Borough of Pendle

STATEMENT OF ACCOUNTS

for the year ended
31st March 2016

Contents	Page

Introduction	4
Narrative Report by the Financial Services Manager	6
Statement of Accounting Policies	18
Statement of Responsibilities for the Statement of Accounts	33
Annual Governance Statement	34
Core Financial Statements	
Movement in Reserves Statement	46
Comprehensive income and Expenditure Statement	47
Balance Sheet	48
Cash Flow Statement	49
Index of Explanatory Notes to the Core Financial Statements	50
Notes to the Core Financial Statements	51
Collection Fund	89
Notes to the Collection Fund	91
Audit Certificate and Opinion	93
Appendices:	
1 – Earmarked Reserves	95
2 – Summary listing of services within each Council Service Area	97
Glossary of Terms	99

Statement of Accounts Approved by
Accounts and Audit Committee
28th July 2016

Councillor Lyle Davy
Chairman

Introduction

This Statement of Accounts for the year ended 31st March 2016 has been prepared and published in accordance with the Code of Practice on Local Authority Accounting 2015/16, issued by the Chartered Institute of Public Finance and Accountancy and the Accounts and Audit Regulations 2015.

The accounting policies adopted by the Council comply with the relevant recommended accounting practices and the latest revisions to these from 1 April 2015. There have been no major changes in the Council's statutory functions during the year.

The Key Accounting Statements

The Statement of Accounts comprises Core Financial Statements and related notes along with Supplementary Financial Statements. The Core Financial Statements are as follows:-

- **Movement in Reserves Statement –** This Statement shows the movement in the 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 Council Tax) and 'unusable reserves' (i.e. unrealised gains and losses and adjustment accounts that absorb the difference between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure). The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council'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. The Net Increase/Decrease before Transfers to Earmarked Reserves shows the General Fund Balance before any discretionary transfers to/from earmarked reserves undertaken by the Council.

- **Comprehensive Income and Expenditure Statement** – This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount funded from Council Tax. Councils raise Council Tax to cover expenditure incurred in accordance with regulations; this may be different from the accounting cost. The Council Tax position is shown in the Movement in Reserves Statement.

- **Balance Sheet** – The Balance Sheet provides a snapshot of our financial position as at 31st March 2016 and includes all of our fund balances. It sets out what we own and what we owe at this point in time. The Net Assets of the Council are matched by the Reserves held by the Council. Reserves are reported in two categories – usable reserves, those that can be used to provide services or reduce Council Tax, and unusable, which hold unrealised gains and losses, where amounts only become realisable on, for example, disposal of assets.

- **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 Council 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 Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Supplementary Statement

- **The Collection Fund** is an agent's statement which we are required by law to maintain separately from all our other funds and accounts. It shows transactions that have arisen because we are a billing authority responsible for the collection and distribution of Council Tax and Business Rates on behalf of Central Government and precepting authorities. In addition to Pendle, the precepting authorities for Council Tax are Lancashire County Council, the Police and Crime Commissioner for Lancashire and the Lancashire Combined Fire Authority. The Collection Fund records the income we receive from local tax payers and the money that is paid out as precepts.

In 2013/14 the Government introduced the Business Rates Retention scheme as part of its reform of the local government finance regime under which a key objective is to provide an incentive for Councils to generate business growth in their locality. There are also financial risks associated with the scheme arising from potential losses due to non-collection and changes in the business rate base as a result of appeals by businesses against their rating assessment. Under the scheme the Council retains 40% of total business rate income. The remainder is apportioned to the Government (50%), the County Council (9%) and the Fire Authority (1%) in accordance with regulations governing the scheme.

Our accounting policies are outlined in this document on page 18 and have been fairly and consistently applied. We keep proper and up-to-date accounting records and take all reasonable steps to prevent and detect fraud and irregularities which might undermine the figures provided in these accounts.

The Financial Services Manager is the statutory officer responsible for the proper administration of the Council's financial affairs. He is required by law to confirm that the Council's system of internal controls and related governance arrangements can be relied upon to produce an accurate Statement of Accounts. His statement of assurance appears on page 33 of this document.

Narrative Report for 2015/16 by the Financial Services Manager

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). It therefore aims to provide information so that members of the public, including electors and residents of Pendle, Councillors, partners, stakeholders and other interested parties can:

- Understand the overall financial position of the Council and the outturn for 2015/16;
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner; and
- Be assured that the financial position of the Council is sound and secure.

The style and format of the accounts complies with local authority accounting standards and is similar to that of previous years. The Council continues to review the content of the accounts and remove unnecessary detail in an effort to 'de-clutter' the accounts as recommended by CIPFA and our External Auditors.

This Narrative Report (a change in the requirements for 2015/16 and replacing the former Explanatory Foreword) provides information about Pendle, including key issues affecting the Council and its accounts. It also provides a summary of the Council's financial position at 31st March 2016 and adopts the following structure:

- An introduction to Pendle
- Key facts about Pendle
- Information about the Council
- The 2015/16 revenue budget and medium-term position
- The capital programme for 2015/16 and over medium-term
- Financial performance of the Council in 2015/16
- Non-financial performance of the Council in 2015/16
- Overview of strategic risks facing the Council
- The financial outlook to 2019/20
- Access to further information

An introduction to Pendle

The Borough of Pendle is situated in north-west England on the border between Lancashire and Yorkshire. A product of local government reorganisation in 1974, it is one of twelve district councils in the county of Lancashire. Together with Blackburn-with-Darwen, Burnley, Hyndburn and Rossendale it forms part of the Pennine Lancashire sub-region.

To the west and south, Pendle shares its border with the Lancashire districts of Ribble Valley and Burnley. To the southeast Calderdale and Bradford which are both part of West Yorkshire, whilst to the north and east lies Craven which is in North Yorkshire.

Key facts about Pendle

Population

The Borough covers an area of 169.4 km^2 and has a population of 89,452 giving it an overall population density of 528 persons per km^2.

Two-thirds of Pendle's population is concentrated in four contiguous settlements - Nelson, Colne, Brierfield and Barrowford – situated in the south of the borough. This densely populated urban area extends 8km north-east from the boundary with neighbouring Burnley, creating an extended urban area that has a combined population of almost 150,000. To the north, the market town of Barnoldswick and Earby are the largest settlements in West Craven.

Whilst the age structure of the population is broadly similar to both regional and national averages, it has a relatively young profile, with birth rates in the borough having increased steadily over a number of years.

The 2014 Sub-National Population Projections (SNPP) estimated that the population of Pendle would increase from 89,800 in 2014 to 91,500 by 2030. The population aged 65 and over in Pendle is expected to rise significantly from around 15% of the total population to over 20%, whilst the proportion under the age of 16 is expected to remain relatively static at around 20% of the total population.

The ethnic mix of the population is similar to other districts in Pennine Lancashire. In 2011 the majority ethnic group was White (79.9%); lower than the comparable figure for England (85.4%). There is a significant Black and Minority Ethnic (BME) population (17.1%). Most of the local BME community are of Pakistani origin and live in Nelson and Brierfield.

Housing

Pendle has deep-seated and challenging housing problems. It was formerly within the Pennine Lancashire Housing Market Renewal (HMR) pathfinders, one of just nine in the country. However, the HMR scheme ended in 2010 following the then-Government's Emergency Budget.

In 2013, Pendle had 39,780 household spaces, a figure that is expected to increase to 44,000 by 2033. Household growth has increased faster than population growth, at a rate of 11.7% (equivalent to 3,985 households) between 1991 and 2011.

Of the 37,348 household spaces that were occupied in 2011, one-third were single person households and half of those were occupied by pensioners. Population density in the M65 Corridor is more than four times the borough average, reflecting the dominance of terraced housing within the inner urban areas. In Whitefield, Nelson 90% of the housing stock is terraced, but nearly one-third of all households contain five or more people, compared to just 6.8% nationally.

A major part of the area's physical infrastructure continues to date from the Victorian era and this is particularly true for housing. Over half of the local housing stock (54%) was built before 1919, more than twice the national average and most of this stock is in the private rented sector (87%).

Terraced housing accounts for 56.1% of the total housing stock, compared to only 24.5% in England. This limits the choice of housing types across the borough, but particularly in the inner urban areas, which are dominated by street upon street of small terraced houses, many without gardens. With the exception of some excellent municipal parks, the lack of trees and green spaces is a feature of our inner urban areas.

Of all the Lancashire districts, Pendle has the highest proportion of its housing stock (62.1%) in the lowest council tax band (Band A).

Deprivation

In 2015, based on the average Index of Multiple Deprivation (IMD) score in Pendle (factoring in population weighting) it is ranked 38th out of 326 local authorities. In 2010 Pendle was ranked 33rd.

The Department of Communities and Local Government also rank authorities based on the proportion of lower super output areas (LSOAs) in the top 10% most deprived across the country. On this basis, Pendle ranked 18th out of 326 authorities with 16 of its 57 LSOAs in the top 10% most deprived in the country.

Income and Employment

The average (median) weekly earnings for full-time employees in Pendle are consistently below the level of the North West and Great Britain. They also demonstrate a significant difference between male and female full-time employees. When considered by place of work, average (median) weekly earnings in Pendle (£383.60) are below the comparable figures for the North West (£388.60) and significantly below England (£421.60) average. Positive effects from commuter flows mean that the average wage rate for people resident in the borough are slightly higher.

The average (mean) household income in Pendle is just 83% of that for Great Britain (£36,000). Households with the lowest incomes are largely concentrated in the urban centres of Brierfield, Nelson and Colne. Of the 20 wards in the county with the lowest average incomes two - Bradley and Whitefield in Nelson - are in Pendle, each with average incomes of £23-24,000 per annum. This is roughly half of that recorded for Higham-with-Pendleside (£43-44,000) which has the 20th highest figure in the county.

Pendle has a key role to play in the economic success of the North West and in particular the Pennine Lancashire sub-region. Pendle has genuine strengths on which to build. Advanced engineering businesses, many serving the locally important aerospace industry, operate at the cutting edge of new technology, and are a source of high value employment. The quality of the natural environment and elements of our built heritage are key drivers behind the recent growth of tourism.

The production and retail sectors are locally important. The area’s economic foundations were built on textiles and associated engineering industries. The increasing globalisation of world trade after the Second World War witnessed the decline of many traditional manufacturing industries. In the immediate post-war period the focus was on attracting new businesses to the area, to replace those jobs being lost from the textile industry, as it faltered and then restructured. Later the emphasis was on reducing the area's dependence on a declining manufacturing sector. More recently the focus has returned to exploiting the area’s competitive advantages in advanced engineering and aerospace.

Pendle retains a strong presence in manufacturing. However, the nature of work in many businesses has changed. The importing and distribution of low value goods has gradually replaced local manufacturing capacity, with manual jobs on the shop floor replaced by warehousing and office-based employment. The production sector, which includes manufacturing, still accounts for 11% of all businesses in the borough, a figure significantly higher than that recorded for Lancashire (8%), the North West (7%) and Great Britain (6%).

Tourism & Recreation

Almost 62% of the borough (16,660 hectares) is officially designated as open countryside, with the three peaks of Pendle (557m), Weets (397m) and Boulsworth (517m) overlooking a gently rolling landscape containing some of the most interesting and attractive villages in Lancashire.

The Leeds and Liverpool Canal is a major feature and attraction within both the urban and rural areas. Tourism provides an increasingly important contribution to the local economy. There are currently 40 visitor attractions in the district and a similar number of accommodation providers. Over 2.51 million tourists visited the area in 2012, up 4% on 2011. Visitor spend, when compared to the previous year, was up 8% to £96.68 million, with over one-quarter of this attributed to staying visitors, although they account for less than 10% of all tourist visits.

Information about the Council

As a local authority the Council is an elected, multi-functional organisation. Its policies are determined and directed by the political leadership of the Council and implemented by the Management Team and Officers of the Council. The following section describes the political and management structures of the Council.

Political Structure in the 2015/16 Municipal Year

After the local election on 7th May 2015 the political make-up of the Council was:

Conservative Party	19 Councillors
Labour Party	18 Councillors
Liberal Democrat Party	11 Councillors
British National Party	1 Councillor

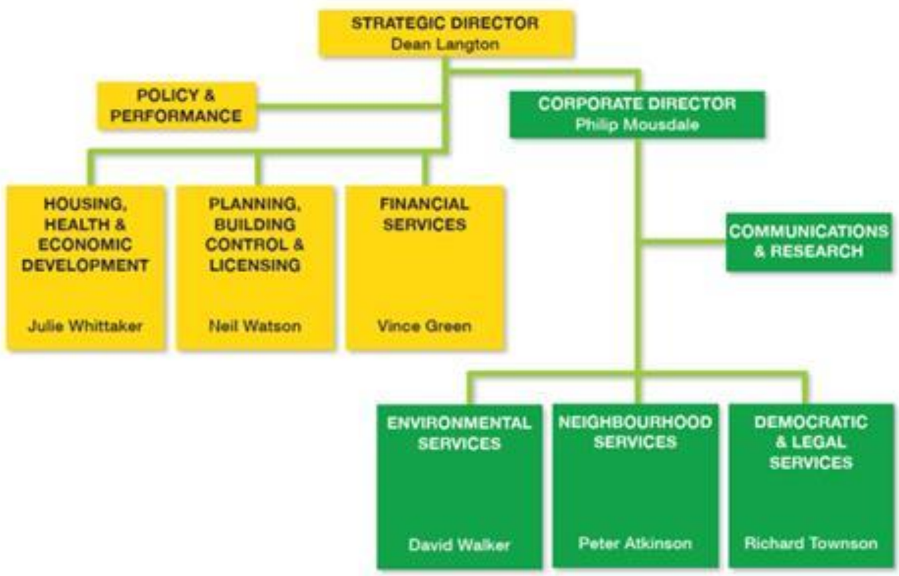
Pendle has 20 wards and the Council is composed of 49 councillors with one-third elected three years in four. The model of governance is that of Leader and an Executive. The Council appoints the Leader. The Executive comprises 10 Councillors including the Leader. During 2015/16 the Executive operated under a shared arrangement comprising 6 Labour councillors and 4 Liberal Democrat councillors. Portfolio holders are appointed but they do not have individual decision making powers delegated to them. Their role is to work with and provide a lead for service areas with decisions taken at the meetings of the Executive.

Scrutiny of Executive decisions during the year has been undertaken by the Scrutiny Management Team consisting of 11 councillors.

Management Structure

The Council's senior management structure has changed significantly in recent years from operating under a Chief Executive/Director model along with a number of Heads of Service to the most recent restructure which, with effect from April 2015, saw the abolition of the posts of Chief Executive and Head of Central and Regeneration Services and the creation of two Director posts - Strategic Director (Head of Paid Service) and Corporate Director (Monitoring Officer and Returning Officer).

The current organisational management structure is provided below:



As at 31st March 2016 the Council's staffing establishment comprised 236 full time equivalent staff compared to 232 at 31/3/15.

Our Strategic Plan 2015-2018

Our Strategic Plan sets out the Council's corporate objectives and priorities. Our Financial Strategy is informed by the priorities in it. Individual service plans and targeted delivery plans / policies and strategies, such as the Jobs and Growth Strategy for Pendle, identify in more detail how we intend to achieve our priority outcomes.

The Council's four strategic objectives are as follows:

1. **STRONG SERVICES: Working with partners and the community to sustain services of good value**

   Through effective partnership working we will ensure that we procure and provide good value services that meet the needs of residents, visitors, and businesses. We will prioritise resources accordingly and operate decision-making structures that are open, transparent and accountable.

2. **STRONG ECONOMY: Help to create and sustain jobs with strong economic and housing growth**

   We will work with our private sector partners to generate jobs and economic and housing growth in Pendle in a way that secures its long-term economic, environmental and social wellbeing.

3. **STRONG COMMUNITIES: Ensuring a clean, healthier, safer and cohesive Pendle**

   We will acknowledge and build upon the Borough's diversity, demonstrating our community leadership role by working with and empowering our partners and local people to provide clean, healthy, safe and cohesive communities. We will endeavour to maintain the quality of our environment through effective and efficient services, education, community involvement, partnership working and enforcement.

4. **STRONG ORGANISATION: Maintaining a sustainable, resilient and efficient organisation**

   We will ensure that, as an organisation, we are suitably placed to deliver the priorities identified for Pendle and its residents. To do this we will employ the right people with the right skills in the right job. We will maintain robust financial processes, standards and systems optimising the technology and resources we have available to us, making us more efficient and effective in our service delivery.

We want to achieve our vision in a sustainable way. This relies on developing strategies and action plans that take account of our values. The principles underpinning this commitment, and by which we work, are:

- To always act with fairness, integrity and courtesy
- To ensure equality of opportunity for all our citizens by striving to create a community that values diversity and is socially inclusive, cohesive and tolerant towards the needs of others
- To consult in appropriate ways with, and listen to, the people of Pendle and to make opportunities for involvement in our decision making processes
- To act in the interests of the whole community by working in partnership with citizens, businesses and other organisations
- To promote sustainable development, whilst protecting, enhancing and celebrating Pendle's unique natural environment
- To make the best use of all our resources to deliver our services as efficiently, effectively and economically as possible
- To value our staff and to develop their potential.

The 2015/16 Revenue Budget Process

The Council's budget process for the year was shaped by the ongoing requirement to make reductions in net expenditure whilst trying to minimise the impact on front-line services for the people of Pendle.

Options to reduce net expenditure were developed by the Management Team during the year and reported initially to the Executive. The process concluded in February 2015 when the full Council agreed a net budget for the year of £13.2m. The budget assumed the use of £2.4m from reserves and included various proposals to reduce the overall budget by £0.7m. Details on the revenue outturn for 2015/16 are provided in the Financial Performance section below.

Council Tax

When setting the budget for 2015/16 the Council agreed to freeze council tax and take advantage of the Council Tax Freeze Grant offered by the Government. As a result the Council's share of council tax for the year at Band D was held at £240.38. The average total council tax for the year was £1,624, an increase of £1.96% on the previous year made up as follows:

	2015/16 £	2014/15 £
Pendle Borough Council	240.38	240.38
Police & Crime Commissioner	159.06	155.96
Lancashire County Council	1,129.78	1,107.74
Lancashire Fire Authority	64.86	63.65
Local Town and Parish Councils	29.92	25.01
Total Council Tax at Band D	**1,624.00**	**1,592.74**

Council Tax Base

As part of the budget process for 2015/16 the Council set a council tax base (expressed as the number of Band D equivalent properties) of 22,617.3. This represented an increase of 1.96% on the 2014/15 figure (22,181.6).

Medium Term Financial Plan 2016 - 2020

The Council's financial strategy is linked to the corporate objectives outlined above and is based around the following 3 themes:

- **Growing** – promoting housing and employment growth
- **Charging** – where permissible to recover full costs and develop our income streams
- **Saving** – reducing our net expenditure by means of savings or service efficiencies

The Plan takes account of the significant reductions in core funding from Government. Since 2010/11, the Council's revenue funding from Government has reduced by 45% as shown in the table below:

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	£000	£000	£000	£000	£000	£000
Business Rates	9,038	6,765	7,839	3,305	3,369	3,670
Revenue Support Grant	2,087	2,091	151	4,011	2,780	2,571
Transition Grant	2,053	-	-	-	-	-
Efficiency Support Grant	-	2,831	2,216	1,026	1,026	41
New Homes Bonus	-	101	190	363	714	952
Total	**13,178**	**11,788**	**10,396**	**8,705**	**7,889**	**7,234**
Change	**-**	**-10%**	**-21%**	**-34%**	**-40%**	**-45%**

An update of the Council's medium term financial plan was considered by the Executive in May 2016 covering the plan period to 2019/20. This outlined the projected financial position of the Council and identified the level of savings required year on year to balance the budget with the expected level of funding. A summary of this position is set out in the table below:

	Budget 2016/17 £000	Forecast 2017/18 £000	Forecast 2018/19 £000	Forecast 2019/20 £000
Local Funding "Gap"	**2,270**	**3,705**	**5,139**	**5,910**
Use of Budget Support Reserves	(1,521)	(1,520)	(1,230)	(1,000)
Use of Specific Reserves	(749)	(666)	(100)	(100)
Total Use of Reserves	**(2,270)**	**(2,186)**	**(1,330)**	**(1,100)**
Funding "Gap"	**-**	**1,519**	**3,809**	**4,810**
Year on Year Savings Required	**-**	**1,519**	**2,290**	**1,000**

At £4.8m, the scale of savings required over the next three years represents a significant challenge to the Council and work is already underway to develop options for savings led by the Budget Working Group.

The capital programme for 2015/16 and over medium-term

Capital spending has reduced significantly in recent years as the level of resources available to fund it have diminished. The Council is reliant on receipts from asset disposals, government grant (primarily for Disabled Facilities Grants), contributions it can make from its revenue budget and what we can afford to borrow.

The capital programme for 2015/16 was approved by the Council in February 2015. The overall programme was £7.6m which consisted of 'new' expenditure of £3.8m and slippage valued at £3.8m represented by schemes previously approved and carried forward.

In considering the capital programme for 2015/16 onwards, our Capital Strategy 2015/18 set out the key capital investment priorities over the medium term. Subject to future funding, these are:

- **Private Sector Housing Renewal** – this remains a priority given the condition of the housing stock within parts of Pendle. The extent to which the Council will deliver the renewal of such housing, will remain largely dependent on the existing joint venture arrangements and the receipt of external funding (e.g. New Homes Bonus);

- **Promoting, Enabling and Providing Regeneration** – the wider regeneration of Pendle remains a key investment priority and has been driven largely by the receipt of external funding. Given the current limitations on such funding the Council continues to work innovatively via the PEARL joint venture arrangements to optimise regeneration opportunities (e.g. the redevelopment of Brierfield Mill);

- **Corporate and Service Asset Renewal** – whilst work continues to rationalise and where appropriate dispose of council assets there is an ongoing need to maintain investment in council assets, both those used for administrative purposes as well as those used to deliver services to residents (e.g. leisure facilities) and IT. A key part of this will be to ensure adequate resources are available to maintain assets in a suitable and safe condition.

Given the limited level of capital resources that we have, we will be unable to afford all of the capital improvements we would like. This will require us to prioritise projects which we will do through an established methodology resulting in a prudent, sustainable and affordable capital programme supporting the delivery of our strategic objectives.

The 2015/16 programme was updated throughout the year in response to the previous year's outturn as well as updated assumptions on the timing of expenditure. Details on the capital outturn for 2015/16 are provided in the Financial Performance section below.

Financial Performance of the Council in 2015/16

The Council's revenue outturn for 2015/16 is shown in the table below. The approved budget provided for net expenditure of £13.2m with a council tax requirement of £5.4m.

Revenue Budget Outturn 2015/16	Approved Budget 2015/16 £000	Actual 2015/16 £000	Variance 2015/16 £000
Net Cost of Services	17,026	16,352	(674)
Corporate Income and Expenditure	(1,457)	(1,731)	(274)
Contribution to/(from) Reserves	(1,119)	(519)	600
Net Expenditure	**14,450**	**14,102**	**(348)**
Financed by:-			
Precepts on the Collection Fund	(5,437)	(5,437)	0
Government Grant	(3,904)	(3,904)	0
Share of the Collection Fund Surplus – C. Tax	(179)	(154)	25
Business Rates Income (net)	(3,670)	(3,670)	0
Net Expenditure to be met from Budget Strategy Reserve	**1,260**	**937**	**(323)**
Cont to / (from) the Budget Strategy Reserve	**(1,260)**	**(937)**	**323**

As the table above indicates, our budgeted net expenditure for the year was £14.45m. It was planned to meet this expenditure primarily from Council Tax income of £5.437m, Government Grant of £3.904m and net income from Business Rates of £3.670m. After deducting the Council's share of the surplus on the Collection Fund the balance of expenditure over income was to be met by a contribution from the Budget Strategy Reserve of £1.260m.

The final outturn position for the year showed net expenditure of £14.102m, £348k less than originally budgeted. The additional income included within corporate income and expenditure stems primarily from factors associated with business rates. The opportunity was also taken to make an additional contribution of £600k to a Business Rates Volatility Reserve to offset expected reductions in business rates income in 2017/18. Overall, the revenue outturn means that it was possible to reduce the contribution from the Budget Strategy Reserve by £323k.

Service Financial Performance

As the table above shows, the cost of services was underspent by £674k compared to the approved budget for the year. The table below provides details of financial performance of individual services. A listing of services within each Service Area is provided in Appendix 2 on page 97.

Service Area – Revenue Outturn	Approved Budget 2015/16 £000	Actual 2015/16 £000	Variance 2015/16 £000
Directorate	(1)	6	7
Financial Services	7,184	6,772	(412)
Democratic & Legal Services	1,008	962	(46)
Planning, Building Control & Licensing	627	600	(27)
Environmental Services	3,951	3,822	(129)
Housing, Health and Economic Regeneration	2,375	2,292	(83)
Neighbourhood Services	1,882	1,898	16
Net Cost of Services	**17,026**	**16,352**	**(674)**

The General Fund Working Balance

In view of the outturn position outlined above on our General Fund Revenue Account for the year, it has not been necessary to draw on the General Fund Working Balance. At 31st March 2016, the Council maintained a General Fund Working Balance of £1.250m, unchanged from the previous financial year.

Capital Expenditure and Income 2015/16

Our Capital Account is used to record expenditure on the acquisition, improvement and enhancement of our assets including, for example, buildings, playing fields and parks. It is also used to account for income received by us for capital projects.

In 2015/16, we spent £2.511m on a range of capital projects. This is summarised in the table below which indicates the expenditure on those projects compared to the Approved Programme taking into account projects which were committed for which no expenditure was incurred in the year.

Capital Spending 2015/16	Approved Programme 2015/16 £000	Actual 2015/16 £000	Variance 2015/16 £000
Housing	4,412	1,139	(3,273)
Car Parks, Flooding & other Engineering works	475	364	(111)
Waste Collection	42	40	(2)
Information & Communications Technology	640	225	(415)
Asset Renewal	825	284	(541)
Resource Procurement	2,815	168	(2,647)
Area Committees	469	216	(253)
Parks and Recreation	75	32	(43)
Other Capital Projects	243	43	(200)
TOTAL	**9,996**	**2,511**	**(7,485)**

The full variance shown above of £7.485m will be carried forward to support capital expenditure in 2016/17. The table below shows the sources of capital income we have used in 2015/16 to meet the cost of the capital expenditure in the year:

Capital Funding 2015/16	Actual 2015/16 £000
Capital Grants and Contributions	1,061
Revenue Contributions	837
Capital Receipts	613
TOTAL	**2,511**

The Collection Fund

Billing authorities in England, such as Pendle, are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (Business Rates). The key features relevant to accounting for council tax and business rates in the Core Financial Statements are:

- In its capacity as a billing authority the Council acts as agent; it collects and distributes council tax income on behalf of the major preceptors and itself; under the scheme of Business Rates Retention introduced from 2013/14, business rates are also collected on behalf of Central Government and the major preceptors;

- While the council tax and business rate income credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors.

The council tax and business rate income included in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the Collection Fund has been taken to the Collection Fund Adjustment Account and is included as a reconciling item in the Movement in Reserves Statement.

Since the collection of council tax and business rates income is in substance an agency arrangement, cash collected by the billing authority from council tax and business rates debtors belongs proportionately to the billing authority and the major preceptors. There is therefore a debtor/creditor position between the billing authority and each major preceptor which is recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from taxpayers.

In relation to the financial performance of the Collection Fund in 2015/16, when setting the council tax for 2016/17, we expected that the Fund would be in a surplus position of £2.454m in relation to council tax collection as at 31st March 2016. The actual balance carried forward in respect of council tax was a surplus of £3.649m which will be carried forward in support of future years' budgets. Pendle's share of this is £0.616m with the balance due to the major preceptors.

In relation to business rates in 2015/16, the Collection Fund was projected to be in a deficit position of £1.293m as at 31st March 2016. The actual position as at 31st March 2016 was a deficit of £2.822m which will be carried forward and recovered in subsequent years' budgets. Pendle's share of this is £1.129m with the balance due from the Government and major preceptors.

Borrowings and Investments

At 31st March 2016 we had long-term borrowing of £15.359m, a net increase of £1m from the previous year. No borrowing was repayable within a period of 12 months of the Balance Sheet date (compared with £1.097m at 31st March 2015). During the year new loans totalling £2m were taken from the Public Works Loan Board to finance the Council's capital expenditure plans and one loan for £1m was repaid to the PWLB on 31st March 2016.

In relation to the cash account, we had a balance in hand of £1.547m on 31st March 2016 (compared to cash in hand of £546k at 31st March 2015).

At 31st March 2016, we had investments (excluding the bank balance in hand) of £17.860m (compared to £18.405m last year). This comprised short-term investments (those for less than 364 days) of £8.511m and cash equivalents of £9.349m.

Pension Fund

In accordance with proper accounting practice, we are required to show the present surplus or deficit position on our share of the Pension Fund administered by Lancashire County Council. For Pendle, the net position at 31st March 2016 showed a liability of £43.134m compared to a liability of £49.484m for the previous financial year. This represents a reduction in the liability of £6.350m. The main reason for this stems from changes in the financial assumptions applied by the Fund Actuary at the end of the accounting period compared with those assumed at the start.

The liabilities have been assessed on an actuarial basis using an estimate of the pensions that will be payable in future years, taking into account assumptions about inflation and mortality rates, salary levels, factors which can vary over time. The pension liabilities will not become due immediately or all at once as they relate to estimated pensions payable to current scheme members on their normal retirement date. The position reported simply represents a snapshot as at the Balance Sheet date based on prevailing market and other economic conditions and assumptions. As such it may fluctuate markedly from one year to the next.

Revenue Reserves

At 31st March 2016, we had revenue reserves of £10.628m (excluding External Funding Receipts and Developers' Contributions). Of this amount, £1.250m was in General Fund Balances and £9.378m was in specific earmarked reserves. Included within specific reserves is the Budget Strategy Reserve (£3.586m at 31st March 2016) which is available to support future General Fund expenditure.

Non-Financial Performance of the Council in 2015/16

We have a robust performance management process to ensure that our plans and strategies have the desired effect and are delivering effective outcomes. Once the Strategic Plan has been agreed by the Council it is performance managed through a corporate performance management system and monitored by the Executive.

The methods by which we measure our progress in delivering our priorities and achieving our desired outcomes include monitoring our locally driven performance indicator set and our Perception Survey (which is our Resident Satisfaction survey). The performance indicator set is reviewed on an annual basis to ensure it remains relevant and meaningful and the Perception Survey is undertaken every two years.

For more information on the year-end reporting against our 2015/16 performance indicators please click here (item 4 refers).

Corporate Risks

We endeavour to ensure that risk is managed across all of our activities. Our Risk Management Framework, supported by our performance management system, allows us to manage business risks in a measured way. It also provides a more robust approach to business planning and better informed decision making, fostering a culture where uncertainty does not slow progress or stifle innovation. This ensures that our commitment and resources produce positive outcomes for the people who live and work in Pendle.

Our strategic risk register is a key component in ensuring that significant projects and programmes are delivered and address issues such as meeting community expectations, compliance with legal obligations, resource gaps and workforce development. Our Service Impact Assessment process will identify gaps linked to equality, cohesion, health and community safety, alongside costs and legal obligations. We also use our approach to risk management to identify and drive opportunities for service development.

The Strategic Risk Register is subject to quarterly review by the Accounts and Audit Committee. Our key strategic risks currently include:

- Failure to optimise Pendle's economic growth / development within the region
- Failure to bring development forward in line with the Council's adopted Core Strategy leading to missed opportunities for growth in employment and housing
- Failure to deliver a balanced housing market with reference to need and demand
- The risk that the Council's Medium Term Financial Plan is not sustainable
- Failure to limit the amount of household waste to landfill sites

The Financial Outlook to 2019/20

Since 2010 the Council has experienced a significant reduction in funding from Central Government as the Government prioritised reducing the national deficit and implemented a range of austerity measures. The Local Government Finance Settlement announced by the Government in February 2016 set out projected funding levels for each council over a four year period from 2016/17 to 2019/20. For Pendle this indicates a further reduction of 33% in core government funding from the level of support received in 2015/16.

This combined with proposed reforms to the current system of Business Rates Retention under which business rates income is currently shared 50:50 with central and local government, presents an uncertain and challenging environment in which to operate and plan for the medium-term.

Whilst the Council has responded successfully to the challenge thus far and aims to do so going forward there will be difficult decisions for the Council to take over the next 3 years as it seeks to align its spending within the level of projected resources.

Access to Further Information

If you would like to receive further information about the Statement of Accounts please contact the Finance Team at Nelson Town Hall, Market Street, Nelson, BB9 7LG.

Vince Green

Vince Green

Financial Services Manager

June 2016

STATEMENT OF ACCOUNTING POLICIES

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 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 2015/16* and the *Service Reporting Code of Practice 2015/16*, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 21 of the Local Government Act 2003.

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.

2. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- 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 inventories (stock) on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure 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 revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet subject to a de-minimus level of £500. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature within 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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, i.e. 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 Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) 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.

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

The Council 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 (equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the Minimum Revenue Provision (MRP) contribution, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, and non-monetary benefits (e.g. cars) 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 holiday entitlements (or any form of leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employees take the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring in accordance with relevant accounting standards.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council 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 Pension 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

Employees of the Council are members of the Local Government Pension Scheme, administered by Lancashire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Lancashire County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds (refer to page 80 for details).
- The assets of the Lancashire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price.
  - unquoted securities – professional estimate.
  - unitised securities – current bid price.
  - property – market value.

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

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked.
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Net interest on the defined benefit liability (asset) i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit

obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any charges in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
  - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Lancashire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8. Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

9. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

Financial Assets

Financial assets are classified as loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

10. Government Grants and Contributions

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 Council 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 grant and contributions for which conditions have not been satisfied are carried in the Balance sheet as creditors (receipts in advance). When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) 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 a 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.

11. Heritage Assets

Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets).

A tangible heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

An intangible heritage asset is an intangible asset with cultural, environmental or historical significance. Examples of intangible heritage assets include recordings of significant historical events.

The Council's Heritage Assets primarily comprise Civic Regalia and public realm assets which are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below.

The Council's collection of heritage assets is accounted for as follows:

- Civic Regalia

The collection of civic regalia comprises the following:

- Various chains, pendants, badges of Office
- Silver Mace / Silver Crib
- Engraved ceremonial spades / trowels
- Documents relating to the granting of the Town Charter / Coat of Arms (Nelson)
- Coat of Arms (Pendle)
- Various miscellaneous items including clocks, models, silver cups/bowls
- Civic robes, hats and gloves

These items are carried on the Balance Sheet at a market valuation for insurance purposes obtained in August 2012. The insurance valuation is updated on a periodic basis in line with other non-current assets held by the Council. The next update will take place in 2016. The collection of civic regalia is deemed to have an indeterminate life and a high residual value; hence the Council does not consider it appropriate to charge depreciation. The collection is relatively static and no further acquisitions or donations are expected.

- The Shuttle, Nelson Town Centre

The Shuttle monument formed the centrepiece of public realm improvements carried out by the Council in Nelson Town Centre during 2010/11 and 2011/12. The Shuttle is a 12m high steel sculpture of a weaving shuttle designed to celebrate the town's importance in the industrial revolution and the growth of the cotton industry. It is made from weathered steel to give it the same rusted colour as a traditional wooden shuttle. It is surrounded by granite blocks engraved with local phrases and a mill song. The Shuttle stands at the junction of Market Street and Scotland Road, and has a seated area around it and was officially unveiled in mid-August 2011. The Shuttle is reported on the Balance Sheet at cost (£36k).

- War Memorials and Other Heritage Assets

The Council is responsible for the preservation and maintenance of a number of war memorials in the following locations:

- Wellhouse Road, Barnoldswick
- Kelbrook Road, Barnoldswick
- Off Colne Road, Barrowford
- Colne Road, Brierfield
- Albert Road, Colne
- Market Square, Nelson
- Colne Road, Earby

The memorials include stone cenotaphs, stone sculptures and memorial gardens. The memorials are not recognised on the Balance Sheet as reliable cost or valuation information is not readily available. Another example of a Heritage Asset is the bust of Wallace Hartley which stands in Colne. Wallace Hartley was the bandmaster on the Titanic which sank in 1912. In 1915 a statue of Wallace was erected in Colne funded by voluntary contributions to commemorate the heroism of a native of the town. As reliable cost or valuation information is not readily available the statue is not recorded on the Balance Sheet.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. 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 Council's general policies on impairment – see note 16 in this summary of significant accounting policies.

12. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13. <u>Interests in Companies and other Entities</u>

The Council has interests in other companies that have the nature of joint venture arrangements but considers these not sufficiently material to require the preparation of group accounts. This assessment is reviewed annually.

14. <u>Leases</u>

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings element are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets

The Council as Lessor

Finance Leases

Leases of council-owned land are, subject to materiality, not accounted for as a finance lease unless the term of the lease exceeds 150 years. Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the leased asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

15. Overheads and Support Services

The cost of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

16. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment, subject to a de-minimus threshold of £5,000.

Recognition: expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement: assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The costs of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost;
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. An assessment is made of factors impacting on values to determine whether there is evidence to support the revaluation of all assets in a class. This is to ensure that the carrying values at year end are materially correct. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is calculated using the reducing balance method adopting the following annual percentages:

- Buildings (Sports Centres) 5%
- Buildings (Other) 2% or 10%
- Vehicles, Plant and Equipment 25%
- Community Assets 0% or 2%
- Play Areas (e.g. Multi-Use Games facilities) 10%

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the asset, the components are depreciated separately. In considering whether or not there is a component the policy followed is:

- The land element will continue to be considered as a separate asset with its own valuation which, except in very unusual circumstances, will not be subject to depreciation.
- For any Property, Plant and Equipment with a value above £750,000 consideration will be given as to whether or not there is any significant part which requires a separate component. For the purposes of this exercise it is considered that an element that has a cost which is more than 20% of the total cost of the asset is significant.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through the sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also 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 accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of any receipts, not subject to pooling remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

17. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. 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 as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Further details of provisions are available in Note 18 to the Core Financial Statements.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

18. Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

For further details of the Council Usable and Non-usable reserves, see Notes 19 and 20 to the Core Financial Statements.

19. Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council 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.

20. VAT

Value Added Tax (VAT) payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

21. Collection Fund

The Council is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR). The Statutory Collection Fund (England) Statement is included as a supplementary statement in the accounts. In its capacity as billing Council the Council acts as an agent. During 2015/16 the Council collected and distributed NNDR on behalf of itself, the Government, Lancashire County Council and Lancashire Combined Fire Authority. Council Tax was collected and distributed on behalf of the Borough Council, the major preceptors, as per NNDR, as well as the Police and Crime Commissioner for Lancashire and local town and parish councils.

Council Tax accrued income for the year and Council Taxpayers debtors, creditors and provision for bad debts at the 31 March are shared between the major preceptors and the Council based on their percentage share of the total demands/precepts for the year. Business rates accrued income for the year as well as business ratepayers, debtors, creditors and provisions for bad debts and appeals are shared between the Council, Government and the major preceptors in the proportions set out on page 5 above.

Collection Fund Debtors are reviewed collectively at the balance sheet date by debt type and provision is made for impairment based on the historical evidence of default in each category. The Council's share of the Collection Fund Debtors shown in the balance sheet is net of this bad debt provision.

In accordance with the current accounting code of practice the Council's Comprehensive Income and Expenditure Statement includes its share of accrued council tax and business rates income. Where this amount is more or less than the amount to be credited to the General Fund under statute, there is an adjusting transfer in the Movement in Reserves Statement, between the General Fund Balance and the Collection Fund Adjustment Account. This account holds the Council's share of the Collection Fund Surplus or Deficit at the 31 March. The Council's Balance Sheet includes the net creditor/debtor position with the Government and major preceptors for taxes collected on their behalf and not yet paid to them or taxes paid to them but not yet collected from taxpayers.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Statement of Responsibilities for the Statement of Accounts

The Council's responsibilities

The Council is required to:-

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In this Council that officer is the Financial Services Manager;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Chief Financial Officer's responsibilities

As the Financial Services Manager, I am responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts I have:-

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting.

I have also:-

- kept proper and up to date accounting records;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Council at the reporting date and its expenditure and income for the year ended 31st March 2016.

Vince Green

Vince Green, CPFA
Financial Services Manager
28th July 2016

ANNUAL GOVERNANCE STATEMENT

Annual Governance Statement

1. Scope of Responsibility

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

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

1.3 The Council has approved and adopted a Local Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE framework *'Delivering Good Governance'* (and any subsequent guidance issued). A copy of the Local Code can be obtained from:-

website: www.pendle.gov.uk

or by writing to: Financial Services Manager
Town Hall
Market Street
Nelson
Lancashire
BB9 7LG

1.4 This statement explains how the Council has complied with the Local Code and also meets the requirements of Regulation 6(1b) of the Accounts and Audit Regulations 2015 in relation to the requirement to produce and publish an Annual Governance Statement.

2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and the achievement of value for money.

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

2.3 The governance framework has been in place at the Council for the year ended 31st March 2016 and up to the date of approval of the Statement of Accounts for the 2015/16 financial year.

3. Pendle Borough Council's Governance Framework

3.1 The Council's Governance Framework addresses the way it controls itself, its strategic management, and its work plans. It seeks to ensure the business is focussed, in terms of the Council's objectives, community focus, service delivery arrangements, structures and processes, risk management and internal control and standards of conduct. It is about strategic management and internal controls, with the purpose to manage the barriers to achieving the organisation's objectives. The Council has an approved Local Code of Corporate Governance, consistent with the principles of the CIPFA/SOLACE framework of *'Delivering Good Governance'*.

3.2 The Local Code of Corporate Governance is reviewed on a quarterly basis by the Corporate Governance Working Group. Councillors and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. This task is managed by the Corporate Governance Working Group, which comprises the Strategic Director, the Corporate Director and the Financial Services Manager (who is the Council's Risk Management Officer).

3.3 The key elements of the Council's Governance Framework are as follows:-

- Continued support for key Thematic Groups for delivery of key actions in the Sustainable Community Strategy. These include, for example, the Pendle Community Safety Partnership, the Pendle Children and Young People Partnership and the Pendle Vision Board.

- The Strategic Plan which covers the period up to 2018. It sets out the Council's mission, values, strategic objectives, corporate priorities and actions plans to achieve them. Progress is monitored during the year by the Council's Management Team and reported quarterly to the Executive.

- Detailed Service Plans are produced annually following approval of the Strategic Plan and progress on these plans is monitored by Management Team on a quarterly basis.

- The adoption of a formal Constitution (which is generally reviewed on an annual basis with the most recent review in May 2016) which sets out how the Council operates, how decisions are made, and the procedures which are followed to ensure that these are lawful, efficient, transparent and accountable to local people. This incorporates the Councillors' Code of Conduct and a number of other locally agreed codes and protocols.

- The Council is responsible for setting the policy framework and resource levels. The Scrutiny Management Team formulates and reviews policy for adoption by the Council. The Executive and Area Committees take decisions within approved policies and their meetings are open to the public except when exempt or confidential matters are being disclosed. The public have an opportunity to participate in the meetings.

- The Council has a wide range of mechanisms to ensure compliance with established policies, procedures, laws and regulations. In this regard, the Council's Strategic Director (as Head of Paid Service), the Corporate Director (as Monitoring Officer) and the Financial Services Manager (as Section 151 Officer) have key responsibilities, in conjunction with the Council's Solicitor (Democratic and Legal Manager).

- Established policies are available in policy documents, previous minutes of Council, the Council's intranet and the Employee Handbook. Procedural issues are the subject of the Council's Constitution, including the Council's Standing Orders, Rules of Procedure, Financial Procedure Rules and Contract Procedure Rules. The Council also has an Anti-Fraud and Corruption Policy, a Confidential Reporting ("Whistleblowing") Policy and a formal Complaints procedure.

- A number of areas are delegated to officers for the purposes of decision-making; however, limits on the exercise of delegation are laid down in an approved Scheme of Delegation to Officers forming part of the Council's Constitution.

- The Corporate Governance Working Group manages the Council's risk management processes. Councillors and officers have previously been trained in risk management and the Leader of the Council has been briefed on the strategic risks faced by the Council. Managers have the responsibility for the effective control of risk, and all service plans have a section on risk management. Risk registers are maintained and monitored. There is a risk management section in the Council's committee report template and there is a Corporate Risk Management Group which reviews operational issues and reports to Management Team on matters arising. Corporate Governance and Risk Management, including the key strategic risks for the Council, are the subject of quarterly updates from the Corporate Governance Group to the Executive as part of the Strategic Monitoring Reports.

- Risk registers are reviewed regularly. The Corporate Governance Working Group reviews the risk registers on a quarterly basis to ensure that risks are being actively monitored and managed and target risk scores have been introduced for all identified strategic risks as a means of providing much greater focus on those areas where risk management can be effective. Details of changes to the Strategic Risk Registers are reported to Management Team and the Accounts and Audit Committee.

- The Strategic Director, as the Council's Head of Paid Service, is responsible for the corporate management of the Council, taking an active role in the corporate governance arrangements, including the organisation of the Council's staff and ensuring that appropriate internal control mechanisms are in place to achieve the Council's objectives in the most economical, efficient and effective way.

- The appointment of the Corporate Director as the Council's Monitoring Officer. The appointment of a Monitoring Officer is required in accordance with Section 5 of the Local Government and Housing Act 1989. It is the function of the Monitoring Officer to report to Members upon any contravention of any enactment or rule of law or any maladministration by the Authority. The Monitoring Officer also has responsibilities under the Council's Ethical Framework relating to the Members' Code of Conduct and the Standards Regime.

- The appointment of the Financial Services Manager as the officer with statutory responsibility for the proper administration of the Council's financial affairs, in accordance with the Section 151 of the Local Government Act 1972.

- The Statutory Officers referred to above have unfettered access to information and to Councillors on the Council so that they can discharge their responsibilities effectively. The functions of these Officers and their roles are clearly set out in the Council's Constitution. In particular, the role of the Financial Services Manager (as Chief Finance Officer) at the Council accords with the principles set out in CIPFA Statement on the Role of the Chief Finance Officer.

- The Council has developed various processes to ensure the economical, efficient and effective use of resources, and for securing continuous improvement in the way in which its functions are exercised (having regard to a combination of economy, efficiency and effectiveness), including:-

  - the overall planning of Council business (the Strategic Plan), detailed service planning and review (in annual Service Plans), the achievement of targets, detailed action plans and improvement plans;

  - the allocation of resources through the Council's budget processes, consistent with the Council's objectives and priorities;

  - the performance management regime (which includes the setting of targets in relation to the delivery of the Strategic Plan, monitoring of each individual employee's performance, the reporting of performance indicators, and scrutiny by the Scrutiny Management Committee);

  - during the year, regular meetings of the Management Team focus on improving the service and financial performance of services and dealing with the significant financial challenges faced by the Council;

  - testing and review of systems by the Internal Audit Unit (which has unrestricted access to all Council records and assets, and has authority to require explanations);

  - the Overview and Scrutiny process, through which service heads are required to report on issues (e.g. scrutiny reviews of specific service areas, service plans, and various subjects chosen by the Overview & Scrutiny members) and called to give evidence at scrutiny meetings ; and the involvement of five Area Committees (Barrowford & Western Parishes, Brierfield & Reedley, Colne & District, Nelson and West Craven Committees) who review and scrutinise services at a local level;

  - consistency with "Working with partners and the community to provide sustainable, good value for money services at a lower cost base whilst maintaining customer satisfaction" (one of the Council's strategic objectives), and in order to clarify expectations, the Council has developed a set of service standards covering its activities;

  - Housing, Environmental Health, Legal Services, Building Control and the Leisure Trust have accredited quality assurance systems;

  - regular review of the way services are provided. For example, the creation of a Leisure Trust, a Public/Private Partnership with Liberata, the transfer of the Council's Housing Stock to Housing Pendle and the creation of joint venture arrangements with a private sector partner to deliver regeneration schemes. The Council also operates shared service arrangements including Legal Services with Burnley Borough Council;

  - consideration of the external auditor's reports on matters arising through their audits and reviews.

- A **financial management framework** comprising:

  - Financial and Contract Procedure Rules included as part of the Constitution and reviewed annually;

  - Medium-term financial planning using a three-year cycle, updated annually, to align resources to corporate priorities;

  - Service and financial planning integrated within the corporate performance management cycle;

  - Annual budget process involving scrutiny, challenge and public consultation;

  - Regular monitoring by management of revenue and capital budgets with reports to Management Team and the Executive;

  - Annual outturn reports on both the revenue and capital budgets which are submitted for consideration by the Executive and the Accounts and Audit Committee as part of the Statement of Accounts;

  - Continuously evolving arrangements for securing efficiencies and improvement;

  - Production annually of a Statement of Accounts compliant with the requirements of local authority accounting practice;

  - Compliance with the requirements established by CIPFA, the public sector accountancy body.

  - A regular review of the Council's Financial Management arrangements.

- A **performance management framework** provides an explicit link between the corporate priorities and personal objectives of Council Officers. Performance is reported to Councillors and the Council's Management Team on a systematic basis with areas of poor performance investigated proactively. Key features of the Performance Management Framework include:-

  - A regular review of the Strategic Plan to ensure that priorities are reviewed, remain relevant and reflect the aims of the Council;

  - Service Plans which are produced with explicit goals and associated performance targets in order to ensure that achievement of performance is measurable;

  - The Council's staff appraisal system – Performance Management Reviews against a competency framework - links personal objectives directly to Service Plans;

  - Regular reports on the performance of key indicators which are presented to Councillors and Officers;

- An **Information Governance Framework** which sets out the way our organisation handles information, in particular, the personal and sensitive data relating to residents, suppliers and employees. Key features of the information governance framework include:-

  - A suite of policies and procedures on the Council's Information Security which are available on the Intranet for all staff to review;

  - Arrangements for document management and retention.

  - A Data Protection Policy and Procedure with nominated staff responsible for providing advice and guidance on Data Protection matters;

- Adherence to the requirements of the Local Authority Data Transparency Code and provision of Open Data on Council website; the Council continues to address a small number of areas where further work is required to become fully compliant;

- A system for dealing with requests for information submitted to the Council under the Freedom of Information Act 2000 (including a regular review of the Council's Publication Scheme);

- Regular reviews of the Council's Information Governance and Security arrangements by Internal Audit (with a specialist IT Auditor employed for this purpose) and external assessors.

- The Council maintains a professional relationship with the External Auditors responsible for the audit of the Council and providing an opinion on the Council's arrangements for value for money;

- There are various controls in place concerning the employment of, training and communication with staff. These include:-

  - Recruitment and selection procedures which are based on recognised good practice and all staff posts have a formal job description and person specification;
  - New employees go through a formal induction process, introducing the employee to the Council's business and priorities, to the structure of the organisation; and they are introduced to the Strategic Director and Corporate Director;
  - Various performance monitoring arrangements are in place to ensure efficiency and effectiveness, as outlined in the policies and procedures contained in the Council's Employee Handbook;
  - Changes in staff are the subject of control through a formal vacancies monitoring procedure which is applied before advertising;
  - The intranet also provides information on standards expected of employees;
  - Staff are kept up to date by managers, through a team briefing system, training (both in-house and external), internet and intranet, emails, professional organisations (as considered necessary);
  - The Council also has an internal newsletter, 'Grapevine', which is recognised by staff as extremely useful method of communication and periodic meetings are used for two-way communication between Staff and Directors;
  - The Directors use a regular blog to provide staff with up-to-date information on the activities of the Council;
  - Services are delivered and managed by staff with the necessary knowledge and expertise with training needs identified via a formal appraisal process contributing to a corporate training strategy. This ensures that staff contribute to the delivery of the Council's strategic and service objectives.

- The maintenance of systems and processes to identify and manage the key high and general risks to the achievement of the Council's objectives. Risk management continues to evolve within the Council and presently includes the following arrangements:-

  - Risk Management Policy and Strategy;

  - Arrangements for Strategic and Operational Risk Registers comprising corporate and operational risks respectively, assigned to designated officers, with appropriate counter-measures and an action plan established for each key risk;

  - Officer Working Groups (The Corporate Governance Group and the Risk Management Working Group) dedicated to maintaining risk register arrangements under review;

  - periodic review of risks in-year with regular reports to the Council's Management Team and the Executive;

  - the use by Internal Audit of a risk based approach in the preparation and delivery of the internal audit plan;

  - the requirement for Officers of the Council to consider risk management issues when submitting reports to Committee for consideration by Councillors;

- The Council's Capital Strategy and Asset Management Strategy describe the control mechanisms in place to secure continuing improvement in the achievement of the Council's objectives, through the use of operational assets, non-operational assets and (where assets are surplus to requirements) the disposals programme. The Financial Services Manager acts as the Council's Corporate Property Officer. This responsibility includes liaison with Liberata on the effective control of the asset register and property data, performance measurement, condition surveys, assessment of property requirements in consultation with service managers, reviewing requirements in the context of business and service objectives, reporting on option appraisal and prioritisation and managing surplus property and the disposals programme.

- The maintenance of an Internal Audit Unit, which operates in accordance with the statements, standards and guidelines published by the Auditing Practices Board, CIPFA (particularly the Public Sector Internal Audit Standards) and the Institute of Internal Auditors. The Internal Audit function examines and evaluates the adequacy of the Council's system of internal controls as a contribution to ensuring that resources are used in an economical, efficient and effective manner.

- The Head of Internal Audit (the Audit and Performance Manager) is a qualified Auditor.

- Internal Audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control. This is in compliance with Regulation 5 of the Accounts and Audit Regulations 2015 that specifically requires a local authority to undertake an adequate and effective system of internal audit. This work is delivered by way of a Strategic Audit Plan developed using a risk-based approach. The Internal Audit plan is agreed and monitored by the Accounts and Audit Committee. The Audit and Performance Manager is required to give an opinion on the adequacy of the Council's system of internal control each year.

- In compliance with the Accounts and Audit Regulations 2015, a review of the effectiveness of the system of internal audit is undertaken annually with the results of the review reported to the Accounts and Audit Committee.

- The Council has a range of strategic partnerships through which it delivers various services. During 2015/16, this included the public/private partnership with Liberata, partnerships with Housing Pendle and Pendle Leisure Trust and joint venture arrangements with Barnfield Investment Properties. Governance arrangements are in place to oversee the performance of these partnerships with regular meetings between Councillors/Officers of the Council and the various partnership representatives.

- The Council also works in collaboration with other local authorities and agencies within Lancashire through its participation in Regenerate Pennine Lancashire (RPL) and Pennine Lancashire (PLACE); these arrangements will be subject to review in 2016/17 linked to the emerging development of a Combined Authority for Lancashire.

- The Council seeks to ensure resources are used in the most economic, effective and efficient manner whilst delivering continuous improvement as it has a duty to do so under the continuous improvement regime. It aims to achieve this by a variety of means including the following:

  - Regular review of service provision by Management Team;
  - Scrutiny reviews;
  - Working with partners to achieve the best outcomes for the residents of Pendle within the resources available;
  - External and Internal Audit feedback.

- Finally, each member of Management Team is required to sign an Assurance Statement in relation to a range of key controls operated by the Council in their area of work. This specifically seeks assurance from Senior Managers that, other than those identified during the course of their normal work or by Internal Audit, they are not aware of any weaknesses in the Council's systems of internal control and that assurances have been sought from their own management teams to that effect.

4. Review of Effectiveness

4.1 The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control. This review of effectiveness is informed by the work of the Council's Management Team who have a responsibility for the development and maintenance of the governance environment, the Audit and Performance Manager's Annual Report on Internal Audit and also by comments made by external auditors and other review agencies and inspectorates.

4.2 The purpose of a review is to identify and evaluate the key controls in place to manage principal risks. It also requires an evaluation of the assurances received, identifies gaps in controls and assurances and should result in an action plan to address significant internal control issues.

4.3 The process that has been applied in maintaining and reviewing the effectiveness of the Council's Governance Framework includes the following:

- The Council's Monitoring Officer and the Council in general oversee the operation of the Constitution to ensure its aims and principles are given full effect. As indicated above, the Constitution was last reviewed in May 2016 at the Annual General Meeting of Council;

- The arrangements for Overview and Scrutiny have operated throughout the year allowing for the review of key policy areas and providing opportunities for public involvement in specific matters of business. A range of scrutiny reviews has been completed during the year, details of which have been compiled in the Overview and Scrutiny Annual Report 2015 (which was considered by Council in May 2016);

- The Council has operated a Standards regime consistent with the requirements of the Localism Act 2011;

- The Accounts and Audit Committee met throughout the year and received various reports on the progress by External and Internal Audit against their respective work plans. The Committee also received a report in September 2015 on the outcome of a review of the effectiveness of the system of internal audit (for 2015/16, this report is due to be submitted to the Accounts and Audit Committee in July 2016);

- In 2015/16 the membership of the Accounts and Audit Committee was revised to include 2 independent persons to be appointed for their knowledge and expertise in financial management, audit and governance. These appointments were concluded successfully in the year.

- The Accounts and Audit Committee has been appraised of developments arising from the Local Audit and Accountability Act 2014. This includes provisions for the appointment of local auditors and requirement for an Auditor Panel to advise the Council on its relationship with the locally appointed auditor.

- Internal Audit completed 32 scheduled audits up to the end of March 2016 with a further 9 audits completed in the early part of the 2016/17 financial year. All high risk and key financial systems were audited.

- The overall opinion expressed by the Audit and Performance Manager for 2015/16 stated:-

  "Internal Audit reports on both Corporate Governance and Internal Control arrangements. The Audit & Performance Manager was satisfied through the review of internal control during 2015/16 that internal control in the Council is good, although it is not possible to provide absolute assurance about the overall system of internal control"

- There were no audits subject to a limited assurance opinion in 2015/16.

- In accordance with the Accounts and Audit Regulations 2015, the Financial Services Manager (as Chief Finance Officer) undertakes an annual review of the effectiveness of the Council's system of Internal Audit. This review will be undertaken in the near future with the outcome reported to the Accounts and Audit Committee in July.

- The Council's Strategic Risk Register has been maintained under review during the year and updated accordingly. Reports on risk management have been considered by the Management Team, the Corporate Governance Group and by the Executive. To ensure Councillors are aware of the Council's key risks, details of the key risks are reported to the Executive.

- In accordance with the guidance from CIPFA/SOLACE on the Governance Framework, ‘Delivering Good Governance’, a Local Code of Practice on Corporate Governance and a related action plan is in place, approved by Council. The action plan is kept under continuous review as part of the quarterly review of the Council’s governance arrangements by the Corporate Governance Working Group.

- Quarterly reports are presented to the Accounts and Audit Committee on the Council’s work to manage fraud, theft and corruptions. Amongst other matters, these reports provide details of benefit fraud and action taken in response to this, investigations undertaken by Internal Audit and the results of the Council’s work on the National Fraud Initiative;

- A review of the Council’s arrangements to counter fraud, theft and corruption against the CIPFA guidance, ‘Managing the Risk of Fraud’ was undertaken with updated Anti-Fraud policies approved by the Accounts and Audit Committee in January 2015;

- The Performance Management Framework has operated effectively during the year. The Council’s Performance Management System, Covalent, is embedded within Services and is used to record and report performance monitoring information (including performance on actions identified in Service Plans and the Strategic Plan along with Performance Indicator performance). Monitoring information on key areas of performance has been provided to Management Team for review and action where this has been considered necessary. Performance Management information has also been reviewed by the Executive.

- Information Security and Governance has been subject to review during the year. External Audit undertook a review of various aspects of the Council’s IT Security and Governance arrangements as part of their preparatory work for the Statement of Accounts audit. It is expected that the results from this work will be reported with the Audit Findings Report once the Statement of Accounts has been audited in July 2016.

- During the year, the Council continued to use a software program called ‘Bob’s Business’ which provides online IT Security training ensuring regular updates on information security and governances for all staff using ICT.

- The Council’s Emergency Plan was updated during the year and Disaster Recovery of specific systems will take place during 2016/17; the updated Emergency Planning arrangements were tested and reviewed in response to incidents of flooding in parts of the Borough in December and work is ongoing to enhance the arrangements particularly linked to flood plans for specific localities.

- The Council produced its Annual Report in September 2015 summarising performance in the previous year;

- The Council’s Statement of Accounts for 2014/15 was reviewed by Grant Thornton and resulted in an unqualified audit opinion. Interim work undertaken by Grant Thornton in preparation for the audit of the 2015/16 Statement of Accounts has to-date not identified any significant issues with the main audit work to be concluded in July 2016;

- The Council has in place regular reporting arrangements on the financial affairs of the Council. Regular Strategic Monitoring reports were submitted to both Management Team and the Executive throughout the year. Reports were also produced on the Council’s Medium Term Financial Plan and Financial Strategy and these were used to inform the budget and Council Tax setting process;

- The Council retained the Investors in People (IIP) Gold Award, the highest possible IIP standard, following a reassessment in 2015;

- The Council has published its annual Pay Policy in line with the statutory requirements.

- The Council’s Business Continuity Plans are in place albeit need to be updated to reflect changes in the Council’s accommodation arrangements and the provision of a new Disaster Recovery Site. These BCP comprises:-

    - a Business Continuity Policy and Strategy;
    - a Strategic Crises Management Plan;
    - a Local Crisis Management Plan for each main office location and Fleet Street Depot;
    - a Business Recovery Plan for critical services.

4.4 In November 2015 the Council underwent a Corporate Peer Challenge as part of a sector-led improvement initiative promoted by the Local Government Association (LGA). The Council requested the review and this was completed by a team comprised of senior Councillors and Officers from other local authorities supported by the LGA. The review team considered 5 key areas which are considered critical to a council's performance and improvement including governance and decision-making. In respect of this question the team concluded:

"There is strong local decision making within Pendle which is firmly embedded within the way the council works and delivers services. The council has a solid position within the Pennine Lancashire cluster and is well placed to benefit from the opportunities that will arise from the combined authority plans if it increases its strategic capacity and decision making. PBC have proved that area-based work makes valuable contributions to the local communities but it is equally important for the council to now create and utilise capacity for strategic work".

5. Significant Governance Issues

5.1 It is stressed that no system of control can provide absolute assurance against material misstatement or loss. This Statement is intended to provide reasonable assurance.

5.2 A new senior management structure and revised operational service structure were implemented on 1st April 2015. This represented a significant organisational change for the Council and it is intended to maintain the effectiveness of this under review in conjunction with the political leadership of the Council.

5.3 Following the Borough Council elections held in May 2015 the new political leadership resolved to establish an all-party Working Group to review the Council's current form of governance and determine if the present arrangement of a leader and cabinet executive should change to a committee system. The Working Group reported in December 2015 and the matter was referred back to the Working Group for further consideration. The Working Group met in February 2016 and agreed that further work be undertaken on the Council's electoral arrangements including the frequency of elections, the number of Councillors and associated ward changes.

5.4 In concluding this review of the Council's Internal Control arrangements a number of issues have been identified that need to be addressed to ensure continuous improvement in the Governance Framework. A detailed plan to address these matters and ensure continuous improvement in the system of internal control will be produced and this will be subject to regular monitoring by the Council's Accounts and Audit Committee as appropriate. The aim is to consider these matters as necessary during the 2016/17 financial year.

Issue No.	Issue Identified	Source of Evidence	Summary of Action Proposed
1	The scale of savings required in the medium term presents a significant challenge for the Council. There is a need, therefore, to identify detailed savings options for the Council to consider as part of a strategy to achieve a balanced budget over the medium term.	Review of the Council's Medium-term Financial Plan	Work has already begun to develop savings proposal for the period 2017/20 as part of the development of the Council's Financial Strategy and Medium Term Financial Plan. Reports on this matter will be considered by the Executive in due course. The shortfall in the Council's funding has been identified as a key risk on the Council's Strategic Risk Register
2	Determine the extent of any changes required to the Council's Constitution if a Combined Authority for Lancashire is established.	Potential for changes in functions and roles arising from the formation of a Combined Authority	Review and update Constitution to align with governance arrangements or the Combined Authority as these develop.
3	Disaster Recovery – review and testing of local arrangements including designated recovery site.	Proposals to transfer Colne Town Hall to Colne Town Council could impact on availability of current designated recovery site	Determine and implement testing of specific recovery plans and confirm any revised arrangements for an alternative recovery site if this is required.
4	Development of an electronic records management system	Forms part of a project to develop and implement a new Staff Intranet	Develop an electronic records management policy by October 2016
5	Process leading to appointment of External Auditor	Local Audit & Accountability Act 2014	Report on process and timescales to Accounts and Audit Committee completing all required preparatory work.

Through the Corporate Governance Working Group, we propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that have been identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Dean Langton
Strategic Director
Pendle Borough Council

Councillor Mohammed Iqbal
Leader of the Council
Pendle Borough Council

CORE FINANCIAL STATEMENTS

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (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. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserves	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Reserves**
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 31 March 2014	**1,250**	**12,014**	**793**	**483**	**14,540**	**25,650**	**40,190**
Movement in reserves during 2014/15							
Surplus (deficit) on provision of services	(9,525)	-	-	-	**(9,525)**	-	**(9,525)**
Other Comprehensive Income and Expenditure	-	-	-	-	**-**	(9,440)	**(9,440)**
Total Comprehensive Income and Expenditure	**(9,525)**	**-**	**-**	**-**	**(9,525)**	**(9,440)**	**(18,965)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	8,750	-	363	(51)	**9,062**	(9,062)	**-**
Net Increase / Decrease before Transfers to Earmarked Reserves	**(775)**	**-**	**363**	**(51)**	**(463)**	**(18,502)**	**(18,965)**
Transfers to / from Other Earmarked Funds and Reserves (Note 7)	775	(775)	-	-	**-**	-	**-**
Increase / Decrease in 2014/15	**-**	**(775)**	**363**	**(51)**	**(463)**	**(18,502)**	**(18,965)**
Balance at 31 March 2015	**1,250**	**11,239**	**1,156**	**432**	**14,077**	**7,148**	**21,225**
Movement in reserves during 2015/16							
Surplus (deficit) on provision of services	(7,237)	-	-	-	**(7,237)**	-	**(7,237)**
Other Comprehensive Income and Expenditure	-	-	-	-	**-**	6,224	**6,224**
Total Comprehensive Income and Expenditure	**(7,237)**	**-**	**-**	**-**	**(7,237)**	**6,224**	**(1,013)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	5,801	-	609	124	**6,534**	(6,534)	**-**
Net Increase / Decrease before Transfers to Earmarked Reserves	**(1,436)**	**-**	**609**	**124**	**(703)**	**(310)**	**(1,013)**
Transfers to / from Other Earmarked Funds and Reserves (Note 7)	1,436	(1,436)		-	**-**	-	**-**
Increase / Decrease in Year	**-**	**(1,436)**	**609**	**124**	**(703)**	**(310)**	**(1,013)**
Balance at 31 March 2016	**1,250**	**9,803**	**1,765**	**556**	**13,374**	**6,838**	**20,212**

Comprehensive Income and Expenditure Statement

This 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.

2014/15				2015/16		
Gross Expenditure £000's	Income £000's	Net Expenditure £000's		Gross Expenditure £000's	Income £000's	Net Expenditure £000's
2,271	798	1,473	Central Services to the Public	2,514	874	1,640
5,949	955	4,994	Cultural and Related Services	5,670	994	4,676
6,412	2,500	3,912	Environmental & Regulatory Services	6,636	2,581	4,055
4,215	2,346	1,869	Planning Services	3,425	1,720	1,705
663	471	192	Highways and Transport Services	822	317	505
29,196	28,605	591	Housing Services	28,418	27,553	865
5,109	2,075	3,034	Corporate and Democratic Core	6,040	2,236	3,804
1,593	-	1,593	Non Distributed Costs	106	-	106
55,408	**37,750**	**17,658**	**Cost Of Services**	**53,631**	**36,275**	**17,356**
6,544	79	6,465	Other Operating Expenditure **(Note 8)**	3,534	-	3,534
2,079	167	1,912	Financing and Investment Income and Expenditure **(Note 9)**	2,067	184	1,883
3,579	20,089	(16,510)	Taxation and Non-Specific Grant Income and Expenditure **(Note 10)**	3,887	19,423	(15,536)
		9,525	**(Surplus) or Deficit on Provision of Services**			**7,237**
		158	Surplus or deficit on revaluation of Property Plant and Equipment assets			731
		9,282	Remeasurement of net Defined Benefit Liability			(6,955)
		9,440	**Other Comprehensive Income and Expenditure**			**(6,224)**
		18,965	**Total Comprehensive Income and Expenditure**			**1,013**

Balance Sheet as at 31st March 2016

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2015 £000's		Notes	31 March 2016 £000's
64,654	Property, Plant & Equipment	11	58,207
768	Heritage Assets	11	768
504	Intangible Assets	12	570
3,688	Long Term Debtors	13	3,749
69,614	**Long Term Assets**		**63,294**
9,016	Short Term Investments	13	8,511
2,370	Assets Held For Sale	16	2,257
29	Inventories		31
1,882	Short Term Debtors	14	1,669
9,935	Cash and Cash Equivalents	15	10,896
23,232	**Current Assets**		**23,364**
(1,097)	Short Term Borrowing	13	(97)
(5,915)	Short Term Creditors	17	(5,606)
(7,012)	**Current Liabilities**		**(5,703)**
(41)	Long Term Creditors	13	(34)
(1,489)	Provisions	18	(1,977)
(13,359)	Long Term Borrowing	13	(15,359)
(49,484)	Pension Liability	32	(43,134)
(236)	Other Long Term Liabilities		(140)
-	Capital Grants Receipts in Advance	28	(99)
(64,609)	**Long Term Liabilities**		**(60,743)**
21,225	**Net Assets**		**20,212**
14,077	**Usable Reserves**	19	13,374
7,148	**Unusable Reserves**	20	6,838
21,225	**Total Reserves**		**20,212**

Vince Green

Vince Green, CPFA
Financial Services Manager
28th July 2016

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2014/15 £000's		Note	2015/16 £000's
9,525	Net (surplus) or deficit on the provision of services		7,237
(13,099)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(5,392)
3,875	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		2,368
301	**Net Cash Flows from Operating Activities**	21	**4,213**
4,422	Investing Activities	22	(1,601)
(6,474)	Financing Activities	23	(3,573)
(1,751)	**Net (Increase) / Decrease in Cash and Cash Equivalents**		**(961)**
(8,184)	Cash and cash equivalents at the beginning of the reporting period		(9,935)
(9,935)	**Cash and Cash Equivalents at the end of the reporting period**	15	**(10,896)**

Index of Explanatory Notes to the Core Financial Statements

Note No.	Note	Page
1.	Accounting Standards Issued, Not Adopted	51
2.	Critical Judgements in Applying Accounting Policies	51
3.	Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty	52
4.	Material Items of Income and Expense	52
5.	Events after the balance sheet date	53
5A.	Fair Value Measurement	53
6.	Adjustments between Accounting Basis and Funding Basis under Regulations	54
7.	Transfers to/from Earmarked Reserves	56
8.	Other Operating Expenditure	57
9.	Financing and Investment Income and Expenditure	57
10.	Taxation and Non Specific Grant Income	57
11.	Property, Plant and Equipment	58
12.	Intangible Assets	60
13.	Financial Instruments	61
14.	Short-Term Debtors	63
15.	Cash and Cash Equivalents	63
16.	Assets Held for Sale	64
17.	Creditors	64
18.	Provisions	64
19.	Usable Reserves	64
20.	Unusable Reserves	64
21.	Cash Flow Statement - Operating Activities	67
22.	Cash Flow Statements - Investing Activities	68
23.	Cash Flow Statement - Financing Activities	68
24.	Amounts Reported for Resource Allocation Decisions	68
25.	Officers' Remuneration	72
26.	Members' Allowances	73
27.	External Audit Costs	74
28.	Grant Income	74
29.	Related Parties	74
30.	Capital Expenditure and Capital Financing	76
31.	Leases	76
32.	Defined Benefit Pension Schemes	77
33.	Joint Venture Arrangements	81
34.	Contingent Assets	83
35.	Contingent Liabilities	83
36.	Nature and Extent of Risks Arising from Financial Instruments	84
37.	Trust Funds	88

1. Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

- The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) takes effect from 1 April 2016. The Infrastructure Code confirms that the changes arising do not require retrospective adjustment to the accounts. Under the Code transport infrastructure assets will be recognised as a separate class of Property, Plant and Equipment and measured at depreciated replacement cost. This will consist of seven components: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land. As the Council is not a Highways authority, the adoption of the Infrastructure Code is not expected to have a material impact on the accounts.

- IAS 1 Presentation of Financial Statements. This standard provides guidance on the form of the financial statements. The ‘Telling the Story’ review of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and a new Expenditure and Funding Analysis will be introduced.

- Other minor changes due to Annual Improvement to IFRSs cycles, IFRS11 Joint arrangements, IAS 16 Property, Plant, Equipment and IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Council’s Statement of Accounts.

The Code requires implementation of the above from 1 April 2016 and as a result there is no impact on the 2015/16 Statement of Accounts.

2. Critical judgements in applying accounting policies

In applying the Accounting Policies set out in the Statement of Accounting Policies on pages 19 to 31, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- As outlined in the Narrative Report there remains a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

- Under the terms of an agreement dated 29th September 2000 the Council entered into a long term agreement with Pendle Leisure Ltd (a registered industrial and provident society) for the provision of Community Arts and Leisure Services within the administrative area of Pendle. In February 2005 the Council entered into a public/private partnership with Liberata, covering a 15 year period, for the provision of a range of services previously provided in-house. Neither Liberata nor Pendle Leisure Trust is considered to fall within the local authority group. The partnership with Liberata is considered a contract for services under which no entity is established. As an exempt charity the governance of the Leisure Trust is such that the council cannot and does not exercise sufficient influence over its activities to amount to control.

- The Council has established three joint venture arrangements with a private sector partner trading as Pendle Enterprise and Regeneration Limited (Pearl, Pearl 2 and Pearl (Brierfield Mill) Limited). Whilst each is considered a jointly controlled entity, they are not regarded as so financially material to the Council to require the preparation of Group Accounts. More detail on the joint venture arrangements is provided at Note 33.

- The Council's fixed assets are valued on the balance sheet in accordance with the statement of asset valuation principles and guidance notes issued by the Royal Institute of Chartered Surveyors. The Council carries out a rolling programme that ensures all required Plant, Property and Equipment valuations are revalued within a five year cycle. Assets subject to review had a valuation date of 1 April 2015. Any material changes after this date have been accounted for.

3. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains 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 most significant items in the Authority's Balance Sheet at 31 March 2016 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Debt Impairment
At 31 March 2016 the Council had a balance of debtors of £6.584m. A review of significant balances suggested that an impairment of doubtful debts of £4.916m was appropriate. If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required. A 1% increase in impairment would require an additional £66k to be set aside.

Pensions
The estimation of the net liability to pay pensions depends on a number of complex judgements. The Fund Actuary makes judgements in relation to factors such as the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.

The effects on the net pension liability of changes in individual assumptions can be measured – for example, a 1 year increase in life expectancy would increase pension liabilities by £2.4m. A change of +0.1% in the discount rate as applied at 31st March 2016 would reduce the pensions liability by £1.9m. However, changes are complex because the different assumptions interact. Under current accounting rules, a change in the pension liability does not impact upon the net cost of the General Fund.

Business Rates
Since the introduction of the Business Rates Retention Scheme on 1st April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2015/16 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses may have been overcharged up to 31st March 2016. The estimate has been calculated using the latest Valuation Office Agency ratings list of appeals as at 31st March 2016. The Council's share of the balance of business rate appeals provisions held at this date amounted to £1.466m, an increase of £438k compared to the previous year.

4. Material items of income and expense

There are no material items of income and expenditure in 2015/16 other than those disclosed separately in the Statement of Accounts.

5. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Financial Services Manager on 28th July 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2016 as it provides information that is relevant to an understanding of the Authority's financial position but does not relate to conditions at that date:

Brierfield Mill – Transfer of the Council's freehold

In 2012 the Council disposed of Brierfield Mill, by way of a long-term lease to Pearl (Brierfield Mill) Ltd. The lease term was 250 years. The Council has accounted for this arrangement as a finance lease and this is disclosed in Note 31 in the Statement of Accounts. At a meeting of the Council's Executive on 26th May 2016 it was agreed that the Council's freehold of the Brierfield Mill site be transferred to PEARL, subject to agreement from the Homes and Communities Agency. Subject to this agreement the transfer of the freehold to PEARL (Brierfield Mill) Ltd would be at nil value.

Colne Town Hall – Transfer to Colne Town Council

The Property, Plant and Equipment line in the Balance Sheet contains a net book valuation of £1.332m in respect of Colne Town Hall. At a meeting of the Council's Executive on 26th May 2016 it was agreed to transfer the Council's freehold of the Town Hall to Colne Town Council for the nominal consideration of £1. The intention of both parties is to complete the transfer by 30th September 2016.

5A. Fair Value Measurement

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses Liberata Property Services to provide a valuation of its surplus property assets in line with the highest and best use definition within the accounting standard. The highest and best use of the asset being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its surplus property assets are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

The Council's surplus assets are judged to be Level 2.

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 Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2015/16	Usable Reserves: General Fund Balance £000's	Usable Reserves: Capital Receipts Reserve £000's	Usable Reserves: Capital Grants Unapplied £000's	Movement in Unusable Reserves £000's
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	1,504	-	-	(1,504)
Revaluation losses on Property Plant and Equipment	2,525	-	-	(2,525)
Amortisation of intangible assets	124	-	-	(124)
Capital grants and contributions applied	(848)	-	-	848
Revenue expenditure funded from capital under statute	1,307	-	-	(1,307)
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	2,740	-	-	(2,740)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(504)	-	-	504
Capital expenditure charged against the General Fund	(837)	-	-	837
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(337)	-	337	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(213)	213
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,184)	1,184	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(613)	-	613
Transfer in respect of Long Term Debtor proceeds		25		(25)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	13	-	(13)
Adjustment primarily involving the Financial Instruments Adjustment Account:				
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	(10)	-	-	10
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 34)	2,894	-	-	(2,894)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,289)	-	-	2,289
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council non-domestic rating income calculated tax and for the year in accordance with statutory requirements	716	-	-	(716)
Adjustment primarily involving the Accumulated Absences Account:				
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	-	-	-	-
Total Adjustments	**5,801**	**609**	**124**	**(6,534)**

2014/15	Usable Reserves: General Fund Balance £000's	Usable Reserves: Capital Receipts Reserve £000's	Usable Reserves: Capital Grants Unapplied £000's	**Movement in Unusable Reserves** £000's
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	1,600	-	-	(1,600)
Revaluation losses on Property Plant and Equipment	2,620	-	-	(2,620)
Amortisation of intangible assets	151	-	-	(151)
Capital grants and contributions applied	(1,558)	-	-	1,558
Revenue expenditure funded from capital under statute	2,044	-	-	(2,044)
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	7,433	-	-	(7,433)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(445)	-	-	445
Capital expenditure charged against the General Fund	(932)	-	-	932
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(48)	-	48	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(99)	99
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,270)	2,270	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(1,941)	-	1,941
Transfer in respect of Long Term Debtor	-	22	-	(22)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	12	-	(12)
Adjustment primarily involving the Financial Instruments Adjustment Account:				
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	(9)	-	-	9
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 34)	2,677	-	-	(2,677)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,180)	-	-	2,180
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council non-domestic rating income calculated tax and for the year in accordance with statutory requirements	(320)	-	-	320
Adjustment primarily involving the Accumulated Absences Account:				
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	(13)	-	-	13
Total Adjustments	**8,750**	**363**	**(51)**	**(9,062)**

7. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund in other earmarked funds and reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16.

	2014/15				2015/16		
	Balance at 1 April 2014	Advanced	Utilised	Balance at 31 March 2015	Advanced	Utilised	Balance at 31 March 2016
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Renewals Reserve	366	-	(100)	**266**	-	(100)	**166**
Budget Strategy	4,737	749	(964)	**4,522**	279	(1,216)	**3,585**
VAT Partial Exemption	177	-	-	**177**	-	-	**177**
Death in Service Reserve	60	-	(60)	**-**	-	-	**-**
Revenue Expenditure	1,215	374	(630)	**959**	385	(227)	**1,117**
Change Management	254	309	(174)	**389**	-	(175)	**214**
Pensions	570	-	(290)	**280**	-	(113)	**167**
Local Authority Business Growth	40	-	(40)	**-**	-	-	**-**
Empty Property Strategy	43	2	-	**45**	-	(37)	**8**
Local Development Framework	269	-	(16)	**253**	10	(52)	**211**
Insurance/Risk Management	96	-	(4)	**92**	-	-	**92**
External Funding for Projects	183	-	(2)	**181**	-	-	**181**
Liberata Bond	500	-	-	**500**	-	-	**500**
Conservation	37	-	-	**37**	-	-	**37**
Performance	113	-	-	**113**	-	-	**113**
Developers' Contributions	92	100	(2)	**190**	-	(109)	**81**
External Funding Receipts	309	62	(46)	**325**	44	(25)	**344**
Business Growth Incentive	834	400	(280)	**954**	-	(216)	**738**
Localised Support for Council Tax	368	146	(399)	**115**	28	-	**143**
Recycling	100	-	(100)	**-**	-	-	**-**
Performance Reward Grant	10	-	(10)	**-**	-	-	**-**
Local Authority Mortgage Scheme	285	215	-	**500**	-	(500)	**-**
Portas Pilot	63	-	(33)	**30**	1	(24)	**7**
High Street Innovation Fund	81	-	(52)	**29**	-	(2)	**27**
ICT Strategy	1	349	(250)	**100**	-	(92)	**8**
Staff Development/Apprentices	211	30	(59)	**182**	105	(52)	**235**
Pearl Development Reserve	300	-	-	**300**	-	-	**300**
Incentive for Inward Investment	400	-	(100)	**300**	-	(65)	**235**
Community Projects Reserve	-	100	-	**100**	-	(33)	**67**
Business Rates Volatility Reserve	-	-	-	**-**	750	-	**750**
Growth Sites Development	300	-	-	**300**	-	-	**300**
	12,014	**2,836**	**(3,611)**	**11,239**	**1,602**	**(3,038)**	**9,803**

Further information on the reserves shown above is provided in Appendix 1 on page 95.

8. OTHER OPERATING EXPENDITURE

2014/15 £000's		2015/16 £000's
555	Parish Council Precepts	677
172	Levies (Business Rates Levy due to Government)	6
5,171	(Gains)/Losses on the disposal of Non-Current Assets	1,562
569	(Gains)/Losses on the Revaluation of Assets Held for Sale	1,269
(79)	Exceptional item - VAT Refund	-
58	Land Charges Settlement	-
19	Pensions - Fund Administration Costs	20
6,465	**Total**	**3,534**

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2014/15 £000's		2015/16 £000's
407	Interest payable and similar charges	520
1,672	Pensions interest cost and expected return on pensions assets	1,547
(159)	Interest Income	(177)
(8)	Other income	(7)
1,912	**Total**	**1,883**

10. TAXATION AND NON SPECIFIC GRANT INCOMES

2014/15 £000's		2015/16 £000's
(6,132)	Council Tax Income (Net)	(6,507)
(3,322)	Non Domestic Rates (Net)	(2,715)
	Non-ringfenced Government Grants	
(4,113)	- Revenue Support Grant	(3,904)
(64)	- Council Tax Freeze Grant	(65)
(1,026)	- Efficiency Support Grant	(41)
(727)	- New Homes Bonus Grant	(964)
(62)	- Community Right Grants	-
(6)	- Transparency Code	(8)
(3)	- LGA Productivity Funding	(6)
(715)	- Small Business Rate Relief Grant	(793)
	Capital Grants and Contributions	
(299)	- Third Party Grants and Contributions (e.g. Sport England)	(533)
(41)	- Developers Contributions (Section 106)	-
(16,510)	**Total**	**(15,536)**

11. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment for 2015/16 are as follows:

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipement	Heritage Assets	Community Assets	Assets under Construction	Surplus Assets	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or Valuation							
At 1st April 2015	51,110	4,172	768	61	10,942	5,985	73,038
Additions	725	100		8	45	22	900
Revaluations increases/(decreases)							
- to Revaluation Reserve	(391)		-	-	-	(340)	(731)
- to Provision of Services	(480)	-	-	-	-	(775)	(1,255)
Derecognition	-						
- disposals	(1,062)	(50)	-	-	(692)	-	(1,804)
- other	(78)	-	-	-	-	-	(78)
Reclassification of Assets	1,373				(1,452)	79	
- (to)/from Held for Sale	-	-	-	-	(2,155)	-	(2,155)
At 31st March 2016	**51,197**	**4,222**	**768**	**69**	**6,688**	**4,971**	**67,915**
Accumulated Depreciation and Impairment							
At 1st April 2015	1,845	3,160	-	-	2,608	3	7,616
Depreciation							
- to Provision of Services	1,253	251	-	-	-	-	1,504
Derecognition							
- disposals	(64)	(38)	-	-	-	-	(102)
- other	(78)	-	-	-	-	-	(78)
At 31st March 2016	2,956	3,373	-	-	2,608	3	8,940
Net Book Value 31st March 2016	**48,241**	**849**	**768**	**69**	**4,080**	**4,968**	**58,975**
Net Book Value 31st March 2015	**49,265**	**1,012**	**768**	**61**	**8,334**	**5,982**	**65,422**

Heritage Assets

Detailed information on the Council's Heritage Assets is provided in the Accounting Policies note 11 on page 24. There have been no disposals or acquisitions of heritage assets since 2011/12 when the Shuttle in Nelson town centre was recognised as a heritage asset and included in the Council's balance sheet.

Comparative movements in property, plant and equipment for 2014/15 were as follows:

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipement	Heritage Assets	Community Assets	Assets under Construction	Surplus Assets	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or Valuation							
At 1st April 2014	54,554	4,079	768	53	17,037	5,971	82,462
Additions	169	201	-	8	3,039	29	3,446
Revaluations increases/(decreases)							
- to Revaluation Reserve	(236)	-	-	-	(19)	97	(158)
- to Provision of Services	(500)	(38)	-	-	(1,513)	-	(2,051)
Derecognition							
- disposals	(431)	-	-	-	(6,313)	-	(6,744)
- other	(2,415)	(70)	-	-	(420)	-	(2,905)
Reclassification of Assets							
- (to)/from Held for Sale	(31)	-	-	-	(869)	(112)	(1,012)
Other movements	-	-	-	-	-	-	-
At 31st March 2015	**51,110**	**4,172**	**768**	**61**	**10,942**	**5,985**	**73,038**
Accumulated Depreciation and Impairment							
At 1st April 2014	2,948	2,949	-	-	3,128	3	9,028
Depreciation							
- to Provision of Services	1,319	281	-	-	-	-	1,600
Derecognition							
- disposals	(7)	-	-	-	(100)	-	(107)
- other *(Note 1)*	(2,415)	(70)	-	-	(420)	-	(2,905)
At 31st March 2015	1,845	3,160	-	-	2,608	3	7,616
Net Book Value 31st March 2015	**49,265**	**1,012**	**768**	**61**	**8,334**	**5,982**	**65,422**
Net Book Value 31st March 2014	**51,606**	**1,130**	**768**	**53**	**13,909**	**5,968**	**73,434**

Depreciation

Depreciation, using the reducing balance method, has been charged according to the estimated life of the asset involved, as assessed by the Property Services Manager. This officer also undertook a general review of values, by category of asset.

Depreciation is calculated using the reducing balance method adopting the following annual percentages:

- Buildings (Sports Centres) 5%
- Buildings (Other) 2% or 10%
- Vehicles, Plant and Equipment 25%
- Community Assets 0% or 2%
- Play Areas (e.g. Multi-Use Games facilities) 10%

Capital Commitments

At 31 March 2016, the Council had no material contractual commitments for the acquisition, construction or enhancement of Property, Plant and Equipment.

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations have been carried out by qualified staff under Mrs S Livesey, the Property Services Manager for Liberata (who now provide this professional service to the Council as part of a public private partnership arrangement). 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, furniture 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.

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipement	Heritage Assets	Community Assets	Assets under Construction	Surplus Assets	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Carried at historical cost	2,324	348	-	30	4,080	6	6,788
Valued as at:							
31 March 2016	2,998	94	-	-	-	4,809	7,901
31 March 2015	-	157	-	-	-	-	157
31 March 2014	36,023	66	-	39	-	153	36,281
31 March 2013	5,440	89	-	-	-	-	5,529
31 March 2012	1,456	95	768	-	-	-	2,319
Total Cost or Valuation	**48,241**	**849**	**768**	**69**	**4,080**	**4,968**	**58,975**

12. INTANGIBLE ASSETS

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

The carrying amount of intangible assets is amortised on a reducing balance basis at 25%. The amortisation of £124k charged to revenue in 2015/16 was charged to Corporate Management and then absorbed as an overhead across all the service headings in the Net Expenditure on Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

2014/15 Total £000's		2015/16 Total £000's
	Balance at 1st April	
808	Gross carrying amount	857
(202)	Accumulated amortisation	(353)
606	**Net carrying amount at 1st April**	**504**
49	Additions	190
(151)	Amortisation for the period	(124)
504	**Balance at 31st March**	**570**
	Comprising:	
857	- Gross carrying amounts	1,047
(353)	- Accumulated amortisation	(477)
504		**570**

There are no items of capitalised software that are individually material to the financial statements.

13. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another. The Code requires disclosures in relation to financial instruments with two objectives relating to helping users evaluate:

- the significance of financial instruments for our financial position and performance;
- the nature and extent of risks arising from financial instruments to which the Council was exposed and how we manage those risks.

Categories of Financial Instruments

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

2014/15 Long Term £000's	2014/15 Current £000's		2015/16 Long Term £000's	2015/16 Current £000's
		Investments		
-	18,948	Loans and receivables at amortised cost *	-	19,406
-	**18,948**	**Total Investments**	**-**	**19,406**
		Debtors		
3,688		Loans and receivables	3,749	-
-	1,953	Financial assets carried at contract amounts	-	1,398
3,688	**1,953**	**Total Debtors**	**3,749**	**1,398**
		Borrowings		
13,359	1,097	Financial liabilities at amortised cost	15,359	97
13,359	**1,097**	**Total Borrowings**	**15,359**	**97**
		Other Long Term Liabilities		
90	-	Finance lease liabilities	-	-
90	**-**	**Total Other Long Term Liabilities**	**-**	**-**
		Creditors		
41	1,467	Financial liabilities at amortised cost	34	888
41	**1,467**	**Total Creditors**	**34**	**888**

* Included in this balance are the short term investments, cash and cash equivalents shown on the face of the balance sheet.

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement are made up as follows:

2014/15				2015/16		
Financial Liabilities : measured at amortised cost	Financial Assets : Loans and Receivables	Total		Financial Liabilities : measured at amortised cost	Financial Assets : Loans and Receivables	Total
£000's	£000's	£000's		£000's	£000's	£000's
407	-	**407**	Interest expenses	520	-	**520**
407	**-**	**407**	**Total expense in Surplus or Deficit on the Provision of Services**	**520**	**-**	**520**
-	(159)	**(159)**	Interest income	-	(177)	**(177)**
-	**(159)**	**(159)**	**Total income in Surplus or Deficit on the Provision of Services**	**-**	**(177)**	**(177)**
407	**(159)**	**248**	**Net (gain)/loss for the year**	**520**	**(177)**	**343**

Fair Values of Assets and Liabilities

Financial assets classified as loans and receivables and financial liabilities are carried in the Balance Sheet at amortised cost. The fair value of short-term instruments, including trade payables and receivables is assumed to approximate to the carrying amount.

The disclosures relating to Financial Instruments are meant to highlight differences that may exist between the value assigned to an item on the balance sheet and the value as ascertained by a 'fair value' calculation e.g. if the Council's portfolio of loans included a number of fixed rate loans where the interest rate paid is higher than the rates available for similar loans at the balance sheet date then this commitment to pay interest above market rates increases the amount we would have to pay if the lender agreed to early repayment of the loans and accordingly the fair value would be higher than shown on the face of the balance sheet.

The balance sheet is required to have a minimum of four balances relating to financial instruments: long term investments, current assets (short term investments and debtors), current liabilities (short term borrowing and creditors) and long term borrowing. An analysis of each item within these categories has been carried out with the following conclusions:-

- debtors and creditors: the Council would normally expect to receive and pay the full amounts shown on the face of the balance sheet with the exception of debtors where a provision for bad debts is in existence based on an age analysis of outstanding debts;
- the Council had granted no material 'interest free' loans at the 31st March 2016 (31st March 2015 £Nil); if/when an interest free loan is granted to a local organisation an interest charge is made elsewhere within the accounts and subject to materiality no adjustment to the carrying amount of the loan is deemed necessary;
- other loans (e.g. mortgages and assisted car purchase); as the loans are made at rates equivalent to market rates no adjustments are deemed to be required; loans made to bring empty homes back in to use are repayable over a 5 year period with no interest due for the first three years – the amount of loans advanced in 2015/16 was £14k (£56k in 2014/15). These are not accounted for as 'soft loans' on the basis of materiality;
- investments and borrowings; the Council has obtained a 'fair value' calculation carried out by our external Treasury Management consultants in respect of these items on the balance sheet which is shown in the table below:

2014/15 Carrying Amount £000's	2014/15 Fair Value £000's		2015/16 Carrying Amount £000's	2015/16 Fair Value £000's
14,359	15,747	PWLB borrowing	15,359	16,988
-	-	Non PWLB borrowing	-	-
14,359	**15,747**	**Total financial liabilities**	**15,359**	**16,988**
18,403	18,412	Loans and receivables	17,859	17,864
18,403	**18,412**	**Total loans and receivables**	**17,859**	**17,864**

In terms of the Public Works Loan Board (PWLB) debt the fair value is different than the carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. As the purpose of the fair value disclosure is primarily to provide a comparison with the carrying amount in the balance sheet and as this contains accrued interest then the fair value figure also includes accrued interest.

When calculating the fair value of PWLB debt our Treasury Management consultants have used the borrowing rate for new PWLB loans as the discount factor for all borrowing whereas the PWLB use the premature repayment rates for their values. The Code Guidance Notes for Practitioners confirms that it is acceptable for either or both valuations to be used. Applying premature repayment rates result in a fair value figure for PWLB borrowing of £19,156k rather than the value of £16,988k shown in the table above.

14. SHORT-TERM DEBTORS

2014/15 Total £000's		2015/16 Total £000's
399	Central Government Departments	213
481	Other Local Authorities	366
5	NHS Bodies	-
1,140	Business Rate Payers/Council Tax Payers	1,935
4,454	Other Entities and Individuals	4,070
6,479	**Total Debtor Balance**	**6,584**
(4,597)	Provision for Bad and Doubtful Debts	(4,915)
1,882	**Net Debtor Balance**	**1,669**

15. CASH AND CASH EQUIVALENTS

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

2014/15 Total £000's		2015/16 Total £000's
2	Cash held by the Council	2
546	Bank current accounts	1,547
5,135	Bank Deposits - instant access	5,844
4,252	Short term deposit	3,503
9,935		**10,896**

16. ASSETS HELD FOR SALE

2014/15 £000's		2015/16 £000's
2,668	**Balance at 1st April**	**2,370**
55	In year capital expenditure	40
	Assets newly qualified as held for sale:	
1,012	Property, Plant and Euipment	2,155
(569)	Revaluation losses	(1,269)
(796)	Assets sold	(1,039)
2,370	**Balance at 31st March**	**2,257**

17. CREDITORS

2014/15 Total £000's		2015/16 Total £000's
1,452	Central Government bodies	470
433	Other Local Authorities	352
2,834	Business Rate Payers/Council Tax Payers	4,142
1,196	Other entities and individuals	642
5,915		**5,606**
	Receipts in Advance included in the above creditors:	
72	Other Local Authorities	22
150	Business Rate Payers/Council Tax Payers	145
222		**167**

18. PROVISIONS

The provisions relate to service areas where there is a known liability but uncertainty about the exact amount or the dates on which they will arise.

Details of the main provisions are shown below:-

2014/15 £000's		2015/16 Advanced £000's	Utilised £000's	£000's
74	Burnley and Pendle JTC	-	-	**74**
41	Interest on PSW Deposits	-	-	**41**
270	Municipal Mutual Insurance	35	(4)	**301**
54	Lease Interest Pearl - Brierfield Mill	19	-	**73**
22	Other	-	-	**22**
1,028	Business Rates Appeals	1,015	(577)	**1,466**
1,489		**1,069**	**(581)**	**1,977**

19. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Notes 6 and 7.

20. UNUSABLE RESERVES

Unusable Reserves include:

- unrealised gains and losses, particularly in relation to the revaluation of property, plant and equipment (e.g. the Revaluation Reserve)
- adjustment accounts that absorb the difference between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure (e.g. the Capital Adjustment Account and the Pensions Reserve).

2014/15 £000's		2015/16 £000's
28,116	Revaluation Reserve	26,170
(49,484)	Pensions Reserve	(43,134)
27,084	Capital Adjustment Account	23,089
(221)	Financial Instruments Adjustment Account	(212)
204	Collection Fund Adjustment Account	(512)
(88)	Accumulated Absences Account	(88)
1,537	Deferred Capital Receipts	1,525
7,148		**6,838**

Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through 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.

2014/15		2015/16	
£000's		£000's	£000's
29,540	**Balance at 1st April**		**28,116**
542	Upward Revaluation of assets	681	
(700)	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(1,412)	
(158)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(731)
(683)	Difference between fair value depreciation and historical cost depreciation	(637)	
(583)	Accumulated gains on assets sold or scrapped	(578)	
(1,266)	Amount written off to the Capital adjustment Account		(1,215)
28,116	**Balance at 31st March**		**26,170**

Capital Adjustment Account

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 cost 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 and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that 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.

2014/15 £000's		2015/16 £000's
34,712	**Balance at 1st April**	**27,084**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(1,600)	Charges for depreciation and impairment of non current assets	(1,504)
(2,620)	Revaluation losses on Property, Plant and Equipment	(2,525)
(151)	Amortisation of intangible assets	(124)
(2,044)	Revenue expenditure funded from capital under statute	(1,307)
(7,433)	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	(2,740)
(13,848)		(8,200)
(22)	Adjusting amount written out re Long Term Debtor	(25)
1,266	Adjusting amounts written out of the Revaluation Reserve	1,215
(12,604)	Net written out amount of the cost of non-current assets consumed in the year	(7,010)
	Capital financing applied in the year:	
1,941	Use of the Capital Receipts Reserve to finance new capital expenditure	613
1,558	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	848
99	Application of grants to capital financing from the Capital Grants Unapplied Account	213
445	Statutory provision for the financing of capital investment charged against General Fund balances	504
933	Capital expenditure charged against General Fund balances	837
4,976		3,015
27,084	**Balance at 31 March**	**23,089**

Pensions Reserve

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 Council 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 Council makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible. The debit 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.

2014/15 £000's		2015/16 £000's
(39,705)	**Balance at 1st April**	**(49,484)**
(9,282)	Remeasurements of the net defined benefit liability	6,955
(2,677)	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	(2,894)
2,180	Employer's pensions contributions and direct payments to pensioners payable in the year	2,289
(49,484)		**(43,134)**

Collection Fund Adjustment Account

2014/15 £000's		2015/16 £000's
(116)	**Balance at 1st April**	**204**
320	Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(716)
204		**(512)**

Deferred Capital Receipts Reserve

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. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2014/15 £000's		2015/16 £000's
1,550	**Balance at 1st April**	1,538
(12)	Transfer to the Capital Receipts Reserve upon receipt of cash	(13)
1,538	**Balance at 31st March**	**1,525**

21. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

a) Adjust net surplus or deficit on the provision of services for non-cash movements

2014/15 £000's		2015/16 £000's
1,600	Depreciation charged to CIES	1,504
151	Amortisation of Intangible Assets	124
375	Increase / (Decrease) in Creditors	(2,615)
(44)	(Increase) / Decrease in Debtors	24
3	(Increase) / Decrease in Inventories	(2)
497	Pensions Liability	605
464	Contributions to / (from) Provisions	487
2,620	Revaluation Losses	2,525
7,433	Carrying value on disposal of Property, Plant and Equipment, Investment Property and Intangible Assets	2,740
13,099		**5,392**

b) Adjust for items included in the net surplus on the provision of services that are investing or financing activities

2014/15 £000's		2015/16 £000's
1,605	Capital Grants credited to the surplus or deficit on the provisions of services	1,184
2,270	Proceeds from the sale of non-current assets	1,184
3,875		**2,368**

c) Interest received and interest paid

2014/15 £000's		2015/16 £000's
(162)	Interest received	(125)
406	Interest paid	520
244		**395**

22. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2014/15 £000's		2015/16 £000's
3,609	Purchase of property, plant and equipment, investment property and intangible assets	1,396
23,000	Purchase of short-term investments	22,500
(2,283)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,197)
203	Other payments from investing activities - loans granted	74
(18,500)	Proceeds from short-term investments	(23,000)
(1,607)	Other receipts from investing activities	(1,374)
4,422	**Net cash flows from investing activities**	**(1,601)**

23. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2014/15 £000's		2015/16 £000's
(6,500)	Cash receipts of short- and long-term borrowing	(2,000)
43	Cash payments for the reduction of the outstanding liabilities relating to finance leases	90
(1,523)	Council Tax and NNDR Adjustments (as Billing Authority)	(2,669)
1,506	Repayments of short- and long-term borrowing	1,006
(6,474)	**Net cash flows from financing activities**	**(3,573)**

24. 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 Council's Executive on the basis of budget reports analysed across departments. The Council introduced a new structure on 1 April 2015 and 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 departments.

The income and expenditure of the Council's principal departments recorded in the budget reports for the year is as follows:

Departmental Income and Expenditure 2015/16

	Revenue Services	Neighbourhood Services	Planning, Building Control & Licensing	Housing, Health & Economic Development	Environmental Services	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Income						
Fees, charges & other service income	1,401	410	429	857	3,058	6,155
Government grants and contributions	26,818	-	-	1	-	26,819
Total Income	**28,219**	**410**	**429**	**858**	**3,058**	**32,974**
Expenditure						
Employee expenses	-	985	725	1,502	2,777	5,989
Other service expenses	29,356	1,038	170	755	3,340	34,659
Support service recharges	-	-	-	-	-	-
Capital charges	-	251	-	1,210	506	1,967
Total Expenditure	**29,356**	**2,274**	**895**	**3,467**	**6,623**	**42,615**
Net Expenditure	**1,137**	**1,864**	**466**	**2,609**	**3,565**	**9,641**

Departmental Income and Expenditure 2014/15 Comparative Figures

	Revenue Services	Economic Development & Tourism	Engineering & Special Projects	Planning & Building Control	Housing Regeneration	Waste Services	Environmental Health	Parks & Recreation	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Income									
Fees, charges & other service income	1,767	52	603	501	712	1,062	89	826	5,612
Government grants and contributions	27,253	641	46	-	579	-	-	-	28,519
Total Income	**29,020**	**693**	**649**	**501**	**1,291**	**1,062**	**89**	**826**	**34,131**
Expenditure									
Employee expenses	-	-	404	565	978	2,176	552	732	5,407
Other service expenses	29,476	444	411	144	189	1,962	119	1,501	34,246
Support service recharges	-	-	256	296	270	276	223	153	1,474
Capital charges	-	997	123	-	948	194	-	907	3,169
Total Expenditure	**29,476**	**1,441**	**1,194**	**1,005**	**2,385**	**4,608**	**894**	**3,293**	**44,296**
Net Expenditure	**456**	**748**	**545**	**504**	**1,094**	**3,546**	**805**	**2,467**	**10,165**

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

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

2014/15 £000's		2015/16 £000's
10,165	Net expenditure in the Departmental Analysis	9,641
7,371	Net expenditure of services and support services not included in the Analysis	7,661
122	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	54
17,658	**Cost of Services in Comprehensive Income and Expenditure Statement**	**17,356**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of departmental 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.

2015/16	Departmental Analysis £000's	Services and Support Services not in Analysis £000's	Amounts not reported to management for decision making £000's	**Cost Of Services** £000's	Corporate Amounts £000's	**Total** £000's
Income						
Fees, charges & other service income	6,155	3,037	154	**9,346**	-	**9,346**
Interest and investment income	-	-	-	**-**	184	**184**
Net income from Council Tax/NNDR	-	-	-	**-**	13,109	**13,109**
Government grants and contributions	26,819	110	-	**26,929**	6,314	**33,243**
Total Income	**32,974**	**3,147**	**154**	**36,275**	**19,607**	**55,882**
Expenditure						
Employee expenses	5,989	2,117	-	**8,106**	-	**8,106**
Other service expenses	34,659	6,357	-	**41,016**	5	**41,021**
Support service recharges	-	-	208	**208**	-	**208**
Depreciation, amortisation and impairment	1,967	2,334	-	**4,301**	-	**4,301**
Interest Payments	-	-	-	**-**	520	**520**
Expenditure associated with NNDR	-	-	-	**-**	3,887	**3,887**
Precepts and Levies	-	-	-	**-**	677	**677**
Gain or Loss on Disposal of Non Current Assets/Pensions Interest	-	-	-	**-**	4,399	**4,399**
Total Expenditure	**42,615**	**10,808**	**208**	**53,631**	**9,488**	**63,119**
Surplus or deficit on the provision of services	**9,641**	**7,661**	**54**	**17,356**	**(10,119)**	**7,237**

2014/15	Departmental Analysis £000's	Services and Support Services not in Analysis £000's	Amounts not reported to management for decision making £000's	**Cost Of Services** £000's	Corporate Amounts £000's	**Total** £000's
Income						
Fees, charges & other service income	5,611	3,315	181	**9,107**	-	**9,107**
Interest and investment income	-	-	-	**-**	167	**167**
VAT receipt	-	-	-	**-**	79	**79**
Net income from Council Tax/NNDR	-	-	-	**-**	9,454	**9,454**
Government grants and contributions	28,519	124	-	**28,643**	7,059	**35,702**
Total Income	**34,130**	**3,439**	**181**	**37,750**	**16,759**	**54,509**
Expenditure						
Employee expenses	5,407	1,032	-	**6,439**	-	**6,439**
Other service expenses	34,245	6,995	-	**41,240**	230	**41,470**
Support service recharges	1,474	-	303	**1,777**	-	**1,777**
Depreciation, amortisation and impairment	3,169	2,783	-	**5,952**	-	**5,952**
Interest Payments	-	-	-	**-**	407	**407**
Government grant expenses	-	-	-	**-**	3	**3**
Precepts and Levies	-	-	-	**-**	555	**555**
Gain or Loss on Disposal of Non Current Assets/Pensions Interest	-	-	-	**-**	7,431	**7,431**
Total Expenditure	**44,295**	**10,810**	**303**	**55,408**	**8,626**	**64,034**
Surplus or deficit on the provision of services	**10,165**	**7,371**	**122**	**17,658**	**(8,133)**	**9,525**

25. OFFICERS' REMUNERATION

The remuneration paid to the Authority's senior employees is as follows:

Post Holder / (Post Title)		Salary, Fees and Allowances £	Bonuses £	Expenses Allowances * £	Compensation Loss of Office £	Benefits in Kind ** £	Pension Contribution £	Total £
Chief Executive								
	2015/16	-	-	-	-	-	-	**-**
	2014/15	85,203	-	77	53,872	9,315	-	**148,467**
Deputy Chief Executive								
	2015/16	-	-	-	-	-	-	**-**
	2014/15	82,400	-	555	-	7,921	10,041	**100,917**
Strategic Director			`					
	2015/16	91,800	-	377	-	4,339	11,200	**107,716**
Corporate Director								
	2015/16	89,599	-	352	-	8,557	10,919	**109,427**
Head of Central & Regeneration Services								
	2015/16	-	-	-	-	-	-	**-**
	2014/15	73,226	-	-	-	6,934	7,916	**88,076**
Democratic & Legal Services Manager								
	2015/16	52,857	-	352	-	3,949	5,179	**62,337**
	2014/15	55,093	-	352	-	3,606	6,721	**65,772**
Housing Health & Economic Development Services Manager								
	2015/16	54,731	-	-	-	4,074	6,677	**65,482**
	2014/15	53,848	-	-	-	3,642	6,569	**64,059**
Planning, Building Control & Licensing Manager								
	2015/16	54,731	-	-	-	5,529	6,677	**66,937**
	2014/15	53,642	-	-	-	4,744	6,544	**64,930**
Financial Services Manager								
	2015/16	52,183	-	-	-	-	6,366	**58,549**
	2014/15	-	-	-	-	-	-	**-**
Neighbourhood Services Manager								
	2015/16	34,478	-	-	-	4,787	-	**39,265**
	2014/15	30,668	-	-	-	4,041	-	**34,709**

* Expense Allowances are the payment of professional fees

** Benefits in Kind are a contribution towards a leased car based on a 10% of the post holder's salary

The Council implemented a new management structure on 1st April 2015. The key changes arising from this were:

The posts of Chief Executive and Deputy Chief Executive were abolished and replaced with the posts of Strategic Director and Corporate Director respectively.

The post of Head of Central and Regeneration Services was abolished with a new post established of Financial Services Manager.

The posts of the Housing, Health and Economic Development Services Manager and the Planning, Building Control and Licensing Manager were redesignated with wider responsibilities.

The Corporate Director is the Council's Returning Officer for elections for which a payment of £2,800 per annum is made. This is included in the post-holder's salary shown above.

The Neighbourhood Services Manager worked 3 days a week for most of the year increasing to 4 days a week from January 2016. The Democratic and Legal Services Manager worked full-time until January 2016 and thereafter 4 days a week.

The officers shown above, excluding the Neighbourhood Services Manager, are also included in the analysis by remuneration band provided below.

The lease car scheme is closed to new entrants. The lease car benefit in kind shown for the Strategic Director reflects a part-year effect only as the lease expired during the year and under the new management structure the post was established without the benefit of a leased car allowance. The same arrangement will apply to the post of Corporate Director on expiry of the current lease in 2016.

The Council's Pay Policy is approved annually. The 2015 Pay Policy Statement was approved by the Council in March 2015 and can be read here (item12 refers).

The Council's employees receiving more than £50,000 remuneration for the year, excluding employer's pension contributions, were paid the following amounts:

Remuneration band			Number of employees 2014/15	2015/16
£50,000	-	£54,999	-	1
£55,000	-	£59,999	3	2
£60,000	-	£64,999	-	1
£65,000	-	£69,999	-	-
£70,000	-	£74,999	-	-
£75,000	-	£79,999	-	-
£80,000	-	£84,999	1	-
£85,000	-	£89,999	-	-
£90,000	-	£94,999	1	-
£95,000	-	£99,999	-	2
£145,000	-	£150,000	1	-

The Authority terminated the contracts of two employees in 2015/16, incurring liabilities of £11k (£88k in 2014/15). This sum represents payments to the officers who were made redundant as part of the Council's review of its service delivery arrangements. The numbers of exit packages with the total cost per band and type of redundancy is set out in the table below:

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies 2014/15	2015/16	(c) Number of other departures agreed 2014/15	2015/16	(d) Total number of exit packages by cost band (b+c) 2014/15	2015/16	(e) Total cost of exit packages in each band 2014/15 £	2015/16 £
£0 - £20,000	-	-	6	2	-	2	34,422	11,309
£20,001 - £40,000	-	-	-	-	-	-	-	-
£40,001 - £60,000	-	-	1	-	-	-	53,872	-
Totals	0	-	7	2	0	2	88,294	11,309

26. MEMBERS' ALLOWANCES

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

2014/15 £		2015/16 £
179,483	Allowances	173,265
273	Expenses	563
179,756	Total	**173,828**

Payments are made to Members a month in arrears and the above figures represent the actual payments made in the financial year.

27. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors. Details are shown below:

2014/15 Total £000's		2015/16 Total £000's
	Fees Payable:	
51	with regard to external audit services carried out by the appointed auditor for the year	41
14	to external auditors for certification of grant claims and returns	8
65	**Total**	**49**

28. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

2014/15 Total £000's		2015/16 Total £000's
	Credited to Taxation and Non Specific Grant Income	
4,113	Revenue Support Grant	3,904
64	Council Tax Freeze Grant	65
1,026	Efficiency Support Grant	41
726	New Homes Bonus Grant	964
62	Community Right Grants	-
6	Transparency Code	8
3	LGA Productivity Funding	6
715	Small Business Rate Relief Grant	793
340	Capital Grants and Contributions	533
7,055		**6,314**
	Credited to Services	
26,771	Housing Benefits and Council Tax	26,053
56	Individual Electoral Registration Grant	24
88	Local Council Tax support	28
393	DCLG Counter Fraud Funding	788
1,266	Capital grants funding Revenue Expenditure Under Statute	651
28,574		**27,544**
35,629	**Total**	**33,858**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them which if not met will require the monies to be returned to the grantor. The balances at 31 March 2016 are shown below. By comparison, the Council had no such grants as at the end of 2014/15.

2014/15 Total £000's		2015/16 Total £000's
	Capital Grants Receipts in Advance	
-	Other Local Authorities and Town Councils	94
-	Other Contributions and Grants	5
-	**Total**	**99**

29. RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. The financial statements must contain the disclosure necessary to draw attention to the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 24 on reporting for resource allocation decisions.

Other Public Bodies

Precepts in relation to Lancashire Police Authority, Lancashire Combined Fire Authority and Lancashire County Council – refer to the Collection Fund on page 90. Precepts payable to local Town and Parish Councils – refer to Note 8 on page 57. For details of payments to the Lancashire County Council Pension Fund refer to Note 32 below.

Members and Chief Officers

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 26. During the year some Members and Officers acted in a number of other capacities for related parties. This involved being either employed by other local authorities or serving on the Management Boards of Companies and Voluntary Organisations.

Principal examples include: Lancashire County Council, Pendle Partnership, Housing Pendle, Pendle Leisure Ltd and the three joint venture arrangements that the Council has established in partnership with Barnfield Investment Properties (Pearl, Pearl 2 and Pearl Brierfield Mill).

With regard to Pendle Leisure Limited, the Council pays an annual grant towards the costs incurred by the Trust in managing and developing a wide variety of leisure related facilities and activities for the people of Pendle. As well as providing multi-purpose centres for swimming, fitness, sports, exercise and entertainment, the Trust also has staff dedicated to providing specialist projects relating to Healthy Lifestyles, Sports Development and Arts Development. In 2015/16 the Council paid a grant of £1.880m (£1.865m in 2014/15). At the Balance Sheet date the Council owed Pendle Leisure Trust £3,000 and was owed £289,000, of which £176,000 related to a long-term loan. Of the balance of £113,000, £110,000 was repaid on 15th April 2016.

Housing Pendle was established in 2006 to receive the transfer of the Council's housing stock. A number of arrangements between the Council and Housing Pendle stem from the transfer. Included in these are arrangements under which the Council receives a share of income from Housing Pendle in relation to VAT savings and sale proceeds from properties sold under the former Right to Buy. In 2015/16 the Council received income of £432k in accordance with these arrangements (£646k in 2014/15). At the Balance Sheet date the Council owed Housing Pendle £11,000 and Housing Pendle owed the Council £12,000.

In the year, the Council's Strategic Director was the Company Secretary for PEARL and four Councillors and the Housing, Health and Economic Development Services Manager also served on the Board. Total payments of £1.40m were made to PEARL entities during the year (£2.84m in 2014/15). Additional information on PEARL entities is disclosed in Note 33.

During the year payments to the value of £27,851 (£26,521 in 2014/15) were made to Penburn Construction, a local company of which Councillor Sakib is a Director. All procurement of goods and services is subject to the Council's financial procedure rules and the Councillor was not involved in any decision relating to these transactions.

During the year the Council completed the freehold disposal of properties at 19/21 Carr Road, Nelson and 23/25 Market Square, Nelson to the YB Partnership Ltd, of which Cllr N Younis is a Director for a total consideration of £134,500.

The Council's Standing Orders require Members who believe they have an interest in a matter to be discussed at a Council, Executive or Committee meeting to declare that interest and withdraw from the meeting while the particular matter is being discussed.

It is considered, after examining the Register of Members Interests and making enquiries with Councillors and Senior Officers, that there are no further material transactions that need to be disclosed.

30. 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2014/15 £000's		2015/16 £000's
13,478	**Opening Capital Financing Requirement**	**14,286**
	Capital Investment	
3,501	Property Plant and Equipment	940
50	Intangible Assets	190
189	Expenditure on Loans	74
2,044	Revenue Expenditure funded from Capital under Statute	1,307
	Sources of Finance	
(1,941)	Capital Receipts	(613)
(1,657)	Government Grants and Other Contributions	(1,061)
	Sums set aside from Revenue:	
(933)	Direct Revenue Contributions	(837)
(445)	Minimum Revenue Provision	(504)
14,286	**Closing Capital Financing Requirement**	**13,782**
	Explanation of Movements in Year	
808	Increase/ decrease in underlying need to borrow (unsupported by government financial assistance)	(504)
808	**Increase/(decrease) in Capital Financing Requirement**	**(504)**

31. LEASES

Authority as Lessor

Finance Leases

The Council has a number of leases of land with leasehold terms ranging up to 999 years. Upon the first-time adoption of IFRS these leases were reviewed and no material leases were classified as Finance leases.

In 2012/13 the Council disposed of Brierfield Mill on a long-term lease of 250 years to Pearl (Brierfield Mill) Limited. The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the lease term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by Pearl (Brierfield Mill) Limited and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

2014/15 £000's		2015/16 £000's
	Finance Lease Debtor - (net present value of minimum lease payments):	
1,425	Non-current	1,425
75	Unguaranteed residual value of property	75
1,500		**1,500**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	2014/15 £000's	**2015/16 £000's**	**2014/15 £000's**	**2015/16 £000's**
Later than 5 years	1,500	1,500	1,425	1,425
	1,500	**1,500**	**1,425**	**1,425**

As there is a deferred payment period of 15 years before lease rentals commence in recognition of works required to redevelop the building, the Council has set aside an allowance for possible uncollectable amounts of £73,345 as at 31st March 2016 (£54,679 at 31st March 2015). There are no contingent rents under the terms of the lease.

32. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. The Council participates in the Local Government Pension Scheme, administered locally by Lancashire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets.

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Lancashire County Council Pension Fund Committee. The Committee is assisted by an investment panel which advises it on investment strategy and risk management provisions.

Risks and Investment Strategy

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to scheme members). The aim of investment risk management is to balance the minimisation of the risk of an overall reduction in the value of the Fund with maximising the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk and keep credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flow.

Transactions Relating to Post-employment Benefits

The Council recognises 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:

2014/15 £000's	Lancashire County Pension Fund	2015/16 £000's
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
952	Current service costs	1,260
34	Past service costs	-
-	Settlements and Curtailments	67
986	**Total Service Cost**	**1,327**
	Other Operating Expenditure	
19	Fund Administration Expenses	20
	Financing and investment Income and Expenditure	
1,672	Net interest expense	1,547
2,677	**Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services**	**2,894**
	Remeasurements of the Net Defined Benefit Liability comprising:	
(5,513)	Return on plan assets (excluding amounts included in net interest)	(1,182)
14,795	Actuarial (gains) or losses arising from changes in financial assumptions	(5,773)
9,282	**Total remeasurements recognised in Other Comprehensive Income**	**(6,955)**
11,959	**Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement**	**(4,061)**
	Movement in Reserves Statement	
(2,677)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(2,894)
	Actual amount charged against the General Fund Balance for pensions in the year:	
2,180	Employer contributions payable to the scheme	2,289

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit scheme is as follows:

2014/15 £000's	Lancashire County Pension Fund	2015/16 £000's
73,664	Fair Value of employer assets	75,128
(118,575)	Present value of funded benefit liabilities	(114,029)
(4,573)	Present value of unfunded benefit liabilities	(4,233)
(49,484)	**Closing balance at 31st March**	**(43,134)**

Reconciliation of the Movements in the Fair value of Scheme Assets

2014/15 £000's	Lancashire County Pension Fund	2015/16 £000's
67,401	**Opening fair value of scheme assets**	73,664
2,945	Interest income	2,325
	Remeasurement gain / (loss):	
5,513	Return on plan assets excluding amounts included in net interest	1,182
(19)	Other	(20)
2,180	Contributions from employer	2,289
310	Contributions from employees into the scheme	317
(4,666)	Benefits paid	(4,629)
73,664	**Closing fair value of scheme assets**	**75,128**

Reconciliation of the Present Value of Scheme Liabilities (Defined Benefit Obligation)

2014/15 £000's	Lancashire County Pension Fund	2015/16 £000's
107,106	**Opening balance at 1st April**	**123,148**
952	Current service cost	1,260
4,617	Interest cost	3,872
310	Contributions from scheme participants	317
	Remeasurement (gains) and losses:	
14,795	- Actuarial (gains)/losses arising from changes in financial assumptions	(5,773)
34	Past service cost	-
-	Curtailments	67
(4,666)	Benefits paid	(4,629)
123,148	**Closing balance at 31st March**	**118,262**

The pension scheme assets comprised the following:

2014/15 £000's	Lancashire County Pension Fund	2015/16 £000's
	Asset Category:	
3,569	**Cash and Cash equivalents**	2,584
	Equities*	
8,144	- Consumer	8,162
1,134	- Energy & Utilities	946
4,364	- Financials	4,557
2,503	- Healthcare	2,726
3,535	- Industrials	3,255
4,164	- Information Technology	4,624
998	- Materials	930
513	- Telecommunications	623
-	- Other	-
25,355		25,823
	Bonds*	
709	UK corporate	1,080
313	Overseas corporate	450
2,312	UK index linked	1,510
3,334		3,040
	Property	
2,996	Retail	2,573
3,941	Commercial	4,647
6,937		7,220
	Other	
4,466	Private Equity - UK and Overseas	4,524
6,385	Pooled Equity Funds - UK and Overseas	5,992
4,100	Infrastructure	6,003
18,978	Credit Funds	18,905
540	Indirect Property Funds	1,037
34,469		36,461
73,664	**Closing balance at 31st March**	**75,128**

* denotes asset categories that have quoted prices in active markets

Basis for estimating assets and liabilities

Within the pension scheme the Council is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees. Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The pension scheme benefits liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates being based on the latest full valuation of the Lancashire County Pension Fund scheme as at 31st March 2013.

Regulations governing the fund require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The last valuation showed a shortfall of assets against liabilities of £1.38bn as at 31st March 2013. The fund's employers are paying additional contributions over a period of 19 years in order to meet the shortfall.

The significant assumptions used by the actuary have been:

Local Government Pension Scheme	2014/15	2015/16
Mortality assumptions:		
Longevity at 65 for current pensioners (years)		
Men	22.9	23.0
Women	25.4	25.6
Longevity at 65 for future pensioners (years)		
Men	25.1	25.2
Women	27.8	27.9
Rate of CPI inflation	2.0%	2.0%
Rate of increase in salaries	3.5%	3.5%
Rate of increase in pensions	2.0%	2.0%
Rate for discounting scheme liabilities	3.2%	3.5%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis are consistent with those used in 2014/15.

Local Government Pension Scheme	Impact on the Defined Benefit Obligation £'000
Sensitivity Analysis - Assumptions	
+0.1% change in discount rate	(1,865)
+0.1% change in inflation rate	1,895
+0.1% change in pay growth	314
1 year increase in life expectancy	2,417

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. As part of the 2013 valuation, the Pension Fund agreed with participating employers to put in place a recovery plan assuming a recovery period of 19 years. The next valuation of the Fund will take place with an effective date of 31st March 2016 with any revised contributions rates being applied to the Council with effect from 1st April 2017.

The scheme will need to take account of the national changes to the Local Government Pension Scheme (LGPS) under the Public Pensions Services Act 2013. Under the Act, the LGPS in England and Wales may not provide benefits in relation to service after 31st March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

The Council anticipates paying employer contributions of £2.284m to the scheme in 2016/17.

The Council's weighted average duration of the defined benefit obligation for scheme members is 16 years.

33. JOINT VENTURE ARRANGEMENTS

In partnership with Barnfield Investment Properties (BIP), the Council has established three joint venture companies (JVC). Whilst they are considered to be jointly controlled entities, they are not regarded as so financially material to the Council to require the preparation of Group Accounts for 2015/16. This position is subjected to an annual review in response to any changes in the scale of activity of the Council and Pearl entities.

Pendle Enterprise and Regeneration Ltd (Company No. 6375571)

Pendle Enterprise and Regeneration Ltd (PEARL) was incorporated in September 2007. PEARL's principal activities are to:-

- Initiate the development of a community leisure facility on Market Street in Nelson; and thereafter;
- address the regeneration of properties transferred to the company by the Council and in particular marginal regeneration opportunities across Pendle which would normally be ignored by the private sector.
- Revitalise business opportunities within Colne Shopping Precinct and act as an investment tool to support the above schemes.

PEARL has an authorised share capital of £1,000 of which BIP has 700 £1 shares and the Council has 300 £1 shares. The issue share capital is £10.00 and has been called up, and paid, in proportion to the authorised share capital. Both BIP and the Council are entitled to appoint up to five Directors each to form the Board of Directors.

Company Secretarial services were provided by the Council in 2015/16 and the Council's Strategic Director is the Company Secretary. The Council also provides accountancy services to PEARL for which the remuneration in 2015/16 was £16.6k.

In accordance with the Shareholders Agreement for the Company, both BIP and the Council agreed to make loan advances to the Company. For every £1 of loan capital advanced by the Council to the Company, BIP matches that with a loan capital of £2.33 (an investment ration of 30:70).

The total approved loan advances agreed by the Council as at 31st March 2016 was £570k. There were no further advances made to PEARL during the year. The value of these loan notes (with accrued interest) has been reflected as a Long Term Debtor in the Council's accounts since 2008/09. The value of the loan notes as at 31st March 2016 is £691k including accrued interest of £121k.

Pendle Enterprise and Regeneration (2) Ltd (Company No 6684862)

Pendle Enterprise and Regeneration (2) Ltd (PEARL) was incorporated in September 2008 but did not start actively trading until November 2009. The principal activity of the Company is the regeneration of the Borough of Pendle.

PEARL2 has an authorised share capital of £100 of which BIP has 70 £1 shares and the Council has 30 £1 shares. The issued share capital is £100 and has been fully called up, and paid, in proportion to the authorised share capital. As with PEARL, Both BIP and the Council are entitled to appoint up to five Directors each to form the Board of Directors.

Company Secretarial services were provided by the Council in 2015/16 and the Council's Strategic Director is the Company Secretary. The Council also provides accountancy services to PEARL2 for which the remuneration in 2015/16 was £10.9k.

PEARL2 has undertaken a number of development projects. These include, for example:-

- the acquisition and refurbishment of Shackleton Hall, Colne;
- the refurbishment of properties in the Whitefield Area of Nelson;
- the redevelopment of the sites of the former Lob Lane Mill, Brierfield now known as Quaker Heights and Bunkers Hill site;
- the redevelopment of three Pavilions – Bullholme in Barrowford, Holt House in Colne and Edge End in Brierfield;
- the refurbishment of Booth Street Offices, Nelson.

In support of these developments, and in accordance with the Shareholders Agreement for the Company, both BIP and the Council agreed to make loan advances to the Company. For every £1 of loan capital advanced by the Council to the Company, BIP matches that with loan capital of £2.33 (an investment ratio of 30:70).

The total approved loan advances agreed by the Council as at 31st March 2016 was £654k. No new advances were made to PEARL2 during the year.

As with PEARL 1, loan notes to the value of loans advanced have been issued to the Council by the Company. The value of these loan notes (with accrued interest) has been reflected as a Long Term Debtor in the Council's accounts for the year. The value of the loan notes as at 31st March 2016 is £741k (including accrued interest of £87k).

Pendle Enterprise and Regeneration (Brierfield Mill) Ltd (Company No 07951533)

Pendle Enterprise and Regeneration (Brierfield Mill) Ltd was incorporated in February 2012. The principal activity of the Company is the redevelopment of the site of Brierfield Mills, Brierfield, Lancashire.

PEARL (Brierfield Mill) Ltd is a wholly owned subsidiary of PEARL2. It has an authorised share capital of £1,000 of which BIP has 700 £1 shares, the Council has 299 £1 shares and PEARL2 has £1. The issued share capital is £1,000 and has been fully called up, and paid, in proportion to the authorised share capital. As with PEARL and PEARL2, both BIP and the Council are entitled to appoint up to five Directors each to form the Board of Directors.

Company Secretarial services were provided by the Council in 2015/16 and the Council's Strategic Director is the Company Secretary. The Council also provides accountancy services to PEARL (Brierfield Mill) Ltd for which the remuneration in 2015/16 was £10.6k.

The Council has allocated funding as a contribution to the overall redevelopment of the Brierfield Mill site, of which £168k has been advanced by way of loans to the company at 31st March 2016. As with PEARL and PEARL2, any loan advance made by the Council is matched by BIP in line with the investment ratio (2.33:1).

As with PEARL 1 and 2 above, loan notes to the value of loans advanced have been issued to the Council by the Company. The value of these loan notes (with accrued interest) have been reflected as a Long Term Debtor in the Council's accounts for the year. The value of the loan notes as at 31st March 2016 is £176k (including accrued interest of £8k).

Copies of the accounts for PEARL, PEARL2 and PEARL (Brierfield Mill) Limited can be obtained upon request in writing from the Company Secretary, Pendle Enterprise and Regeneration Ltd, c/o Financial Services, Town Hall, Market Street, Nelson, Lancashire, BB9 7LG.

34. CONTINGENT ASSETS

Regenerate Pennine Lancashire

During 2007/08, the Council introduced a Purchase Assistance Loan Scheme (PALs) in conjunction with Regenerate Pennine Lancashire (RPL), one of the government's nine housing market renewal pathfinders. The purpose of the PALS Scheme is to provide loans to residents in proposed clearance areas to assist in the purchase of another property elsewhere within the District. Any loans provided are secured by way of a charge on the new property.

As at 31st March 2016, the Council had 7 loan advances outstanding of £181k with repayments in the year of £30,000. All loan advances are fully funded by grant. However, the loans are repayable to the Council upon certain events, the timing of which cannot be determined as it is dependent on a number of factors. In view of this, the Council has not recorded the amounts due as long term debtors. As repayment is dependent on one or more uncertain future events not wholly within the Council’s control, it is recorded here as a contingent asset. The classification of the loans will be subject to annual review and in the event that repayment is considered to be virtually certain, the accounting treatment will be changed accordingly.

Compound Interest Claim (VAT)

HMRC’s directive to pay interest on VAT claims is paid at the statutory interest calculated on simple interest method. Simple interest has been paid by HMRC on underlying claims for “Flemming” VAT repayments to the Council. As a result of a judgement of the Court of Justice of the EU on the 28th March 2014 and a second judgement by the High Court in the *Littlewoods* case finding that interest should be calculated on a compound basis, the Council has submitted a claim for compound interest to the High Court.

The Council has retained PricewaterhouseCoopers to advise on this matter and are in the process of serving the legal documents. The value of the claim is yet to be determined but could exceed £300,000.

35. CONTINGENT LIABILITIES

Details of the material contingent liabilities that are applicable to the Council are as follows:-

Large Scale Voluntary Transfer

As part of the transfer of the Council’s housing stock to Housing Pendle on 30th October 2006, the Council gave a number of warranties and covenants to both Housing Pendle and their funders. These cover a range of potential liabilities which would require the Council to indemnify either the Housing Association or the funders in the event of these liabilities being realised. The likelihood of any of the liabilities arising diminishes as the time from transfer increases. Neither Housing Pendle nor its funders have indicated in any way that they intend making a claim against the Council under any of the warranties or covenants provided.

Wavelengths Leisure Centre Extension

In March 2006, the Council agreed to underwrite the lease agreement entered into by the Pendle Leisure Trust to fund part of the cost of the extension to the Wavelengths Leisure Centre, a facility that is leased to the Leisure Trust by the Council. The original amount underwritten was £3.6m and an indemnity has been provided to Alliance Leisure Ltd. As at 31st March 2016, the outstanding rentals were valued at £1.257m. In the event the Leisure Trust is unable to meet its obligations in relation to the borrowing, the Council would be required to meet any payments required. There is no indication at present that the Council will be required to make any such payments as a result of the indemnity.

Accountable Body Status

The Council acts as the Accountable Body for various Government and European Programmes which does involve an element of risk. There is a responsibility on the Accountable Body to manage the grant money received and should any project default or fail to repay an incorrectly paid grant the Council would have to repay the grant itself. This potential risk is being managed and is considered small particularly when measured against the economic benefit, in excess of £51m, generated by these programmes since their inception.

Also the Council has given an indemnity in respect of projects based or operating within the Council's area to Blackburn with Darwen Borough Council which acts as the Accountable Body for the Local Enterprise Growth Initiative (LEGI). Whilst Blackburn with Darwen Council is the Accountable Body, they are not prepared to accept the risk that may arise from projects in other Councils' areas. An indemnity has also been given to Lancashire County Council in respect of the Regenerate Pennine Lancashire (formerly known as Elevate) Programme.

Empty Homes Initiative

The Council is subject to potential litigation in relation to its participation in a project funded by the Homes and Communities Agency and managed by Rossendale Borough Council acting as the accountable body. Under the project a number of empty homes across parts of Pennine Lancashire were to be refurbished and brought back in to use. Rossendale Borough Council engaged a commercial partner, AAAW Ltd to deliver the project but the company ceased trading at the end of January 2015.

Rossendale Borough Council has begun judicial review proceedings against the Council for the expenses they have incurred as a result of their involvement in the Empty Homes project. These proceedings have been adjourned until September 2016 to allow for mediation to take place in an effort to resolve the matter.

36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

The Council's activities expose it to a variety of financial risks. The key risks are:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk - the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall procedures for managing risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - The Council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures to the maturity structure of its debt;

- Its maximum annual exposures to investments maturing beyond a year.

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance

These are required to be reported and approved before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy for 2015/16 which incorporates the prudential indicators was approved by Council on 26th March 2015 and is available on the Council website at http://www.pendle.gov.uk/meetings/meeting/1820/council

The key issues within the strategy were:

- The Authorised Limit for 2015/16 was set at £23.5m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £22.5m. This is the maximum expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 25% based on the Council's net debt.

The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch Ratings. The Annual Investment Strategy also imposes a maximum sum to be invested with any approved financial institution and other approved sectors (e.g. local authorities). The credit criteria in respect of financial assets held by the authority are as detailed below.

Deposits are only made with main UK clearing banks and one UK building society (taking in to account credit ratings issued by Fitch and supplied weekly by our Treasury Management consultants). Limits are assigned for each counterparty in relation to the maximum duration and amount of investment. The maximum duration limits that have applied during 2015/16 range from 100 days to 364 days. The maximum sums invested range from £2.5m to £5m (£5m for the Council's Bankers) and £6m for Lancashire County Council.

Any short-term operational breaches of these limits (in practice this relates only to monies with the Council's own bankers) are reported to the Council's Accounts and Audit Committee during the year. The Council does not expect any losses from non-performance by any of its counterparties.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies 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 such entities 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 2016 that this was likely to crystallise.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions:

	Amount £000s	Historical experience of default %	Adjustment for market conditions %	Estimated maximum exposure to default £000s	Estimated maximum exposure to default £000s
Cash deposits :	31 March 2016	31 March 2016	31 March 2016	31 March 2016	31 March 2015
Banks & Building Societies	7,046	0.00%	0.00%	Nil	Nil
Other Local Authorities / Govt	10,813	0.00%	0.00%	Nil	Nil
Sundry /Trade Debtors	839	3.00%	33.00%	299	294
Total	18,698			299	294

The Council does not generally allow credit for its customers, such that the sum of £833,000 of the £839,000 debtors balance shown above is past its due date for payment. The past due amount can be analysed by age as follows:

2014/15 £000's		2015/16 £000's
535	Less than three months	529
74	Three to six months	27
24	Six months to one year	32
256	More than one year	245
889		**833**

Collateral – During the reporting period the council held no collateral as security.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period approved within the Treasury Management Strategy:

2014/15 £000's		2015/16 £000's
1,000	Less than one Year	-
3,000	Between two and five years	3,000
5,500	Between five and ten years	5,500
4,859	More than ten years	6,859
14,359		**15,359**

Market risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances). As an example, a 1% increase in the discount rate would reduce the fair value of the Council's borrowing liabilities shown on page 63 from £16.988m to £15.157m;
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise;
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances). As an example, a 1% increase in the discount rate would reduce the fair value of the Council's loans and receivables shown on page 63 from £17.864 to £17.835m.

Borrowings are not carried at fair value on the balance sheet, 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.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. To limit the potential impact of changes in interest rates on variable rate borrowing a limit of 25% of total borrowing is set at the maximum that may be borrowed at variable rate. During 2015/16 the Council had no borrowings with variable interest rates.

Price risk - The Council does not invest in equity shares or marketable bonds.

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

37. TRUST FUNDS

The Council has the following funds:

	2015/16			
	Balance at 1 Apr 2015	Advanced	Utilised	Balance at 31 Mar 2016
	£	£	£	£
Mayor's War Benevolent Fund	43,150	-	-	43,150
Winewall Inghamites	40,200	-	(350)	39,850
Carl Pritchard	14,000	-	-	14,000
	97,350	**-**	**(350)**	**97,000**

As at the 31st March 2016 these funds are included within the Council's Balance Sheet representing monies effectively on loan to the Council and which form part of our short-term borrowing as disclosed on the Balance Sheet. This is matched by an equivalent amount within our cash balance. The intention during 2016/17 is to review the status of these funds and to disaggregate the balances where appropriate from the Council's accounts and establish separate arrangements for each fund.

COLLECTION FUND

Revenue Account for the year ended 31st March 2016

2014/15 £000's		2015/16 £000's Council Tax	£000's NNDR	£000's Total
	Income			
37,582	Council Tax	39,387	-	39,387
-	Other Income	24	-	24
(4)	Council Tax Transitional Relief	(2)	-	(2)
19,684	Business Rates		19,998	19,998
57,262	**Total Income**	39,409	19,998	59,407
	Expenditure			
	Precepts			
26,226	Lancashire County Council	25,552	1,739	27,291
12,685	Pendle Borough Council	5,437	7,731	13,168
3,459	Lancashire Police Commissioner	3,597	-	3,597
1,596	Lancashire Combined Fire Authority	1,467	193	1,660
555	Town & Parish Councils	677	-	677
9,191	Central Government	-	9,663	9,663
275	Transfer of Collection Fund Surplus / (Deficit)	925	-	925
53,987		37,655	19,326	56,981
	Business Rates			
137	Collection Allowance	-	137	137
137		-	137	137
	Bad and Doubtful Debts			
650	Bad Debts Provision	280	140	420
1,197	Appeals Provision	-	2,538	2,538
210	Write-Offs	89	246	335
2,057		369	2,924	3,293
56,181	**Total Expenditure**	38,024	22,387	60,411
1,081	Surplus / (Deficit) For The Year	1,385	(2,389)	(1,004)
750	Surplus / (Deficit) Brought Forward	2,264	(433)	1,831
1,831	Surplus / (Deficit) Carried Forward	3,649	(2,822)	827

Notes to the Collection Fund

1. The Collection Fund 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.

2. In 2013/14, the local government finance regime was revised and the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the Borough. The scheme allows the Council to retain a proportion of the total business rates income received. Pendle's share is 40% with the remainder paid to precepting bodies. For Pendle the precepting bodies are Central Government 50% share, Lancashire County Council 9% and the Lancashire Combined Fire Authority 1% share

3. The total non-domestic rateable value was £53m as at 31st March 2016 (£52.4m as at 31st March 2015). The national non-domestic rate standard multiplier for 2015/16 was 49.3p, with a small business multiplier of 48.0p, in the £ (48.2p and 47.1p respectively in 2014/15).

4. The income from Business Rates shown on the face of the Collection Fund Statement is less than that derived by multiplying the NNDR rateable value by the NNDR multiplier primarily as a result of various reliefs which reduce the income yield (e.g. small business rate relief, transitional relief, charitable relief, empty property relief).

5. To show how the council tax base is calculated the following table details the number of chargeable dwellings in each valuation band.

2014/15			2015/16	
Adjusted No of Properties	**Band D Equivalent**	**Council Tax Band**	**Adjusted No of Properties**	**Band D Equivalent**
81	45	-A	85	47
21,392	14,263	A	21,551	14,367
4,015	3,123	B	4,049	3,149
3,936	3,499	C	3,960	3,520
2,897	2,897	D	2,934	2,934
1,629	1,990	E	1,643	2,009
896	1,294	F	894	1,292
470	783	G	474	790
38	76	H	39	77
	27,970			**28,185**

6. A number of adjustments are applied to the total property figure shown above to derive the actual tax base used for council tax setting purposes. The tax base for 2015/16 was calculated as follows expressed as a number of Band D equivalent dwellings:

Number of Band D equivalent properties (per above)	28,185
Less: reduction for estimated non-collection	(1,183)
	27,002
Less: reduction for impact of Council Tax Support discount	(4,385)
Net Tax Base for 2015/16	22,617

7. The precepts and demands for Council Tax and Business Rates made on the Collection Fund together with analysis of the fund balance are shown in the tables below:

Council Tax

2014/15 £000's		Precept/ Demand £000's	Share of Surplus £000's	2015/16 Total £000's
6,264	Pendle Borough Council	5,437	616	6,053
26,146	Lancashire County Council	25,552	2,534	28,086
3,681	Lancashire Police Commissioner	3,597	355	3,952
1,502	Lancashire Combined Fire Authority	1,467	144	1,611
37,593		**36,053**	**3,649**	**39,702**

Business Rates

2014/15 £000's		Precept/ Demand £000's	Share of Deficit £000's	2015/16 Total £000's
8,974	Central Government	9,663	(1,411)	8,252
7,180	Pendle Borough Council	7,731	(1,129)	6,602
1,615	Lancashire County Council	1,739	(254)	1,485
180	Lancashire Combined Fire Authority	193	(28)	165
17,949		**19,326**	**(2,822)**	**16,504**

8. The Council has a statutory requirement to prepare an estimate each January of the surplus or deficit expected to arise at the end of the financial year. In January 2015 it was estimated that the Collection Fund would have a Council tax surplus of £925k and a Business Rates surplus of £nil, a combined Collection Fund surplus of £925k (£275k surplus in January 2014) and so the following amounts were due to / (from) the preceptors in 2015/16.

2014/15 £000's		Council Tax £000's	Business Rates £000's	2015/16 Total £000's
(352)	Central Government	-	-	-
(122)	Pendle Borough Council	154	-	154
620	Lancashire County Council	643	-	643
33	Lancashire Combined Fire Authority	91	-	91
96	Lancashire Police & Crime Commissioner	37	-	37
275		**925**	**-**	**925**

AUDIT CERTIFICATE AND OPINION

Audit Opinion

The Audit Opinion will be inserted here once issued by Grant Thornton. Post completion of the audit, the Accounts and the Auditor's report will be published on the Council's website.

EARMARKED RESERVES 2015/16

- Renewals Reserve – is a source of funding for the Council's Asset Management Strategy;
- Budget Strategy Reserve – provides general support to the Council's annual spending priorities – the VAT Shelter Reserve was combined with this in 2010/11;
- VAT Partial Exemption Reserve - exists to provide a balance of resources to meet the costs in any single year arising from the Council exceeding its partial exemption limit;
- Death in Service Reserve – provides funding to meet the cost of the Council's policy of making payments to widows/widowers of Officers of the Council who die in the course of their service with the Council;
- Revenue Expenditure Reserve – contains miscellaneous service related balances and also covers slippage of revenue budgets from one year to another;
- Change Management Reserve - has been established to provide funding for the Council to deal with changes in the delivery of services as and when these arise;
- Pensions Reserve – to provide cover for potential changes in Employers' contribution rates;
- Local Authority Business Growth Reserve – to provide support for the Discover Pendle Centre;
- Empty Property Strategy Reserve – to provide resources for the Council's Empty Property Strategy;
- Local Development Framework Reserve – to cover any resource implications of the framework;
- Insurance/Risk Management Reserve – to cover potential uninsured losses and support investment in measures to reduce risk;
- External Funding for Projects (formerly the Area Based Grants (ABG) Reserve) – reflects the balance of unused ABG monies awarded to the Council in previous years;
- Liberata Bond Reserve – to provide resource cover in the event there is a need to transfer services currently undertaken by Liberata back to the Council and where the costs of doing so are not met by Liberata under the terms of the contract;
- Conservation Reserve – to cover ongoing maintenance of planted woodland contracted with the Forestry Commission;
- Performance Reserve – to provide funding to meet the cost of incentive payments to Liberata arising from the performance management framework agreed as part of the contract with the Council;
- Climate Change Reserve – to provide funding for the implementation of the Climate Change Action Plan;
- Developers' Contributions Reserve – contains payments made by Developers under S106 Planning Obligations which are used to fund the Council's revenue costs primarily in maintaining new or redeveloped areas of public open space;
- External Funding Receipts Reserve – contains the balance of unapplied revenue grant monies paid to the Council for a mix of projects where the Council has met the grant conditions (if any) and the income has been recognised in the Comprehensive Income and Expenditure Statement;
- Business Growth Incentive – to provide a source of funding to invest in business growth within the Borough as part of the Council's 'gearing for growth' initiative;
- Localised Support for Council Tax – to provide a source of funding to deal with matters arising from the Government's reform of the Council Tax Benefit system with effect from April 2013;
- Recycling – to support the Council's investment in recycling initiatives and promote increased public participation and awareness of recycling;
- Performance Reward Grant – contains residual grant monies from previous years which is carried forward to fund schemes approved by the Executive;
- Local Authority Mortgage Scheme – to cover the cost of funding any guarantee provided by the Council to the Marsden Building Society for loans it advances to customers under this scheme;

- Portas Pilot Reserve – to support initiatives aimed at re-generating Nelson Town Centre using funding received under the Government's Portas Pilot Initiative which aims to improve high streets and town centres;
- High Street Innovation Fund Reserve – to use Government grant funding to support local town centres and reduce the number of empty shops;
- ICT Strategy Reserve – to fund costs associated with upgrading IT equipment and software;
- Staff Development / Modern Apprentices Reserve – funding for staff training, development and the recruitment of young persons as Modern Apprentices;
- Pearl Development Reserve – to facilitate the Council's funding support for proposals undertaken as part of the Council's joint venture arrangements with Barnfield Investment Properties;
- Incentive for Inward Investment – to enable the Council to provide incentives to attract business to existing employment sites within Pendle;
- Community Projects Reserve – to enable local groups (including town and parish councils), via one-off support, to deliver or sustain local projects and services;
- Business Rates Volatility Reserve – to mitigate the uncertainty surrounding the level of business rate income and the fluctuations that can arise one year to the next, primarily due to the impact of business rate appeals;
- Growth Sites Development Reserve – to help facilitate the identification and development of sites owned by the Council to support future growth in jobs and housing in the Borough.

Summary of Council Service Areas in 2015/16

Directorate

- Corporate management of the Council
- Policy Development
- Communications

Financial Services (includes services provided under a public/private partnership arrangement by Liberata)

- Organisational Subscriptions
- Donations to external bodies
- Audit fees, bank charges and bad debt provisions
- Pensions
- Earby & Salterforth Drainage Board
- Insurances
- Facilities operated by Pendle Leisure Trust Limited
- Telephony

Services provided by Liberata (included within Financial Services)

- Human Resources
- Information Technology
- Property Services (including misc. land and property, administrative buildings, Markets and Industrial Estates)
- Council Tax – administration, billing and recovery
- Council Tax Support administration
- Housing Benefit administration
- Business Rates – administration, billing and recovery
- Customer Contact Centre
- Mortgages

Democratic & Legal Services

- Mayoralty & Member Services
- Registration of Electors
- Council Elections
- Local Land Charges
- Town Twinning & Civic Expenses
- Printing Unit

Planning, Building Control and Licensing

- Building Control
- Development Management
- Planning Policy
- General Environmental Enhancement
- Licensing (excluding Taxis)
- Taxi Licensing

Environmental Services

- Street Cleansing
- Domestic Waste Collection
- Trade Waste
- Recycling Initiatives
- Conveniences
- Social/Community Centres
- Emergency Planning/Health and Safety
- Depot
- Parks
- Open Spaces
- Playgrounds
- Picnic Sites
- Cemeteries
- Landscape Maintenance

Housing, Health & Economic Development Services

- Homelessness
- Private Sector Housing
- Women's Refuge
- Tourism
- Development & Promotion
- Information & Visitor Centre at Boundary Mill
- Food Hygiene
- Air Pollution
- Noise Control
- Occupational Health
- Public Health
- Pest Control

Neighbourhood Services

- Private Street Works
- District Highways
- Countryside Access
- Car Parking
- Bus Route Subsidies
- Passenger Shelters
- Bus Stations
- Land Drainage
- Cycleways
- Reclamation
- Town Centres
- CCTV
- Community Based Projects
- Playing Fields
- Parks Games
- Environmental Action Group
- Enforcement Team
- Christmas Events for the Elderly

GLOSSARY OF TERMS

Glossary of Terms

TERMS USED	DEFINITION OF TERMS
Accruals	The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
Accumulated Absences	Absences earned but not taken by the end of the financial year i.e. holiday pay entitlement.
Amortisation	The writing down in value of tangible fixed assets, which is charged to service revenue accounts to reflect the cost of such assets, used in the provision of those services. This is the equivalent of depreciation for fixed assets.
Assets	Something of worth which is measurable in monetary terms
Balance Sheet	A statement of the recorded assets, liabilities and reserves at the end of an accounting period.
Budgets	A statement of the Council's forecast spend - i.e. net revenue expenditure for the year.
Business Rates	See Non-Domestic Rates.
Capital Charges	This represents charges made to services' revenue accounts to reflect the cost of fixed assets used in the provision of services.
Capital Expenditure	Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.
Capital Receipts	Proceeds or money received from the sale of land or other capital assets. Under the Local Government Act 1989, a proportion must be set aside to provide for the repayment of debt and the balance is available to finance new capital expenditure.
Cash and Cash Equivalents	Money held either as cash-in-hand, a deposit with a financial institution repayable without penalty on notice of no more than 24 hours or investments that mature within 3 months from the date of acquisition.
CIPFA	Chartered Institute of Public Finance and Accountancy
Community Assets	These are assets which the Council intends to hold forever, which have an indeterminable useful life and in addition may have restrictions on their disposals. Examples include parks, historic buildings, cemeteries, etc.
Contingent Liability	A condition which exists at the balance sheet date, which may arise in the future but where the outcome will be confirmed only on the occurrence or non-occurrence of one or more future events.
Creditors	Amounts owned by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.
DCLG	Department for Communities and Local Government
Debtors	Sums of money due to the Council but which are unpaid at the date of the balance sheet.
DEFRA	Department for Environment, Food and Rural Affairs

Depreciation	The measure of the wearing out, consumption, or other reduction in the economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.
Effective Interest Rate	The rate of return that provides a level yield on a financial asset through to maturity date (or the next re-pricing date). To look at it another way, it is the rate that exactly discounts the cash flows associated with the financial instrument through to maturity (or the next re-pricing date) to the net carrying amount at initial recognition, i.e. a constant rate on the carrying amount.
Fair Value	Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Finance Lease	Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.
Financial Assets	Cash, bonds, deposits, loan and debtors, and shares in another organisation, are all examples of financial assets.
Financial instrument	Any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.
Financial Liabilities	Include borrowings, other financing and bank overdrafts, derivative instruments and accounts and notes payable.
Fixed Assets	Include investments, accounts and notes receivable, short-term investments, including derivative instruments, and cash and cash equivalents.
General Fund Services	This comprises all services provided by the Council. The net cost of general fund services is met by Council Tax, Government grants and business rates.
Historical Cost	This represents the original cost of acquisition, construction or purchase of a fixed asset.
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
Impairment	A reduction in the value of a fixed asset below its value brought forward in the balance sheet. Examples of factors which may cause such a reduction in value include, general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.
Infrastructure Assets	These are inalienable assets (i.e. assets where ownership cannot be transferred) from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges, etc.
Liabilities	Money the Council will have to pay to people or organisations.
Minimum Revenue Provision	This is the minimum amount which must be charged to the Council's revenue account each year to provide for the repayment of loans used to finance capital expenditure. The minimum amount is a percentage of the total capital financing requirement of the Council.

Net Current Replacement Cost	This represents the cost of replacing or recreating a particular asset in its existing condition and in its existing use. That is the cost of replacing an asset, adjusted to reflect the current condition of the existing asset.
Net Realisable Value	The open market value of an asset in its existing use less any expenses incurred in realising the asset.
Non-Domestic Rates (NNDR)	These are business rates collected locally by the Council and shared between the Council, Government, County Council and the Fire Authority.
Operating Lease	A lease other than a finance lease.
Operational Assets	These are fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a responsibility.
Precepts	The proportion of total Council Tax which is due to local parishes and various authorities (e.g. the Police and Fire and Civil Defence Authorities) and which is collected on their behalf by the Council.
Public Works Loan Board	A government agency which provides long-term loans to local authorities at interest rates lower than prevailing market rates. The Council is able to borrow a proportion of its capital financing requirements from this source.
Recharges	The transfer of costs within the Council from one account to another to reflect work undertaken on behalf of another service.
Reserves	These are amounts set aside from balances to meet specific items of future expenditure. There are revenue and capital reserves.
Revenue Contributions	A method of financing capital expenditure through the revenue account.
Revenue Expenditure	This represents day to day running costs incurred in the provision of Council services. Such costs principally include employees' costs, supplies & services costs, etc.
Revenue Support Grant (RSG)	A grant paid to the Council by the Government to finance the Council's general expenditure 'needs' and not specific services, after taking into account the level of Council Tax and NNDR income.
SeRCOP	Service Reporting Code of Practice. This Code of Practice provides guidance to Local Authorities on how to classify costs for comparative purposes between Authorities. The Code of Practice is the accounting guidance developed by CIPFA in support of the Government's Best Value Legislation.
SOLACE	Society of Local Authority Chief Executives.
Unusable Reserves	Reserves that the Council is not able to use to provide services as they reflect unrealised gains and losses and associated accounting adjustments.
Usable Reserves	Reserves that the Council may use to provide services subject to maintaining a prudent level and any statutory limitations.
Working Balances	This represents the accumulated surplus (excess of income over expenditure) on the Council's revenue accounts i.e. General Fund.