	9,040	**81,060**
Director of Community Services	2010/11	73,224	-	-	9,739	**82,963**
(Mick Cartledge)	2009/10	73,159	-	-	9,730	**82,889**
Director of Environment	2010/11	67,961	-	-	9,039	**77,000**
(David Brown)	2009/10	67,961	-	-	9,039	**77,000**
Director of Regeneration and Housing	2010/11	67,976	-	-	9,041	**77,017**
(Mike Cook)	2009/10	67,961	-	-	9,039	**77,000**
Head of People and Law	2010/11	54,534	2,594	-	7,253	**64,381**
	2009/10	58,666	2,086	-	7,803	**68,555**

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

Remuneration band	2010/11 Number of employees	2009/10 Number of employees
£50,000 - £54,999	1	1
£55,000 - £59,999	1	-
£60,000 - £64,999	-	1
£65,000 - £69,999	2	2
£70,000 - £74,999	2	2
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	1	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	1	1

Note 31 External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections:

	2010/11 £000	2009/10 £000
Fees payable to the Audit Commision with regard to external audit services carried out by the appointed auditor for the year	108	109
Fees payable to the Audit Commission in respect of statutory inspections	-	9
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	28	25
Total	**136**	**143**

Planned audit services cost £108,000 in line with the agreed plan and budget.

Note 32 Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2010/11:

	2010/11 £000	2009/10 £000
Credited to Taxation and Non Specific Grant Income		
National Non-Domestic Rate	(10,378)	(9,608)
Revenue Support Grant	(1,507)	(2,218)
Working Neighbourhoods Fund	(2,514)	(2,722)
Cohesion Grant	(266)	(214)
Preventing Violent Extremism	(139)	(143)
Connecting Communities	-	(60)
Youth Task Force Grant	(47)	(47)
Climate Change Grant	(23)	(23)
Empty Shops Initiative	-	(52)
Performance Reward Grant	(169)	(478)
DWP Grant	(50)	-
Business Growth Development Grant	-	(21)
Total	**(15,093)**	**(15,586)**
Credited to Services		
Housing Benefit & Council Tax Benefit Subsidy	(42,639)	(40,129)
Market Renewal Programme - Capital	(6,093)	(13,028)
North West Development Agency	(138)	(2,200)
Housing Capital Grant	(944)	(1,581)
Housing Benefit Administration Subsidy	(1,152)	(1,254)
Market Renewal Programme - Revenue	(980)	(994)
Lancashire County Council	(1,063)	(1,000)
Disabled Facilities Grants	(855)	(904)
East Lancashire Health Authority	(333)	(627)
Department for Transport	(495)	(340)
Lottery Sports Fund	(12)	(238)
Heritage Lottery Fund	(262)	(223)
Home Office Grant - LEGI	-	(187)
Rossendale Borough Council	(95)	(114)
Pendle Borough Council	(86)	(100)
Homes and Communities Agency	(497)	-
ERDF	(107)	-
Other Grants	(2,088)	(1,999)
Total	**(57,839)**	**(64,918)**

The Authority has received grant that has yet to be recognised as income as it has conditions attached to it that may require the monies to be returned to the grant body. The balance at the year-end is as follows:

	Balance 31 March 2010 £,000	Receipts £,000	Applied £,000	Balance 31 March 2011 £,000
Capital Grants Receipts in Advance				
Housing Capital Grant	(211)	(1,695)	944	(962)
Housing Market Renewal	-	(10,030)	6,093	(3,937)
Disabled Facilities Grant	-	(1,352)	1,352	-
Homelessness Grant	(203)	(91)	-	(294)
Section 106 Contributions	(691)	(69)	199	(561)
Total	**(1,105)**	**(13,237)**	**8,588**	**(5,754)**

Note 33 Related Parties

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions 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 note 32.

Members of the council have direct control over the council's financial and operating policies. During 2010/11, works and services to the value of £93,503.12 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 2010/11 was £2,616,627.66. In addition, the Council paid grants totaling £195,428.17 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 £81,355.50. 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 2010/11, 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 operated 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.

Note 34 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2010/11 £000	2009/10 £000
Opening Capital Financing Requirement	28,609	28,542
Capital Investment:		
Property, Plant and Equipment	4,913	2,053
Investment Properties	58	11,264
Intangible Assets	33	78
Revenue Expenditure Funded from Capital under Statute	6,810	8,196
Sources of finance:		
Capital receipts	(1,529)	(1,307)
Government grants and other contributions	(9,356)	(18,883)
Sums set aside from revenue:		
Direct revenue contributions	(274)	(141)
Minimum Revenue Provision	(1,196)	(1,193)
Closing Capital Financing Requirement	**28,068**	**28,609**
Explanation of movements in year:		
Decrease / (Increase) in underlying need to borrow (unsupported by Government financial assistance)	(541)	67
Increase / (decrease) in Capital Financing Requirement	**(541)**	**67**

Note 35 Leases

Authority as Lessee

Operating Leases

The Authority leases a building on Parker Lane which houses its contact centre, Contact Burnley, on a short-term lease of 15 years.

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

	31 March 2011 £000s	31 March 2010 £000s
Not later than one year	75	72
Later than one year and not later than five years	321	312
Later than five years	333	417
Minimum lease payments	**729**	**801**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to this lease was £72,363 (£70,256 in 2009/10).

Authority as Lessor

Operating Leases

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

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

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

	31 March 2011 £000s	31 March 2010 £000s
Not later than one year	1,151	1,162
Later than one year and not later than five years	3,846	4,110
Later than five years	85,167	86,041
Minimum lease payments	**90,164**	**91,313**

Note 36 Impairment Losses on Buildings

The Authority had no property impairment losses for 2010/11.

Note 37 Termination Benefits

The Authority terminated the contracts of a number of employees in 2010/11, incurring liabilities of £746k (£50k in 2009/10).

Note 38 Defined Benefit Pension Schemes

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

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

Transactions Relating to Post-employment Benefits

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

Local Government Pension Scheme	2010/11 £000s	2009/10 £000s
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service costs	2,429	1,536
Settlements and curtailments	104	20
Past service costs gain	(9,153)	-
Financing and Investment Income and Expenditure		
Interest cost	9,000	8,441
Expected return on scheme assets	(6,225)	(4,697)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(3,845)**	**5,300**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial (gains) and losses	(12,428)	16,142
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(12,428)**	**16,142**
Movement in Reserves Statement		
Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	3,845	(5,300)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to the scheme	3,054	3,283

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a gain of £3.845m.

Exceptional Item Resulting from the change from RPI to CPI for Pensions Increases
There has been a reduction in liabilities recognised as a past service gain. In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the Council's liabilities in the Pension Fund by £9.153m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund.

Assets and Liabilities in Relation to Post-employment Benefits
Reconciliation of present value of the scheme liabilities (defined benefit obligation):

Funded Liabilities: Local Government Pension Scheme	2010/11 £000s	2009/10 £000s
Opening balance at 1 April	161,612	120,440
Current service cost	2,429	1,536
Interest cost	9,000	8,441
Contributions by scheme participants	847	868
Actuarial (gains) and losses	(11,465)	35,804
Benefits paid	(5,062)	(5,497)
Past service costs	(9,153)	-
Entity combinations	-	-
Curtailments	104	20
Settlements	-	-
Closing balance at 31 March	**148,312**	**161,612**

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

Local Government Pension Scheme	2010/11 £000s	2009/10 £000s
Opening balance at 1 April	97,481	74,468
Expected rate of return	6,225	4,697
Actuarial gains and losses	963	19,662
Employer contributions	3,054	3,283
Contributions by scheme participants	847	868
Benefits paid	(5,062)	(5,497)
Entity combinations	-	-
Settlements	-	-
Closing balance at 31 March	**103,508**	**97,481**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £7.821m (2009/10 was £24.359m).

Scheme History

Local Government Pension Scheme	2006/07 £000s	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s
Present value of liabilities:	(132,527)	(141,937)	(120,440)	(161,612)	(148,312)
Fair value of assets in the Local Government Pension Scheme	100,423	94,830	74,468	97,481	103,508
Surplus / (deficit) in the scheme	**(32,104)**	**(47,107)**	**(45,972)**	**(64,131)**	**(44,804)**

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £148.312m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a positive overall balance of £58k. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remain healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2011 is £3.632m.

Basis for Estimating Assets ad Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimation of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Mercer Human Resource Consulting, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1st April 2010.

The principal assumptions used by the actuary have been:

Local Government Pension Scheme	2010/11	2009/10
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.50%	7.50%
Government bonds	4.40%	4.50%
Other bonds	5.10%	5.20%
Property	6.50%	6.50%
Cash/liquidity	0.50%	0.50%
Other	7.50%	7.50%
Mortality assumptions:		
Men	21.6	21.2
Women	24.2	24.0
Longevity at 65 for future pensioners:		
Men	23.0	22.2
Women	25.8	25.0
Rate of inflation - CPI	2.90%	2.80%
Rate of inflation - RPI	3.40%	3.30%
Rate of increase in salaries	4.90%	5.05%
Rate of increase in pensions	2.90%	3.30%
Rate for discounting scheme liabilities	5.50%	5.60%
Take-up of option to convert annual pension into retirement lump sum	50.00%	50.00%

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

Local Government Pension Scheme	2010/11 %	2009/10 %
Equity investments	64	66
Government bonds	7	7
Other bonds	14	12
Property	8	5
Cash/liquidity	1	4
Other assets	6	6
	100	100

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

Local Government Pension Scheme	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Differences between the expected and actual return on assets	0.69	11.20	34.50	20.20	0.90
Experience gains and losses on liabilities	4.10	2.60	23.50	22.20	7.70

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

Sensitivity Analysis based on assumptions made as at 31st March 2011	Current Estimate £'000	Sensivity 1 + 0.1% p.a. discount rate as at 31st March 2011 £'000	Sensivity 2 + 0.1% p.a. salary inflation as at 31st March 2011 £'000	Sensivity 3 + 0.1% p.a. expected return on equities as at 31st March 2011 £'000	Sensivity 4 1 year addition to member's life expectancy as at 31st March 2011 £'000
Liabilities as at 31st March 2011	148,312	145,887	148,904	148,312	152,084
Assets as at 31st March 2011	-103,508	-103,508	-103,508	-103,508	-103,508
Deficit/(Surplus) as at 31st March 2011	44,804	42,379	45,396	44,804	48,576
Projected Current Service Cost for year commencing 1st April 2011	2,241	2,173	2,290	2,241	2,301
The above figure is based on a percentage rate applied to payroll. The percentage rate is:	17.7%	17.2%	18.1%	17.7%	18.2%
The projected pensionable payroll used in the above calculation is:	12,662	12,662	12,662	12,662	12,662
Projected Expected Return on Assets for year commencing 1st April 2011	-6,747	-6,747	-6,747	-6,816	-6,747
Projected Interest Cost for the year commencing 1st april 2011	8,103	8,112	8,137	8,103	8,312

Note 39 Contingent Liabilities and Contingent Assets

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

Icelandic Bank Deposit - 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 but it is estimated that 95% of the loan will ultimately be recovered. The amount shown as due for this deposit in the balance sheet is £796k which is the potential total loss associated with this loan if no repayments were made. This risk is however considered highly unlikely as things currently stand. The estimated £796k 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 Council has set aside monies in a reserve to cover any non-repayment.

Community Alliance Pensions Indemnity - 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 transfer of undertakings public employees (TUPE) agreement, the Council agreed to provide an indemnity to the County Council as pension fund administrators against any potential failure by the Community Alliance to meet pension contribution and payment obligations.

The Community Alliance has now gone into liquidation, resulting in a possible pension contributions and payment liability of up to £50,000. It is not yet known whether there are sufficient funds within the Community Alliance to cover this amount.

Industrial Disease Claim - The Council potentially has an exposure to an uninsured liability for an asbestos-related industrial disease to a former employee. The disease had its origins/was contributed to during an employment with the Council between 1978 and 1985. The potential exposure is £75,000.

The issue is that the insurance policy – in so far as it relates to employers' liability cover for asbestos-related industrial disease - may be void and the Council will not have cover for this peril. This is an issue that affects many other authorities. The principles are before the Supreme Court on appeal and may be heard this autumn, with judgment expected in early 2012.

Personal Search Fees – these fees were revoked by the Government in August 2010. Previously the Council charged for persons and firms undertaking personal search work who wished to inspect the local land charges register. It is known that firms undertaking this type of work are making claims for the fees paid previously for obtaining access to the register. On 27th July 2010 the Department of Environment, Food & Rural Affairs (DEFRA) advised that not only should local authorities cease to charge with immediate effect but all fees collected since the introduction of the Environmental Information Regulations 2004 (EIR) in January 2005 should also be considered to be subject to a potential refund because this charge was incompatible with the EIR requirements. The EIR includes a provision for local authorities to charge for environmental information and states that this charge should be 'reasonable'. The provisions of the EIR came into effect in January 2005 and are similar to the Freedom of Information Act 2000 (FOIA) except that there is no legislative requirement for the provision of information under the former to be made without charge. In the period from January 2005 the Council obtained around £109k from charging these fees and this is therefore the maximum amount which could be paid out. It is considered likely that any claim would be made by the major operators in the market and that not all income received would be subject to a repayment claim. Proceedings have now been issued against over 200 local authorities, including Burnley. The claim against Burnley in these proceedings is in the region of £50k. The Council has received a sum of around £34k by way of Government grant to offset some of the received or expected to be received. The Government has recently announced that it will look at increasing the grant to better reflect the potential local authority loss.

Note 40 Nature and Extent of Risks arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority

- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments

- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they are rated independently. The authority has a policy of not lending more than a certain amount to one institution dependent upon the rating of that institution. The maximum amounts invested in any of them was £2m. In the case of the Council's own bankers the limit is set at £5m.

In 2010/11, the Council approved the opening of a call account facility with Lancashire County Council to invest sums up to £10m.

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

The Authority's maximum exposure to credit risk in relation to its deposits in banks and building societies of £9.4m (including £1m in Landsbanki) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Experience has shown that it is rare for British based banks and building societies to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

The Authority has a liability outstanding from the collapse of 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 £.

The following analysis summarises the authority's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions. The Council's provision for 'bad and doubtful debts' at 31 March 2011 totals £1.975m. Included within this amount is a general provision of £1.576m 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 March 2011 £000s	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2011 %	Estimated maximum exposure to default and uncollectability at 31 March 2011 £000s	Estimated maximum exposure at 31 March 2010 £000s
	A	**B**	**C**	**(A x C)**	
Deposits with Landsbanki	1,000	2.19%	2.19%	22	238
Deposits with other banks and financial institutions	8,400	0.00%	0.00%	-	-
Customers	7,269	41.63%	27.17%	1,975	2,150
				1,997	**2,388**

The authority expects settlement terms from debtors of no greater than 14 days, such that £2.790m of the £7.269m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2011 £000s	31 March 2010 £000s
Less than three months	189	157
Three to six months	98	74
Six months to one year	688	2,340
More than one year	1,815	4,670
	2,790	7,241

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

	31 March 2011 £000s	31 March 2010 £000s
Less than one year	3,145	11,471
Between one and three years	3,037	2,001
Between two and five years	4,078	6,114
More than five years	13,801	13,803
	24,061	33,389

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

Market Risk

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

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise

- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall

- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services 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 Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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

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

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2011 £000s	31 March 2010 £000s
Increase in interest payable on variable rate borrowings	11	16
Increase in interest receivable on variable rate investments	(135)	(47)
Impact on Surplus or Deficit on the Provision of Services	**(124)**	**(31)**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	3,073	2,041

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

Price Risk

The Authority does not invest in equity shares but does have shareholdings, to the value of £11,000, in 3.5% War Stock. The shares are classified as 'available for sale', meaning that all movements in price will impact on the gains and losses recognised in Other Comprehensive Income and Expenditure. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £400 gain or loss being recognised in the Other Comprehensive Income and Expenditure for 2010/11.

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

Note 41 Authorisation of Accounts for Issue

The Head of Finance, on 29th June 2011, authorised that the draft Statement of Accounts should be issued to the Director of Resources (the Council's Chief Financial Officer) for certification. On 20th September 2011 the Director of Resources authorised the audited Statement of Accounts for issue. The Director of Resources certified the audited Statement of Accounts on 28th September 2011.

The Collection Fund Statement

COLLECTION FUND	31st March 2011 £000	31st March 2010 £000
Income		
Council Tax		
Council tax - net of benefits granted	(31,568)	(31,602)
Transfers from the General Fund:		
Council tax benefits	(9,598)	(9,292)
Transitional relief	3	1
	(41,163)	**(40,893)**
Non-Domestic Rates		
Business ratepayers - net of bad and doubtful debt provision	(23,380)	(23,429)
Transfers from the General Fund:		
Discretionary relief contribution	(40)	(67)
	(23,420)	**(23,496)**
Total Income	**(64,583)**	**(64,389)**
Expenditure		
Precepts from Local Authorities	**40,621**	**40,320**
Non-Domestic Rates		
Payment to national pool	23,273	23,353
Costs of collection	147	143
	23,420	**23,496**
Impairment of debt		
Provision for bad debts	**310**	**243**
Contributions		
Previous year's estimated Collection Fund surplus	**76**	**296**
Total Expenditure	**64,427**	**64,355**
(Surplus) / Deficit for the year	**(156)**	**(34)**
Movement on Fund Balance		
Opening (surplus) / deficit on Collection Fund at 1 April	(657)	(628)
Adjustment re Community Charge	-	5
(Surplus) / deficit for year	(156)	(34)
Closing (Surplus) / deficit on Collection Fund at 31 March	**(813)**	**(657)**

Notes to the Collection Fund Statement

Note 1 General

Council tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities and the Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts: 25,755 for 2010/2011). This basic amount of council tax for a Band D property (£1,575.35 for 2010/2011) is multiplied by the proportion specified for the particular band to give an individual amount due.

The purpose of the Collection Fund is to provide resources to pay the precepts levied by the Borough Council, the County Council, the County Police Authority, the Lancashire Combined Fire Authority and Town & Parish Councils. These precepts are calculated prior to the start of the financial year and are estimated to be the amount required to finance the net revenue spending of the precepting authority in that year. The precept is credited to the General Fund of each precepting authority (see the Comprehensive Income and Expenditure Statement on page 14 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 31 March 2011 was a surplus of £813,146 which includes a surplus for the year of £156,633. In setting the Council Tax for 2010/11 it was anticipated that there would be a surplus of £39,186 for Council Tax. The increased surplus from 2010/11 will be taken into account in setting the Council Tax for 2012/13.

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

Collection Fund (Surplus) / Deficit	31 March 2011 £000s	(Surplus) / deficit for year £000s	31 March 2010 £000s
Burnley Borough Council	133	26	107
Lancashire County Council	572	110	462
Lancashire Police Authority	75	14	61
Lancashire Combined Fire Authority	33	6	27
Total (Surplus) / Deficit	**813**	**156**	**657**

Note 2 Non-Domestic Rates

The Council is responsible for collecting all such rates for properties in the Burnley area and this money is paid into a national pool managed by Central Government. This money is then redistributed from the pool to local authorities in proportion to their adult population. Business rates are calculated by multiplying the rateable value for the property by the standard national rates in the pound (small businesses 40.7p and other non-domestic properties 41.4p for 2010/11). The reduced rate in 2010/11 reflected the fact that this was a revaluation year, which resulted in an increase of the rateable value for the Council's area to £72,899,339 up from £60,791,776 at the end of 2009/10.

Note 3 Council Tax Base

The Council Tax due for each property is dependent on the valuation band into which it has been placed. The ranges for each band, the relevant multiplier, the number of properties in each band at November 2009 (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 2010/11 was 25,755 as shown below.

Property Value						
Between £	And £	Band	Ratio	Number of properties	Equivalent number after discounts	Band D equivalent
-	40,000	A	6/9	25,194	20,077	13,380
40,001	52,000	B	7/9	4,791	4,217	3,280
52,001	66,000	C	8/9	6,103	5,552	4,935
66,001	88,000	D	9/9	2,725	2,533	2,533
88,001	120,000	E	11/9	1,267	1,190	1,454
120,001	160,000	F	13/9	328	301	435
160,001	320,000	G	15/9	137	116	193
320,001	Higher	H	18/9	19	9	17
Total				**40,564**	**33,995**	**26,227**
Less:	Allowance for non-collection			1.8%		**472**
Taxbase for year						**25,755**

Note 4 Council Tax

The calculation of the tax due is derived from the Council Tax base for the year calculated in accordance with the provisions of the Local Government Finance Act 1992. The Band D Council Tax for the year 2010/11 was calculated as follows:

	2010/11 £
Lancashire County Council	28,544,240
Lancashire Police Authority	3,767,233
Lancashire Combined Fire Authority	1,639,306
Burnley Borough Council	6,622,383
Padiham Town Council	23,395
Cliviger Parish Council	10,000
Worsthorne with Hurstwood Parish Council	5,000
Habergham Eaves Parish Council	1,500
Briercliffe with Entwistle Parish Council	8,000
Total to be met from Council Tax	**40,621,057**

Divided by the Council Tax Base (25,755) this gives an average Band D Council Tax for the year 2010/11 of £1,577.21. This is slightly higher than the figure in note 1 due to the inclusion above of the parish and town council precept amounts.

GLOSSARY OF TERMS

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

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

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

ACTUARY
A business professional who deals with the financial impact of risk and uncertainty. They provide expert assessments on the Council's pensions fund when looking at the future liabilities and assets of the fund.

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

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

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

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

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

BVACOP
Best Value Accounting Code of Practice

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

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING COSTS

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

CAPITAL RECEIPTS

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

CAPITAL RECEIPTS - DEFERRED

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

CIPFA

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

CIPFA PRUDENTIAL CODE

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

CODE OF PRACTICE

The *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) specifies the principles and practices of accounting required to give a ‘true and fair’ view of the financial position and transactions of a local authority.

The Code sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to:

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

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

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

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

COLLECTION FUND

The Collection Fund shows the transactions of the Council in relation to the collection from taxpayers and distribution to precepting authorities, the Council and the Government of council tax and non-domestic rates.

The Collection Fund is an agency statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

COMMUNITY ASSETS

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

CONSISTENCY

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

CONSOLIDATED BALANCE SHEET

The combined fund balance sheets of the Council.

CONTINGENCY SUM

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

CONTINGENT LIABILITY

A contingent liability is either:

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

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

CORPORATE AND DEMOCRATIC CORE

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

CORPORATE GOVERNANCE

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

COST OF MANAGEMENT AND ADMINISTRATION

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

CREDITORS

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

CURRENT ASSET

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

CURRENT LIABILITY
An amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn.
CURRENT SERVICE COST (PENSIONS)
The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.
DEBT REDEMPTION
The repayment of external loans previously raised to finance capital expenditure.
DEBTOR
Are financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents.
DEFERRED CHARGES
Expenditure which does not result in, or remain matched with, tangible assets. An example of a deferred charge is expenditure on items such as improvement grants. Deferred charges are written off to the revenue account in the year of account.
DEFERRED DEBTORS
Debts of a capital nature repayable over a period of time in excess of one accounting period e.g. mortgages.
DEPRECIATION
The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.
EXCEPTIONAL ITEMS
Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give a fair presentation of the accounts.
EXPECTED RATE OF RETURN ON PENSIONS ASSETS
For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.
EXPENSES
Are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or increases of liabilities that result in decreases in reserves. Expenses include expenses that arise in the course of the ordinary activities and losses such as revaluation of fixed assets.
FAIR VALUE
Is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms-length transaction.
FINANCE LEASE
A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment amounts to substantially all (normally 90% or more) of the fair value of the leased asset.
FINANCIAL YEAR
In the context of a local authority this means the period from 1st April to the following 31st March inclusive.
FIXED ASSETS
Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

FORMULA GRANT
General Government Grant towards the Councils net revenue budget; and which comprises entitlements of Revenue Support Grant and share of NNDR national pool.
FRS
Financial Reporting Standard
GAAP
Generally Accepted Accounting Principles
GENERAL FUND
The main revenue fund of the Council. Day-to-day spending on services is met from the fund.
GOING CONCERN
The authority's financial statements have been prepared on a going concern basis; that is, the accounts have been prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future.
GROSS EXPENDITURE
The cost of service provision before allowing for Government grants, Council Taxes and other income.
HISTORICAL COST
Is deemed to be the carrying amount of an asset as at 1 April 2007 (i.e. b/f from 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment (if applicable).
HOUSING REVENUE ACCOUNT (HRA)
An account which includes the expenditure and income arising from the provision of council housing by Councils. This is now closed.
IMPAIRMENT
This is where the useful working life of an asset is significantly reduced – for example, because of damage to a piece of equipment or changes in technology which mean that a service can be provided more efficiently in other ways.
INCOME
Is the gross inflow of economic benefits or service potential during the reporting period when those inflows or enhancements of assets or decreases of liabilities result in an increase in reserves. Income includes both revenue arising in the course of ordinary activities and gains such as the revaluation of fixed assets.
IFRIC
International Financial Reporting Interpretations Committee
IFRS
International Financial Reporting Standards
INFRASTRUCTURE ASSETS
Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.
INTANGIBLE ASSET
An intangible asset is an identifiable non-monetary asset without physical substance. It must be controlled by the authority as a result of past events, and future economic or service benefits must be expected to flow from the intangible asset to the authority. The most common class of intangible asset in local authorities is computer software.
INTEREST COST (PENSIONS)
For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
INVESTMENT PROPERTY
An investment property is one that is used solely to earn rentals or for capital appreciation or both.
IPSAS
International Public Sector Accounting Standards

LEASING
A method of utilising assets where a rental charge is paid for a specified period of time, instead of outright purchase.
LIABILITIES
Are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.
LOANS OUTSTANDING
The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the balance sheet date.
MATERIALITY
The relevance of information contained in the financial statements is affected by its nature and materiality. Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Therefore materiality provides a threshold or cut-off point rather than a primary qualitative characteristic which information must have if it is to be useful. An authority need not comply with the Code, as to both disclosure and accounting principles, if the information is not material to the true and fair view of the financial statements and to the understanding of users.
MINIMUM REVENUE PROVISION
The minimum amount which must be charged to the Council's revenue account each year as required by the Local Government Act 2003 and the capital finance regulations.
NATIONAL NON-DOMESTIC RATES (NNDR)
With effect from April 1990 all non-domestic properties were revalued and the Government determines a national non-domestic rating multiplier every year which is applicable to all local authorities. The rateable values are set by the Valuation Office Agency of HM Revenue & Customs, and there is a statutory revaluation every 5 years. The proceeds of the business rates are paid into a national pool and redistributed by the Government between local authorities, mainly in proportion to their adult populations.
NET EXPENDITURE
Gross expenditure less specific Government grants and other income.
NET BOOK VALUE
The amount at which fixed assets are included in the balance sheet, i.e., their historical cost of current value, less the cumulative amounts provided for depreciation.
NNDR
National Non-Domestic Rates
NON-OPERATIONAL ASSETS
Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment property and assets that are surplus to requirements, pending sale or redevelopment.
OPERATING LEASE
A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.
OPERATIONAL ASSETS
Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.
PAST SERVICE COST
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PRECEPT
The levy made by precepting authorities (Lancashire County Council, Lancashire Police Authority, Lancashire Combined Fire Authority, Town & Parish Councils) on the Council, requiring the Council to collect income from council taxpayers on behalf of the precepting authorities and paying over the cash collected to them.
PROVISION
An amount set aside in the accounts for liabilities which are certain to be incurred in the future, but cannot be quantified accurately at the balance sheet date.
PRUDENCE
Accounts should be prepared in accordance with the concept of prudence. Income should only be anticipated to the extent that it will be received, as cash or other assets, with reasonable certainty and full and proper allowance should be made for all known and foreseeable losses and liabilities.
PRUDENTIAL FRAMEWORK
One of the principal features of the Local Government Act 2003 was to provide the primary legislative requirements to introduce a new prudential regime for the control of Local Authority capital expenditure. The regime relies upon both secondary legislation in the form of regulations, and a prudential code which has been published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
Under the prudential framework local authorities are free to borrow without specific government consent if they can afford to service the debt without extra government support. The basic principle is that authorities will be free to invest as long as their capital spending plans are affordable, sustainable and prudent. As a control mechanism to ensure this occurs all authorities must follow the prudential code published by CIPFA. This involves setting various prudential limits and indicators that must be approved by the Council.
PUBLIC WORKS LOAN BOARD (PWLB)
A body, now part of the Debt Management Office (a government agency), which lends money to public bodies for capital purposes. At present nearly all borrowers are local authorities. Monies are drawn from the National Loans Fund and rates of interest are determined by the Treasury.
RELATED PARTIES
Two or more parties are related parties when at any time during the financial period:
- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

RELATED PARTY TRANSACTIONS
A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for, a related party irrespective of whether a charge is made. The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.
RENT ALLOWANCE
A subsidy payable by the Council to low-income tenants in private rented accommodation.
RESERVE
The residual interest in the assets of the authority after deducting all its liabilities. The Movement in Reserves Statement shows the true economic cost of providing the authority's services, represented by the line 'Surplus or (deficit) on the provision of services'. Some

income and expenditure is required to be recognised on a different basis or in a different accounting period (ie in accordance with legislation) in the General Fund. These differences are shown in the line 'Adjustments between accounting basis and funding basis under regulations'. Voluntary transfers to or from the General Fund Balance also affect the amount to be funded from council tax; these are shown in the line 'Transfers to or from reserves available to fund services'. The Movement in Reserves Statement also shows Other Comprehensive Income and Expenditure, for example revaluation gains.

RESIDUAL VALUE

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

REVALUATION RESERVE

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

REVENUE ACCOUNT

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

REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE (REFFCUS)

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

REVENUE SUPPORT GRANT (RSG)

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

RSL

Registered Social Landlord

SECTION 137 EXPENDITURE

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

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

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

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

SORP

Statement of Recommended Practice

STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE (SMGFB)

This is a reconciliation statement with the Income & Expenditure Account, showing how the balance of resources generated or consumed in the year links in with the statutory requirements for raising Council Tax

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

This financial statement brings together all the gains and losses of the authority for the year, in relation to total movement within 'net worth' given in the bottom-half of the Balance Sheet.

STOCKS AND WORK IN PROGRESS

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

TEMPORARY LOANS

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

TREASURY MANAGEMENT

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