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# STATEMENT OF ACCOUNTS 2011-12

Approved by the Council's Audit Committee on 26th September 2012

………………………………………. Councillor Tony Harrison

Chair of the Audit Committee

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# EXPLANATORY FOREWORD

This booklet presents the Council's accounts for the year ended 31st March 2012. The accounts conform to the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code), which is based on International Financial Reporting Standards (IFRSs).

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

Explanatory Statements

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

Core Statements

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

Notes to the Core Financial Statements

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

Other Statements

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

Glossary

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

**Revenue Income and Expenditure**

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

The revenue budget for 2011/12 was approved by Full Council on the 24th February 2011 and amounted to a net figure of £15.731m. This net budget figure was funded as follows:

| | £ |
|---|---|
| Formula Grant | 9.115m |
| Council Tax Levied | 6.610m |
| Collection Fund Surplus | 0.006m |

In addition, the Council received requests for precepts on the Collection Fund of £0.055m to fund expenditure by Parish and Town Councils. In total this resulted in a Collection Fund Precept of £6.665m.

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 £1.530m to earmarked reserves. There were however planned contributions from earmarked reserves of £1.043m 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 to earmarked reserves of £0.487m to support future revenue spending.

The Statement of Accounts shows that there was a revenue budget surplus for the year of £955k after taking into account planned transfers to earmarked reserves of £487k as detailed below:

| | £ | |
|---|---|---|
| Comprehensive Income and Expenditure Statement Surplus | - 0.556m | (see page 13) |
| Adjustments between Accounting and Funding Basis | - 0.886m | (see page 35) |
| Surplus transferred to earmarked reserves | - 1.442m | (see page 12) |
| Planned transfer to earmarked reserves (per above) | 0.487m | |
| Revenue budget surplus for the year | - 0.955m | |

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 - £123k

Electricity and Gas costs - £131k (reductions in both annual tender prices and consumption through good housekeeping).

Local Development Framework (Local Plan Review) - £141k

Targeted Family Support - £80k

Vat refund from HMRC - £198k

Reassessment of Impairment and interest on Icelandic deposit - £68k (see page 6)
Market rental income - £44k

Contributions from developers - £100k

Savings in spending on various supplies and services - £336k

Other net underspending in services - £221k including amounts to carry forward to 2012/13.

In addition there are some instances of higher than expected spending or reduced income within the overall surplus, primarily due to the economic downturn, as follows:

Increase in bad debt provision for benefits overpayments of £216k

Water Services £44k

Redundancy costs and Pension Strain £94k (See Note 31- Exit Packages £294k against budget of £200k)

Property rental income £95k

Leisure and recreation services income shortfall £38k

A summary of estimated net revenue spending and a comparison with income and expenditure actually incurred for 2011/12 is shown below.

| Revenue Expenditure | Revised Estimate 2011/12 £m | Actual 2011/12 £m | Difference £m |
|---|---|---|---|
| Cost of Services | 17.8 | 19.0 | 1.2 |
| Other Operating Expenditure & Income | (0.1) | (0.6) | (0.5) |
| Financing & Investments | 1.6 | 2.5 | 0.9 |
| | 19.3 | 20.9 | 1.6 |
| Adjustments To Accounting Entries to Reconcile to Funding (See note 6 on page 35) | | | |
| Capital and Valuation Adjustments | 0.6 | (1.7) | (2.3) |
| Capital Receipts Credited to Revenue | - | 0.9 | 0.9 |
| Pensions Adjustments Included in Revenue | (0.4) | (0.1) | 0.3 |
| Other | - | - | - |
| | 19.5 | 20.0 | 0.5 |
| Capital Grants & Contributions | - | (1.4) | (1.4) |
| Non Service Related Government Grants | (4.2) | (4.2) | - |
| Net Adjusted Spending and Deficit/(Surplus) for Year | 15.3 | 14.4 | (0.9) |
| Transfer to/(from) Earmarked Reserves | 0.5 | 1.4 | 0.9 |
| **Net Spending after Transfer to/(from) Earmarked Reserves** | **15.8** | **15.8** | **0.0** |
| **Funded by:** | | | |
| Formula Grant | (9.1) | (9.1) | - |
| Council Tax Levied | (6.6) | (6.6) | - |
| Borough Council Funding Requirement | (15.7) | (15.7) | - |
| Parish and Town Council Precepts | (0.1) | (0.1) | - |
| | **(15.8)** | **(15.8)** | **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 transferred its housing stock to a non-profit making company, Calico Housing Limited, in 2000 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 2011/12 the Council spent £7m on capital projects compared with a revised capital budget of £7.5m. 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 2011/12 £M | Actual 2011/12 £M | Difference £M |
|---|---|---|---|
| Housing Repair, Refurbishment & Clearance | 3.3 | 3.3 | 0.0 |
| Economic Regeneration & Business Support | 2.1 | 1.7 | 0.4 |
| Green Space & Amenities | 1.2 | 1.1 | 0.1 |
| Streetscene | 0.2 | 0.2 | 0.0 |
| Information & Communications Technology | 0.3 | 0.3 | 0.0 |
| Property | 0.3 | 0.3 | 0.0 |
| Chief Executive | 0.1 | 0.1 | 0.0 |
| **Total** | **7.5** | **7.0** | **0.5** |

The major area of capital spending in Housing during the year was £1.39m in clearance areas funded from specific grants. There was also spending of £755k on housing refurbishment and re-modelling and £824k on disabled facilities grants. The other main areas of spending within Capital were £721k in respect of the Weavers Triangle redevelopment programme, £659k on the Education & Enterprise Zone, Public Realm Scheme (Princess Way Gateway) and £723k on replacement cremators.

## 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 27th June 2012.

**Borrowing**

The total amount outstanding as at 31st March 2012 on long-term loans borrowed from the Public Works Loan Board (PWLB) to finance capital expenditure was £18.9m. In addition there was at this date £5.2m of short-term borrowing (including £3m PWLB loans). The sources of this borrowing totalling £24.1m, and the periods to repayment, are identified in tables 15c and 41c to the core financial statements. This borrowing should be seen in the context of the total value of the Council's long term assets which is shown in the accounts at £101.5m. 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 39 explains in detail. A pensions reserve and a pensions liability are incorporated within the Council's accounts reflecting the amount by which the Burnley element of the Lancashire County Council pension fund is under-funded compared with the assessed payment liabilities to pensioners now and in the future. There are also entries in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement to show the pensions benefits earned in the year; this compares with previously only showing the cash payments to the scheme. All of these pensions costs entries do not however affect the amount calculated as being due from taxpayers through Council Tax. The overall pensions liability of the Council as at 31st March 2012 was £55.0m.

**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 £247k has now been received from HMRC in 2011/12 and has generated a net sum of £198k 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 partially unpaid. Many local authorities and other major financial institutions together with small investors have also had deposits which have not yet been fully repaid as a consequence of the collapse of the Icelandic banking system.

It is estimated that 100% of the £1m deposit and interest due (after accounting for inflation) will ultimately be recovered as the Council's claim enjoys priority status. The first re-payment of £300k was received in February 2012. It is however not expected that the final payment will be made until 2018. A reverse impairment has been credited to the accounts in 2011/12 to reflect the increased estimated repayment from 95% previously to 100% now. An amount of £68k has been credited to the Comprehensive Income and Expenditure Statement.  Funds have been set aside in a Financial Instruments Shortfall Reserve (FISR) to cover the full amount of the balance of the deposit outstanding shown in the balance sheet at 31st March 2012 (£564k). When repayments are received this reserve will be reduced by the amount repaid and the funds released will be used to support the Council's finances in other areas. In 2011/12 an amount of £232k was transferred to the modernisation reserve from the FISR to reflect the first payment. A second payment of £123k has been received in May 2012.

The Landsbanki deposit is shown in the Balance Sheet under Long-Term Investments and Deposits (£441k of £452k in total), and Short-Term Investments and Deposits (£123k of £1,123k in total).

**Current Economic Conditions**

The continuing fragile state of the world economy which has led to recession and record low levels of interest rates is of significant concern for the Council's finances. Many local businesses are under severe pressure and unemployment remains high. This has led to increased levels of housing benefits which the Council pays, whilst low interest rates continue to suppress valuable investment income which supports the council's spending. The Council's financial position is worsened by the continuing reduction in income from fees and charges, property rental income, 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 2011 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 2012/13. 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 2011/12.

**Further Information**

Further information about the Statement of Accounts is available from the Head of Finance & Property Management, Town Hall, Manchester Road, Burnley, BB11 9SA. In addition, members of the public have the statutory right to inspect the Statement of Accounts and supporting documents at certain times prior to the audit being completed. Details as to when this right can be exercised are advertised each year in the Burnley Express and on the Council's website. Residents of the Borough who are Council Tax payers may register any objection to the accounts in writing to the External Auditor.

**External Audit**

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:

**Karen Murray**
**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 2011/12 ("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 2012.

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 2012 and its income and expenditure for the year then ended including any known post balance sheet events at 26th September 2012.

Nick Aves
Director of Resources

Date: 26th September 2012

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

## Opinion on the Authority's financial statements

I have audited the financial statements of Burnley Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. These financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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 Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require 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 financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Burnley Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

## Opinion on other matters

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

**Matters on which I report by exception**

I report to you if:

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

I have nothing to report in these respects.

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

**Respective responsibilities of the Authority and the auditor**

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

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.

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

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 2011, 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 2012.

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 2011, 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 ended 31 March 2012.

**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.

Karen Murray
District Auditor

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

September 2012

# Core Financial Statements

## Movement in Reserves Statement

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

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

The 'Net increase / (decrease) before transfers to reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. Details of these transfers can be found at Note 7. In 2011/12 £1.442m was transferred to earmarked reserves.

| MOVEMENT IN RESERVES STATEMENT | General Fund Balance £000s | Earmarked Reserves £000s | Capital Receipts Reserve £000s | Total Usable Reserves £000s | Unusable Reserves £000s | Total Authority Reserves £000s |
|---|---|---|---|---|---|---|
| **Balance at 31st March 2010** | **1,100** | **2,906** | **3,076** | **7,082** | **13,057** | **20,139** |
| **Movement in Reserves during 2010/11** | | | | | | |
| Surplus/(deficit) on the Provision of Services | (3,031) | - | - | (3,031) | - | (3,031) |
| Other Comprehensive Income & Expenditure | - | - | - | - | 15,647 | 15,647 |
| **Total Comprehensive Income & Expenditure** | **(3,031)** | **-** | **-** | **(3,031)** | **15,647** | **12,616** |
| Adjustments between accounting basis & funding basis under regulations (Note 6) | 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 7) | (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** | **24,645** | **32,753** |
| **Movement in Reserves during 2011/12** | | | | | | |
| Surplus/(deficit) on the Provision of Services | 556 | - | - | 556 | - | 556 |
| Other Comprehensive Income & Expenditure | - | - | - | - | (6,026) | (6,026) |
| **Total Comprehensive Income & Expenditure** | **556** | **-** | **-** | **556** | **(6,026)** | **(5,470)** |
| Adjustments between accounting basis & funding basis under regulations (Note 6) | 886 | - | 371 | 1,257 | (1,257) | - |
| **Net increase/(decrease) before transfers to Reserves** | **1,442** | **-** | **371** | **1,813** | **(7,283)** | **(5,470)** |
| Transfers to/from Earmarked Reserves (Note 7) | (1,442) | 1,442 | - | - | - | - |
| **Increase/(decrease) in year** | **-** | **1,442** | **371** | **1,813** | **(7,283)** | **(5,470)** |
| **Balance at 31 March 2012** | **1,100** | **5,665** | **3,156** | **9,921** | **17,362** | **27,283** |

**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 2012 Gross Expend £000s | 31st March 2012 Income £000s | 31st March 2012 Net Expend £000s | 31st March 2011 (Restated) Gross Expend £000s | 31st March 2011 (Restated) Income £000s | 31st March 2011 (Restated) Net Expend £000s |
|---|---|---|---|---|---|---|---|
| **Continuing Operations** | | | | | | | |
| Central Services to the Public | | 11,927 | (10,950) | 977 | 11,973 | (10,773) | 1,200 |
| Cultural and Related Services * | | 9,347 | (3,324) | 6,023 | 9,539 | (4,045) | 5,494 |
| Environmental & Regulatory Services * | | 7,062 | (2,678) | 4,384 | 7,719 | (3,172) | 4,547 |
| Planning Services * | | 6,412 | (3,752) | 2,660 | 19,803 | (5,374) | 14,429 |
| Highways & Transport Services | | 1,274 | (1,215) | 59 | 3,213 | (1,745) | 1,468 |
| Housing General Fund | | 39,924 | (38,319) | 1,605 | 40,436 | (41,881) | (1,445) |
| Corporate & Democratic Core | | 3,065 | (479) | 2,586 | 3,040 | (563) | 2,477 |
| Non-Distributed Costs | | 672 | - | 672 | 2,605 | - | 2,605 |
| Exceptional Item: Pension Gain | 39 | - | - | - | - | (9,153) | (9,153) |
| **Cost of Services** | | 79,683 | (60,717) | 18,966 | 98,328 | (76,706) | 21,622 |
| **Other Operating Expenditure & Income** | 8 | | | | | | |
| Parish Council Precepts | | 55 | - | 55 | 48 | - | 48 |
| Refund of VAT from HMRC | | - | (247) | (247) | - | (155) | (155) |
| (Gains)/Losses on disposal of non-current assets | | - | (11) | (11) | - | (4) | (4) |
| Other Income | | - | (424) | (424) | - | (166) | (166) |
| **Financing and Investments** | 9 | | | | | | |
| Interest payable on debt | | 1,039 | - | 1,039 | 1,077 | - | 1,077 |
| Pensions interest cost | | 8,056 | - | 8,056 | 9,000 | - | 9,000 |
| Expected return on pension assets | | - | (6,691) | (6,691) | - | (6,225) | (6,225) |
| Interest and investment & deposit income | | - | (192) | (192) | - | (168) | (168) |
| Investment & deposit losses - Icelandic deposit | | - | (29) | (29) | 7 | - | 7 |
| Income & expenditure in relation to investment properties and changes in their fair value | | 319 | - | 319 | - | - | - |
| Capitalisation of Redundancy costs | | - | - | - | - | (205) | (205) |
| **Taxation and Non-Specific Grants** | 10 | | | | | | |
| Council Tax | | | (6,680) | (6,680) | | (6,707) | (6,707) |
| National Non-Domestic Rates | | | (6,963) | (6,963) | | (10,378) | (10,378) |
| Revenue Support Grant | | | (2,152) | (2,152) | | (1,507) | (1,507) |
| Non-ringfenced Government Grants | | | (4,213) | (4,213) | | (3,208) | (3,208) |
| Capital grants & contributions | | | (1,389) | (1,389) | | - | - |
| **(Surplus)/Deficit on Provision of Services** | | 89,152 | (89,708) | (556) | 108,460 | (105,429) | 3,031 |
| (Surplus) or deficit on revaluation of Property, Plant and Equipment assets | 11 | | | (4,037) | | | (3,219) |
| Actuarial (gains)/losses on pension assets/liabilities | 39 | | | 10,063 | | | (12,428) |
| **Other Comprehensive (Income) / Expenditure** | | | | 6,026 | | | (15,647) |
| **Total Comprehensive (Income) / Expenditure** | | | | 5,470 | | | (12,616) |

* The 2010/11 restatement refers to the separate reporting of the Environmental & Regulatory, Planning and Cultural Related Services. Previously they were aggregated in one figure, required due to the introduction of the SeRCoP 2011/12. All other 2010/11 figures are unchanged.

**Balance Sheet**

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

| BALANCE SHEET | Note | 31st March 2012 £000s | Restated 31st March 2011 £000s | Restated 1st April 2010 £000s |
|---|---|---|---|---|
| Property, Plant & Equipment * | 11 | 51,755 | 48,327 | 55,756 |
| Heritage Assets * | 12 | 32,751 | 32,751 | 32,751 |
| Investment Properties | 13 | 15,619 | 16,317 | 17,490 |
| Intangible Assets | 14 | 79 | 129 | 157 |
| Long-term Investments & Deposits | 15 | 452 | 807 | 773 |
| Long-term Debtors | 15 | 740 | 741 | 770 |
| Deferred Debtors | 23e | 7 | 10 | 14 |
| **Long-term Assets** | | **101,403** | **99,082** | **107,711** |
| Short-term Investments & Deposits | 15 | 1,123 | - | - |
| Assets Held for Sale | 19 | 197 | - | - |
| Inventories | 16 | 61 | 74 | 78 |
| Short Term Debtors | 17 | 3,059 | 5,343 | 16,797 |
| Cash & Cash Equivalents | 18 | 5,731 | 7,325 | - |
| **Current Assets** | | **10,171** | **12,742** | **16,875** |
| Cash & Cash Equivalents | 18 | - | - | (321) |
| Short-term Borrowing | 15 | (3,074) | (2,054) | (11,137) |
| Short-term Creditors | 20 | (2,122) | (5,038) | (5,255) |
| Grants Receipts in Advance - Capital | 33 | (2,766) | (3,899) | - |
| Grants Receipts in Advance - Revenue | 33 | (362) | (294) | - |
| **Current Liabilities** | | **(8,324)** | **(11,285)** | **(16,713)** |
| Long Term Borrowing | 15 | (18,878) | (20,916) | (21,918) |
| Provisions | 21 | (244) | (291) | (320) |
| Net Pensions Liability | 39 | (54,981) | (44,804) | (64,131) |
| Other Long-term Liabilities | | (303) | (214) | (260) |
| Grants Receipts in Advance - Revenue | 33 | - | - | - |
| Grants Receipts in Advance - Capital | 33 | (1,561) | (1,561) | (1,105) |
| **Long- term Liabilities** | | **(75,967)** | **(67,786)** | **(87,734)** |
| **Net Assets** | | **27,283** | **32,753** | **20,139** |
| Represented by: | | | | |
| **Usable Reserves** | 22 | | | |
| General Fund | | 1,100 | 1,100 | 1,100 |
| Earmarked Reserves | | 5,665 | 4,223 | 2,906 |
| Capital Receipts Reserve | 22a | 3,156 | 2,785 | 3,076 |
| | | **9,921** | **8,108** | **7,082** |
| **Unusable Reserves** | 23 | | | |
| Revaluation Reserve | 23a | 48,834 | 44,965 | 41,746 |
| Financial Instruments Adjustment Account Instruments Reserve | 23c | - | - | (238) |
| Pension Reserve | 23d | (54,981) | (44,804) | (64,131) |
| Accumulated Absences Account | 23g | (118) | (150) | (240) |
| Capital Adjustment Account | 23b | 23,478 | 24,491 | 35,799 |
| Deferred Capital Receipts | 23e | 7 | 10 | 14 |
| Collection Fund Adjustment Account | 23f | 142 | 133 | 107 |
| | | **17,362** | **24,645** | **13,057** |
| **Total Reserves** | | **27,283** | **32,753** | **20,139** |

* Restated balance sheet figures for Heritage Assets. See Note 44 for details.

**Cash Flow Statement**

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

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

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

| CASH FLOW STATEMENT | Note | 31st March 2012 £000 | 31st March 2011 £000 |
|---|---|---|---|
| **Operating Activities** | | | |
| Taxation | | 6,672 | 6,670 |
| Grants | | 59,471 | 61,111 |
| Sales of goods and rendering of services | | 8,428 | 9,001 |
| Interest received | **24** | 152 | 145 |
| Other receipts from operating activities | | 2,444 | 2,496 |
| **Cash inflows generated from operating activities** | | **77,167** | **79,423** |
| Cash paid to and on behalf of employees | | (12,973) | (15,457) |
| Housing benefit paid out | | (34,671) | (32,956) |
| Precepts paid | | (55) | (48) |
| Cash paid to suppliers of goods and services | | (12,316) | (15,581) |
| Interest paid | **24** | (1,039) | (1,077) |
| Other payments for operating activities | | (4,187) | (4,238) |
| **Cash outflows generated from operating activities** | | **(65,241)** | **(69,357)** |
| **Net cash flows from operating activities** | | **11,926** | **10,066** |
| **Investing Activities** | | | |
| Purchase of property, plant and equipment, investment property and intangible assets | | (6,975) | (11,814) |
| Purchase of short-term investments | | (129,272) | (118,951) |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | | 893 | 1,235 |
| Proceeds from short-term investments | | 127,554 | 108,866 |
| Other receipts from investing activities | | 2,722 | 25,751 |
| **Net cash flows from investing activities** | **25** | **(5,078)** | **5,087** |
| **Financing Activities** | | | |
| Other payments for financing activities | | (8,442) | (7,507) |
| **Net cash flows from financing activities** | **26** | **(8,442)** | **(7,507)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **(1,594)** | **7,646** |
| Cash and Cash Equivalents at the beginning of the reporting period | | 7,325 | (321) |
| **Cash and Cash Equivalents at the end of the reporting period** | | **5,731** | **7,325** |

**Notes to Core Financial Statements**


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These financial statements are for the year ended 31st March 2012.

## Note 1 Accounting Policies

### i. General Principles

The Statement of Accounts summarises the authority's transactions for the 2011/12 financial year and its position at the year-end of 31st March 2012. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service reporting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

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

### ii. Accruals of Expenditure & Income

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

In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

### iii. Operations acquired or discontinued

<u>Acquired Operations</u>

During the 2011/12 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.

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

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

### v. Exceptional Items

There are no exceptional items identified in the 2011/12 financial statements.

### vi. Prior Period Adjustments and Changes in Accounting Policies

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

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

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

### vii. Charges to Revenue for Non-current Assets

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

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

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

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

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

- benefits payable during employment,

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

### Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of leave entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year, see Note 23g. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to 'Surplus or Deficit on the Provision of Services' line, but then reversed out through the Movement in Reserves Statement so that leave benefits are charged to revenue in the financial year in which the absence occurs.

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

### Termination Benefits – (See notes 31 and 38)

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

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

### Post-employment Benefits – (See note 39)

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

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

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

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

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

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

- Liabilities are discounted to their value at current prices, using a discount rate of 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.

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

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

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

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

### x. Financial Instruments – (see notes 15 and 41)

#### Financial Liabilities

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

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

#### Financial Assets

These are classified into two types:

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

#### Interest – (See notes 9 and 15)

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

#### Long-term Investments and Deposits – (See note 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.

### Short-term Debtors – (See note 17)

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

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

### Provision for Impairment – (See notes 17 and 41)

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 41.

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

### Short-term Creditors – (See note 20)

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

### Repurchase of Borrowing

The Code requires gains or losses on the repurchase of borrowing to be recognised in the Comprehensive Income and Expenditure Statement in the year in which they are realised. Where, however, the repurchase is coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect, gains or losses are to be recognised over the life of the replacement borrowing. No such gains or losses were experienced in 2011/12.

### Minimum Revenue Provision

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

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

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

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

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

### xii. Heritage Assets – (See notes 12, 42, 43 and 44)

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Council. The Council now requires heritage assets to be carried in the balance sheet at valuation. The effects of the restatement are shown in note 44. The Authority's Heritage Assets are held at Towneley Hall Art Gallery & Museum and Burnley Town Hall. The Authority has seven collections of heritage assets which are held principally for their contribution to knowledge, understanding and appreciation of the Authority's history and local area. Heritage Assets are recognised and measured (including treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage as detailed below. The Authority's collections of heritage assets are accounted for as follows.

#### Art Collection

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

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

### Furniture

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

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

### Sculptures

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

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

### Ceramics, Ivories and Glassware

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

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

### Medals, Watches and Silverware

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

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

### Vestments

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

### Civic Regalia

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

### Heritage Assets - General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, eg where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see note xix in this summary of significant accounting policies. The Authority may occasionally dispose of heritage assets which are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see notes xxi and xix in this summary of significant accounting policies).

## xiii. Intangible Assets – (See note 14)

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

### Recognition and Measurement

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

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

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

### Amortisation

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

## xiv. Interests in Companies and Other Entities

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

**xv. Inventories – (See note 16)**

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

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

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

**xvi. Investment Properties – (See note 13)**

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

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

**Recognition and Measurement**

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

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

**xvii. Leases – (See note 36)**

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

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

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

### xviii. Cost of Support Services (Overheads)

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

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

In accordance with the SeRCoP, unused and unrealisable elements of central support services, the cost of discretionary benefits awarded to employees retiring early and impairment losses on Assets Held for Sale are charged to Non-Distributed Costs. Costs relating to the Authority's status as a multifunctional, democratic organisation are charged to Corporate and Democratic Core. These two categories are defined in SeRCoP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Net Expenditure on Continuing Services.

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

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

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

#### Recognition and Measurement

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

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

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

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

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

### Revaluation

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

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

### Impairment

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

However, the Code stipulates that impairments do not impact on the council tax, hence an adjusting transaction must be made in the Movement in Reserves Statement. The Council however had no property impairments in 2011/12.

### 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, with the exception of assets held for sale which are not depreciated. In year additions are charged a full year's depreciation. Depreciation on disposals is charged on a daily basis up to the date of disposal.

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

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

### Disposals

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposal are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation

Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorized as capital receipts. The receipts are credited to the Capital Receipts Reserve, and can only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement).

### Component Accounting

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

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

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

Assets held for sale are now separated into two categories. Those with specific intentions to be sold in the following accounting period are classified under Current Assets as 'Assets held for sale within one year'. Those held for inclusion in longer-term regeneration plans are classified under Long-term Assets. As at 31st March 2012, the value of both of these categories is shown within Note 19.

## xx. Provisions, Contingent Liabilities and Contingent Assets

### Provisions – (See note 21)

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

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

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

### Contingent Liabilities – (see note 40)

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 40)

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

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

### Landfill Allowances Scheme

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

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

## xxi. Reserves

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

### Usable Reserves – (See note 22)

- The General Fund Balance is the accumulation of surplus or deficit on operational services attributable to council tax payers. Such funds are not held for any specific purpose, but are available to assist with the management of financial risks and to deal with any emergencies which might arise. The Medium Term Financial Strategy sets out the Council's policy for the recommended value of the General Fund Balance in order to provide assurance against the estimates and assumptions used in the annual budgeting process.
- Earmarked Reserves are resources set aside to meet specific future running costs and investments. The Medium Term Financial Strategy sets out the Council's policy for Earmarked Reserves, including their nature and suggested requirements. Full details of the movements on each reserve can be found at Note 7.
- The Usable Capital Receipts Reserve holds the proceeds of fixed asset sales available to meet future capital investment (see Movement in Reserves Statement and note 22).
- 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 2010/11 and 2011/12, the balance sheet showed a value of nil for these.

### Unusable Reserves – (See note 23)

- Revaluation Reserve records unrealised revaluation gains, net of depreciation and disposals on a strict per-asset basis (see note 23a)
- Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and financed through the capital controls mechanism (see note 23b).
- 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 23c)
- 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 23d and note 39.
- Deferred Capital Receipts holds the gain recognised on the disposal of non current assets for which cash settlement has yet to take place (see note 23e).
- 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 23f).
- The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralized by transfers to or from the Account (see note 23g).

### Capital Receipts – (See note 22)

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 22).

### xxii. Revenue Expenditure funded from Capital under Statute

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

### xxiii. Value Added Tax

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

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

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

### xxiv. Carbon Reduction Commitment Allowances

The 2011/12 financial year is the first year for which there will be an obligation to purchase and surrender Carbon Reduction Commitment (CRC) Allowances in relation to carbon dioxide emissions. Participating authorities will submit the annual report on their emissions for the 2011/12 financial year. The retrospective purchase of allowances is anticipated to take place from 1 June 2012. Participating authorities are then required to surrender allowances to the scheme by the last working day in July 2012 in proportion to their reported emissions for the preceding scheme year and in accordance with the scheme requirements. In 2008 the Council’s three half hourly meters consumed only 772MWh well below the threshold of 6,000 megawatt-hours (MWh). Therefore, accounting for carbon reduction does not apply.

### xxv. Other Accounting Policies

Foreign currency transactions do not play a material part in the Council’s financial transactions. However, following the ‘winding up’ of Landsbanki Islands HF, it has a deposit to the value of approximately £7k held in Icelandic kroner in an Icelandic bank.

### xxvi Public Finance Initiative (PFI)

The Council has not entered into any PFI schemes.

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

The adoption of amendments to IFRS 7 Financial Instruments: Disclosures (issued October 2010) by the Code will result in a change of accounting policy. The amendments introduce new disclosure requirements about transfers of financial assets including disclosures for:

- Financial assets that are not derecognised in their entirety, and
- Financial assets that are derecognised in their entirety but for which the Council retains continuing involvement.

The change in accounting policy will be required from 1st April 2012 but will not have a material impact on the Council's financial statements.

## Note 3 Critical judgements in applying accounting policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service. In line with the Council's Medium Term Financial Strategy, where services are at potential risk the intention would be to realise the value of any assets deemed surplus to requirements before any impairment occurred.
- Componentisation limits have been set at a minimum value of £100k as it is believed that the effect of different asset lives on items valued at less than this would be trivial to the accounts (see note 1 xix component accounting).

## Note 4 Events after the reporting period

The Statement of Accounts was authorised for issue by the Head of Finance & Property Management on 29th June 2012. 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 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

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

The items in the Council's Balance Sheet at 31st March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year 2012/13 are as follows:

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---|---|---|
| Property, Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. | If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.It is estimated that for every year that useful lives were reduced the annual depreciation charge would increase as follows:<br>Buildings & infrastructure £48k<br>Vehicles & equipment £62k<br>Intangible assets £19k. |
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns in pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. | The effects on the net pension liability of changes in individual assumptions have been included in detail within Note 39.<br>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 £419k for council tax debts and £197k for sundry debts. |

## Note 6 Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

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

### General Fund Balance

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

### Capital Receipts Reserve

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

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

| Adjustments between accounting basis and funding basis under regulations<br>2010/11 Comparative Figures | Usable Reserves<br>General Fund Balance £000s | <br>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 fair 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)** |

## Note 7 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/12.

| Earmarked Reserves | Balance at 1 April 2010 £000s | Transfers Out 2010/11 £000s | Transfers In 2010/11 £000s | Balance at 31 March 2011 £000s | Transfers Out 2011/12 £000s | Transfers In 2011/12 £000s | Balance at 31 March 2012 £000s |
|---|---|---|---|---|---|---|---|
| Modernisation Reserve | 470 | 568 | 1,105 | **1,007** | 337 | 1,280 | **1,950** |
| Taxi Licensing Reserve | 34 | 14 | - | **20** | 14 | 39 | **45** |
| Selective Licensing | 32 | - | 157 | **189** | 75 | 21 | **135** |
| Financial Instruments Shortfall Reserve | 1,000 | 204 | - | **796** | 232 | - | **564** |
| Building Control Reserve | 117 | 57 | 24 | **84** | 61 | 3 | **26** |
| Local Housing Allowance Reserve | 19 | 14 | - | **5** | 5 | - | **-** |
| Grant Equalisation Reserve | - | - | - | **-** | - | 1,444 | **1,444** |
| Local Development Framework Reserve | 125 | 84 | 155 | **196** | 100 | 142 | **238** |
| Community Regeneration Reserve | 806 | 469 | 1,336 | **1,673** | 748 | 118 | **1,043** |
| Housing Benefit Admin Subsidy Reserve | 127 | 78 | 61 | **110** | 74 | 12 | **48** |
| Transport & Plant Replacement Reserve | 150 | 238 | 131 | **43** | 79 | 108 | **72** |
| Utilities Equalisation Reserve | - | - | 100 | **100** | - | - | **100** |
| Other Reserves | 26 | 193 | 167 | **-** | - | - | **-** |
| Total | 2,906 | 1,919 | 3,236 | 4,223 | 1,725 | 3,167 | 5,665 |

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.

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

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

Financial Instruments Shortfall Reserve – this reserve is to offset any potential non-repayment of the Council's £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 100% of the deposit will ultimately be repaid, an amount equal to these repayments will then be transferred out of this reserve so that the funds may be used elsewhere to support the Council's finances.

Building Control Reserve – this is used to fund the retained costs to the Council following the transfer of the service to the Pennine Lancashire building control service.

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

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

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

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

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

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

## Note 8 Other Operating Expenditure & Income

| | 2011/12 £000s | 2010/11 £000s |
|---|---|---|
| Parish council precepts | 55 | 48 |
| Refund of VAT from HMRC | (247) | (155) |
| (Gains)/Losses on the disposal of non-current assets | (11) | (4) |
| Other Income | (424) | (166) |
| | (627) | (277) |

## Note 9 Financing and Investment Income and Expenditure

| | 2011/12 £000s | 2010/11 £000s |
|---|---|---|
| Pensions interest cost and expected return on pension assets | 1,365 | 2,775 |
| Capitalisation of Redundancy Costs | - | (205) |
| Interest payable and similar charges | 1,039 | 1,077 |
| Interest receivable and similar income | (192) | (168) |
| Investment and deposit (gains)/ losses - Icelandic deposit | (29) | 7 |
| Income & expenditure in relation to Investment Properties | 319 | - |
| | 2,502 | 3,486 |

## Note 10  Taxation and Non Specific Grant Income

| | 2011/12 £000s | 2010/11 £000s |
|---|---|---|
| Council tax income | (6,680) | (6,707) |
| Redistributed Non domestic rates | (6,963) | (10,378) |
| Revenue Support Grant | (2,152) | (1,507) |
| Non-ringfenced government grants | (4,213) | (3,208) |
| Capital grants and contributions | (1,389) | - |
| | (21,397) | (21,800) |

## Note 11  Property, Plant & Equipment

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

In the table above, the values of £3.341m and £0.696m total £4.037m which is the surplus on revaluation figure that appears in the Comprehensive Income and Expenditure Statement.

| Comparative 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 | - | 3,591 | **63,134** |
| 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 | 3,415 | 56,050 |
| **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** | **3,262** | **48,327** |
| At 31 March 2010 | **30,610** | **1,121** | **20,623** | **-** | **3,402** | **55,756** |

## 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 – 20 years

## Capital Commitments

At 31 March 2012, the Authority has entered into a number of contracts and commitments for future capital expenditure in 2012/13 and future years budgeted to cost £2.691M. Similar commitments at 31 March 2011 were £4.294M. These commitments are:

| | £000 |
|---|---|
| • Housing Clearance | 2,136 |
| • Disabled Facilities Grants | 81 |
| • Replacement Cremators | 132 |
| • Vacant Acquisitions | 113 |
| • Burnley Railway Station Manchester Road | 129 |
| • Works to Bus Station | 100 |

## 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 | - | 2,157 | - | **2,157** |
| Valued at fair value as at: | | | | |
| 31 March 2012 | 13,585 | - | 13,377 | **26,962** |
| 31 March 2011 | 9,851 | - | 135 | **9,986** |
| 31 March 2010 | 4,760 | - | 95 | **4,855** |
| 31 March 2009 | 1,952 | - | - | **1,952** |
| 31 March 2008 | 2,684 | - | - | **2,684** |
| **Total Cost or Valuation at 31 March 2012** | **32,832** | **2,157** | **13,607** | **48,596** |

## Note 12 Heritage Assets

### Reconciliation of the Carrying Value of Heritage Assets Held by the Authority

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

| Comparative Movements in 2010/11 | Oil Paintings £000s | Water Colours £000s | Furniture £000s | Sculpture £000s | Ceramics £000s | Other £000s | Total Property, Plant & Equipment £000s |
|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | |
| At 1 April 2010 | 25,908 | 1,546 | 2,024 | 1,218 | 601 | 1,454 | **32,751** |
| Additions | - | - | - | - | - | - | **-** |
| Disposals | - | - | - | - | - | - | **-** |
| Revaluations | - | - | - | - | - | - | **-** |
| Impairment Losses/(Reversals) recognised in the Revaluation Reserve | - | - | - | - | - | - | **-** |
| At 31 March 2011 | 25,908 | 1,546 | 2,024 | 1,218 | 601 | 1,454 | 32,751 |

The Council's external valuer, Bonhams, carried out a full valuation of the collection of exhibits in November 2011 with a valuation date as at 31 March 2012. Bonhams is a privately owned British action house and one of the oldest and largest auctioneers of fine art and antiques. The valuations were based on commercial markets including recent transaction information from auctions where similar types of artefacts are regularly being purchased. The Council's valuer confirmed that the valuations would be the same for each of the balance sheet dates and there have been no additions or disposals during the period covered by the valuations.

Notes 42 to 44 provide more information on each of the collections included in the above table and the change in accounting policy required by the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

## Note 13 Investment Properties

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

| Table 13a Investment Properties Income and Expenses | 2011/12 £000s | 2010/11 £000s |
|---|---|---|
| Rental income from investment property | 1,069 | 1,151 |
| Direct operating expenses arising from investment property | (7) | (18) |
| **Net gain / (loss)** | **1,062** | **1,133** |

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

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

| Table 13b Investment Properties | 2011/12 £000s | 2010/11 £000s |
|---|---|---|
| Balance at start of the year | 16,317 | 17,490 |
| Additions: | | |
| Purchases | - | - |
| Subsequent expenditure on enhancement | 50 | 58 |
| Disposals | - | (119) |
| Net gains / (losses) from fair value adjustments | (319) | (2,267) |
| Transfers: | | |
| (To) / from Held for Sale | - | - |
| (To) / from Property, Plant and Equipment | (429) | 1,155 |
| **Balance at end of the year** | **15,619** | **16,317** |

## Note 14 Intangible Assets

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

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £50k charged to revenue in 2011/12 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 | 2011/12 £000s | 2010/11 £000s |
|---|---|---|
| Balance at start of the year: | | |
| Gross carrying amounts | 783 | 749 |
| Accumulated amortisation | (654) | (592) |
| **Net carrying amount at start of year** | **129** | **157** |
| Additions: | | |
| Purchases | - | 34 |
| Other disposals | - | - |
| Amortisation for the period | (50) | (62) |
| **Net carrying amount at end of year** | **79** | **129** |
| Comprising: | | |
| Gross carrying amounts | 783 | 783 |
| Accumulated amortisation | (704) | (654) |
| | 79 | 129 |

# Note 15 Financial Instruments

## Categories of Financial Instruments – Table 15a

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

| Table 15a - Categories of Financial Instruments | Long-term 31 March 2012 £000s | Long-term 31 March 2011 £000s | Current 31 March 2012 £000s | Current 31 March 2011 £000s |
|---|---|---|---|---|
| **Investments and Deposits** | | | | |
| Loans and receivables | 441 | 796 | 8,980 | 8,400 |
| Available-for-sale financial assets | 11 | 11 | - | - |
| **Total Investments and Deposits** | **452** | **807** | **8,980** | **8,400** |
| **Debtors** | | | | |
| Loans and receivables | 740 | 741 | 3,022 | 5,343 |
| **Total Debtors** | **740** | **741** | **3,022** | **5,343** |
| **Borrowings** | | | | |
| Financial liabilities at amortised cost | | | | |
| PWLB Loans | (18,878) | (20,916) | (3,037) | (2,000) |
| Local Loans | - | - | (37) | (54) |
| Money Market | - | - | - | - |
| Bank Overdraft | - | - | (2,141) | (1,091) |
| **Total Borrowings** | **(18,878)** | **(20,916)** | **(5,215)** | **(3,145)** |
| **Creditors** | | | | |
| Financial liabilities at amortised cost | - | - | (2,085) | (5,038) |
| **Total Creditors** | **-** | **-** | **(2,085)** | **(5,038)** |

## Income, Expense, Gains and Losses – Table 15b

| Table 15b - Income, Expense, Gains and Losses | 2011/12 Financial Liabilities measured at amortised cost £000s | 2011/12 Financial Assets: Loans and receivables £000s | 2011/12 Financial Assets: Available for sale £000s | 2011/12 Total £000s | 2010/11 Financial Liabilities measured at amortised cost | 2010/11 Financial Assets: Loans and receivables | 2010/11 Financial Assets: Available for sale £000s | 2010/11 Total £000s |
|---|---|---|---|---|---|---|---|---|
| Interest expense | 1,039 | - | - | **1,039** | 1,077 | - | - | **1,077** |
| **Total expense in Surplus or Deficit on the Provision of Services** | 1,039 | - | - | 1,039 | 1,077 | - | - | 1,077 |
| Interest income | - | (192) | - | **(192)** | - | (168) | - | **(168)** |
| **Total income in Surplus or Deficit on the Provision of Services** | - | (192) | - | (192) | - | (168) | - | (168) |
| Impairment loss/(gain) on revaluation | - | (29) | - | **(29)** | - | 7 | - | **7** |
| **Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure** | - | (29) | - | (29) | - | 7 | - | 7 |
| **Net gain/(loss) for the year** | 1,039 | (221) | - | 818 | 1,077 | (161) | - | 916 |

**Fair Values of Assets and Liabilities**

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

- The fair value of our Public Works Loan Board (PWLB) loans is the amount that would have been payable had those loans been repaid to the PWLB on the balance sheet date rather than on their contracted future maturity date. This valuation takes into account the premiums that would be payable or discounts receivable on early repayment of loans to the PWLB. These premiums and discounts depend on the rate and period of each individual loan and on rates for loans with similar periods to maturity prevailing at the balance sheet date. Accrued interest is also included in the fair value.

- The valuations use the Net Present Value (NPV) approach, which provides an estimate of the value of payments in the future in today's terms. This is a widely accepted valuation technique commonly used by the private sector. The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market. In such cases, we have used the prevailing rate of a similar instrument with a published market rate, as the discount factor.

- The fair value figures for 31st March 2012 are relatively higher (more costly to redeem) than the 31 March 2011 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:

| Table 15c - Fair Values of Assets and Liabilities | 31 March 2012 Carrying amount £000s | 31 March 2012 Fair value £000s | 31 March 2011 carrying amount £000s | 31 March 2011 Fair value £000s |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| PWLB borrowing | (21,915) | (26,087) | (22,916) | (25,147) |
| Other borrowing | (37) | (37) | (54) | (54) |
| Bank overdraft | (2,141) | (2,141) | (1,091) | (1,091) |
| **Total financial liabilities** | **(24,093)** | **(28,265)** | **(24,061)** | **(26,292)** |
| **Loans and receivables** | | | | |
| Long-term investments and deposits | 452 | 451 | 807 | 804 |
| Long-term debtors | 740 | 740 | 741 | 741 |
| **Total financial assets** | **1,192** | **1,191** | **1,548** | **1,545** |

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 2012 are lower than the existing individual loan rates.

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

In 2008 the Council deposited £1m with Landsbanki Islands HF, the former Icelandic bank entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. The latest information available indicates that recovery of 100% of the Council's deposit will be achieved by 2018.

The authority has now reversed an impairment in 2011/12 to reflect the increase from 95% to 100% of the estimated amount which will be recovered. Recovery is subject to the following uncertainties and risks:

- The impact of exchange rate fluctuations on the value of assets recovered and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- 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.

In June 2012, CIPFA produced an updated bulletin LAAP 82. The effect of this would be to increase the carrying value of the outstanding deposit with the former Landsbanki Islands HF by £23k. This figure is not material and these accounts have therefore not been amended to reflect this late change. This and any future changes will be incorporated into the 2012/13 accounts. It is assumed repayments will be made each year, with the final payment being due in December 2019.

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

## Note 16 Inventories

| | Towneley Hall | | Leisure centre materials | | Green Spaces stores | | Mechanics bar | | Other | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2011/12 £000 | 2010/11 £000 | 2011/12 £000 | 2010/11 £000 | 2011/12 £000 | 2010/11 £000 | 2011/12 £000 | 2010/11 £000 | 2011/12 £000 | 2010/11 £000 | 2011/12 £000 | 2010/11 £000 |
| **Balance outstanding at start of** | 60 | 66 | 4 | 5 | 3 | 5 | 6 | - | 1 | 2 | **74** | **78** |
| Purchases | 27 | 29 | 12 | 10 | 113 | 63 | 43 | 29 | 24 | 3 | **219** | **134** |
| Recognised as an expense in the year | (40) | (35) | (11) | (11) | (116) | (65) | (41) | (23) | (24) | (4) | **(232)** | **(138)** |
| **Balance outstanding at year-end** | **47** | **60** | **5** | **4** | **-** | **3** | **8** | **6** | **1** | **1** | **61** | **74** |

## 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 2012 £000s | 31 March 2011 £000s |
|---|---|---|
| Central Government Bodies | 1,241 | 1,625 |
| Other Local Authorities | 404 | 1,884 |
| NHS Bodies | 16 | 1 |
| Public Corporations | - | 13 |
| Other Entities and Individuals | 1,398 | 1,820 |
| **Total** | **3,059** | **5,343** |

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

| | 31 March 2012 £000s | 31 March 2011 £000s |
|---|---|---|
| **Provision for bad & doubtful debts** | | |
| Council Tax | (419) | (399) |
| Court Fees | (764) | (739) |
| Housing Benefits | (781) | (564) |
| General | (267) | (273) |
| **Total** | **(2,231)** | **(1,975)** |

## Note 18 Cash and Cash Equivalents

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

| | 31 March 2012 £000s | 31 March 2011 £000s |
|---|---|---|
| Cash held by the Authority | 15 | 16 |
| Bank current accounts | (2,141) | (1,091) |
| Short-term deposits with other local authorities | - | 7,600 |
| Short-term deposits with banks | 7,007 | - |
| Short-term deposits with the Council's bank | 850 | 800 |
| **Total Cash and Cash Equivalents** | **5,731** | **7,325** |

## Note 19  Assets Held for Sale

| | Current | | Long-Term | |
|---|---|---|---|---|
| | 31 March 2012 £000s | 31 March 2011 £000s | 31 March 2012 £000s | 31 March 2011 £000s |
| **Balance outstanding at start of year** | - | - | - | - |
| Assets newly classified as held for sale: | | | | |
| Property, Plant & Equipment | 652 | - | - | - |
| Investment Properties | - | - | - | - |
| Assets sold | (455) | - | - | - |
| **Balance outstanding at year-end** | **197** | **-** | **-** | **-** |

## Note 20  Short-term Creditors

| | 31 March 2012 £000s | 31 March 2011 £000s |
|---|---|---|
| Central Government Bodies | (37) | (1) |
| Other Local Authorities | (864) | (2,119) |
| Other Entities & Individuals | (1,221) | (2,918) |
| **Total** | **(2,122)** | **(5,038)** |

## Note 21 Provisions

| | Grant clawback provision £000s | Compulsory purchase proceeds liability £000s | Bonds and deposits £000s | Pension strain provision £000s | Section 106 monies £000s | Total £000s |
|---|---|---|---|---|---|---|
| **Balance at 1 April 2011** | 40 | 75 | 133 | 9 | 34 | 291 |
| Additional provisions made in 2011/12 | - | - | 92 | - | - | 92 |
| Amounts used in 2011/12 | - | - | (90) | - | - | (90) |
| Unused amounts reversed 2011/12 | (40) | - | - | (9) | - | (49) |
| **Balance at 31 March 2012** | - | 75 | 135 | - | 34 | 244 |

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

### Grant Clawback

Sums have been received from the administrators of a company which previously received assistance from the Council. A proportion of these sums received have been credited to this provision to fund the repayment of grant to the funding body. The grant funding body agreed that the Council will not be subject to grant clawback and this money has been credited to the CIES.

### Compulsory Purchase Proceeds Liability

The Council has previously acquired properties in housing clearance areas where the owners could not be contacted. This sum is due to the owners of the properties. There has been no movement in this provision in 2011/12.

### 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 was made to cover the liability incurred by decisions taken in the financial year relating to retirements. This provision is no longer required and the amount has been credited to the CIES in 2011/12.

### Planning Obligations under s106, Town & Country Planning Act 1990

Amounts held as a particular liability for potential return to a provider after a specified period. There has been no movement in this provision in 2011/12.

## Note 22 Usable Reserves

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

| Table 22 - Usable Reserves | 31 March 2012 £000s | 31 March 2011 £000s |
|---|---|---|
| General Fund | 1,100 | 1,100 |
| Earmarked Reserves | 5,665 | 4,223 |
| Capital Receipts Reserve | 3,156 | 2,785 |
| **Total Usable Reserves** | **9,921** | **8,108** |

| Table 22a - Capital Receipts Reserve | 2011/12 £000s | 2010/11 £000s |
|---|---|---|
| **Balance at 1 April** | **2,785** | **3,076** |
| Capital receipts in year | | |
| Sale of Assets | 572 | 1,063 |
| Other Income | 321 | 175 |
| Capital receipts used to fund capital expenditure | (522) | (1,529) |
| **Balance at 31 March** | **3,156** | **2,785** |

## Note 23 Unusable Reserves

| Table 23 - Unusable Reserves | 31 March 2012 £000s | 31 March 2011 £000s |
|---|---|---|
| Revaluation reserve | 48,834 | 44,965 |
| Capital Adjustment Account | 23,478 | 24,491 |
| Financial Instruments Adjustment Account | - | - |
| Deferred Capital Receipts Reserve | 7 | 10 |
| Pensions Reserve | (54,981) | (44,804) |
| Collection Fund Adjustment Account | 142 | 133 |
| Accumulated Absences Account | (118) | (150) |
| **Total Unusable Reserves** | **17,362** | **24,645** |

### Revaluation Reserve (Note 23a)

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

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

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

| Table 23a - Revaluation Reserve | 2011/12 £000s | 2010/11 £000s |
|---|---|---|
| **Balance at 1 April** | **44,965** | **41,746** |
| Upward revaluation of assets | 5,841 | 6,407 |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | (1,804) | (3,188) |
| **Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services** | **4,037** | **3,219** |
| Difference between fair value depreciation and historical cost depreciation | - | - |
| Accumulated gains on assets sold or scrapped | (168) | - |
| **Amounts written off to the Capital Adjustment Account** | **(168)** | **-** |
| **Balance at 31 March** | **48,834** | **44,965** |

### Capital Adjustment Account (Note 23b)

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and

Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical costs basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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

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

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

| Table 23b - Capital Adjustment Account | 2011/12 £000s | 2010/11 £000s |
|---|---|---|
| **Balance at 1 April** | **24,491** | **35,799** |
| Writing out of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | |
| Charges for depreciation and impairment of non-current assets | (1,527) | (1,474) |
| Revaluation losses on Property, Plant and Equipment | (1,751) | (14,258) |
| Amortisation of intangible assets | (50) | (62) |
| Revenue expenditure funded from capital under statute | (4,033) | (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 | (455) | (1,059) |
| Adjusting amounts written out of the Revaluation Reserve | 168 | - |
| **Net written out amount of the cost of non-current assets consumed in the year** | **(7,648)** | **(23,663)** |
| Capital financing applied in the year: | | |
| Use of Capital Receipts Reserve to finance new capital expenditure | 522 | 1,529 |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 4,577 | 9,356 |
| Statutory provision for the financing of capital investment charged against the General Fund balance | 1,195 | 1,196 |
| Capital expenditure charged against the General Fund balance | 660 | 274 |
| **Capital financing applied in the year** | **6,954** | **12,355** |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | **(319)** | **-** |
| **Balance at 31 March** | **23,478** | **24,491** |

**Financial Instruments Adjustment Account (Note 23c)**

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. In accordance with the CIPFA guidance, The Authority used the account to manage premiums due and impairments in respect of the Icelandic deposit until the balance was written out in 2010/11.

| Table 22c - Financial Instruments Adjustment Account | 2011/12 £000s | 2010/11 £000s |
|---|---|---|
| **Balance at 1 April** | **-** | **(238)** |
| Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement | - | - |
| Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | - | 238 |
| **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** |
| **Balance at 31 March** | **-** | **-** |

**Pensions Reserve (Note 23d)**

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

| Table 23d - Pensions Reserve | 2011/12 £000s | 2010/11 £000s |
|---|---|---|
| **Balance at 1 April** | **(44,804)** | **(64,131)** |
| Actuarial gains or (losses) on pensions assets and liabilities | (10,063) | 12,428 |
| 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 | (3,405) | 3,845 |
| Employer's pensions contributions and direct payments to pensioners payable in year | 3,291 | 3,054 |
| **Balance at 31 March** | **(54,981)** | **(44,804)** |

**Deferred Capital Receipts Reserve (Note 23e)**
The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts.

| Table 23e - Deferred Capital Receipts Reserve | 2011/12 £000s | 2010/11 £000s |
|---|---|---|
| **Balance at 1 April** | **10** | **14** |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (3) | (4) |
| Transfer to the Capital Receipts Reserve upon receipt of cash | - | - |
| **Balance at 31 March** | **7** | **10** |

**Collection Fund Adjustment Account (Note 23f)**
The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

| Table 23f - Collection Fund Adjustment Account | 2011/12 £000s | 2010/11 £000s |
|---|---|---|
| **Balance at 1 April** | **133** | **107** |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 9 | 26 |
| **Balance at 31 March** | **142** | **133** |

**Accumulated Absences Account (Note 23g)**
The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

| Table 23g - Accumulated Absences Account | 2011/12 £000s | 2010/11 £000s |
|---|---|---|
| **Balance at 1 April** | **(150)** | **(240)** |
| Settlement or cancellation of accrual made at the end of the preceding year | 150 | 240 |
| Amounts accrued at the end of the current year | (118) | (150) |
| **Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements** | **32** | **90** |
| **Balance at 31 March** | **(118)** | **(150)** |

## Note 24  Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

| | 2011/12 £000s | 2010/11 £000s |
|---|---|---|
| Interest received | 152 | 145 |
| Interest paid | (1,039) | (1,077) |

## Note 25  Cash Flow Statement – Investing Activities

| | 2011/12 £000s | 2010/11 £000s |
|---|---|---|
| Purchase of property, plant and equipment, investment property and intangible assets | (6,975) | (11,814) |
| Purchase of short-term investments | (129,272) | (118,951) |
| Proceeds from sale of property, plant and equipment, investment property and intangible assets | 893 | 1,235 |
| Proceeds from short-term investments | 127,554 | 108,866 |
| Other receipts from investing activities | 2,722 | 25,751 |
| **Net cash flows from investing activities** | **(5,078)** | **5,087** |

## Note 26  Cash Flow Statement – Financing Activities

| | 2011/12 £000s | 2010/11 £000s |
|---|---|---|
| Cash payments for the reduction of the outstanding liabilities relating to finance leases | - | - |
| Other repayments for financing activities | (8,442) | (7,507) |
| **Net cash flows from investing activities** | **(8,442)** | **(7,507)** |

## Note 27 Amounts Reported for Resource Allocation Decisions

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

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

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

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

| Portfolio Income and Expenditure 2010/11 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 | (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** |

**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.

| | 2011/12 £000s | 2010/11 £000s |
|---|---|---|
| Net expenditure in the Portfolio Analysis | 30,145 | 30,044 |
| Net expenditure of services and support services not included in the Analysis | 1,639 | 4,197 |
| Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis | (12,818) | (12,619) |
| **Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement** | **(11,179)** | **(8,422)** |
| **Cost of Services in Comprehensive Income and Expenditure Statement** | **18,966** | **21,622** |

**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.

| 2011/12 | Portfolio Analysis £000s | Services and Support Services not in Analysis £000s | Amounts not reported to management for decision making £000s | Amounts not included in I&E £000s | Allocation of Recharges £000s | Cost of Services £000s | Corporate Amounts £000s | Total £000s |
|---|---|---|---|---|---|---|---|---|
| Fees, charges and other service income | (14,216) | - | - | 263 | (15,357) | (29,310) | (8,343) | **(37,653)** |
| Interest and investment & deposit income | - | - | (190) | 190 | - | - | (190) | **(190)** |
| Income from council tax | - | - | - | - | - | - | (6,681) | **(6,681)** |
| Government grants and contributions | (46,329) | - | - | - | - | (46,329) | (13,328) | **(59,657)** |
| **Total Income** | **(60,545)** | **-** | **(190)** | **453** | **(15,357)** | **(75,639)** | **(28,542)** | **(104,181)** |
| Employee expenses | 15,512 | 364 | - | - | - | 15,876 | - | **15,876** |
| Other service expenses | 61,988 | 25 | - | (1,050) | - | 60,963 | 8,523 | **69,486** |
| Support service recharges | 13,190 | 1,250 | - | (2) | - | 14,438 | 2 | **14,440** |
| Depreciation, amortisation and impairment | - | - | 3,328 | - | - | 3,328 | 291 | **3,619** |
| Interest payments | - | - | - | - | - | - | 1,039 | **1,039** |
| Precepts and levies | - | - | - | - | - | - | 55 | **55** |
| Gain or loss on disposal of non-current assets | - | - | - | - | - | - | (890) | **(890)** |
| Past Service Gain - Pensions (note 38) | - | - | - | - | - | - | - | **-** |
| **Total Expenditure** | **90,690** | **1,639** | **3,328** | **(1,052)** | **-** | **94,605** | **9,020** | **103,625** |
| **Surplus or deficit on the provision of services** | **30,145** | **1,639** | **3,138** | **(599)** | **(15,357)** | **18,966** | **(19,522)** | **(556)** |

| 2010/11 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 | (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** |
| | | | | | | | | |
| **Surplus or deficit on the provision of services** | 30,044 | 4,197 | 6,566 | 74 | (19,259) | 21,622 | (18,591) | 3,031 |

## Note 28 Trading Operations

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

| | 2011/12 £000s | 2010/11 £000s |
|---|---|---|
| Turnover | (775) | (871) |
| Expenditure | 653 | 759 |
| **Net (Surplus) / Deficit on trading operations** | **(122)** | **(112)** |

The Markets trading operation is incorporated into the Comprehensive Income and Expenditure Statement. In 2011/12 the markets operation generated a surplus of £122k compared to a surplus of £112k in 2010/11.

## Note 29 Agency Services

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

| | 2011/12 £000s | 2010/11 £000s |
|---|---|---|
| Management fee payable by Lancashire County Council | (77) | (42) |
| **Net (surplus)/deficit arising on the agency arrangement** | **(77)** | **(42)** |

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

| | 2011/12 £000s | 2010/11 £000s |
|---|---|---|
| Expenditure incurred in providing a non-domestic rate collection service on behalf of the Government | 187 | 208 |
| Management fee payable by the Government | (146) | (147) |
| **Net (surplus)/deficit arising on the agency arrangement** | **41** | **61** |

## Note 30 Members' Allowances

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

| | 2011/12 £ | 2010/11 £ |
|---|---|---|
| Allowances | 181,396 | 181,773 |
| Expenses | 1,743 | 2,266 |
| **Total** | **183,139** | **184,039** |

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

| | 2011/12 £ | 2010/11 £ |
|---|---|---|
| **Allowance rate paid per annum** | | |
| Basic Allowance | 2,700 | 2,700 |
| Executive Member | 4,050 | 4,050 |
| Leader Supplement | 10,800 | 10,800 |
| Deputy Leader Supplement | 2,700 | 2,700 |
| Other Group Leaders | 1,350 | 1,350 |
| Scrutiny and Development Control Chairs | 2,700 | 2,700 |
| Licensing Committee Chair | 1,350 | 1,350 |
| Development Control Vice Chair | 1,350 | 1,350 |

**Note 31 Officers' Remuneration**

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

| | | Salary, Fees and Allowances £ | Elections £ | Compensation for loss of office £ | Pension contribution £ | Total £ |
|---|---|---|---|---|---|---|
| Chief Executive | 2011/12 | 112,830 | 6,221 | - | 15,834 | **134,885** |
| (Steve Rumbelow) | 2010/11 | 112,728 | 6,806 | - | 15,898 | **135,432** |
| Director of Resources | 2011/12 | 68,032 | 4,502 | - | 9,048 | **81,582** |
| (Nick Aves) | 2010/11 | 67,963 | 4,605 | - | 9,039 | **81,607** |
| Director of Community Services | 2011/12 | 73,159 | - | - | 9,730 | **82,889** |
| (Mick Cartledge) | 2010/11 | 73,224 | - | - | 9,739 | **82,963** |
| Director of Environment | 2011/12 | 68,085 | - | 37,146 | 49,265 | **154,496** |
| | 2010/11 | 67,961 | - | - | 9,039 | **77,000** |
| Director of Regeneration and | 2011/12 | 68,110 | - | - | 9,059 | **77,169** |
| (Mike Cook) | 2010/11 | 67,976 | - | - | 9,041 | **77,017** |
| Head of People and Law | 2011/12 | 54,501 | 2,532 | - | 7,249 | **64,282** |
| | 2010/11 | 54,534 | 2,594 | - | 7,253 | **64,381** |

The post of Director of Environment was made redundant on 31st March 2012.

The number of employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) is shown below. The remuneration includes payments to officers for election duties and compensation for loss of office. The table includes information for senior offices shown in table 1 above.

| Remuneration band | 2011/12 Number of employees | 2010/11 Number of employees |
|---|---|---|
| £50,000 - £54,999 | 4 | 1 |
| £55,000 - £59,999 | 1 | 1 |
| £60,000 - £64,999 | - | - |
| £65,000 - £69,999 | 1 | 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 | 1 | - |
| £110,000 - £114,999 | - | - |
| £115,000 - £119,999 | 1 | 1 |

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

| (a) Exit package cost band (including special payments) | (b) Number of compulsory | | (c) Number of other departures agreed | | (d) Total number of exit packages by cost band [(b) + (c)] | | (e) Total cost of exit packages in each band | |
|---|---|---|---|---|---|---|---|---|
| | 2011/12 | 2010/11 | 2011/12 | 2010/11 | 2011/12 | 2010/11 | 2011/12 | 2010/11 |
| £0 - £20,000 | 9 | 63 | - | 3 | 9 | 66 | £30,451 | £404,976 |
| £20,001 - £40,000 | 3 | 8 | - | - | 3 | 8 | £77,910 | £240,367 |
| £40,001 - £60,000 | 1 | 1 | - | 1 | 1 | 2 | £46,266 | £101,312 |
| £60,001 - £80,000 | 2 | - | - | - | 2 | - | £139,823 | - |
| £80,001 - £100,000 | - | - | - | - | - | - | - | - |
| £100,001 - £150,000 | - | - | - | - | - | - | - | - |
| Total | 15 | 72 | - | 4 | 15 | 76 | £294,450 | £746,655 |

## Note 32 External Audit Costs

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

| | 2011/12 £000 | 2010/11 £000 |
|---|---|---|
| Fees payable to the Audit Commision with regard to external audit services carried out by the appointed auditor for the year | 102 | 108 |
| Fees payable to the Audit Commission in respect of statutory inspections | - | - |
| Fees payable to the Audit Commission for the certification of grant claims and returns for the year | 32 | 28 |
| Total | 134 | 136 |

Planned audit services cost £102,000 in line with the agreed plan and budget.

## Note 33 Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2011/12:

| Table 33a Grant Income | 2011/12 £000 | 2010/11 £000 |
|---|---|---|
| **Credited to Taxation and Non Specific Grant Income** | | |
| National Non-Domestic Rate | (6,963) | (10,378) |
| Revenue Support Grant | (2,152) | (1,507) |
| Non-ringfenced Government Grants | | |
| Working Neighbourhoods Fund | - | (2,514) |
| Cohesion Grant | - | (266) |
| Preventing Violent Extremism | - | (139) |
| Youth Task Force Grant | - | (47) |
| Climate Change Grant | - | (23) |
| Performance Reward Grant | - | (169) |
| DWP Grant | - | (50) |
| New Homes Bonus | (70) | - |
| Council Tax Freeze Grant | (165) | - |
| Local Services Support Grant | (3,978) | - |
| Capital Grants & Contributions | | |
| Market Renewal Programme | (376) | - |
| Heritage Lottery Fund | (136) | - |
| ERDF | (49) | - |
| HMR Transition Grant | (461) | - |
| English Heritage | (209) | - |
| Other Capital Grants & Contributions | (158) | - |
| **Total** | **(14,717)** | **(15,093)** |
| **Credited to Services** | | |
| Housing Benefit & Council Tax Benefit Subsidy | (44,633) | (42,639) |
| Housing Benefit Administration Subsidy | (1,057) | (1,152) |
| Market Renewal Programme | - | (980) |
| Lancashire County Council | (897) | (1,063) |
| East Lancashire Health Authority | (181) | (333) |
| North West Development Agency | (272) | - |
| Department for Transport | - | (495) |
| Rossendale Borough Council | - | (95) |
| Pendle Borough Council | (91) | (86) |
| Other Revenue Grants | (949) | (1,987) |
| Capital Grants & Contributions (see note below) | | |
| Market Renewal Programme | (1,041) | (6,093) |
| North West Development Agency | - | (138) |
| Housing Capital Grant | (93) | (944) |
| Disabled Facilities Grants | (824) | (855) |
| Lottery Sports Fund | - | (12) |
| Heritage Lottery Fund | (50) | (262) |
| Homes and Communities Agency | - | (497) |
| ERDF | (292) | (107) |
| HMR Transition Grant | (475) | - |
| English Heritage | (61) | - |
| Other Capital Grants & Contributions | (352) | (101) |
| **Total** | **(51,268)** | **(57,839)** |

The table above reflects a change in accounting policy, in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12, where capital grants which are used to finance capital expenditure are now recognised in the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement. In previous years such grant income has been recognised against the relevant service line in the Comprehensive Income and Expenditure Statement.

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

**Current Liabilities**

| Table 33b<br>Capital Grants Receipts in Advance | Balance<br>31 March 2011<br>£,000 | Receipts<br>£,000 | Applied<br>£,000 | Balance<br>31 March 2012<br>£,000 |
|---|---|---|---|---|
| **Capital Grants Receipts in Advance** | | | | |
| Housing Capital Grant | (962) | - | 93 | (869) |
| Housing Market Renewal | (2,509) | - | 1,416 | (1,093) |
| HMR Transition Grant | - | (1,439) | 936 | (503) |
| Disabled Facilities Grant | - | (904) | 824 | (80) |
| Section 106 Contributions | (428) | - | 207 | (221) |
| **Total** | **(3,899)** | **(2,343)** | **3,476** | **(2,766)** |

| Table 33c<br>Revenue Grants Receipts in Advance | Balance<br>31 March 2011<br>£,000 | Receipts<br>£,000 | Applied<br>£,000 | Balance<br>31 March 2012<br>£,000 |
|---|---|---|---|---|
| **Revenue Grants Receipts in Advance** | | | | |
| Homelessness Grant | (294) | (176) | 108 | (362) |
| **Total** | **(294)** | **(176)** | **108** | **(362)** |

**Long-term Liabilities**

| Table 33d<br>Capital Grants Receipts in Advance | Balance<br>31 March 2011<br>£,000 | Receipts<br>£,000 | Applied<br>£,000 | Balance<br>31 March 2012<br>£,000 |
|---|---|---|---|---|
| **Capital Grants Receipts in Advance** | | | | |
| Housing Market Renewal | (1,428) | - | - | (1,428) |
| Section 106 Contributions | (133) | - | - | (133) |
| **Total** | **(1,561)** | **-** | **-** | **(1,561)** |

## Note 34 Related Parties

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

Central government
The UK Government has a significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 27 on reporting for resource allocation decisions. Grant receipts in 2011/12 are shown in Note 33.

Members
Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 30. During 2011/12, works and services to the value of £52,044 were commissioned from organisations in which members had an interest (this includes organisations 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, the Council paid grants to the value of £186,510 to organizations in which members had interests (this includes organizations where the Council had appointed members to represent it). The grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. There were five members of the Council who are members of Lancashire County Council; the value of works and services entered into with this body in 2011/12 was £1,119,200. Members of the Council were also members of various parish and town councils to which the Council has paid precepts made grants or made other payments to totalling £78,619. Details of all these interests are recorded in the Register of Members' Interests and in the relevant minutes of the Council where appointments to external organisations have been made.

Officers
Officers of the Council also hold positions in other organisations as a consequence of being appointed by the Council. During 2011/12, 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.

Other Public Bodies (subject to common control by central government)
The Council operates contracting arrangements with Lancashire County Council for Payroll Services and with Rossendale District Council for the provision of a Health and Safety service.
There is a joint service delivery arrangement with Blackburn with Darwen Council for Building Control Service. 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 has a joint service arrangement with Pendle Borough Council in relation to some Legal and Insurance services.

The Council has partnership arrangements with the nearby boroughs of Blackburn with Darwen, Hyndburn, Pendle and Rossendale controlled by a company (RPL Limited). A Burnley Borough Council Director represents the Council on the board of this company.

Entities Controlled or Significantly Influenced by the Authority
The council has a joint venture company with Barnfield Construction but no transactions have occurred during 2011/12.

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 senior officers' interests has been established in which officers outside interests are also recorded.

## Note 35 Capital Expenditure and Capital Financing

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

| | 2011/12 £000 | 2010/11 £000 |
|---|---|---|
| Opening Capital Financing Requirement | 28,068 | 28,609 |
| Capital Investment: | | |
| Property, Plant and Equipment | 2,892 | 4,913 |
| Investment Properties | 50 | 58 |
| Intangible Assets | - | 33 |
| Revenue Expenditure Funded from Capital under Statute | 4,033 | 6,810 |
| Sources of finance: | | |
| Capital receipts | (522) | (1,529) |
| Government grants and other contributions | (4,577) | (9,356) |
| Sums set aside from revenue: | | |
| Direct revenue contributions | (660) | (274) |
| Minimum Revenue Provision | (1,195) | (1,196) |
| **Closing Capital Financing Requirement** | **28,089** | **28,068** |
| Explanation of movements in year: | | |
| Decrease / (Increase) in underlying need to borrow (unsupported by Government financial assistance) | 21 | (541) |
| **Increase / (decrease) in Capital Financing Requirement** | **21** | **(541)** |

## Note 36 Leases

### Authority as Lessee

Operating Leases

The Authority leases a building on Parker Lane which houses its contact centre, Contact Burnley, on a lease which has 8 years remaining.

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

| Table 36a | 31 March 2012 £000s | 31 March 2011 £000s |
|---|---|---|
| Not later than one year | 77 | 75 |
| Later than one year and not later than five years | 330 | 321 |
| Later than five years | 247 | 333 |
| **Minimum lease payments** | **654** | **729** |

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to this lease was £74,695 (£72,363 in 2010/11).

### Authority as Lessor

Operating Leases

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

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

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

| Table 36b | 31 March 2012 £000s | 31 March 2011 £000s |
|---|---|---|
| Not later than one year | (1,069) | (1,151) |
| Later than one year and not later than five years | (3,719) | (3,846) |
| Later than five years | (85,484) | (85,167) |
| **Minimum lease payments** | **(90,272)** | **(90,164)** |

## Note 37 Impairment Losses

The Council had no property, plant and equipment or intangible asset impairment losses for 2011/12.

## Note 38 Termination Benefits

The Authority terminated the contracts of a number of employees in 2011/12, incurring liabilities of £294k (£747k in 2010/11) – see Note 31 for the number of exit packages and total cost per band. Of this total, £37K is payable to the Director of Environment in the form of compensation for loss of office and additional premium costs of £40k (included in the £49k) as disclosed in Note 31. The remaining £217k is payable to 14 officers who were made redundant as part of the Council's rationalisation of services.

## Note 39  Defined Benefit Pension Schemes

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

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

### Transactions Relating to Post-employment Benefits

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

| Table 39a Local Government Pension Scheme | 2011/12 £000s | 2010/11 £000s |
|---|---|---|
| Comprehensive Income and Expenditure Statement | | |
| *Cost of Services:* | | |
| Current service costs | 1,913 | 2,429 |
| Settlements and curtailments | 127 | 104 |
| Past service costs gain | - | (9,153) |
| *Financing and Investment Income and Expenditure* | | |
| Interest cost | 8,056 | 9,000 |
| Expected return on scheme assets | (6,691) | (6,225) |
| **Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services** | **3,405** | **(3,845)** |
| *Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement* | | |
| Actuarial (gains) and losses | 10,063 | (12,428) |
| **Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement** | **10,063** | **(12,428)** |
| *Movement in Reserves Statement* | | |
| Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code | (3,405) | 3,845 |
| *Actual amount charged against the General Fund Balance for pensions in the year:* | | |
| Employers' contributions payable to the scheme | 3,291 | 3,054 |

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement in the actuarial gains or losses on pension assets and liabilities line was at 31 March 2012 a loss of £3.405m and at 31 March 2011 was a gain of £3.845m.

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

| Table 39b Funded Liabilities: Local Government Pension Scheme | 2011/12 £000s | 2010/11 £000s |
|---|---|---|
| Opening balance at 1 April | 148,312 | 161,612 |
| Current service cost | 1,913 | 2,429 |
| Interest cost | 8,056 | 9,000 |
| Contributions by scheme participants | 710 | 847 |
| Actuarial (gains) and losses | 5,054 | (11,465) |
| Benefits paid | (6,307) | (5,062) |
| Past service costs | - | (9,153) |
| Curtailments | 127 | 104 |
| **Closing balance at 31 March** | **157,865** | **148,312** |

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

| Table 39c Local Government Pension Scheme | 2011/12 £000s | 2010/11 £000s |
|---|---|---|
| Opening balance at 1 April | 103,508 | 97,481 |
| Expected rate of return | 6,691 | 6,225 |
| Actuarial gains and losses | (5,009) | 963 |
| Employer contributions | 3,291 | 3,054 |
| Contributions by scheme participants | 710 | 847 |
| Benefits paid | (6,307) | (5,062) |
| **Closing balance at 31 March** | **102,884** | **103,508** |

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 £1.683m (2010/11= £7.821m).

## Scheme History

| Table 39d Local Government Pension Scheme | 2007/08 £000s | 2008/09 £000s | 2009/10 £000s | 2010/11 £000s | 2011/12 £000s |
|---|---|---|---|---|---|
| Present value of liabilities | (141,937) | (120,440) | (161,612) | (148,312) | (157,865) |
| Fair value of assets in the Local Government Pension Scheme | 94,830 | 74,468 | 97,481 | 103,508 | 102,884 |
| Surplus / (deficit) in the scheme | (47,107) | (45,972) | (64,131) | (44,804) | (54,981) |

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. The total liability of £157.865m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a positive overall balance of £27.28m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2013 is £3.178m.

### Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary have been:

| Table 39e Local Government Pension Scheme | 2011/12 | 2010/11 |
|---|---|---|
| Long-term expected rate of return on assets in the scheme: | | |
| Equity investments | 7.00% | 7.50% |
| Government bonds | 3.10% | 4.40% |
| Other bonds | 4.10% | 5.10% |
| Property | 6.00% | 6.50% |
| Cash/liquidity | 0.50% | 0.50% |
| Other | 7.00% | 7.50% |
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners: | | |
| Men | 21.7 | 21.6 |
| Women | 24.3 | 24.2 |
| Longevity at 65 for future pensioners: | | |
| Men | 23.1 | 23.0 |
| Women | 25.9 | 25.8 |
| Rate of inflation - CPI | 2.50% | - |
| Rate of inflation - RPI | - | 3.40% |
| Rate of increase in salaries | 4.50% | 4.90% |
| Rate of increase in pensions | 2.50% | 2.90% |
| Rate for discounting scheme liabilities | 4.90% | 5.50% |
| Take-up of option to convert annual pension into retirement lump sum | 50.00% | 50.00% |

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

| Table 39f Local Government Pension Scheme | 2011/12 % | 2010/11 % |
|---|---|---|
| Equity investments | 58 | 64 |
| Government bonds | 5 | 7 |
| Other bonds | 15 | 14 |
| Property | 10 | 8 |
| Cash/liquidity | 5 | 1 |
| Other assets | 7 | 6 |
| | 100 | 100 |

**History of Experience Gains and Losses**

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

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

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

| Table 39h Sensitivity Analysis based on assumptions made as at 31st March 2012 | Current Estimate £'000 | Sensivity 1 + 0.1% p.a. discount rate as at 31st March 2012 £'000 | Sensivity 2 + 0.1% p.a. salary inflation as at 31st March 2012 £'000 | Sensivity 3 + 0.1% p.a. expected return on equities as at 31st March 2012 £'000 |
|---|---|---|---|---|
| Liabilities as at 31st March 2012 | 157,865 | 155,324 | 160,452 | 161,081 |
| Assets as at 31st March 2012 | -102,884 | -102,884 | -102,884 | -102,884 |
| Deficit/(Surplus) as at 31st March 2012 | 54,981 | 52,440 | 57,568 | 58,197 |
| Projected Current Service Cost for year commencing 1st April 2012 | 2,057 | 1,992 | 2,124 | 2,107 |
| The above figure is based on a percentage rate applied to payroll. The percentage rate is: | 0.0% | 0.0% | 0.0% | 0.0% |
| The projected pensionable payroll used in the above calculation is: | 2,057 | 1,992 | 2,124 | 2,107 |
| Projected Expected Return on Assets for year commencing 1st April 2012 | -5,767 | -5,767 | -5,767 | -5,767 |
| Projected Interest Cost for the year commencing 1st April 2012 | 7,649 | 7,676 | 7,777 | 7,807 |

**Note 40 Contingent Liabilities and Contingent Assets**

Contingent Liabilities

Overarching Development Agreements in Burnley Wood and South West Burnley

Phase Costs and Zone Wide Costs.
On 17th April 2008 the Council entered into two Overarching Development Agreements (ODA) with a lead developer to deliver development in South West Burnley and Burnley Wood. The ODAs give exclusive rights to develop within the area action zones for a period of 10 years. In these ODAs there is reference to the preliminary zone-wide costs e.g. business plans, surveys, research and development etc. incurred by the developer. The assumption is that these costs will be recovered by the developer during the initial phases of development outlined in the zone-wide business plan. It is part of the agreement that if the initial phases of development do not proceed, the developer is entitled to reimbursement of the eligible zone-wide costs on the sixth anniversary of the agreement – on 16th April 2014. The current accumulated zone-wide costs for South West Burnley and Burnley Wood are 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.

Judicial Review on HMR Transition Grant

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

Within the review proceedings, the judge ordered that interested parties be given the opportunity to make representations. Burnley Borough Council have filed their representations at court on Monday 18th June and are currently waiting to hear further on these proceedings.

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

The value of the grant awarded to Burnley Borough Council is £1.438m and if the review is successful, there is the possibility that this money would need to be repaid.

Contingent Assets

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

## Note 41 Nature and Extent of Risks arising from Financial Instruments

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

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

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

**Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they are rated independently. The authority has a policy of not lending more than a certain amount to any one institution dependent upon the rating of that institution as approved by Sector. The maximum amounts invested in any institution was £2m. In the case of the Council's own bankers the limit is set at £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 £0.6m in respect of the former Landsbanki Islands HF) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for British based banks and building societies to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2012 that this was likely to occur.

The following analysis summarises the authority's potential maximum exposure to credit risk on financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions. The Council's provision for 'bad and doubtful debts' at 31 March 2012 totals £2.231m. Included within this amount is a general provision of £1.812m for customers such as trade debtors. It is believed that the Council has provided more than sufficient to cover for future losses due to default.

| Table 41a Credit Risk | Amount at 31 March 2012 £000s | Historical experience of default % | Historical experience adjusted for market conditions at 31 March 2012 % | Estimated maximum exposure to default and uncollectability at 31 March 2012 £000s | Estimated maximum exposure at 31 March 2011 £000s |
|---|---|---|---|---|---|
| | A | B | C | (A x C) | |
| Deposits with former Landsbanki Islands HF | 564 | 0.00% | 0.00% | - | 22 |
| Deposits with other banks and financial institutions | 8,857 | 0.00% | 0.00% | - | - |
| Customers | 5,253 | 37.34% | 42.47% | 2,231 | 1,975 |
| | | | | 2,231 | 1,997 |

The authority expects settlement terms from debtors of no greater than 14 days, such that £2.810m of the £5.253m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

| Table 41b - Customer Debt past due date | 31 March 2012 £000s | 31 March 2011 £000s |
|---|---|---|
| Less than three months | 156 | 189 |
| Three to six months | 57 | 98 |
| Six months to one year | 639 | 688 |
| More than one year | 1,958 | 1,815 |
| | 2,810 | 2,790 |

**Liquidity Risk**

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

| Table 41c - liquidity Risk | 31 March 2012 £000s | 31 March 2011 £000s |
|---|---|---|
| Less than one year | 5,215 | 3,145 |
| Between one and three years | 1,000 | 3,037 |
| Between two and five years | 5,077 | 4,078 |
| Between five and ten years | 6,628 | 6,424 |
| Between ten and fifteen years | 5,990 | 7,194 |
| More than fifteen years | 183 | 183 |
| | 24,093 | 24,061 |

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

**Market Risk**

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

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

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

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

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

According to this assessment strategy, at 31 March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

| Table 41d | 31 March 2012 £000s | 31 March 2011 £000s |
|---|---|---|
| Increase in interest payable on variable rate borrowings | - | 11 |
| Increase in interest receivable on variable rate investments | (189) | (135) |
| **Impact on Surplus or Deficit on the Provision of Services** | **(189)** | **(124)** |
| 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) | 3,126 | 3,073 |

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 stock is 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 the stock (positive or negative) would thus have resulted in a £492 gain or loss being recognised in the Other Comprehensive Income and Expenditure for 2011/12.

**Foreign Exchange Risk**

As a result of the phased repayment of the Council’s deposit with the former Landsbanki Islands HF bank, the Authority has a deposit equivalent to £7k in Icelandic Kroner held on deposit in Iceland. In addition to this £7k, it is not known at this stage in which currencies the £564k balance of the deposit will be repaid.

## Note 42 Heritage Assets: Five-year Summary of Transactions

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

## Note 43 Heritage Assets: Further Information

The Authority’s Heritage Assets are held at Towneley Hall Art Gallery & Museum and Burnley Town Hall. The collections can be broadly divided into

- Fine art – oil paintings, watercolour paintings, works on paper and book illustrations (1880-1920)
- Furniture
- Sculpture
- Ceramics, ivories ❖ and glass
- Military medals
- Numismatics ❖, medals and horology
- Silver and silver plate
- Costume and textiles, including vestments
- Arms and armour
- Archaeology (local)
- Egyptology ❖
- Ethnography ❖
- Natural history and geology
- Local, social and industrial history
- War memorials

The collections marked ❖ were built up early in the Museum’s life and are no longer being expanded. None of these collections are particularly large. What the collections lack in size, they make up for in variety and quality, particularly paintings and furniture, and in the buildings and their settings.

## Fine Art

### Oil paintings and watercolour paintings

The collection of oil paintings was built up first through gifts and purchases using money from local taxation. In 1908, a purpose built art gallery was established on the top floor of the north wing. In 1921, an annual income was made available from the Edward Stocks Massey Bequest. Paintings were purchased through the bequest at regular intervals. There are over 300 oil paintings in the collection, the acquisitions being evenly divided between gifts and purchases plus around 20 paintings transferred from Burnley Central Library and Padiham Museum in the 1970s.

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

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

### Prints

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

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

### Book illustrations

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

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

## Furniture

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

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

## Sculpture

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

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

## Ceramics, Ivories and Glassware

### Ceramics

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

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

### Ivories

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

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

### Glass

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

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

## Medals, Watches & Silver ware

### Military Medals

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

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

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

### Numismatics, Medals and Horology

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

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

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

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

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

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

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

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

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

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

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

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

### Vestments

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

All of this collection is on display.

### Other collections

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Heritage assets of particular importance

The museum holds a number of items that the Council regards as particularly significant in the collections.

**Oil Paintings**

- J Zoffany, *Charles Townley and his Friends in the Townley Gallery, 33, Park Street, Westminster*
- Sir L Alma-Tadema*, The Picture Gallery*
- JW Waterhouse*, Destiny*
- J Herring*, The Midday Meal*
- J Farquharson*, The Sun had Closed the Winter's Day*
- F Morgan*, Ring-a-Ring-a-Roses-oh*
- Sir ECB Jones, *Wood Nymphs*
- M van Valkenborch*, The Building of the Tower of Babel*

**Watercolour paintings**

- JMW Turner, Towneley Hall
- JMW Turner, Cape Colonna
- JMW Turner, Mitton Hall

**Sculpture**

- J Nollekens, Charles Townley
- J Nollekens, Clytie

**Costume and Textiles**

- The Whalley Abbey Vestments

**Ceramics**

- Pilkington Lancastrian Pottery, vase cream ground, decorated with copper lustre ships. Painted by W.S. Mycock, designed by Walter Crane.

**Furniture**

- Refectory Table, three friezes carved with flutes and initials WB + SB, date 1613.
- Flemish altarpiece
- Lancashire oak bed, 1620
- Mid-17th Century oak trestle Refectory table on cruciform supports.

**Ivories**

- figure of Diana, a bow in her left arm, nude and draped in a lion skin, on ebonized socle
- figure "The Companion of Apollo", a lyre in right hand. On ebonized socle.
- pair of candlesticks, Ionic form, the trefoil shaped bases carved with shells, on circular ebonized bases.
- tankard, carved with a boar hunt, in the 17th century manner, with typical Augsburg silver mounts, the finial a putto with garland of flowers.

**Silver**

- A large two-handled cup in Art Nouveau style
- Presentation sword to General Sir JY Scarlett

**Military Medals**

- Victoria Cross awarded to AV Smith
- Victoria Cross awarded to T Whitham
- Albert Medal

### Preservation and management

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

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

Assets are collated, preserved and managed in accordance with the aforementioned guidelines. The register for its collections records the nature, provenance, condition and current location of each asset. The Museum has also initiated a project to computerise these records. The computerised records currently cover all the fine art and decorative art collections together with photographs of the military medals and Egyptology artefacts. Images of the oil paintings are shown on an external website that is hosted by the Authority.

**Note 44 Heritage Assets: Changes in Accounting Policy Required by the Code**

The *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* introduced a change to the treatment in accounting for heritage assets held by the Council. As set out in our summary of significant accounting policies (note 1), the Council now requires heritage assets to be carried in the balance sheet at valuation.

**Heritage Assets**

For 2011/12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the Property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. The Council's accounting policies for recognition and measurement of heritage assets are set out in note 1.

In applying the new accounting policy, the Council has identified that the assets that were previously held as community assets within property, plant and equipment at £0.056m should now be recognised as heritage assets and measured at £32.75m with a corresponding increase in the Revaluation Reserve. These assets relate to the collections at Towneley Hall and the Civic Regalia which were previously recognised in the community assets classification of property, plant and equipment. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

- At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £32.751m. The element that was previously recognised in property, plant and equipment has been reclassified and written down by £0.056m. The Revaluation Reserve has increased by £32.695m.
- The fully restated 1 April 2010 Balance Sheet is provided on page 14. The adjustments that have been made to the Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

**Effect on Opening Balance Sheet 1 April 2010**

| | Opening Balances as at 1 April 2010 £000s | Restatement £000s | Restatement required to opening balances as at 1 April 2010 £000s |
|---|---|---|---|
| Property, Plant and Equipment | 55,812 | 55,756 | (56) |
| Heritage Assets | - | 32,751 | 32,751 |
| **Long-term Assets** | **75,016** | **107,711** | **32,695** |
| **Total Net Assets** | **(12,556)** | **20,139** | **32,695** |
| Revaluation Reserve | 9,051 | 41,746 | 32,695 |
| **Unusable Reserves** | **(19,638)** | **13,057** | **32,695** |
| **Net Worth/Total Reserves** | **(12,556)** | **20,139** | **32,695** |

**Comprehensive Income and Expenditure Statement**

During 2010/11, there were no impairments of assets. There has thus been no restatement of any of the lines of the Comprehensive Income and Expenditure Statement.

**Movement in Reserves Statement – Unusable Reserves 2010/11**

The restatement of the relevant lines of the Movement in Reserves Statement, as at 31 March 2011, as a result of the application of this new accounting policy is presented in the table below.

| | As Previously Stated 31 March 2011 £000s | As Restated 31 March 2011 £000s | Restatement 2011 £000s |
|---|---|---|---|
| Balance as at the end of the previous reporting period - 31 March 2010 | (12,556) | 20,139 | 32,695 |
| **Surplus or Deficit on the Provision of Services** | (3,031) | (3,031) | - |
| Other Comprehensive Inome and Expenditure | 15,647 | 15,647 | - |
| Adjustments between the accounting basis and the funding basis under regulations | (2) | (2) | - |
| Increase / (Decrease) in the year | - | - | - |
| **Balance at the end of the current reporting period 31 March 2011** | **58** | **32,753** | **32,695** |

The resulting restated Balance Sheet for 31 March 2011 is provided on page 14. The adjustments that have been made to the Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

**Effect on Balance sheet 31 March 2011**

| | As Previously Stated 31 March 2011 £000s | As Restated 31 March 2011 £000s | Restatement 2011 £000s |
|---|---|---|---|
| Property, Plant and Equipment | 48,383 | 48,327 | (56) |
| Heritage Assets | - | 32,751 | 32,751 |
| **Long-term Assets** | **66,387** | **99,082** | **32,695** |
| **Total Net Assets** | **58** | **32,753** | **32,695** |
| Revaluation Reserve | 12,270 | 44,965 | 32,695 |
| **Unusable Reserves** | **(8,050)** | **24,645** | **32,695** |
| **Net Worth/Total Reserves** | **58** | **32,753** | **32,695** |

The effect of the change in accounting policy in 2010/11 has been that heritage assets are recognised at £32.751m on the Balance Sheet resulting in an increase to the Revaluation Reserve of £32.695m and property, plant and equipment being restated by the amount of heritage assets previously recognised at cost in community assets (a sub-classification of property, plant and equipment) of £0.056m.

## Note 45 Trust Funds

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

**Funds for which the Council acts as custodian trustee:**

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

| 2010/11 | Income £ | Expenditure £ | Assets £ | Liabilities £ |
|---|---|---|---|---|
| Burnley Acorn Fund | 7,477 | 10,682 | 455,993 | - |
| JW Shaw Charity | 129 | 7,525 | 23,074 | - |
| **Total** | **7,606** | **18,207** | **479,067** | **-** |

The objects of these trust funds are as follows:

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

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

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

## Note 46 Authorisation of Accounts for Issue

The Head of Finance & Property Management has, on 29th June 2012, authorised that this Statement of Accounts should be issued to the Director of Resources (the Council's Chief Financial Officer) for certification.

# Supplementary Financial Statement

## The Collection Fund Statement

| COLLECTION FUND | 31st March 2012 £'000 | 31st March 2011 £'000 |
|---|---|---|
| **Income** | | |
| **Council Tax** | | |
| Council tax - net of benefits granted | (31,320) | (31,568) |
| Transfers from the General Fund: | | |
| Council tax benefits | (9,677) | (9,598) |
| Transitional relief | 1 | 3 |
| | **(40,996)** | **(41,163)** |
| **Non-Domestic Rates** | | |
| Business ratepayers - net of bad and doubtful debt provision | (25,345) | (23,380) |
| Transfers from the General Fund: | | |
| Discretionary relief contribution | (34) | (40) |
| | **(25,379)** | **(23,420)** |
| **Total Income** | **(66,375)** | **(64,583)** |
| **Expenditure** | | |
| **Precepts from Local Authorities** | **40,551** | **40,621** |
| **Non-Domestic Rates** | | |
| Payment to national pool | 25,233 | 23,273 |
| Costs of collection | 146 | 147 |
| | **25,379** | **23,420** |
| **Impairment of debt** | | |
| Provision for bad debts | **348** | **310** |
| **Contributions** | | |
| Previous year's estimated Collection Fund surplus | **39** | **76** |
| **Total Expenditure** | **66,317** | **64,427** |
| **(Surplus) / Deficit for the year** | **(58)** | **(156)** |
| **Movement on Fund Balance** | | |
| Opening (surplus) / deficit on Collection Fund at 1 April | (813) | (657) |
| (Surplus) / deficit for year | (58) | (156) |
| **Closing (Surplus) / deficit on Collection Fund at 31 March** | **(871)** | **(813)** |

**Notes to the Collection Fund Statement**

**Note 1 General**

Council tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities including the Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts: 25,706 for 2011/12 (25,755 for 2010/11)). This basic amount of council tax for a Band D property (£1,575.35 for 2011/12 (£1,575.35 for 2010/11)) is multiplied by the proportion specified for the particular band to give an individual amount due.

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

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

The balance on the Fund at 31 March 2012 was a surplus of £871,388 which includes a surplus for the year of £58,242. In setting the Council Tax for 2011/12 it was anticipated that there would be a surplus of £148,214 for Council Tax. The increased surplus from 2011/12 will be taken into account in setting the Council Tax for 2013/14.

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

**Note 1 - General**

| Collection Fund (Surplus) / Deficit | 31 March 2012 £000s | (Surplus) / deficit for year £000s | 31 March 2011 £000s |
|---|---|---|---|
| Burnley Borough Council | 142 | 9 | 133 |
| Lancashire County Council | 613 | 41 | 572 |
| Lancashire Police Authority | 81 | 6 | 75 |
| Lancashire Combined Fire Authority | 35 | 2 | 33 |
| **Total (Surplus) / Deficit** | **871** | **58** | **813** |

## Note 2 Non-Domestic Rates

The Council is responsible for collecting all such rates for properties in the Burnley area and this money is paid into a national pool managed by Central Government. This money is then redistributed from the pool to local authorities in proportion to their population. Business rates are calculated by multiplying the rateable value for the property by the standard national rates in the pound (small businesses 42.6p (40.7p in 2010/11) and other non-domestic properties 43.3p (41.4p in 2010/11) for 2011/12). The total non-domestic rateable value for the Council's area at 31st March 2012 was £72,392,179 (£72,899,339 at 31st March 2011).

## Note 3 Council Tax Base

The Council Tax due for each property is dependent on the valuation band into which it has been placed. The ranges for each band, the relevant multiplier, the number of properties in each band at October 2010 (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 2011/12 was 25,706 (25,755 in 2010/11) as shown below.

**Note 3 - Council Tax Base**

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

## Note 4 Council Tax

The calculation of the tax due is derived from the Council Tax base for the year calculated in accordance with the provisions of the Local Government Finance Act 1992. The Band D Council Tax for the year 2011/12 was calculated as follows:

**Note 4 - Council Tax**

| | 2011/12 £ |
|---|---|
| Lancashire County Council | 28,489,933 |
| Lancashire Police Authority | 3,759,999 |
| Lancashire Combined Fire Authority | 1,636,187 |
| Burnley Borough Council | 6,609,784 |
| Padiham Town Council | 30,000 |
| Cliviger Parish Council | 10,000 |
| Worsthorne with Hurstwood Parish Council | 5,000 |
| Habergham Eaves Parish Council | 1,918 |
| Briercliffe with Extwistle Parish Council | 8,000 |
| **Total to be met from Council Tax** | **40,550,821** |

Divided by the Council Tax Base (25,706) this gives an average Band D Council Tax for the year 2011/12 of £1,577.48 (£1,577.21 in 2010/11). This is slightly higher than the figure in note 1 due to the inclusion above of the parish and town council precept amounts.

# GLOSSARY OF TERMS

**ACCOUNTING PERIOD**

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

**ACCRUAL**

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

**ACTUARIAL GAINS AND LOSSES**

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

**AGENCY SERVICES**

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

**ANNUAL GOVERNANCE STATEMENT (AGS)**

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

**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 flow to the authority.

**AUDITOR'S OPINION**

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

**BALANCE SHEET**

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

**BALANCES**

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

**BUDGET**

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

**CAPITAL ADJUSTMENT ACCOUNT**

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

**CAPITAL CHARGE**

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

**CAPITAL EXPENDITURE**

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

**CAPITAL FINANCING COSTS**

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

**CAPITAL RECEIPTS**

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

**CAPITAL RECEIPTS - DEFERRED**

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

**CARRYING AMOUNT**

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

**CIPFA**

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

**CIPFA PRUDENTIAL CODE**

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

**CODE OF PRACTICE**

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

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

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

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

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

The Code has effect for financial years commencing on or after 1st April 2011.

**COLLECTION FUND**

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

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

**COMMUNITY ASSETS**

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

**CONSISTENCY**

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

**CONSOLIDATED BALANCE SHEET**

The combined fund balance sheets of the Council.

**CONTINGENCY SUM**

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

**CONTINGENT LIABILITY**

A contingent liability is either:

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

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

**CORPORATE AND DEMOCRATIC CORE**

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

**CORPORATE GOVERNANCE**

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

**COST OF MANAGEMENT AND ADMINISTRATION**

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

**CREDITORS**

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

**CURRENT ASSET**

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

**CURRENT LIABILITY**

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

**CURRENT SERVICE COST (PENSIONS)**

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

**DEBT REDEMPTION**

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

**DEBTOR**

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

**DEFERRED CHARGES**

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

**DEFERRED DEBTORS**

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

**DEPRECIATION**

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

**EXCEPTIONAL ITEMS**

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

**EXPECTED RATE OF RETURN ON PENSIONS ASSETS**

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

**EXPENSES**

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

**FAIR VALUE**

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

**FINANCE LEASE**

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

**FINANCIAL YEAR**

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

**FIXED ASSETS**

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

**FORMULA GRANT**

General Government Grant towards the Councils net revenue budget; and which comprises entitlements of Revenue Support Grant and share of NNDR national pool.

**GENERAL FUND**

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

**GOING CONCERN**

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

**GROSS EXPENDITURE**

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

**HISTORICAL COST**

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

**HOUSING REVENUE ACCOUNT (HRA)**

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

**IMPAIRMENT**

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

**INCOME**

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

**INFRASTRUCTURE ASSETS**

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

**INTANGIBLE ASSET**

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

**INTEREST COST (PENSIONS)**

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

**INVESTMENT PROPERTY**

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

**LEASING**

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

**LIABILITIES**

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

**LOANS OUTSTANDING**

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

**MATERIALITY**

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

**MINIMUM REVENUE PROVISION**

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

**NATIONAL NON-DOMESTIC RATES (NNDR)**

With effect from April 1990 all non-domestic properties were revalued and the Government determines a national non-domestic rating multiplier every year which is applicable to all local authorities. The rateable values are set by the Valuation Office Agency of HM Revenue & Customs, and there is a statutory revaluation every 5 years. The proceeds of the business rates are paid into a national pool and redistributed by the Government between local authorities, mainly in proportion to their adult populations.

**NET EXPENDITURE**

Gross expenditure less specific Government grants and other income.

**NET BOOK VALUE**

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

**NON-OPERATIONAL ASSETS**

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

**OPERATING LEASE**

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

**OPERATIONAL ASSETS**

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

**PAST SERVICE COST**

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

**PRECEPT**

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

**PROVISION**

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

**PRUDENCE**

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

**PRUDENTIAL FRAMEWORK**

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

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

**PUBLIC WORKS LOAN BOARD (PWLB)**

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

**RELATED PARTIES**

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

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

**RELATED PARTY TRANSACTIONS**

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

**RENT ALLOWANCE**

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

**RESERVE**

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

**RESIDUAL VALUE**

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

**REVALUATION RESERVE**

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

**REVENUE ACCOUNT**

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

**REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE (REFFCUS)**

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

**REVENUE SUPPORT GRANT (RSG)**

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

**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.

**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.

**ZONE WIDE BUSINESS PLAN**

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

**ZONE WIDE COSTS**

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