

# Borough of Pendle

## STATEMENT OF ACCOUNTS

for the year ended  
31<sup>st</sup> March 2017





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Statement of Accounts  
Approved by the  
Accounts and Audit Committee  
31<sup>st</sup> July 2017

Councillor Lyle Davy  
Chairman

## Introduction

This Statement of Accounts for the year ended 31<sup>st</sup> March 2017 has been prepared and published in accordance with the Code of Practice on Local Authority Accounting 2016/17, 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 2016. 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 shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.
- **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 taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.
- **Balance Sheet** – This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council 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 Council 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.
- **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.

In addition to the core statements outlined above there is a significant new disclosure note included for the first time in the Statement of Accounts. This is the **Expenditure and Funding Analysis**. In effect this has replaced the former segmental analysis disclosed in previous years (formally described as 'Amounts reported for resource allocation decisions'). The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's service departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement

### **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 20 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 36 of this document.

## Narrative Report for 2016/17 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 2016/17;
- 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 (first introduced in 2015/16 and replaced 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 31<sup>st</sup> March 2017 and adopts the following structure:

- An introduction to Pendle
- Key facts about Pendle
- Information about the Council
- The 2016/17 revenue budget and medium-term position
- The capital programme for 2016/17 and over medium-term
- Financial performance of the Council in 2016/17
- Non-financial performance of the Council in 2016/17
- Overview of strategic risks facing the Council
- The financial outlook to 2020/21
- 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<sup>2</sup> and has a population of 90,111 giving it an overall population density of 532 persons per km<sup>2</sup>.

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 most recent Sub-National Population Projections (SNPP) published by the Office for National Statistics estimates that the population of Pendle will increase to 91,500 by 2030. Over this same period the population aged 65 and over in Pendle is expected to rise from around 18% of the total population to around 23%, 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. Overall, the proportion of households privately renting/living rent free is higher in Pendle at 19.7% than the Lancashire average of 16.4% and much of this is in the older terraced stock.

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 (61.9%) 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 65 attractions and 45 accommodation providers in the district.

There were over 2.59million visitors to Pendle in 2015, an increase of 1.8% over the 2.54million that visited in 2014. In the same period, visitor spend increased from £101million to £106million with a quarter of this from staying visitors. Pendle hosts a number of significant events throughout the year including the Colne Cycling Grand Prix, Pendle Walking Festival, one of the UK's largest free walking festivals, as well as the multi-award winning Great British Rhythm and Blues Festival, attracting thousands of people to the area each year.



## 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 2016/17 Municipal Year*

After the local election on 5th May 2016 the political make-up of the Council was:

Conservative Party	21 Councillors
Labour Party	17 Councillors
Liberal Democrat Party	10 Councillors
British National Party	1 Councillor

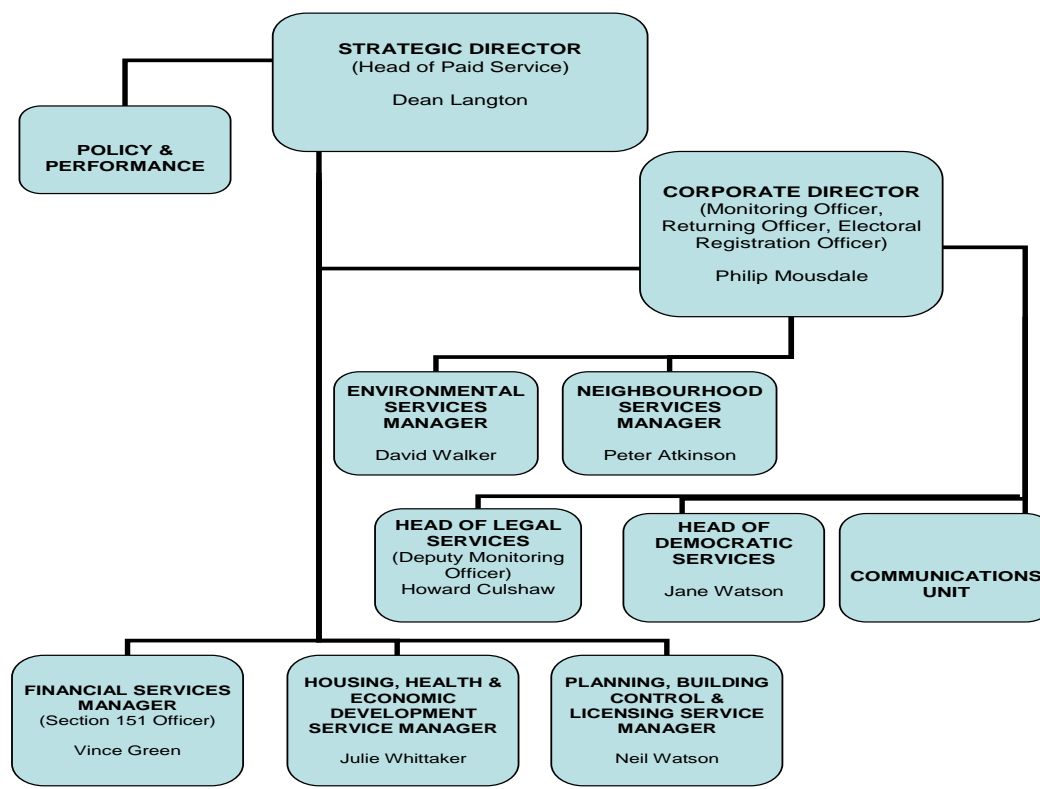
Pendle has 20 wards and the Council is composed of 49 councillors with one-third elected three years in four. The model of governance is that of Leader and an Executive. The Council appoints the Leader. The Executive comprises 10 Councillors including the Leader. During 2016/17 the Executive operated 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 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 senior management structure is shown below:



As at 31st March 2017 the Council's staffing establishment comprised 225.5 full time equivalent staff compared to 236 at 31 March 2016.

#### *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 public and 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 and voluntary 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 and becoming Digital by Default.*

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 2016/17 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 to the Executive following initial consideration by the Budget Working Group. The process concluded in February 2016 when the full Council agreed a net budget for the year of £12.2m. The budget assumed the use of £2.0m from reserves and included various proposals to reduce the overall budget by £1.1m. Details on the revenue outturn for 2016/17 are provided in the Financial Performance section below.

### Council Tax

When setting the budget for 2016/17 the Council agreed to increase council tax by £4.78 (1.99%). This represented the first increase in the Council's share of council tax since 2008/09. The Council set a Band D council tax for the year of £245.16. The average total council tax for the year was £1,698.07, an increase of 4.56% on the previous year made up as follows:

	2015/16 £	2016/17 £
Pendle Borough Council	240.38	245.16
Police & Crime Commissioner	159.06	162.22
Lancashire County Council	1,129.78	1,174.86
Lancashire Fire Authority	64.86	65.50
Local Town and Parish Councils	29.92	50.33
<b>Total Council Tax at Band D</b>	<b>1,624.00</b>	<b>1,698.07</b>

### Council Tax Base

As part of the budget process for 2016/17 the Council set a council tax base (expressed as the number of Band D equivalent properties) of 23,171.3. This represented an increase of 2.45% on the 2015/16 figure (22,617.3).

### Medium Term Financial Plan 2017 - 2021

The Council's financial strategy is linked to the corporate objectives outlined above and is based around the following 4 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
- **Stop** – stop spending on areas that are lesser priorities or which are no longer priorities.

The last theme shown above of 'Stop' was added to the Strategy during the year following a Peer Review undertaken by the Local Government Association in November 2015. In their follow-up visit to the Council in November 2016 the review team commented as follows:

*...The council's financial strategy of 'grow, charge, save' has been effective so far. However, it is time to include 'stop' as part of your analysis. Members need to confirm to officers which services need to be prioritised as resources contract further.*

The Plan takes account of the significant reductions in core funding from Government. Since 2010/11, the Council's core revenue funding from Government has reduced by 52% as shown in the table below:

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	£000	£000	£000	£000	£000	£000	£'000
Business Rates	9,038	6,765	7,839	3,305	3,369	3,670	3,595
Revenue Support Grant (adjusted)	2,087	2,091	151	4,011	2,780	2,571	1,680
Transition Grant	2,053	-	-	-	-	-	-
Efficiency Support Grant	-	2,831	2,216	1,026	1,026	41	-
New Homes Bonus	-	101	190	363	714	952	1,089
<b>Total</b>	<b>13,178</b>	<b>11,788</b>	<b>10,396</b>	<b>8,705</b>	<b>7,889</b>	<b>7,234</b>	<b>6,364</b>
<b>Change</b>	<b>-</b>	<b>-10%</b>	<b>-21%</b>	<b>-34%</b>	<b>-40%</b>	<b>-45%</b>	<b>-52%</b>

An update of the Council's medium term financial plan was considered by the Executive in May 2017 covering the plan period to 2020/21. 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 2017/18 £000	Forecast 2018/19 £000	Forecast 2019/20 £000	Forecast 2020/21 £000
<b>Local Funding "Gap"</b>	<b>1,905</b>	<b>2,800</b>	<b>3,744</b>	<b>4,361</b>
Use of Budget Support Reserve	(1,046)	(1,400)	(1,000)	(500)
Use of Specific Reserves	(859)	0	0	0
<b>Total Use of Reserves</b>	<b>(1,905)</b>	<b>(1,400)</b>	<b>(1,000)</b>	<b>(500)</b>
<b>Funding "Gap"</b>	<b>-</b>	<b>1,400</b>	<b>2,744</b>	<b>3,861</b>
<b>Year on Year Savings Required</b>	<b>-</b>	<b>1,400</b>	<b>1,344</b>	<b>1,117</b>

At £3.9m, 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 2016/17 and over medium-term

Capital spending has reduced significantly in recent years as the level of capital resources 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 initial capital programme for 2016/17 was approved by the Council in February 2016. At that time the overall programme was £7.9m which consisted of 'new' expenditure of £1.3m and slippage valued at £6.6m represented by schemes previously approved and carried forward.

In considering the capital programme for 2016/17 onwards, our Capital Strategy 2016/19 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 can 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 Pendle Enterprise and Regeneration Limited (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 those assets retained for both administrative as well service delivery purposes (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 are unable to afford all of the capital improvements we would like. This will require us to prioritise projects which we do through an established methodology resulting in a prudent, sustainable and affordable capital programme supporting the delivery of our strategic objectives.

The 2016/17 programme was updated throughout the year in response to the previous year's outturn as well as updated assumptions on the timing of expenditure. The final programme value was £13.6m. Two of the more significant changes in year were the additional budget allocations for acquisitions of Number 1 Market Street (£3.5m) and the ACE Centre (£2.3m). Details on the capital outturn for the year are provided in the Financial Performance section below.

### Financial Performance of the Council in 2016/17

The Council's revenue outturn for 2016/17 is shown in the table below. The approved budget provided for net expenditure of £12.2m with a council tax requirement of £5.7m.

Revenue Budget Outturn 2016/17	Approved Budget 2016/17 £000	Actual 2016/17 £000	Variance 2016/17 £000
Net Cost of Services	16,276	16,295	19
Corporate Income and Expenditure	(2,061)	(2,080)	(19)
Contribution to/(from) Reserves	(2,359)	(2,359)	0
<b>Net Expenditure</b>	<b>11,856</b>	<b>11,856</b>	<b>0</b>
Funded by:-			
Council Tax (precept on the Collection Fund)	(5,681)	(5,681)	0
Government Grant	(3,013)	(3,013)	0
Share of Collection Fund Surplus – Council Tax	(408)	(408)	0
Business Rates Income (net)	(3,078)	(3,078)	0
<b>Net Expenditure to be met from Budget Strategy Reserve</b>	<b>(324)</b>	<b>(324)</b>	<b>0</b>
<b>Cont to / (from) the Budget Strategy Reserve</b>	<b>324</b>	<b>324</b>	<b>0</b>

As the table above indicates, our budgeted net expenditure for the year was £11.856m. It was planned to meet this expenditure primarily from Council Tax income of £5.681m, Government Grant of £3.013m and net income from Business Rates of £3.078m. After deducting the Council's share of the council tax surplus on the Collection Fund the balance of income over expenditure of £324k was to be contributed to the Budget Strategy Reserve.

The outturn position for the year as shown above resulted in an overspend of £19k on the net cost of services which has been matched by net additional income within corporate income and expenditure. There are no other variations to account for.

Whilst the net movement on the Budget Strategy Reserve is a contribution to the reserve of £324k as budgeted, this does mask significant movements to and from the reserve. In July 2016, the Council took the decision to divert sums from other reserves and the working balance to the Budget Strategy Reserve. This decision was taken so as to leave an amount on the Budget Strategy Reserve of £5.3m which was the sum needed to contribute to the requirements of the Council's medium-term financial plan over the period 2017/18 to 2019/20. The net movement of £324k represents a contribution to the Budget Strategy of £1.751m (as agreed by Council in July) offset by a contribution from the reserve of £1.427m to support the budget for the year.

### Service Financial Performance

As the table above shows, the cost of services was overspent by £19k 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 106.

Service Area – Revenue Outturn	Approved Budget 2016/17 £000	Actual 2016/17 £000	Variance 2016/17 £000
Directorate	(3)	(3)	0
Financial Services	6,753	6,747	(6)
Democratic & Legal Services	1,020	1,027	7
Planning, Building Control & Licensing	627	542	(85)
Environmental Services	3,760	3,686	(74)
Housing, Health and Economic Regeneration	2,215	2,268	53
Neighbourhood Services	1,904	2,028	124
<b>Net Cost of Services</b>	<b>16,276</b>	<b>16,295</b>	<b>19</b>

### 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 31<sup>st</sup> March 2017, the Council retained a General Fund Working Balance of £1.0m. This is a reduction of £250k compared with the previous year. This stems from the decision taken by Council in July 2016 to transfer £250k from the working balance to the budget strategy reserve for reasons outlined above.

### Capital Expenditure and Income 2016/17

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 2016/17, we spent £4.013m 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 2016/17	Approved Programme 2016/17 £000	Actual 2016/17 £000	Variance 2016/17 £000
Housing	4,409	1,276	(3,133)
Waste Collection	49	34	(15)
Engineering works, Flooding & Community Safety	206	32	(174)
Information & Communications Technology	501	121	(380)
Asset Renewal	1,374	818	(556)
Resource Procurement/Externally funded schemes	2,939	356	(2,583)
Area Committees	516	214	(302)
Parks and Recreation	88	57	(31)
ACE Centre acquisition & Loan to PLT	3,400	1,100	(2,300)
Other general capital schemes	166	5	(161)
<b>TOTAL</b>	<b>13,648</b>	<b>4,013</b>	<b>(9,635)</b>



All bar £61k of the variance shown above will be carried forward to support capital expenditure in 2017/18. The table below shows the sources of capital income used to meet the cost of capital expenditure in the year:

<b>Capital Funding 2016/17</b>	<b>Actual 2016/17 £000</b>
Capital Grants and Contributions	1,380
Revenue Contributions	316
Capital Receipts	283
Prudential Borrowing	2,034
<b>TOTAL</b>	<b>4,013</b>

#### *Treasury Management (Borrowings and Investments)*

At 31 March 2017, the Council had a total capital financing requirement (Council debt) of £15.4m, an increase on the previous year of £1.624m. This reflects prudential borrowing of £2.034m offset by debt repayments of £0.410m. The prudential borrowing in year relates mainly to loans to Pendle Leisure Trust (£1.1m) and PEARL entities (£0.292m) and expenditure on affordable housing (£0.210m).

To meet the capital financing requirement, the Council had external borrowing from the Public Works Loans Board (PWLB) as at 31<sup>st</sup> March 2017 of £16.359m. Of this, an amount of £1m is repayable within a period of 12 months of the Balance Sheet date (£Nil at 31<sup>st</sup> March 2016). During the year a new loan for £1m was taken from the PWLB to finance the Council's capital expenditure plans. The closing position at the end of the year results in an 'over-borrowed' position (i.e. loan debt greater than the capital financing requirement). However, this is permissible under current local authority rules given this position will unwind over the next 1-2 years as additional capital expenditure is incurred.

During the year the Council operated within the limits agreed in its Treasury Management Strategy as approved by Council in March 2016.

In relation to the cash account, we had a balance in hand of £2.063m on 31st March 2017 (compared to cash in hand of £1.547m at 31<sup>st</sup> March 2016). At 31st March 2017, we had investments (excluding the bank balance in hand) of £17.518m (compared to £17.860m last year). This comprised short-term investments (those for less than 364 days) of £10.514m and cash equivalents of £7.004m.

#### *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 2016/17, when setting the council tax for 2017/18, we expected that the Fund would be in a surplus position of £2.098m in relation to council tax collection as at 31st March 2017. The actual balance carried forward in respect of council tax was a surplus of £3.361m which will be carried forward in support of future years' budgets. Pendle Borough Council's share of this is £0.589m with the balance due to the major preceptors.

In relation to business rates in 2016/17, the Collection Fund was projected to be in a deficit position of £1.048m as at 31<sup>st</sup> March 2017. The actual position as at 31<sup>st</sup> March 2017 was a deficit of £57k which will be carried forward and recovered in subsequent years' budgets. Pendle Borough Council's share of this is £23k with the balance due from the Government and major preceptors.

#### *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 Borough Council, the net position at 31<sup>st</sup> March 2017 showed a liability of £48.9m compared to a liability of £43.1m for the previous financial year. This represents an increase in the liability of £5.8m. 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 2017, we had revenue reserves of £8.712m (excluding External Funding Receipts and Developers' Contributions). Of this amount, £1.0m represents the Council's General Fund Working Balance and £7.712m was in specific earmarked reserves. Included within specific reserves is the Budget Strategy Reserve (£3.910m at 31st March 2017) which is used to support future General Fund expenditure.

### **Non-Financial Performance of the Council in 2016/17**

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.

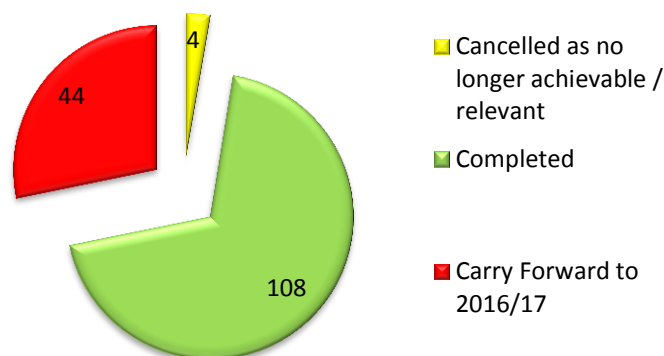
The methods by which we measure our progress in delivering our priorities and achieving our desired outcomes include monitoring our locally driven performance indicator set and our Perception Survey (which is our Resident Satisfaction survey). The performance indicator set is reviewed on an annual basis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

Our Strategic Plan identifies our priorities and objectives and details how we plan to deliver them. It is supported by Service Plans. These are used by Service Managers as part of the day-to-day management of our services and set out what the service aims to deliver over the coming year and the performance targets it strives to meet.

The delivery of our Strategic Plan is directly linked to the Service Plans for each Service Group and Liberata, which in turn are linked to individual Performance Management Reviews (PMRs) for all staff.

During 2016/17 a total of 156 actions from Service Plans contributed to the delivery of our Strategic Plan. As can be seen from the diagram below, 108 (69.2%) of these actions were delivered by 31st March 2017.

Of the 48 actions which were not delivered by 31st March 2017, 44 (28.2%) have been proposed for carry forward to the new service plans for 2017/18. The remaining 4 (2.6%) actions were agreed to be no longer achievable / relevant or, whilst the desired action outcome was achieved, the specific targets set were not met. In the main, the delivery of these actions was affected by external factors which were out of our control or minor shortfalls in the achievement of targets within milestones.



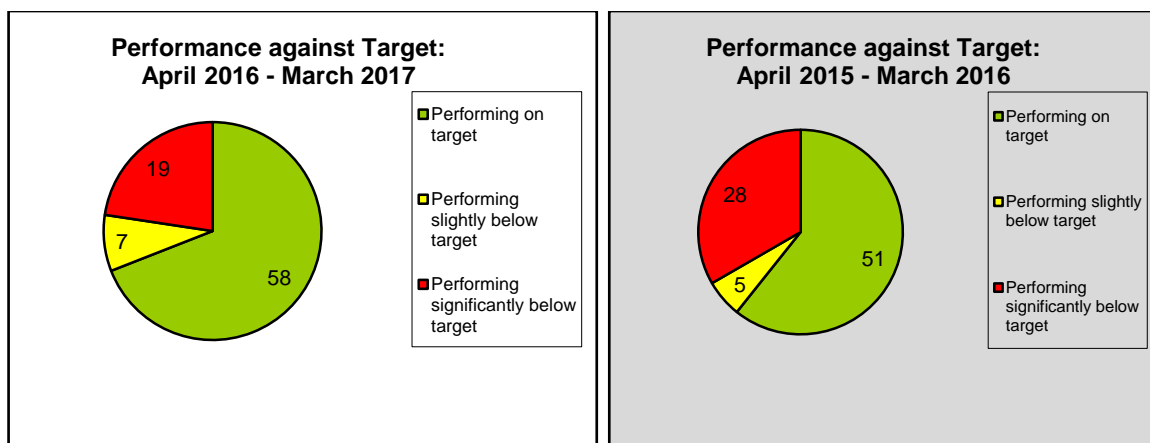
The Council has adopted a basket of 30 corporate key performance indicators (KPIs) which have been devised to provide Councillors with a gauge of performance representing a range of services delivered by and on behalf of the Council.

A full report setting out the performance for the year on each of these indicators was reported to the Executive in May 2017 and can be viewed at [www.pendle.gov.uk](http://www.pendle.gov.uk). A summary follows below.

In total, the Council had 104 corporate performance indicators (PIs) during the year of which 30 are classed as 'key' and reported externally. Based on a report to the Council's Management Team in April 2017, of the 104 Corporate PIs reported on, performance could only be measured against 84. Performance could not be assessed against 20 PIs because:

- 17 are 'Data Only' PIs. This means that targets have not been set either due to the nature of the PI (e.g. monitoring trends), or because they are feeder PIs and are provided in this report for information / context;
- 3 PIs (carbon dioxide emissions reduction; % of sickness absence due to work related injury and / or work related ill health) are still awaiting data for 2016/17 due to the complex data collection processes involved.

The summary below shows how these 84 PIs have performed during the period April 2016 – March 2017. 58 (69%) of our PIs are performing on or above target whilst 31% are underperforming (19 (23%) are Red and 7 (8%) are Amber). The summary from the previous year has also been provided as a comparison.



## 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 reported periodically to 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

Our risk management policy and strategy will be updated during 2017/18 as part of a refresh of our risk management arrangements.

## The Financial Outlook to 2020/21

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 all councils over a four year period from 2016/17 to 2019/20. For Pendle, this indicated a further reduction of 33% in core government funding from the level of support received in 2015/16. The Council accepted the Government's offer of a four year funding settlement primarily for the certainty it provides in relation to revenue support grant funding.

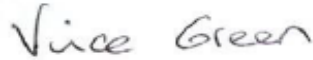
Income from business rates is another important source of funding for the Council and the Government has outlined its intention to move to a system of funding for local government in which 100% of business rates is retained locally. Currently, business rates income is shared 50:50 with central and local government (i.e. Pendle Borough Council, the County Council and the Fire Authority. The uncertainty surrounding the design of the new system of business rates retention combined with

the Government's Fair Funding Review presents a changeable 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**

**Financial Services Manager**

**May 2017**

## **STATEMENT OF ACCOUNTING POLICIES**

## Statement of Accounting Policies

### 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. 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 2016/17* 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-minimis 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 segment or, where applicable, to a corporate service segment 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 90 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 the Financial Services 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. The insurance valuation is updated on a periodic basis in line with other non-current assets held by the Council. The most recent review was in 2016 and the next update will take place in 2020. 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. Interests in Companies and other Entities

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. Leases

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 service segments in accordance with the authority's arrangements for accountability and financial performance.

#### 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-minimis 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 19 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 20 and 21 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. 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.

## 22. 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 2016/17 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 impairment allowance for doubtful 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 impairment.

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 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

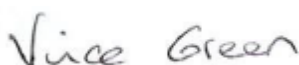
In preparing this Statement of Accounts I have:-

- 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 31<sup>st</sup> March 2017.



**Vince Green, CPFA**  
**Financial Services Manager**  
**31<sup>st</sup> July 2017**



## **ANNUAL GOVERNANCE STATEMENT**

# Annual Governance Statement

## 1. Scope of Responsibility

- 1.1 As a local authority, the Council is required by law to review its governance arrangements at least once a year. Preparation and publication of an Annual Governance Statement in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016) (the Framework) fulfils this requirement. The Framework requires local authorities to be responsible for ensuring that:

- their business is conducted in accordance with all relevant laws and regulations
- public money is safeguarded and properly accounted for
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

The Framework also expects that local authorities will put in place proper arrangements for the governance of their affairs which facilitate the effective exercise of functions and ensure that the responsibilities set out above are being met.

- 1.2 The Council has 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](http://www.pendle.gov.uk)

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

- 1.3 This statement explains how the Council has complied with the seven principles set out in the CIPFA/SOLACE Framework during 2016/17. The preparation of this statement also fulfils the requirement under Regulation 6(1b) of the Accounts and Audit Regulations 2015 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.**
- 2.3 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.
- 2.4 The governance framework has been in place at the Council for the year ended 31<sup>st</sup> March 2017 and up to the date of approval of the Statement of Accounts for the 2016/17 financial year.

### 3. The Council's Governance Framework

**Principle A** - *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.*

- 3.1 The Council has a formal Constitution which is reviewed annually and made publicly available on our website at [www.pendle.gov.uk](http://www.pendle.gov.uk). The Constitution sets out how we operate, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by the law, while others are a matter for us to choose.
- 3.2 The Constitution includes the following documents which provide guidance for officers and Councillors on the standards of behaviour expected to ensure integrity:
- Code of Conduct for Members (Councillors)
  - Code of Conduct for Employees
  - Guidance on the role of a Councillor
- 3.3 The Council's Monitoring Officer maintains the Codes of Conduct up to date and investigates any suspected breaches. Alleged breaches of the Members Code of Conduct are conducted in accordance with an agreed protocol and may involve the Independent Person appointed for this purpose with some matters considered by a Hearings Panel. Councillors sign a formal declaration agreeing to abide by the Code of Conduct. For staff, the Employee Handbook sets out the requirements and standards expected and this forms part of the staff induction process.
- 3.4 The Council also has established a set of core values which are intended to underpin all that we do. These are published annually as part of our Strategic Plan and include the following ethical values:
- 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 to the needs of others;
  - 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.
- 3.5 Staff and Councillors are also made aware of other policies relevant to this principle of the framework including the Council's Anti-Fraud and Corruption, Bribery and Whistleblowing Policies. These arrangements are reviewed and reported on via the Council's Accounts and Audit Committee being the Committee charged with oversight of the governance arrangements at the Council. At the heart of these policies is the requirement for all relevant parties to act with integrity.
- 3.6 All Councillors have to register and declare certain pecuniary interests such as employment, land holdings and contracts with the Council. The register of interests is available on our website at [www.pendle.gov.uk](http://www.pendle.gov.uk). Councillors must declare such interests at meetings which they attend. There are also procedures laid down for staff and councillors relating to the receipt of gifts and hospitality.
- 3.7 All Council decisions have to consider legal implications. These are set out in reports to Councillors and are published on the Council's website. Article 13 of Council's Constitution sets out the responsibility for decision-making. Certain decisions are reserved to the full Council with others delegated to the Executive or other Committee each acting in accordance with parameters set out in the Constitution.
- 3.8 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 within the Constitution. The Council's legal team will advise on the legal implications of proposed decisions and where necessary will engage external legal advisors. The Council's Monitoring Officer and Section 151 Officer have specific responsibility for ensuring legality, for investigating any suspected instances of failure to comply with legal requirements, and for reporting any such instances to councillors.

**PRINCIPLE B - Ensuring openness and comprehensive stakeholder engagement.**

- 3.9 One of the Council's 4 strategic objectives is "working with partners and the community to sustain services of good value" – included within this objective of reference to the operation of decision-making structures that are open, transparent and accountable. It is an important principle for how the Council conducts itself.
- 3.10 All decisions of the Council are made in accordance with principles laid down in the Constitution and include the following:
- A presumption in favour of openness;
  - With due explanation as to what options were considered and giving clear reasons for the decision.

All meetings of the Council, the Executive and Committees are open to the public. Agenda papers and reports together with the Minutes of all meetings are publicly available on the Council's website unless they are exempt from publication. Examples of the latter are rare at Pendle Council. All Council meetings have an opening section which includes public participation with an opportunity to raise questions at the meeting. Guidance on this is also available on our website.

- 3.11 The Council operates a total of 5 Area Committees covering all parts of the Borough with defined terms of reference and the ability generally to determine local matters. These meet monthly and provide a valuable tool in promoting engagement with the local community.
- 3.12 The Council's guidance on 'The role of a Councillor' contains the following which reinforces the importance of openness requiring Councillors to:
- ...contribute constructively to open government and democratic renewal through actively encouraging the community to participate in the Council's decision making processes; and, to this end, seek to involve the community in decisions that affect them by ensuring they have full information and then by helping them make their views known...*
- 3.13 The Council undertakes consultation on specific topics (examples in 2016/17 included consultation on changes to the local scheme of council tax support and proposals for selective licensing in part of the borough). The bi-annual Pendle Perception Survey was undertaken in late 2016 providing residents with the opportunity to have their say on a range of issues affecting their locality and quality of life. The Council also makes use of social media via Facebook and Twitter.
- 3.14 The Council is committed to publishing information freely and to develop further our culture of openness and transparency and publishes information in accordance with the Local Authorities (Data Transparency) Code. The Council's Freedom of Information Publication Scheme provides a general guide for the public in terms of what information should routinely be available to them by either accessing our website or upon request.
- 3.15 Partnership working is important and the Council has in place a wide range of arrangements ranging from small scale local groups (e.g. Parks Friends Groups) to larger and more formal partnerships (e.g. public/private partnership with Liberata and joint venture arrangements with Barnfield Investment Properties).

**PRINCIPLES C & D – Defining outcomes in terms of sustainable benefits (economic, social and environmental) and determining the interventions necessary to achieve them.**

- 3.16 The Council's strategic vision for the Borough is set out in our Strategic Plan. Our vision is to work with our partners to ensure that:
- Pendle is a place where quality of life continues to improve and where people respect one another and their neighbourhoods;
  - Pendle is a place where everyone aspires to reach their full potential;
  - Pendle is recognised locally, regionally and nationally as a great area to live, learn, work, play and visit.

- 3.17 Underpinning the Council's Strategic Plan are a number of other strategic plans and documents that outline their contributions to achieving the Council's vision and objectives. Examples include, but are not limited to:
- Core Strategy (Planning)
  - Jobs and Growth Strategy
  - Housing Strategy
  - Economic Development Strategy
  - Human Resources, Information Technology and Financial Strategies
- 3.18 Each service area of the Council prepares an annual service plan setting out its contributions to the delivery of strategic objectives and outcomes. Services are required to set and monitor agreed targets for performance. Performance against and achievement of expected outcomes is monitored regularly via the Council's corporate performance management system and reported quarterly to Councillors and the Management Team. Where the expected performance is not being met then potential intervention measures are considered and implemented where appropriate.
- 3.19 In relation to the buying of goods and services, staff must comply with the Council's Contract Procedure Rules. These set out relevant considerations when reaching decisions on award of contracts and include relevant environmental and sustainability aspects including the achievement of 'social value' in addition to cost.
- 3.20 Decisions on the overall level of resources allocated are taken by the Council following consideration by the all-party Budget Working Group and recommendations from the Executive. Specific matters may be subject to more detailed review where selected by the Council's Scrutiny Management Team. Resources and spending plans are critically reviewed to optimise their use and level of fit with the Council's objectives. Financial planning arrangements are well established and underpinned by a three year forward projection as part of the Council's medium-term financial planning arrangements. This includes both capital and revenue budgets.

**PRINCIPLE E – Developing the Council's capacity including the capability of council leadership and staff.**

- 3.21 At the heart of this principle is the Council's fourth strategic objective which is "Maintaining a sustainable, resilient and efficient organisation which is Digital by Default". The aim is to 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 and becoming Digital by Default.
- 3.22 In recent years the Council has invested in training programmes to enhance organisational development, develop leadership skills and promote a coaching culture with staff at all levels encouraged to be innovative and challenge the normal way of doing things. All staff take part in annual performance management reviews which include consideration of their individual training and development needs. A range of training methods and resources are applied and feedback is actively encouraged to assess the benefit of investment in training. The Council has developed a workforce plan, organisational development strategy and a learning and development strategy. Training is available for Councillors including induction and topic specific matters in addition to what is available from organisations such as the Local Government Association.
- 3.23 Capacity is enhanced via a range of partnerships and collaborative arrangements, as well as our commissioning and procurement processes through which the Council operates a mixed economy approach to delivering services in the most effective and efficient way. Service delivery models include, in-house, external outsourced, transfers to external parties and joint venture arrangements. On a regional and sub-regional basis the Council works closely with the Lancashire Economic Partnership and Pennine Lancashire bodies notably in areas such as economic development, regeneration and skills/training.
- 3.24 Leadership roles are well defined at the Council for staff and Councillors, distinguishing for example the role of Council Leader and the officer being the Head of Paid Service (i.e. the Strategic Director). A protocol is included in the Council's Constitution which reflects the principles underlying the respective Codes of Conduct which apply to Members and

Employees. The shared object of these codes is to enhance and maintain the integrity of local government and therefore, demands high standards of personal conduct.

- 3.25 The Council is committed to a culture of continuous improvement and has a focus on service delivery and effective performance management. Peer learning is encouraged and in the past 2 years the Council has undertaken a Peer Challenge review led by the Local Government Association to provide an assessment and feedback on, amongst other things, our organisational capacity and capability from best practice in the local government sector. Investors in People provide another form of external review and assessment and the Council is currently assessed at Gold, being the highest possible grade under the current Standard.
- 3.26 Sustaining organisational resilience is increasingly challenging at a time when headcount is reducing in response to ongoing resource constraints. Set against this, the importance of supporting staff health and well-being is acknowledged and a suite of policies and procedures are in place to support staff maintain their own physical and mental well-being. Examples include the annual health and well-being programme, work/life balance policy and the operation of flexible working for most staff.

**PRINCIPLE F** – *Managing risks and performance through robust internal control and strong public financial management.*

- 3.27 The maintenance of systems and processes to identify and manage the key strategic and operational risks to the achievement of the Council's objectives. The Council's **risk management framework** continues to evolve 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 management 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;
  - a suite of policies and procedures in relation to Whistleblowing, Anti-Fraud Theft and Corruption, Bribery and Anti-Money Laundering.
- 3.28 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.
- 3.29 Corporate Governance including risk management, including the key strategic risks for the Council, are the subject of periodic reports to the Executive and the Accounts and Audit Committee.
- 3.30 The Corporate Governance Working Group reviews the Strategic Risk Register 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 are reported to Management Team and the Accounts and Audit Committee.
- 3.31 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.



- 3.32 The Corporate Director is appointed 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.
- 3.33 The Financial Services Manager is designated 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.
- 3.34 The three 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 Financial Officer in Local Government.
- 3.35 An established **financial management framework** comprising:
- Financial and Contract Procedure Rules as part of the Constitution;
  - 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 consultation;
  - Regular monitoring by management of revenue and capital budgets with reports to Management Team and the Executive;
  - Annual reports to councillors on both the final revenue and capital outturns compared to the approved;
  - Continuous challenge of the scope for securing efficiencies and service improvements;
  - Production of an annual 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.
- 3.36 A **performance management framework** which provides an explicit link between the corporate priorities and personal objectives of staff and their training and development needs. Performance is reported to Councillors and the 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 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;
- 3.37 An **Information Governance Framework** which sets out the way we handle and process 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;
  - Compliance with the Local Authority Data Transparency Code and provision of Open Data on Council website;
  - 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 and external assessors.
- 3.38 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 control.
- 3.39 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 Manager is required to give an opinion on the adequacy of the Council's system of internal control each year.
- 3.40 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. This Committee can make recommendations or highlight any matters requiring attention to the Executive and Council.
- 3.41 Lastly, each member of Management Team is required to sign an Assurance Statement in relation to a range of key controls operating 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.

**PRINCIPLE G** – *Implementing good practice in transparency, reporting and audit to deliver effective accountability.*

- 3.42 All reports to meetings of Council, the Executive and other committees are publicly available on our website with the Minutes also published showing what decisions have been taken and the reason(s) why. Other forms of public accountability reporting include the annual Statement of Accounts, the Council's Annual Report and in year financial and performance monitoring reports. Reports from external audit are also published online including their annual report setting out the findings resulting from their audit of the accounts.
- 3.43 The Council reports performance against targets and financial targets on a regular basis. Progress updates on the implementation status of audit recommendations are also reported quarterly to the Accounts and Audit Committee. The Internal Audit service complies with the requirements of the Public Sector Internal Audit Standards and has direct access to Councillors and all staff in order to discharge its responsibilities.
- 3.44 The Council publishes information in accordance with the Local Authorities (Data Transparency) Code. The Council's website includes a section on Open Data. Open Data is about being transparent, sharing our information with the wider community, and giving them the opportunity to use that data to build useful applications. The data must be in open and machine readable formats that are easy to reuse.
- 3.45 The Council welcomes peer challenge reviews and inspections from regulatory bodies and will act on any recommendations arising as appropriate.

#### 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 Manager's Annual Report on Internal Audit and also reports from the external auditor and any 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 reported to Council via the Overview and Scrutiny Annual Report 2016 (which was considered by Council in May 2017);
  - 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 July 2016 on the outcome of a review of the effectiveness of the system of internal audit (for 2016/17 the equivalent report is due to be submitted to the Accounts and Audit Committee in July 2017);
  - 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. In December 2016 the full Council agreed to opt in to the national scheme for auditor appointments for the 2018/19 financial year;
  - Internal Audit completed 31 scheduled audits up to the end of March 2017 with a further 7 audits completed in the early part of the 2017/18 financial year. All high risk and key financial systems were audited.
  - The overall opinion expressed by the Internal Audit Manager for 2016/17 stated:-  
  
*"Internal Audit reports on both Corporate Governance and Internal Control arrangements. The Internal Audit Manager was satisfied through the review of internal control during 2016/17 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 2016/17.
  - During the year, an external review of Internal Audit was carried out by officers from 2 other local authorities to assess the level of compliance with the Public Sector Internal Audit Standards. The outcomes from this review were reported to the Accounts and Audit Committee in January 2017 and the assessors found that there was "a significant and remarkable level of compliance with the Standards at 99%."
  - 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 periodically. Risk management matters 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.
- An updated self-assessment of the Council's governance framework was undertaken in 2016 and reported to the Accounts and Audit Committee in January 2017 in response to the updated framework and guidance issued by CIPFA/SOLACE.
- 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; no internal frauds were reported during the year.
- The Performance Management Framework has operated effectively during the year. 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.
- 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 governance for all staff using ICT.
- The Council produced its Annual Report in December 2016 summarising performance in the previous year;
- The Council's external auditor, Grant Thornton, audited the year-end Statement of Accounts and assessed our arrangements for securing value for money. Their most recent Audit Letter, issued in October 2016, identified no material errors in the accounts for 2015/16 and gave an unqualified opinion in respect of value for money.
- 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 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 requirement for a new Disaster Recovery Site. These plans consist of:-
  - 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.

A desk-top test of our emergency planning was carried out during the year based on a flooding scenario in parts of the Borough.

- 4.4 In November 2016 the Council underwent a follow-up visit by the Corporate Peer Challenge team as part of a sector-led improvement initiative promoted by the Local Government Association (LGA). The Council had requested a peer challenge review which was undertaken in late 2015. The team returned to Pendle a year later to assess our progress in response to actions and recommendations resulting from their first visit. In their latest report, presented to Council in December 2016 the team concluded:

*"Pendle Borough Council has an ambitious agenda and clearly has an appetite for more. The council has made a great deal of progress, however with the scale of the challenges the council faces, the pace of change is still not fast enough. The pace needs to be quickened, and this will require Members to make some difficult decisions promptly".*

- 4.5 There have been no formal reports during the year from either the Council's Monitoring Officer or Section 151 Officer on matters of legality or financial related concerns. There were also no objections from local electors in respect of the financial statements and supporting information for the previous financial year.

## **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 Last year's Annual Governance Report highlighted the following areas for improvement. The table below sets out the action has been taken to address these issues in the current year:

### *Medium-term financial plan and scale of savings required*

Work continues against the backdrop of further expected reductions in core funding. Savings of £1.4m were identified and agreed by Council in setting the budget for 2017/18. This action will be retained for 2017/18 given the scale of savings remains comparable and represents a significant challenge for the Council.

### *Determine the extent of any changes required to the Council's Constitution if a Combined Authority for Lancashire is established*

The Council agreed to become a constituent member of the Shadow Combined Authority during 2016. However, during the year the level of political support across the County for a combined authority has become increasingly uncertain with the probability that such an authority will now not proceed.

### *Disaster Recovery – review and testing of local arrangements including designated recovery site*

Proposals to transfer Colne Town Hall to Colne Town Council were delayed during the year and are expected to complete during May/June 2017. As a result this action will be carried forward.

### *Development of an electronic records management system*

This action was linked to the implementation of a new Intranet within the Council. This project did not commence during the year owing to other priorities so this action will be carried forward.

### *Process leading to appointment of External Auditor*

This action was completed during the year. The Council formally agreed to opt in to the national scheme for appointing auditors to local authorities from 2018/19.

- 5.3 In concluding this year's review of the Council's internal control arrangements a small number of improvements have been identified to strengthen our governance framework. An action plan to address these matters 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 conclude these matters during the 2017/18 financial year.

Issue No.	Issue Identified	Source of Evidence	Summary of Action Proposed
1	The scale of savings required over the medium term represents a significant challenge for the Council. There is a need to prioritise resources effectively and 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 – identified as a key strategic risk for the Council	Work has already begun to develop savings proposal for the period 2018/21 as part of the development of the Council's Financial Strategy and Medium Term Financial Plan.  This work will also consider our arrangements for prioritising resources and maintaining organisational resilience.  Reports will be considered by the Executive.
2	Need to ensure effective arrangements in place for the implementation of the General Data Protection Regulations (GDPR) in May 2018	GDPR will apply in the UK from May 2018	Review, analyse actions required and develop appropriate implementation plan and actions to ensure compliance by May 2018.
3	Disaster Recovery – review and testing of local arrangements including designated recovery site.	Proposals to transfer Colne Town Hall to Colne Town Council will impact on the 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 December 2017
5	Update required to the Council's Risk Management Policy and Strategy	Current documents are dated and need updating	Update and submit for approval a revised Risk Management Policy and Strategy.

- 5.4 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**

21<sup>st</sup> July 2017



**Councillor Mohammed Iqbal**  
**Leader of the 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	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
<b>Balance at 31 March 2015</b>	<b>12,489</b>	<b>1,156</b>	<b>432</b>	<b>14,077</b>	<b>7,148</b>	<b>21,225</b>
<b>Movement in reserves during 2015/16</b>						
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)	-
<b>Increase / Decrease in Year</b>	<b>(1,436)</b>	<b>609</b>	<b>124</b>	<b>(703)</b>	<b>(310)</b>	<b>(1,013)</b>
<b>Balance at 31 March 2016</b>	<b>11,053</b>	<b>1,765</b>	<b>556</b>	<b>13,374</b>	<b>6,838</b>	<b>20,212</b>
<b>Movement in reserves during 2016/17</b>						
Total Comprehensive Income and Expenditure	(8,036)	-	-	(8,036)	(3,608)	(11,644)
Adjustments between accounting basis & funding basis under regulations (Note 6)	5,951	237	(82)	6,106	(6,106)	-
<b>Increase / Decrease in Year</b>	<b>(2,085)</b>	<b>237</b>	<b>(82)</b>	<b>(1,930)</b>	<b>(9,714)</b>	<b>(11,644)</b>
<b>Balance at 31 March 2017</b>	<b>8,968</b>	<b>2,002</b>	<b>474</b>	<b>11,444</b>	<b>(2,876)</b>	<b>8,568</b>
<b>General Fund analysed over:</b>						
<b>Amounts Earmarked (Note 8)</b>	<b>7,968</b>					
<b>Amounts uncommitted</b>	<b>1,000</b>					
<b>Total General Fund Balance at 31/03/2017</b>	<b>8,968</b>					



## 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.

Restated 2015/16				2016/17		
Gross Expenditure	Income	Net Income/Expenditure		Gross Expenditure	Income	Net Income/Expenditure
£000's	£000's	£000's		£000's	£000's	£000's
735	66	669	Directorate	600	7	593
4,709	947	3,762	Financial Services	4,391	789	3,602
1,325	346	979	Democratic & Legal Services	1,216	233	983
1,014	942	72	Planning, Building Control & Licensing	1,149	1,005	144
6,625	3,288	3,337	Environmental Services	6,676	3,389	3,287
3,466	1,218	2,248	Housing, Health & Economic Dev. Services	4,786	1,075	3,711
2,275	520	1,755	Neighbourhood Services	2,329	385	1,944
455	32	423	Human Resources	401	265	136
1,045	44	1,001	Information Technology	1,063	44	1,019
2,687	823	1,864	Property Services	3,060	832	2,228
29,356	28,169	1,187	Revenue Services	27,412	26,057	1,355
59	-	59	Area Committees	70	-	70
<b>53,751</b>	<b>36,395</b>	<b>17,356</b>	<b>Cost Of Services</b>	<b>53,153</b>	<b>34,081</b>	<b>19,072</b>
3,534	-	3,534	Other Operating Expenditure <b>(Note 9)</b>	3,913	-	3,913
2,067	184	1,883	Financing and Investment Income and Expenditure <b>(Note 10)</b>	2,015	143	1,872
3,887	19,423	(15,536)	Taxation and Non-Specific Grant Income and Expenditure <b>(Note 11)</b>	2,964	19,785	(16,821)
		<b>7,237</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>8,036</b>
		731	(Surplus) or deficit on revaluation of Property Plant and Equipment assets			(1,754)
		(6,955)	Remeasurement of net Defined Benefit Liability			5,362
		<b>(6,224)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>3,608</b>
		<b>1,013</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>11,644</b>

## Balance Sheet as at 31st March 2017

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 2016 £000's	Notes	31 March 2017 £000's
58,207	Property, Plant & Equipment	54,552
768	Heritage Assets	768
570	Intangible Assets	533
<u>3,749</u>	Long Term Debtors	<u>3,581</u>
<b>63,294</b>	<b>Long Term Assets</b>	<b>59,434</b>
8,511	Short Term Investments	10,514
2,257	Assets Held For Sale	2,615
31	Inventories	26
1,669	Short Term Debtors	1,699
<u>10,896</u>	Cash and Cash Equivalents	<u>9,067</u>
<b>23,364</b>	<b>Current Assets</b>	<b>23,921</b>
(97)	Short Term Borrowing	(1,097)
<u>(5,606)</u>	Short Term Creditors	<u>(7,589)</u>
<b>(5,703)</b>	<b>Current Liabilities</b>	<b>(8,686)</b>
(34)	Long Term Creditors	(32)
(1,977)	Provisions	(1,671)
(15,359)	Long Term Borrowing	(15,359)
(43,134)	Pension Liability	(48,888)
(140)	Other Long Term Liabilities	(133)
<u>(99)</u>	Capital Grants Receipts in Advance	<u>(18)</u>
<b>(60,743)</b>	<b>Long Term Liabilities</b>	<b>(66,101)</b>
<b>20,212</b>	<b>Net Assets</b>	<b>8,568</b>
13,374	Usable Reserves	11,444
<u>6,838</u>	Unusable Reserves	<u>(2,876)</u>
<b>20,212</b>	<b>Total Reserves</b>	<b>8,568</b>

Vince Green

Vince Green, CPFA  
Financial Services Manager  
21<sup>st</sup> July 2017

## 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.

2015/16		2016/17
£000's	Note	£000's
7,237		8,036
Net (surplus) or deficit on the provision of services		
Adjustments to net surplus or deficit on the provision of services for non-cash		
(5,392) movements		(9,129)
2,368		1,780
Adjustments for items included in the net surplus or deficit on the provision of		
services that are investing and financing activities		
<b>4,213</b>	<b>22</b>	<b>687</b>
<b>Net Cash Flows from Operating Activities</b>		
(1,601) Investing Activities	23	3,157
(3,573) Financing Activities	24	(2,015)
<b>(961)</b>		<b>1,829</b>
<b>Net (Increase) / Decrease in Cash and Cash Equivalents</b>		
(9,935) Cash and cash equivalents at the beginning of the reporting period		(10,896)
<b>(10,896)</b>	<b>16</b>	<b>(9,067)</b>
<b>Cash and Cash Equivalents at the end of the reporting period</b>		

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### **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. The additional disclosures that require consideration for the 2016/17 financial statements in respect of accounting changes that are introduced in the 2017/18 Code:

- Amendment to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration

However, as these matters relate only to Pension Fund Administering Authorities they will have no impact on the Council's financial statements.

### **2. Critical judgements in applying accounting policies**

In applying the Accounting Policies set out in the Statement of Accounting Policies on pages 20 to 34, 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. This agreement runs to 2028. 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. In May 2017 the arrangement with Liberata was extended to 2030. 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 38.
- 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 2016. 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 2017 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

#### *Debt Impairment*

At 31 March 2017 the Council had a balance of debtors of £6.729m. A review of significant balances suggested that an impairment of doubtful debts of £5.030m was appropriate. If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required. Each 1% increase in the level of debt impairment would require an additional £67k 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 £2.8m. A change of +0.1% in the discount rate as applied at 31st March 2017 would reduce the pensions liability by £2.0m. 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 2016/17 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 2017. The estimate has been calculated using the latest Valuation Office Agency ratings list of appeals as at 31st March 2017. The Council's share of the balance on the provision for business rate appeals held at this date is £1.275m, a decrease of £191k compared to the previous year.

#### **4. Material items of income and expense**

There are no material items of income and expenditure in 2016/17 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 21<sup>st</sup> July 2017. 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 2017, 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 2017 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:

**Property Acquisitions** – (i) On the 6<sup>th</sup> April 2017, the Council acquired a long-leasehold interest in part of the ACE Centre, Nelson. This relates to the acquisition of the ground and first floor accommodation which the Council leases to Pendle Leisure Trust. The Council acquired this leasehold interest from PEARL for which it paid a premium of £2.2m. The Council plans to borrow from the Public Works Loan Board to fund this transaction but has not yet done so having met the premium from internal funds initially. (ii) On the 2<sup>nd</sup> May 2017, the Council acquired Number One Market Street from Barnfield Investment Properties Ltd. This property is subject to a number of leases the main one being with Liberata. The Council paid £3.3m to acquire the property and borrowed £3m from the Public Works Loan Board on the same day to help fund the transaction.

**Property Disposals** – On the 31<sup>st</sup> May 2017, the Council completed the bulk sale of a number of residential properties in the Whitefield area of Nelson to Calico Homes Ltd for a total consideration of £1.2m.

**Pension Prepayment** – On the 27<sup>th</sup> April 2017, the Council made a payment to the Lancashire County Pension Fund of £4.376m. This payment consisted of 2 amounts; the first being £0.741m being the full 'future service rate' pension payment due for the financial year 2017/18; the second was a pre-payment in full of £3.635m being the amount due for the three years 2017/18 to 2019/20 in respect of the 'past service deficit' pension payment. The Council made this payment from its own cash resources and has not borrowed to fund this transaction. The Council took the decision to pre-pay in this way to secure a discount on the amount payable given the low investment returns currently on offer for surplus cash.



## 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.

2016/17	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000's	£000's	£000's	£000's
<b>Adjustments involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	1,429	-	-	(1,429)
Revaluation losses on Property Plant and Equipment	2,605	-	-	(2,605)
Impairment of Long Term Debtor	1,500	-	-	(1,500)
Amortisation of intangible assets	140	-	-	(140)
Capital grants and contributions applied	(1,029)	-	-	1,029
Revenue expenditure funded from capital under statute	1,199	-	-	(1,199)
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	2,300	-	-	(2,300)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	(410)	-	-	410
Capital expenditure charged against the General Fund	(316)	-	-	316
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(269)	-	269	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(351)	351
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(485)	485	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(282)	-	282
Contribution from the Capital Receipts Reserve towards administrative costs of noncurrent asset disposals	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	-	-	-	-
Transfer in respect of Long Term Debtor proceeds	-	22	-	(22)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	12	-	(12)
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
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	(15)	-	-	15
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 37)	2,639	-	-	(2,639)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,247)	-	-	2,247
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
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	(1,079)	-	-	1,079
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
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	(11)	-	-	11
<b>Total Adjustments</b>	<b>5,951</b>	<b>237</b>	<b>(82)</b>	<b>(6,106)</b>

2015/16	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000's	£000's	£000's	£000's
<b>Adjustments involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
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)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	(504)	-	-	504
Capital expenditure charged against the General Fund	(837)	-	-	837
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
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
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
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	-	25	-	(25)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	13	-	(13)
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
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
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 37)	2,894	-	-	(2,894)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,289)	-	-	2,289
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
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)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
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	-	-	-	-
<b>Total Adjustments</b>	<b>5,801</b>	<b>609</b>	<b>124</b>	<b>(6,534)</b>

## 7. PRIOR PERIOD RESTATEMENT OF THE MOVEMENT IN RESERVES STATEMENT

This table shows the restated position for 2015/16 and shows separately the General Fund Balance and Earmarked Reserves balance, which are now consolidated in the Movement in Reserves Statement on page 50 and form the General Fund Balance.

	General Fund Balance as previously stated £000's	Earmarked Reserves as previously stated £000's	General Fund Balance £000's
<b>Balance at 31 March 2015</b>	<b>1,250</b>	<b>11,239</b>	<b>12,489</b>
<b>Movement in reserves during 2015/16</b>			
Surplus (deficit) on provision of services	(7,237)	-	(7,237)
<b>Total Comprehensive Income and Expenditure</b>	<b>(7,237)</b>	<b>-</b>	<b>(7,237)</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)	5,801	-	5,801
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(1,436)</b>	<b>-</b>	<b>(1,436)</b>
Transfers to / from Other Earmarked Funds and Reserves (Note 8)	1,436	(1,436)	-
<b>Increase / Decrease in Year</b>	<b>-</b>	<b>(1,436)</b>	<b>(1,436)</b>
<b>Balance at 31 March 2016</b>	<b>1,250</b>	<b>9,803</b>	<b>11,053</b>

## 8. MOVEMENTS IN 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 2016/17.

	2015/16			2016/17			
	Balance at 1 April 2015	Transfers In	Transfers Out	Balance at 31 March 2016	Transfers In	Transfers Out	Balance at 31 March 2017
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Renewals Reserve	266	-	(100)	166	-	(99)	67
Budget Strategy	4,522	279	(1,216)	3,585	1,751	(1,426)	3,910
VAT Partial Exemption	177	-	-	177	-	(77)	100
Revenue Expenditure	959	385	(227)	1,117	153	(377)	893
Change Management	389	-	(175)	214	-	(214)	-
Pensions	280	-	(113)	167	-	(167)	-
Empty Property Strategy	45	-	(37)	8	13	(21)	-
Local Development Framework	253	10	(52)	211	14	(31)	194
Insurance/Risk Management	92	-	-	92	-	(7)	85
External Funding for Projects	181	-	-	181	-	(135)	46
Liberata Bond	500	-	-	500	-	(200)	300
Conservation	37	-	-	37	-	(37)	-
Performance	113	-	-	113	-	-	113
Developers' Contributions	190	-	(109)	81	-	(2)	79
External Funding Receipts	325	44	(25)	344	9	(175)	178
Business Growth Incentive	954	-	(216)	738	-	(195)	543
Localised Support for Council Tax	115	28	-	143	-	(143)	-
Local Authority Mortgage Scheme	500	-	(500)	-	-	-	-
Portas Pilot	30	1	(24)	7	-	-	7
High Street Innovation Fund	29	-	(2)	27	-	-	27
ICT Strategy	100	-	(92)	8	95	(8)	95
Staff Development/Apprentices	182	105	(52)	235	-	(28)	207
Pearl Development Reserve	300	-	-	300	-	-	300
Incentive for Inward Investment	300	-	(65)	235	-	(235)	-
Community Projects Reserve	100	-	(33)	67	-	(8)	59
Business Rates Volatility Reserve	-	750	-	750	-	(150)	600
Growth Sites Development	300	-	-	300	70	(205)	165
	<b>11,239</b>	<b>1,602</b>	<b>(3,038)</b>	<b>9,803</b>	<b>2,105</b>	<b>(3,940)</b>	<b>7,968</b>

Further information on the reserves shown above is provided in Appendix 1 on page 105.

## 9. OTHER OPERATING EXPENDITURE

2015/16 £000's	2016/17 £000's
677 Parish Council Precepts	1,166
6 Levies (County Council share of retained Business Rates Levy)	53
1,562 (Gains)/Losses on the disposal of Non-Current Assets	1,819
1,269 (Gains)/Losses on the Revaluation of Assets Held for Sale	851
20 Pensions - Fund Administration Costs	24
<b>3,534 Total</b>	<b>3,913</b>

## 10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2015/16 £000's	2016/17 £000's
520 Interest payable and similar charges	546
1,547 Pensions interest cost and expected return on pensions assets	1,469
(177) Interest Income	(140)
(7) Other income	(3)
<b>1,883 Total</b>	<b>1,872</b>

## 11. TAXATION AND NON SPECIFIC GRANT INCOMES

2015/16 £000's	2016/17 £000's
(6,507) Council Tax Income (Net)	(7,228)
(2,715) Non Domestic Rates (Net)	(4,184)
Non-ringfenced Government Grants	
(3,904) - Revenue Support Grant	(3,013)
(65) - Council Tax Freeze Grant	-
(41) - Efficiency Support Grant	-
(964) - New Homes Bonus Grant	(1,098)
- - Community Right Grants	(21)
(8) - Transparency Code	(8)
(6) - LGA Productivity Funding	(7)
(793) - Small Business Rate Relief Grant	(684)
Capital Grants and Contributions	
(533) - Third Party Grants and Contributions	(578)
<b>(15,536) Total</b>	<b>(16,821)</b>

## 12. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment for 2016/17 are as follows:

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Heritage Assets	Community Assets	Assets under Construction	Surplus Assets	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Cost or Valuation</b>							
At 1st April 2016	51,197	4,222	768	69	6,688	4,971	67,915
Additions	824	136	-	-	286	1	1,247
Revaluations increases/(decreases)							
- to Revaluation Reserve	282	-	-	-	-	1,472	1,754
- to Provision of Services	(1,046)	-	-	(501)	(120)	(86)	(1,753)
Derecognition							
- disposals	(2,028)	(32)	-	-	-	(35)	(2,095)
- other	(1,330)	-	-	-	(2,608)	-	(3,938)
Reclassification of Assets	213	-	-	486	(1,091)	392	-
- (to)/from Held for Sale	(81)	-	-	-	(1,266)	(203)	(1,550)
<b>At 31st March 2017</b>	<b>48,031</b>	<b>4,326</b>	<b>768</b>	<b>54</b>	<b>1,889</b>	<b>6,512</b>	<b>61,580</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1st April 2016	2,956	3,373	-	-	2,608	3	8,940
Depreciation							
- to Provision of Services	1,218	211	-	-	-	-	1,429
Derecognition							
- disposals	(148)	(23)	-	-	-	-	(171)
- written out to Revaluation Reserve	(1,330)	-	-	-	(2,608)	-	(3,938)
<b>At 31st March 2017</b>	<b>2,696</b>	<b>3,561</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>6,260</b>
<b>Net Book Value 31st March 2017</b>	<b>45,335</b>	<b>765</b>	<b>768</b>	<b>54</b>	<b>1,889</b>	<b>6,509</b>	<b>55,320</b>
<b>Net Book Value 31st March 2016</b>	<b>48,241</b>	<b>849</b>	<b>768</b>	<b>69</b>	<b>4,080</b>	<b>4,968</b>	<b>58,975</b>

### Heritage Assets

Detailed information on the Council's Heritage Assets is provided in the Accounting Policies note 11 on page 26. 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 2015/16 were as follows:

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Heritage Assets	Community Assets	Assets under Construction	Surplus Assets	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Cost or Valuation</b>							
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)
<b>At 31st March 2016</b>	<b>51,197</b>	<b>4,222</b>	<b>768</b>	<b>69</b>	<b>6,688</b>	<b>4,971</b>	<b>67,915</b>
<b>Accumulated Depreciation and Impairment</b>							
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)
<b>At 31st March 2016</b>	<b>2,956</b>	<b>3,373</b>	<b>-</b>	<b>-</b>	<b>2,608</b>	<b>3</b>	<b>8,940</b>
<b>Net Book Value 31st March 2016</b>	<b>48,241</b>	<b>849</b>	<b>768</b>	<b>69</b>	<b>4,080</b>	<b>4,968</b>	<b>58,975</b>
<b>Net Book Value 31st March 2015</b>	<b>49,265</b>	<b>1,012</b>	<b>768</b>	<b>61</b>	<b>8,334</b>	<b>5,982</b>	<b>65,422</b>

### 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 2017, 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 & Equipment	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	165	331	36	30	1,889	5	2,456
Valued as at:							
31 March 2017	5,689	92	-	-	-	1,742	7,523
31 March 2016	2,195	115	-	-	-	4,620	6,930
31 March 2015	1,221	118	732	-	-	-	2,071
31 March 2014	33,135	49	-	24	-	142	33,350
31 March 2013	2,929	61	-	-	-	-	2,990
<b>Total Cost or Valuation</b>	<b>45,334</b>	<b>766</b>	<b>768</b>	<b>54</b>	<b>1,889</b>	<b>6,509</b>	<b>55,320</b>

## 13. 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 £140k charged to revenue in 2016/17 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:

2015/16 Total £000's		2016/17 Total £000's
	<b>Balance at 1st April</b>	
857	Gross carrying amount	1,047
(353)	Accumulated amortisation	(477)
<b>504</b>	<b>Net carrying amount at 1st April</b>	<b>570</b>
190	Additions	103
(124)	Amortisation for the period	(140)
<b>570</b>	<b>Balance at 31st March</b>	<b>533</b>
	Comprising:	
1,047	- Gross carrying amounts	1,150
(477)	- Accumulated amortisation	(617)
<b>570</b>		<b>533</b>

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

#### 14. 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:

2015/16			2016/17		
Long Term	Current		Long Term	Current	
£000's	£000's		£000's	£000's	
<b>Investments</b>					
-	19,406	Loans and receivables at amortised cost *	-	19,579	
-	<b>19,406</b>	<b>Total Investments</b>	-	<b>19,579</b>	
<b>Debtors</b>					
3,749	-	Loans and receivables	3,581	-	
-	1,398	Financial assets carried at contract amounts	-	1,492	
<b>3,749</b>	<b>1,398</b>	<b>Total Debtors</b>	<b>3,581</b>	<b>1,492</b>	
<b>Borrowings</b>					
15,359	97	Financial liabilities at amortised cost	15,359	1,097	
<b>15,359</b>	<b>97</b>	<b>Total Borrowings</b>	<b>15,359</b>	<b>1,097</b>	
<b>Creditors</b>					
34	888	Financial liabilities at amortised cost	32	928	
<b>34</b>	<b>888</b>	<b>Total Creditors</b>	<b>32</b>	<b>928</b>	

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

2015/16				2016/17		
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
520	-	<b>520</b>	Interest expenses	546	-	<b>546</b>
<b>520</b>	-	<b>520</b>	<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>546</b>	-	<b>546</b>
-	(177)	<b>(177)</b>	Interest income	-	(140)	<b>(140)</b>
-	(177)	<b>(177)</b>	<b>Total income in Surplus or Deficit on the Provision of Services</b>	-	(140)	<b>(140)</b>
<b>520</b>	<b>(177)</b>	<b>343</b>	<b>Net (gain)/loss for the year</b>	<b>546</b>	<b>(140)</b>	<b>406</b>

## Income, Expense, Gains and Losses

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

### 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 2017 (31st March 2016 £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 2016/17 was £Nil (£14k in 2015/16). 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:

2015/16			2016/17	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000's	£000's		£000's	£000's
15,359	16,988	PWLB borrowing	16,359	18,901
<b>15,359</b>	<b>16,988</b>	<b>Total financial liabilities</b>	<b>16,359</b>	<b>18,901</b>
17,859	17,864	Loans and receivables	17,517	17,520
<b>17,859</b>	<b>17,864</b>	<b>Total loans and receivables</b>	<b>17,517</b>	<b>17,520</b>

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 £21,542k rather than the value of £18,901k shown in the table above.

#### 15. SHORT-TERM DEBTORS

2015/16 Total £000's		2016/17 Total £000's
213	Central Government Departments	205
366	Other Local Authorities	342
-	NHS Bodies	11
1,935	Business Rate Payers/Council Tax Payers	1,842
4,070	Other Entities and Individuals	4,329
<b>6,584</b>	<b>Total Debtor Balance</b>	<b>6,729</b>
(4,915)	Provision for Bad and Doubtful Debts	(5,030)
<b>1,669</b>	<b>Net Debtor Balance</b>	<b>1,699</b>

#### 16. CASH AND CASH EQUIVALENTS

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

2015/16 Total £000's		2016/17 Total £000's
2	Cash held by the Council	2
1,547	Bank current accounts	2,063
5,844	Bank/Other Deposits - instant access	6,001
3,503	Short term deposit	1,001
<b>10,896</b>		<b>9,067</b>

#### 17. ASSETS HELD FOR SALE

2015/16 £000's		2016/17 £000's
<b>2,370</b>	<b>Balance at 1st April</b>	<b>2,257</b>
40	In year capital expenditure	35
	Assets newly qualified as held for sale:	
2,155	Property, Plant and Equipment	1,550
(1,269)	Revaluation losses	(851)
(1,039)	Assets sold	(376)
<b>2,257</b>	<b>Balance at 31st March</b>	<b>2,615</b>

#### 18. CREDITORS

2015/16 Total £000's		2016/17 Total £000's
470	Central Government bodies	1,244
352	Other Local Authorities	425
4,142	Business Rate Payers/Council Tax Payers	5,273
642	Other entities and individuals	647
<b>5,606</b>		<b>7,589</b>
	Receipts in Advance included in the above creditors:	
22	Other Local Authorities	91
145	Business Rate Payers/Council Tax Payers	210
<b>167</b>		<b>301</b>

## 19. 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:-

2015/16 £000's		Advanced £000's	2016/17 Utilised £000's	£000's
74	Burnley and Pendle JTC	-	-	74
41	Interest on PSW Deposits	-	-	41
301	Municipal Mutual Insurance	-	(36)	265
73	Lease Interest Pearl - Brierfield Mill	-	(73)	-
22	Other	-	(6)	16
1,466	Business Rates Appeals	(44)	(147)	1,275
<b>1,977</b>		<b>(44)</b>	<b>(262)</b>	<b>1,671</b>

## 20. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Notes 6 and 8.

## 21. 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).

2015/16 £000's		2016/17 £000's
26,170	Revaluation Reserve	26,237
23,089	Capital Adjustment Account	19,470
(43,134)	Pensions Reserve	(48,888)
(212)	Financial Instruments Adjustment Account	(197)
(512)	Collection Fund Adjustment Account	567
(88)	Accumulated Absences Account	(78)
1,525	Deferred Capital Receipts	13
<b>6,838</b>		<b>(2,876)</b>

### 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.

2015/16 £000's		2016/17 £000's    £000's	
<b>28,116</b>	<b>Balance at 1st April</b>		<b>26,170</b>
681	Upward Revaluation of assets	2,129	
(1,412)	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(375)	
(731)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		1,754
(637)	Difference between fair value depreciation and historical cost depreciation	(608)	
(578)	Accumulated gains on assets sold or scrapped	(1,079)	
(1,215)	Amount written off to the Capital adjustment Account		(1,687)
<b>26,170</b>	<b>Balance at 31st March</b>		<b>26,237</b>

### 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.

2015/16 £000's		2016/17 £000's	
<b>27,084</b>	<b>Balance at 1st April</b>		<b>23,089</b>
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
(1,504)	Charges for depreciation and impairment of non current assets		(1,430)
(2,525)	Revaluation losses on Property, Plant and Equipment		(2,605)
(124)	Amortisation of intangible assets		(140)
(1,307)	Revenue expenditure funded from capital under statute		(1,199)
(2,740)	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		(2,300)
(8,200)			(7,674)
(25)	Adjusting amount written out re Long Term Debtor		(21)
1,215	Adjusting amounts written out of the Revaluation Reserve		1,687
(7,010)	Net written out amount of the cost of non-current assets consumed in the year		(6,008)
	<i>Capital financing applied in the year:</i>		
613	Use of the Capital Receipts Reserve to finance new capital expenditure		283
848	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing		1,029
213	Application of grants to capital financing from the Capital Grants Unapplied Account		351
504	Statutory provision for the financing of capital investment charged against General Fund balances		410
837	Capital expenditure charged against General Fund balances		316
3,015			2,389
<b>23,089</b>	<b>Balance at 31 March</b>		<b>19,470</b>

### 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.

2015/16 £000's	2016/17 £000's
<b>(49,484) Balance at 1st April</b>	<b>(43,134)</b>
6,955 Remeasurements of the net defined benefit liability	(5,362)
(2,894) 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	(2,639)
2,289 Employer's pensions contributions and direct payments to pensioners payable in the year	2,247
<b><u>(43,134)</u></b>	<b><u>(48,888)</u></b>

### Collection Fund Adjustment Account

2015/16 £000's	2016/17 £000's
<b>204 Balance at 1st April</b>	<b>(512)</b>
(716) 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	1,079
<b><u>(512)</u></b>	<b><u>567</u></b>

### 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.

2015/16 £000's	2016/17 £000's
1,538 <b>Balance at 1st April</b>	1,525
(13) Transfer to the Capital Receipts Reserve upon receipt of cash	(12)
- Amount written out to the Capital Adjustment Account	(1,500)
<b><u>1,525</u></b> <b>Balance at 31st March</b>	<b><u>13</u></b>



## 22. 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

2015/16 £000's		2016/17 £000's
	Depreciation charged to Comprehensive Income & Expenditure Statement	
1,504		1,429
124	Amortisation of Intangible Assets	140
(2,615)	Increase / (Decrease) in Creditors	977
24	(Increase) / Decrease in Debtors	14
(2)	(Increase) / Decrease in Inventories	5
605	Pensions Liability	392
487	Contributions to / (from) Provisions	(306)
2,525	Revaluation Losses	2,605
2,740	Carrying value on disposal of Property, Plant and Equipment, Investment Property and Intangible Assets	2,300
-	Other non-cash movements	1,573
<b>5,392</b>		<b>9,129</b>

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

2015/16 £000's		2016/17 £000's
	Capital Grants credited to the surplus or deficit on the provisions of services	
1,184		1,298
1,184	Proceeds from the sale of non-current assets	482
<b>2,368</b>		<b>1,780</b>

c) Interest received and interest paid

2015/16 £000's		2016/17 £000's
(125)	Interest received	(97)
520	Interest paid	546
<b>395</b>		<b>449</b>

## 23. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2015/16 £000's		2016/17 £000's
1,396	Purchase of property, plant and equipment, investment property and intangible assets	1,450
22,500	Purchase of short-term investments	28,200
(1,197)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(494)
74	Other payments from investing activities - loans granted	1,428
(23,000)	Proceeds from short-term investments	(26,200)
(1,374)	Other receipts from investing activities	(1,227)
<b>(1,601)</b>	<b>Net cash flows from investing activities</b>	<b>3,157</b>

**24. CASH FLOW STATEMENT – FINANCING ACTIVITIES**

<b>2015/16</b>		<b>2016/17</b>
<b>£000's</b>		<b>£000's</b>
(2,000)	Cash receipts of short- and long-term borrowing	(1,000)
90	Cash payments for the reduction of the outstanding liabilities relating to finance leases	-
(2,669)	Council Tax and NNDR Adjustments (as Billing Authority)	(1,022)
1,006	Repayments of short- and long-term borrowing	7
<b><u>(3,573)</u></b>	<b>Net cash flows from financing activities</b>	<b><u>(2,015)</u></b>

## 25. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Service Areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16			2016/17		
Net Expenditure Chargeable to the General Fund	Adjustment between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund	Adjustment between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000's	£000's	£000's	£000's	£000's	£000's
709	(40)	669	649	(56)	593
3,541	221	3,762	3,363	239	3,602
1,084	(105)	979	1,101	(118)	983
(47)	119	72	292	(148)	144
3,594	(257)	3,337	3,486	(199)	3,287
2,183	65	2,248	1,960	1,751	3,711
1,790	(35)	1,755	2,066	(122)	1,944
423	-	423	136	-	136
1,001	-	1,001	1,019	-	1,019
2,563	1,146	3,709	756	1,472	2,228
(508)	(150)	(658)	1,518	(163)	1,355
59	-	59	70	-	70
<b>16,392</b>	<b>964</b>	<b>17,356</b>	<b>16,416</b>	<b>2,656</b>	<b>19,072</b>
(14,956)	4,837	(10,119)	(14,331)	3,295	(11,036)
<b>1,436</b>	<b>5,801</b>	<b>7,237</b>	<b>2,085</b>	<b>5,951</b>	<b>8,036</b>
		<b>12,489</b>			<b>11,053</b>
		Less/Plus Surplus or (Deficit) on General Fund			
		(1,436)			(2,085)
		<b>11,053</b>			<b>8,968</b>
		<b>Closing General Fund Balance at 31 March</b>			

## 26. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

2015/16						2016/17					
As reported for resource management £000's	Adjustment to arrive at the net amount chargeable to General Fund £000's	Net Expenditure chargeable to General Fund £000's	Adjustments between Funding and Accounting Basis (Note 6) £000's	Net Expenditure in the Comprehensive Income and Expenditure Statement £000's		As reported for resource management £000's	Adjustment to arrive at the net amount chargeable to General Fund £000's	Net Expenditure chargeable to General Fund £000's	Adjustments between Funding and Accounting Basis (Note 6) £000's	Net Expenditure in the Comprehensive Income and Expenditure Statement £000's	
6	703	709	(40)	669	Directorate	(3)	652	649	(56)	593	
5,123	(1,582)	3,541	221	3,762	Financial Services	4,944	(1,581)	3,363	239	3,602	
961	123	1,084	(105)	979	Democratic & Legal Services	1,028	73	1,101	(118)	983	
601	(395)	206	(134)	72	Planning, Building Control & Licensing	542	(250)	292	(148)	144	
3,826	(232)	3,594	(257)	3,337	Environmental Services	3,686	(200)	3,486	(199)	3,287	
2,292	(361)	1,931	317	2,248	Housing, Health & Economic Development	2,269	(309)	1,960	1,751	3,711	
1,898	(108)	1,790	(35)	1,755	Neighbourhood Services	2,028	38	2,066	(122)	1,944	
155	268	423	-	423	Human Resources	111	25	136	-	136	
-	1,001	1,001	-	1,001	Information Technology	(3)	1,022	1,019	-	1,019	
203	515	718	1,146	1,864	Property Services	237	519	756	1,472	2,228	
1,289	48	1,337	(150)	1,187	Revenue Services	1,457	61	1,518	(163)	1,355	
59	-	59	-	59	Area Committees	70	-	70	-	70	
16,413	(20)	16,393	963	17,356	Net Cost Of Services	16,366	50	16,416	2,656	19,072	
(14,957)	-	(14,957)	4,838	(10,119)	Other Income and Expenditure	(14,331)	-	(14,331)	3,295	(11,036)	
1,456	(20)	1,436	5,801	7,237	(Surplus) or Deficit	2,035	50	2,085	5,951	8,036	
				12,489	Opening General Fund Balance					11,053	
					Less/Plus Surplus or (Deficit) on General Fund						
				(1,436)	Balance in Year					(2,085)	
				11,053	Closing General Fund Balance at 31 March					8,968	

## **26. (contd) NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS ABOVE**

Adjustments between the Funding and Accounting Basis are shown below for both 2016/17 and 2015/16.

### **Adjustments for Capital Purposes**

This column adds in depreciation and impairment and revaluation gains and losses in the services line and for:

- **Other Operating Expenditure**
  - Adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets
- **Financing and Investment Income and Expenditure**
  - The statutory charges for capital financing i.e. Minimum Revenue Provision (MRP) and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure**
  - Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted for those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### **Net change for the Pensions Adjustments**

Net change for the removal of pension contributions and the additions of IAS 19 *Employee Benefits* pension related expenditure and income:

- **For services**
  - This represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- **For financing and investment income and expenditure**
  - The net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

### **Other Adjustments**

**Other adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statements and amounts payable/receivable to be recognised under statute:**

- **For financing and investment income and expenditure**
  - The other adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- **The charge under Taxation and Non-Specific grant income and expenditure**
  - This represents the difference between what is chargeable under statutory regulations for Council Tax and Business Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Adjustments between Funding and Accounting Basis		2016/17		
Adjustments from General Fund to arrive at the amounts shown on the Comprehensive Income and Expenditure Statement	Adjustments for Capital Purposes £000's	Net Change for the Pensions Adjustments £000's	Other Adjustments £000's	Total Adjustments £000's
Directorate	-	(55)	(1)	(56)
Financial Services	64	139	36	239
Democratic & Legal Services	-	(117)	(1)	(118)
Planning, Building Control & Licensing	-	(144)	(4)	(148)
Environmental Services	105	(304)	(1)	(200)
Housing, Health & Economic Development	2,018	(263)	(2)	1,753
Neighbourhood Services	45	(165)	(2)	(122)
Human Resources	-	-	-	-
Information Technology	-	-	-	-
Property Services	1,500	(29)	-	1,471
Revenue Services	-	(163)	-	(163)
Area Committees	-	-	-	-
<b>Net Cost Of Services</b>	<b>3,732</b>	<b>(1,101)</b>	<b>25</b>	<b>2,656</b>
Other Income and Expenditure from the Funding Analysis	2,932	1,493	(1,130)	3,295
<b>Difference between the General Fund surplus or deficit and that shown on the face of the Comprehensive Income and Expenditure Statement</b>	<b>6,664</b>	<b>392</b>	<b>(1,105)</b>	<b>5,951</b>

Adjustments between Funding and Accounting Basis		2015/16		
Adjustments from General Fund to arrive at the amounts shown on the Comprehensive Income and Expenditure Statement	Adjustments for Capital Purposes £000's	Net Change for the Pensions Adjustments £000's	Other Adjustments £000's	Total Adjustments £000's
Directorate	-	(37)	(3)	(40)
Financial Services	75	131	17	223
Democratic & Legal Services	-	(107)	1	(106)
Planning, Building Control & Licensing	-	(133)	(1)	(134)
Environmental Services	9	(263)	(2)	(256)
Housing, Health & Economic Development	573	(252)	(4)	317
Neighbourhood Services	83	(125)	7	(35)
Human Resources	-	-	-	-
Information Technology	-	-	-	-
Property Services	1,171	(26)	-	1,145
Revenue Services	-	(150)	-	(150)
Area Committees	-	-	-	-
<b>Net Cost Of Services</b>	<b>1,911</b>	<b>(962)</b>	<b>15</b>	<b>964</b>
Other Income and Expenditure from the Funding Analysis	2,578	1,567	692	4,837
<b>Difference between the General Fund surplus or deficit and that shown on the face of the Comprehensive Income and Expenditure Statement</b>	<b>4,489</b>	<b>605</b>	<b>707</b>	<b>5,801</b>

## 27. PRIOR PERIOD RESTATEMENT OF SERVICE EXPENDITURE AND INCOME

The following table provides an analysis of 2015/16 expenditure and income prepared in accordance with the Service Reporting Code of Practice (SERCOP), restated on a segmental (Council Service Area) basis, showing how resources were allocated for decision making at this level.

Restated 2015/16		Restated Segmental Analysis 2015/16												
Gross Expenditure £000's	Adjustments between SERCOP classifications and internal reporting classifications £000's	Directorate £000's	Financial Services £000's	Democratic & Legal Services £000's	Planning, Building Control & Licensing £000's	Environmental Services £000's	Housing, Health & Economic Development £000's	Neighbourhood Services £000's	Human Resources £000's	Information Technology £000's	Property Services £000's	Revenue Services £000's	Area Committees £000's	Gross Expenditure £000's
572 Central Services to the Public	(572)	-	212	186	-	49	-	-	-	-	-	125	-	572
5,209 Cultural and Related Services	(5,209)	-	2,803	-	-	1,707	238	402	-	-	-	-	59	5,209
4,313 Environmental & Regulatory Services	(4,313)	-	7	-	10	3,963	73	260	-	-	-	-	-	4,313
1,791 Planning Services	(1,791)	59	7	-	201	-	616	200	82	-	626	-	-	1,791
577 Highways & Transportation Services	(577)	-	20	-	-	129	-	428	-	-	-	-	-	577
26,927 Housing Services	(26,927)	-	-	-	-	51	987	4	-	-	-	25,885	-	26,927
14,256 Corporate and Democratic Core	(14,256)	676	1,554	1,139	803	726	1,552	981	373	1,045	2,061	3,346	-	14,256
106 Non Distributed Costs	(106)	-	106	-	-	-	-	-	-	-	-	-	-	106
<b>53,751 Gross Expenditure</b>	<b>(53,751)</b>	<b>735</b>	<b>4,709</b>	<b>1,325</b>	<b>1,014</b>	<b>6,625</b>	<b>3,466</b>	<b>2,275</b>	<b>455</b>	<b>1,045</b>	<b>2,687</b>	<b>29,356</b>	<b>59</b>	<b>53,751</b>

Gross Income £000's	Adjustments between SERCOP classifications and internal reporting classifications £000's	Directorate £000's	Financial Services £000's	Democratic & Legal Services £000's	Planning, Building Control & Licensing £000's	Environmental Services £000's	Housing, Health & Economic Development £000's	Neighbourhood Services £000's	Human Resources £000's	Information Technology £000's	Property Services £000's	Revenue Services £000's	Area Committees £000's	Gross Income £000's
874 Central Services to the Public	(874)	-	-	234	-	-	-	-	-	-	-	640	-	874
1,053 Cultural and Related Services	(1,053)	-	15	-	-	940	56	42	-	-	-	-	-	1,053
2,533 Environmental & Regulatory Services	(2,533)	-	-	-	212	2,258	50	13	-	-	-	-	-	2,533
1,722 Planning Services	(1,722)	-	-	-	709	-	117	79	-	-	817	-	-	1,722
317 Highways % Transportation Services	(317)	-	-	-	-	84	-	233	-	-	-	-	-	317
27,553 Housing Services	(27,553)	-	-	-	-	6	806	-	-	-	-	26,741	-	27,553
2,343 Corporate and Democratic Core	(2,343)	66	932	112	21	-	189	153	32	44	6	788	-	2,343
<b>36,395 Gross Income</b>	<b>(36,395)</b>	<b>66</b>	<b>947</b>	<b>346</b>	<b>942</b>	<b>3,288</b>	<b>1,218</b>	<b>520</b>	<b>32</b>	<b>44</b>	<b>823</b>	<b>28,169</b>	<b>-</b>	<b>36,395</b>

Net Income/ Expenditure £000's	Adjustments between SERCOP classifications and internal reporting classifications £000's	Directorate £000's	Financial Services £000's	Democratic & Legal Services £000's	Planning, Building Control & Licensing £000's	Environmental Services £000's	Housing, Health & Economic Development £000's	Neighbourhood Services £000's	Human Resources £000's	Information Technology £000's	Property Services £000's	Revenue Services £000's	Area Committees £000's	Net Income/Expe nditure £000's
(302) Central Services to the Public	302	-	212	(48)	-	49	-	-	-	-	-	(515)	-	(302)
4,156 Cultural and Related Services	(4,156)	-	2,788	-	-	767	182	360	-	-	-	-	59	4,156
1,780 Environmental & Regulatory Services	(1,780)	-	7	-	(202)	1,705	23	247	-	-	-	-	-	1,780
69 Planning Services	(69)	59	7	-	(508)	-	499	121	82	-	(191)	-	-	69
260 Highways % Transportation Services	(260)	-	20	-	-	45	-	195	-	-	-	-	-	260
(626) Housing Services	626	-	-	-	-	45	181	4	-	-	-	(856)	-	(626)
11,913 Corporate and Democratic Core	(11,913)	610	622	1,027	782	726	1,363	828	341	1,001	2,055	2,558	-	11,913
106 Non Distributed Costs	(106)	-	106	-	-	-	-	-	-	-	-	-	-	106
<b>17,356 Net Cost of Services</b>	<b>(17,356)</b>	<b>669</b>	<b>3,762</b>	<b>979</b>	<b>72</b>	<b>3,337</b>	<b>2,248</b>	<b>1,755</b>	<b>423</b>	<b>1,001</b>	<b>1,864</b>	<b>1,187</b>	<b>59</b>	<b>17,356</b>



## 28. EXPENDITURE AND INCOME ANALYSED BY NATURE

This table shows expenditure and income by category (nature) and how this relates to the surplus or deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2015/16 £000's	Restated Gross Expenditure	2016/17 £000's
8,106	Employee Benefits Expense	8,287
41,141	Other Service Expenses	38,804
208	Support Service Recharges	64
4,301	Depreciation Amortisation and Impairment	6,051
520	Interest Payments	546
3,887	Expenditure Asscoiated with Council Tax/NNDR	2,965
677	Precepts and Levies	1,166
4,399	Gain or Loss on Disosal of Non Current Assets/Pension Interest	4,162
<b>63,239</b>	<b>Gross Expenditure</b>	<b>62,045</b>
<b>Restated Gross Income</b>		
9,466	Fees and Charges and Other Service Income	8,783
13,109	Income from Council Tax/NNDR	14,377
33,243	Government Grants and Contributions	30,706
184	Interest and Investment Income	143
<b>56,002</b>	<b>Gross Income</b>	<b>54,009</b>
<b>7,237</b>	<b>Net Expenditure (Deficit on Provision of Services)</b>	<b>8,036</b>

## 29. SEGMENTAL ANALYSIS OF EXPENDITURE AND INCOME

The following tables further analyse the nature of expenditure and income by Council segments (Service Areas) for 2016/17 and comparatively for 2015/16.

2016/17 £000's	Gross Expenditure	Directorate £000's	Financial Services £000's	Democratic & Legal Services £000's	Planning, Building Control & Licensing £000's	Environmental Services £000's	Housing, Health & Economic Development £000's	Neighbourhood Services £000's	Human Resources £000's	Information Technology £000's	Property Services £000's	Revenue Services £000's	Area Committees £000's	Net Cost of Services £000's	Other Income and Expenditure £000's	Total £000's
8,287	Employee Benefits Expense	556	651	753	702	2,922	1,528	1,093	81	1	-	-	-	8,287	-	8,287
38,804	Other Service Expenses	44	2,763	456	425	3,232	640	965	320	1,063	1,361	27,412	70	38,751	53	38,804
64	Support Service Recharges	-	64	-	-	-	-	-	-	-	-	-	-	64	-	64
6,051	Depreciation Amortisation and Impairment	-	999	7	-	522	2,641	271	-	-	1,611	-	-	6,051	-	6,051
546	Interest Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	546	546
2,965	Expenditure Associated with Council Tax/NNDR	-	-	-	-	-	-	-	-	-	-	-	-	-	2,965	2,965
1,166	Precepts and Levies	-	-	-	-	-	-	-	-	-	-	-	-	-	1,166	1,166
4,162	Gain or Loss on Disposal of Non Current Assets/Pension Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	4,162	4,162
<b>62,045</b>	<b>Gross Expenditure</b>	<b>600</b>	<b>4,477</b>	<b>1,216</b>	<b>1,127</b>	<b>6,676</b>	<b>4,809</b>	<b>2,329</b>	<b>401</b>	<b>1,064</b>	<b>2,972</b>	<b>27,412</b>	<b>70</b>	<b>53,153</b>	<b>8,892</b>	<b>62,045</b>
<b>Gross Income</b>																
8,783	Revenues from External Customers	7	789	212	1,004	3,385	493	302	265	43	782	1,501	-	8,783	-	8,783
14,377	Income from Council Tax/NNDR	-	-	-	-	-	-	-	-	-	-	-	-	-	14,377	14,377
30,706	Government Grants and Contributions	-	-	22	-	5	582	84	-	-	50	24,555	-	25,298	5,408	30,706
143	Interest and Investment Income	-	-	-	-	-	-	-	-	-	-	-	-	-	143	143
<b>54,009</b>	<b>Gross Income</b>	<b>7</b>	<b>789</b>	<b>234</b>	<b>1,004</b>	<b>3,390</b>	<b>1,075</b>	<b>386</b>	<b>265</b>	<b>43</b>	<b>832</b>	<b>26,056</b>	<b>-</b>	<b>34,081</b>	<b>19,928</b>	<b>54,009</b>
<b>8,036</b>	<b>Net Expenditure (Deficit on Provision of Services)</b>	<b>593</b>	<b>3,688</b>	<b>982</b>	<b>123</b>	<b>3,286</b>	<b>3,734</b>	<b>1,943</b>	<b>136</b>	<b>1,021</b>	<b>2,140</b>	<b>1,356</b>	<b>70</b>	<b>19,072</b>	<b>(11,036)</b>	<b>8,036</b>

2015/16 £000's	Restated Gross Expenditure	Directorate £000's	Financial Services £000's	Democratic & Legal Services £000's	Planning, Building Control & Licensing £000's	Environmental Services £000's	Housing, Health & Economic Development £000's	Neighbourhood Services £000's	Human Resources £000's	Information Technology £000's	Property Services £000's	Revenue Services £000's	Area Committees £000's	Net Cost of Services £000's	Other Income and Expenditure £000's	Total £000's
8,106	Employee Benefits Expense	638	554	817	725	2,777	1,502	985	107	-	1	-	-	8,106	-	8,106
41,141	Other Service Expenses	97	3,155	508	81	3,342	754	1,039	348	1,045	1,352	29,356	59	41,136	5	41,141
208	Support Service Recharges	-	-	-	208	-	-	-	-	-	-	-	-	208	-	208
4,301	Depreciation Amortisation and Impairment	-	1,000	-	-	506	1,210	251	-	-	1,334	-	-	4,301	-	4,301
520	Interest Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	520	520
3,887	Expenditure Associated with Council Tax/NNDR	-	-	-	-	-	-	-	-	-	-	-	-	-	3,887	3,887
677	Precepts and Levies	-	-	-	-	-	-	-	-	-	-	-	-	-	677	677
4,399	Gain or Loss on Disposal of Non Current Assets/Pension Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	4,399	4,399
<b>63,239</b>	<b>Gross Expenditure</b>	<b>735</b>	<b>4,709</b>	<b>1,325</b>	<b>1,014</b>	<b>6,625</b>	<b>3,466</b>	<b>2,275</b>	<b>455</b>	<b>1,045</b>	<b>2,687</b>	<b>29,356</b>	<b>59</b>	<b>53,751</b>	<b>9,488</b>	<b>63,239</b>
<b>Gross Income</b>																
9,466	Revenues from External Customers	66	939	244	942	3,288	1,217	520	32	44	823	1,351	-	9,466	-	9,466
13,109	Income from Council Tax/NNDR	-	-	-	-	-	-	-	-	-	-	-	-	-	13,109	13,109
33,243	Government Grants and Contributions	-	8	102	-	-	1	-	-	-	-	26,818	-	26,929	6,314	33,243
184	Interest and Investment Income	-	-	-	-	-	-	-	-	-	-	-	-	-	184	184
<b>56,002</b>	<b>Gross Income</b>	<b>66</b>	<b>947</b>	<b>346</b>	<b>942</b>	<b>3,288</b>	<b>1,218</b>	<b>520</b>	<b>32</b>	<b>44</b>	<b>823</b>	<b>28,169</b>	<b>-</b>	<b>36,395</b>	<b>19,607</b>	<b>56,002</b>
<b>7,237</b>	<b>Net Expenditure (Deficit on Provision of Services)</b>	<b>669</b>	<b>3,762</b>	<b>979</b>	<b>72</b>	<b>3,337</b>	<b>2,248</b>	<b>1,755</b>	<b>423</b>	<b>1,001</b>	<b>1,864</b>	<b>1,187</b>	<b>59</b>	<b>17,356</b>	<b>(10,119)</b>	<b>7,237</b>

### 30. OFFICERS' REMUNERATION

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

Post Title		Salary, Fees and Allowances £	Bonuses £	Expenses Allowances * £	Compensation Loss of Office £	Benefits in Kind ** £	Pension Contribution £	Total £
<b>Strategic Director</b>	<b>2016/17</b>	92,718	-	377	-	-	11,312	<b>104,407</b>
	<b>2015/16</b>	91,800	-	377	-	4,339	11,200	<b>107,716</b>
<b>Corporate Director</b>	<b>2016/17</b>	90,466	-	203	-	6,423	11,025	<b>108,117</b>
	<b>2015/16</b>	89,599	-	352	-	8,557	10,919	<b>109,427</b>
<b>Democratic &amp; Legal Services Manager</b>								
	<b>2016/17</b>	23,148	-	-	-	2,033	-	<b>25,181</b>
	<b>2015/16</b>	52,857	-	352	-	3,949	5,179	<b>62,337</b>
<b>Housing Health &amp; Economic Development Services Manager</b>								
	<b>2016/17</b>	55,278	-	-	-	5,455	6,744	<b>67,477</b>
	<b>2015/16</b>	54,731	-	-	-	4,074	6,677	<b>65,482</b>
<b>Planning, Building Control &amp; Licensing Manager</b>								
	<b>2016/17</b>	55,278	-	-	-	7,359	6,744	<b>69,381</b>
	<b>2015/16</b>	54,731	-	-	-	5,529	6,677	<b>66,937</b>
<b>Financial Services Manager</b>								
	<b>2016/17</b>	55,463	-	-	-	-	6,766	<b>62,229</b>
	<b>2015/16</b>	52,183	-	-	-	-	6,366	<b>58,549</b>
<b>Neighbourhood Services Manager</b>								
	<b>2016/17</b>	44,859	-	-	-	5,506	-	<b>50,365</b>
	<b>2015/16</b>	34,478	-	-	-	4,787	-	<b>39,265</b>

\* 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 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 2015/16 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. This post was disestablished in October 2016 on the retirement of the postholder.

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

The lease car scheme is closed to new entrants. Under the new management structure introduced in 2015, the posts of Strategic and Corporate Director were established without the benefit of a leased car allowance. The lease car benefit in kind shown for the Corporate Director reflects a part-year effect only as the lease expired during 2016/17. The Strategic Director's car lease terminated in 2015/16.

The Council's Pay Policy is approved annually. The 2016 Pay Policy Statement was approved by the Council in March 2016 and can be found on the Council's website at [www.pendle.gov.uk](http://www.pendle.gov.uk).

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	
		2015/16	2016/17
£50,000 -	£54,999	1	1
£55,000 -	£59,999	2	2
£60,000 -	£64,999	1	2
£90,000 -	£94,999	-	1
£95,000 -	£99,999	2	1

The Authority terminated the contracts of five employees in 2016/17, incurring liabilities of £131k (£11k in 2015/16). 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		(c) Number of other departures agreed		(d) Total number of exit packages by cost band (b+c)		(e) Total cost of exit packages in each band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16 £	2016/17 £
£0 - £20,000	-	-	2	4	2	4	11,309	43,527
£80,001 - £100,000	-	-	-	1	-	1	-	87,893
<b>Totals</b>	-	-	2	5	2	5	11,309	131,420

### 31. MEMBERS' ALLOWANCES

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

<b>2015/16</b>		<b>2016/17</b>
<b>£</b>		<b>£</b>
173,265	Allowances	171,382
563	Expenses	530
<b>173,828</b>	<b>Total</b>	<b>171,912</b>

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

### 32. 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:

<b>2015/16</b>		<b>2016/17</b>
<b>Total</b>		<b>Total</b>
<b>£000's</b>		<b>£000's</b>
	<b>Fees Payable:</b>	
41	with regard to external audit services carried out by the appointed auditor for the year	41
8	to external auditors for certification of grant claims and returns	10
<b>49</b>	<b>Total</b>	<b>51</b>

### 33. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:

2015/16 Total £000's		2016/17 Total £000's
<b>Credited to Taxation and Non Specific Grant Income</b>		
3,904	Revenue Support Grant	3,013
65	Council Tax Freeze Grant	-
41	Efficiency Support Grant	-
964	New Homes Bonus Grant	1,098
-	- Community/Custom Self Build Grants (DCLG)	21
8	Transparency Code	8
6	LGA Productivity Funding	7
793	Small Business Rate Relief Grant	684
533	Capital Grants and Contributions	577
<b>6,314</b>		<b>5,408</b>
<b>Credited to Services</b>		
26,053	Housing Benefits and Council Tax	24,607
24	Individual Electoral Registration Grant	16
-	- Misc Grants from DCLG (Land Charges and Business Rates)	7
28	Local Council Tax support	-
788	DCLG Counter Fraud Funding	-
651	Capital grants funding Revenue Expenditure Under Statute	721
<b>27,544</b>		<b>25,351</b>
<b>33,858</b>	<b>Total</b>	<b>30,759</b>

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 2017 are shown below. By comparison, the Council had £99k of such grants at the end of 2015/16.

2015/16 Total £000's		2016/17 Total £000's
<b>Capital Grants Receipts in Advance</b>		
94	Local Town Council	8
5	Other Contributions and Grants	10
<b>99</b>	<b>Total</b>	<b>18</b>

### 34. 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 29 on the Expenditure and Funding Analysis.

#### 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 99. Precepts payable to local

Town and Parish Councils – refer to Note 9 on page 62. For details of payments to the Lancashire County Council Pension Fund refer to Note 37 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 2016/17 is shown in Note 31. 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 Company Limited, 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 2016/17 the Council paid a grant of £1.590m to the Trust (£1.880m in 2015/16). An additional one-off amount of £60,000 was also paid to the Trust to help it sustain the Rhythm and Blues Festival in Colne during August 2016. At the Balance Sheet date the Council owed Pendle Leisure Trust £7,131 and was owed £1,364,219, of which £1,261,333 related to long-term loans. This includes a loan of £1.1m advanced to the Trust in January 2017 to enable it to settle outstanding costs in respect of leisure facilities and equipment. During the year 3 Councillors served on the Trust's Board of Trustees.

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 the sale proceeds from properties sold under the former Right to Buy. In 2016/17 the Council received income of £171k in accordance with these arrangements (£432k in 2015/16). At the Balance Sheet date the Council owed Housing Pendle £14k and Housing Pendle owed the Council £11k.

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 £1.11m were made to PEARL entities during the year (£1.40m in 2015/16). Additional information on PEARL entities is disclosed in Note 38.

Payments to the value of £11,820 (£27,851 in 2015/16) 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 provided a grant of £90,470 (£93,450 in 2015/16) to the Burnley and Pendle Citizens Advice Bureau, a local organisation on which two councillors held positions on the governing body on behalf of the Council.

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.



### 35. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, including the value of assets acquired under finance leases, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the 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.

2015/16 £000's		2016/17 £000's
14,286	<b>Opening Capital Financing Requirement</b>	13,782
	<b>Capital Investment</b>	
940	Property Plant and Equipment	1,282
190	Intangible Assets	103
74	Expenditure on Loans	1,428
1,307	Revenue Expenditure funded from Capital under Statute	1,199
	<b>Sources of Finance</b>	
(613)	Capital Receipts	(282)
(1,061)	Government Grants and Other Contributions	(1,380)
	Sums set aside from Revenue:	
(837)	Direct Revenue Contributions	(316)
(504)	Minimum Revenue Provision	(410)
<b>13,782</b>	<b>Closing Capital Financing Requirement</b>	<b>15,406</b>
	<b>Explanation of Movements in Year</b>	
(504)	Increase/ decrease in underlying need to borrow (unsupported by government financial assistance)	1,624
<b>(504)</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>1,624</b>

### 36. 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 in 2010 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 had 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. In 2015/16 the gross investment was made up of the following amounts:

2015/16 £000's		2016/17 £000's
	Finance Lease Debtor - (net present value of minimum lease payments):	
1,425	Non-current	-
75	Unguaranteed residual value of property	-
<b>1,500</b>		<b>-</b>

There are no equivalent values in 2016/17 as during the year the company surrendered its lease to the Council and the Council agreed to dispose of its freehold reversion of the site to the company for a consideration of £35,000. This value reflected the significant development obligations associated with the regeneration of this iconic building and surrounding land by the company.

In the accounts for 2016/17 the Council has written out the previously reported long-term debtor value of £1.5m, being its gross investment in the lease, together with interest accrued of £73k. The latter has been charged to a matching provision with the former written out to the Capital Adjustment Account as impairment.

	Gross Investment in the Lease		Minimum Lease Payments	
	2015/16 £000's	2016/17 £000's	2015/16 £000's	2016/17 £000's
Later than 5 years	1,500	-	1,425	-
	<b>1,500</b>	<b>-</b>	<b>1,425</b>	<b>-</b>

### 37. 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:

2015/16 £000's	Lancashire County Pension Fund	2016/17 £000's
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services</b>		
1,260	Current service costs	1,146
67	Settlements and Curtailments	-
<b>1,327</b>	<b>Total Service Cost</b>	<b>1,146</b>
<b>Other Operating Expenditure</b>		
20	Fund Administration Expenses	24
<b>Financing and investment Income and Expenditure</b>		
1,547	Net interest expense	1,469
<b>2,894</b>	<b>Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,639</b>
<b>Remeasurements of the Net Defined Benefit Liability comprising:</b>		
(1,182)	Return on plan assets (excluding amounts included in net interest)	(8,229)
-	Actuarial gains and losses arising from changes in demographic/experience assumptions	(9,964)
(5,773)	Actuarial (gains) or losses arising from changes in financial assumptions	23,555
<b>(6,955)</b>	<b>Total remeasurements recognised in Other Comprehensive Income</b>	<b>5,362</b>
<b>(4,061)</b>	<b>Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>8,001</b>
<b>Movement in Reserves Statement</b>		
(2,894)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(2,639)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
2,289	Employer contributions payable to the scheme	2,247

#### 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:

2015/16 £000's	Lancashire County Pension Fund	2016/17 £000's
75,128	Fair Value of employer assets	84,176
(114,029)	Present value of funded benefit liabilities	(128,347)
(4,233)	Present value of unfunded benefit liabilities	(4,717)
<b>(43,134)</b>	<b>Closing balance at 31st March</b>	<b>(48,888)</b>

#### Reconciliation of the Movements in the Fair value of Scheme Assets

2015/16 £000's	Lancashire County Pension Fund	2016/17 £000's
73,664	<b>Opening fair value of scheme assets</b>	75,128
2,325	Interest income	2,599
Remeasurement gain / (loss):		
1,182	Return on plan assets excluding amounts included in net interest	8,229
(20)	Other	(24)
2,289	Contributions from employer	2,247
317	Contributions from employees into the scheme	315
(4,629)	Benefits paid	(4,318)
<b>75,128</b>	<b>Closing fair value of scheme assets</b>	<b>84,176</b>

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

2015/16 £000's	Lancashire County Pension Fund	2016/17 £000's
<b>123,148</b>	<b>Opening balance at 1st April</b>	<b>118,262</b>
1,260	Current service cost	1,146
3,872	Interest cost	4,068
317	Contributions from scheme participants	315
	Remeasurement (gains) and losses:	
	- Experience (gain)/loss	(8,911)
-	- Actuarial gains/losses arising from changes in demographic assumptions	(1,053)
(5,773)	- Actuarial (gains)/losses arising from changes in financial assumptions	23,555
67	Curtailments	-
(4,629)	Benefits paid	(4,318)
<b>118,262</b>	<b>Closing balance at 31st March</b>	<b>133,064</b>

The pension scheme assets comprised the following:

2015/16 £000's	Lancashire County Pension Fund	2016/17 £000's
	<b>Asset Category:</b>	
<u>2,584</u>	<b>Cash and Cash equivalents</b>	<u>874</u>
	<b>Equities*</b>	
8,162	- Consumer	-
946	- Energy & Utilities	-
4,557	- Financials	-
2,726	- Healthcare	-
3,255	- Industrials	-
4,624	- Information Technology	-
930	- Materials	-
623	- Telecommunications	-
-	- Other	-
<u>25,823</u>		<u>-</u>
	<b>Bonds*</b>	
1,080	UK corporate	307
450	Overseas corporate	1,076
-	UK Fixed gilts	161
<u>1,510</u>	UK index linked	<u>1,505</u>
<u>3,040</u>		<u>3,049</u>
	<b>Property</b>	
2,573	Retail	2,291
<u>4,647</u>	Commercial	<u>5,124</u>
<u>7,220</u>		<u>7,415</u>
	<b>Other</b>	
4,524	Private Equity - UK and Overseas	5,417
5,992	Pooled Equity Funds - UK and Overseas	37,214
6,003	Infrastructure	10,157
18,905	Credit Funds	18,863
<u>1,037</u>	Indirect Property Funds	<u>1,187</u>
<u>36,461</u>		<u>72,838</u>
<b>75,128</b>	<b>Closing balance at 31st March</b>	<b>84,176</b>

\* 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 31<sup>st</sup> March 2016.

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 £690m as at 31<sup>st</sup> March 2016. The fund's employers are paying additional contributions over a period of approximately 16 years in order to meet the shortfall.

The significant assumptions used by the actuary have been:

Local Government Pension Scheme	2015/16	2016/17
Mortality assumptions:		
Longevity at 65 for current pensioners (years)		
Men	23.0	22.6
Women	25.6	25.2
Longevity at 65 for future pensioners (years)		
Men	25.2	24.9
Women	27.9	27.9
Rate of CPI inflation	2.0%	2.3%
Rate of increase in salaries	3.5%	3.8%
Rate of increase in pensions	2.0%	2.3%
Rate for discounting scheme liabilities	3.5%	2.5%

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 2015/16.

Local Government Pension Scheme	Impact on the Defined Benefit Obligation £'000	
<i>Sensitivity Analysis - Assumptions</i>		
+0.1% change in discount rate	-	2,005
+0.1% change in inflation rate		2,036
+0.1% change in pay growth		293
1 year increase in life expectancy		2,768

### 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 2016 valuation, the Pension Fund agreed with participating employers to put in place a recovery plan assuming an average recovery period of approximately 16 years. The next valuation of the Fund will take place with an effective date of 31<sup>st</sup> March 2019 with any revised contributions rates being applied to the Council with effect from 1<sup>st</sup> April 2020.

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 31<sup>st</sup> 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 £2.275m to the scheme in 2017/18.

The Council's weighted average duration of the defined benefit obligation for scheme members is 15 years.

### **38. JOINT VENTURE ARRANGEMENTS**

In partnership with Barnfield Investment Properties Limited (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 2016/17. 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 (the ACE Centre); 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 issued 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 2016/17 and the Council's Strategic Director is the Company Secretary. The Council also provides accountancy services to PEARL for which the remuneration in 2016/17 was £15.6k.

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 31<sup>st</sup> March 2017 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 31<sup>st</sup> March 2017 is £707k including accrued interest of £137k.

#### **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.

PEARL 2 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 2016/17 and the Council's Strategic Director is the Company Secretary. The Council also provides accountancy services to PEARL 2 for which the remuneration in 2016/17 was £10k.

PEARL 2 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 31<sup>st</sup> March 2017 was £932k. New loan advances of £279k were made to PEARL 2 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 2017 is £1.039m (including accrued interest of £107k).

### **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 PEARL 2. It has an authorised share capital of £1,000 of which BIP has 700 £1 shares, the Council has 299 £1 shares and PEARL 2 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 PEARL 2, 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 2016/17 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 2016/17 was £10.8k.

The Council has allocated funding as a contribution to the overall redevelopment of the Brierfield Mill site, of which £180k has been advanced by way of loans to the company at 31<sup>st</sup> March 2017. New loan advances of £13k were made to the company during the year.

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). 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 2017 is £193k (including accrued interest of £13k).

In addition to the loan recognised as a long-term debtor during the year, the Council agreed to make a temporary cashflow loan of £200,000 available to the company. This was done with the expectation that the loan would be converted to a grant at a later stage. As this is expected to be confirmed during 2017/18 the Council has recognised this loan as a current rather than long-term debtor at the 31<sup>st</sup> March 2017.

Another transaction completed between the Council and PEARL (Brierfield Mill) during the year was the disposal of the freehold reversion of the site by the Council to the company. The Council had originally disposed of the site to the company by way of a long-term lease (250 years) granted in 2012. The Company surrendered the lease with the Council and subsequently acquired the freehold. The value assigned to the freehold reversion was £35,000 which was paid by the company to the Council. The transaction was completed on 19<sup>th</sup> September 2016.

Copies of the accounts for PEARL, PEARL 2 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.



## **39. 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 2017, the Council had 7 loan advances outstanding of £181k with no repayments made in the year. 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 28<sup>th</sup> 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.

## **40. 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.

### **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 considerable economic benefit 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.

## **Accident Investigation by the Health and Safety Executive**

The Health and Safety Executive (HSE) is currently conducting an investigation in relation to an accident in which a member of staff sustained serious injuries in the course of their employment in late 2015. The investigation remains in progress at the reporting date. At this time we do not know what action, if any, the HSE may decide to take against the Council.

## **41. 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 2016/17 which incorporates the prudential indicators was approved by Council on 23<sup>rd</sup> March 2016 and is available on the Council website at [www.pendle.gov.uk](http://www.pendle.gov.uk).

The key issues within the strategy were:

- The Authorised Limit for 2016/17 was set at £23.5m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was set at £22.5m. This is the level beyond which external debt is not normally expected to exceed.
- 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 three UK building societies (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 2016/17 range from 100 days to 364 days. The maximum sums invested range from £2.0m 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 2017 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 2017	31 March 2017	31 March 2017	31 March 2017	31 March 2016
Banks & Building Societies	7,508	0.00%	0.00%	Nil	Nil
Other Local Authorities / Govt	10,008	0.00%	0.00%	Nil	Nil
Sundry /Trade Debtors	820	3.00%	38.00%	335	299
<b>Total</b>	<b>18,336</b>			<b>335</b>	<b>299</b>

The Council does not generally allow credit for its customers, such that the sum of £742,000 of the £820,000 debtors balance shown above is past its due date for payment. The past due amount can be analysed by age as follows:

<b>2015/16 £000's</b>		<b>2016/17 £000's</b>
529	Less than three months	411
27	Three to six months	23
32	Six months to one year	62
245	More than one year	246
<b>833</b>		<b>742</b>

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:

2015/16 £000's		2016/17 £000's
-	Less than one Year	1,000
3,000	Between two and five years	3,000
5,500	Between five and ten years	4,500
6,859	More than ten years	7,859
<b>15,359</b>		<b>16,359</b>

### 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 67 from £18.901m to £16.716m;

- 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 67 from £17.520m to £17.480m.

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 2016/17 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.

#### 42. TRUST FUNDS

The Council has the following funds:

	Balance at 1 Apr 2016	2016/17		Balance at 31 Mar 2017
	£	Advanced £	Utilised £	£
Mayor's War Benevolent Fund	43,150	-	-	43,150
Winewall Inghamites	39,850	-	(250)	39,600
Carl Pritchard	14,000	-	-	14,000
	<b>97,000</b>	<b>-</b>	<b>(250)</b>	<b>96,750</b>

As at the 31<sup>st</sup> March 2017 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 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

## Collection Fund

### Revenue Account for the year ended 31<sup>st</sup> March 2017

2015/16 £000's		Council Tax £000's	2016/17 NNDR £000's	Total £000's
<b>Income</b>				
39,387	Council Tax	41,727	-	41,727
24	Other Income	11	-	11
(2)	Council Tax Transitional Relief	(1)	-	(1)
19,998	Business Rates	-	20,664	20,664
59,407	<b>Total Income</b>	41,737	20,664	62,401
<b>Expenditure</b>				
Precepts				
27,291	Lancashire County Council	27,223	1,730	28,953
13,168	Pendle Borough Council	5,681	7,689	13,370
3,597	Lancashire Police Commissioner	3,759	-	3,759
1,660	Lancashire Combined Fire Authority	1,517	192	1,709
677	Town & Parish Councils	1,166	-	1,166
9,663	Central Government	-	9,612	9,612
925	Transfer of Collection Fund Surplus / (Deficit)	2,453	(1,293)	1,160
56,981		41,799	17,930	59,729
Business Rates				
137	Collection Allowance	-	137	137
137		-	137	137
Bad and Doubtful Debts				
420	Bad Debts Provision	110	(260)	(150)
2,538	Appeals Provision	-	(110)	(110)
335	Write-Offs	116	202	318
3,293		226	(168)	58
60,411	<b>Total Expenditure</b>	42,025	17,899	59,924
(1,004)	Surplus / (Deficit) For The Year	(288)	2,765	2,477
1,831	Surplus / (Deficit) Brought Forward	3,649	(2,822)	827
827	Surplus / (Deficit) Carried Forward	3,361	(57)	3,304



## 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 £51.9m as at 31<sup>st</sup> March 2017 (£53m as at 31<sup>st</sup> March 2016). The national non-domestic rate standard multiplier for 2016/17 was 49.7p, with a small business multiplier of 48.4p, in the £ (49.3p and 48.0p respectively in 2015/16).
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.

2015/16		Council Tax Band	2016/17	
Adjusted No of Properties	Band D Equivalent		Adjusted No of Properties	Band D Equivalent
85	47	-A	85	47
21,551	14,367	A	21,751	14,501
4,049	3,149	B	4,109	3,196
3,960	3,520	C	3,998	3,554
2,934	2,934	D	2,948	2,949
1,643	2,009	E	1,642	2,007
894	1,292	F	898	1,297
474	790	G	476	794
39	77	H	39	77
	<b>28,185</b>			<b>28,422</b>

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)	28,422
Less: reduction for estimated non-collection	<u>(1,137)</u>
	27,285
Less: reduction for impact of Council Tax Support discount	<u>(4,114)</u>
<b>Net Tax Base for 2016/17</b>	<b><u>23,171</u></b>

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

2015/16		Precept/ Demand	Share of Surplus	2016/17 Total
£000's		£000's	£000's	£000's
6,053	Pendle Borough Council	5,681	589	6,270
28,086	Lancashire County Council	27,223	2,325	29,548
3,952	Lancashire Police Commissioner	3,759	319	4,078
1,611	Lancashire Combined Fire Authority	1,517	128	1,645
<b>39,702</b>		<b>38,180</b>	<b>3,361</b>	<b>41,541</b>

#### Business Rates

2015/16		Precept/ Demand	Share of Deficit	2016/17 Total
£000's		£000's	£000's	£000's
8,252	Central Government	9,612	(28)	9,584
6,602	Pendle Borough Council	7,689	(23)	7,666
1,485	Lancashire County Council	1,730	(5)	1,725
165	Lancashire Combined Fire Authority	192	(1)	191
<b>16,504</b>		<b>19,223</b>	<b>(57)</b>	<b>19,166</b>

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 2016 it was estimated that the Collection Fund would have a Council Tax surplus of £2.453m and a Business Rates deficit of £1.293m, a combined net Collection Fund surplus of £1.160m (£925k surplus in January 2015) and so the following amounts were due to / (from) the preceptors in 2016/17.

2015/16		Council Tax	Business Rates	2016/17 Total
£000's		£000's	£000's	£000's
-	Central Government	-	(647)	(647)
154	Pendle Borough Council	408	(517)	(109)
643	Lancashire County Council	1,707	(116)	1,591
91	Lancashire Combined Fire Authority	98	(13)	85
37	Lancashire Police & Crime Commissioner	240	-	240
<b>925</b>		<b>2,453</b>	<b>(1,293)</b>	<b>1,160</b>

9. The Council is part of the Lancashire Business Rates Pool which began on 1 April 2016. In a Business Rate Pool, tariffs, top-ups, levies and safety nets can be combined. This can result in a significantly lower levy rate or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government.
10. The Lancashire Business Rates Pool, which includes most but not all of the local authorities in Lancashire, has been designated by the Secretary of State for Communities and Local Government and the retained levy in Lancashire has been distributed as follows:
- Lancashire County Council is paid 10% of the overall retained levy;
  - Each district within the pool retains 90% of their levy.
11. With regard to this council, the retained levy would be £530,870, hence under pooling we have benefitted from extra income of £477,783. Lancashire County Council has received the remaining 10% of retained levy.

12. As part of the pool arrangements, one authority must be designated as lead authority, which in the case of the Lancashire Business Rates Pool is Ribble Valley Borough Council. As part of this arrangement a fee of £2,000 is payable by each pool member to Ribble Valley Borough Council in their role as lead.
13. In the Lancashire Business Rates Pool each council bears its own risk and takes its own reward under the pool agreement, i.e. no sharing of a volatility reserve.
14. Below is a summary of the Lancashire Business Rates Pool members and relevant transactions.

Lancashire Business Rates Pool Members 2016/17	Authority Type	In-Year Transactions Relating to Tariffs and Top-Ups £	Retained Levy on Growth 2016/17 £	10% Retained Levy Payable to/received by Lancashire County Council £	Net Retained Levy 2016/17 £
Burnley Borough Council	Tariff	7,173,471	-678,064	67,806	-610,258
Chorley Borough Council	Tariff	7,856,662	-918,171	91,817	-826,354
Hyndburn Borough Council	Tariff	5,063,238	-305,161	30,516	-274,645
<b>Pendle Borough Council</b>	<b>Tariff</b>	<b>4,093,827</b>	<b>-530,870</b>	<b>53,087</b>	<b>-477,783</b>
Ribble Valley Borough Council	Tariff	4,361,492	-376,131	37,613	-338,518
Rosendale Borough Council	Tariff	3,305,780	-400,847	40,085	-360,762
South Ribble Borough Council	Tariff	11,954,757	-1,116,335	111,633	-1,004,702
West Lancashire Borough Council	Tariff	9,633,376	-482,066	48,207	-433,859
Wyre Borough Council	Tariff	7,352,522	-319,521	31,952	-287,569
Lancashire County Council	Top-Up	-140,072,421	0	-512,716	-512,716
Central Government	-	79,277,296	0	0	0
<b>Total</b>		<b>0</b>	<b>-5,127,166</b>	<b>0</b>	<b>-5,127,166</b>

15. The Net Retained Levy for the council is shown within Business Rates Retention income on the Comprehensive Income and Expenditure Statement, along with the council's own share of growth achieved in the year.

## **AUDIT CERTIFICATE AND OPINION**

## Audit Opinion

The Accounts are draft at this stage and subject to audit by Grant Thornton. The audit is due to commence in June. The Audit Findings Report from Grant Thornton will be presented to the Accounts and Audit Committee on 31<sup>st</sup> July 2017. Following this, the audited accounts together with the Audit Opinion will be published on the Council's website.

**EARMARKED RESERVES 2016/17**

- 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;
- Revenue Expenditure Reserve – contains miscellaneous service related balances and also covers slippage of revenue budgets from one year to another;
- 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;
- 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;
- 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;
- 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;
- 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 2016/17

### 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 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**

<b><i>Accruals</i></b>	The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
<b><i>Accumulated Absences</i></b>	Absences earned but not taken by the end of the financial year i.e. holiday pay entitlement.
<b><i>Amortisation</i></b>	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.
<b><i>Assets</i></b>	Something of worth which is measurable in monetary terms
<b><i>Balance Sheet</i></b>	A statement of the recorded assets, liabilities and reserves at the end of an accounting period.
<b><i>Budgets</i></b>	A statement of the Council's forecast spend - i.e. net revenue expenditure for the year.
<b><i>Business Rates</i></b>	See Non-Domestic Rates.
<b><i>Capital Charges</i></b>	This represents charges made to services' revenue accounts to reflect the cost of fixed assets used in the provision of services.
<b><i>Capital Expenditure</i></b>	Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.
<b><i>Capital Receipts</i></b>	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.
<b><i>Cash and Cash Equivalents</i></b>	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.
<b><i>CIPFA</i></b>	Chartered Institute of Public Finance and Accountancy
<b><i>Community Assets</i></b>	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.
<b><i>Contingent Liability</i></b>	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.
<b><i>Creditors</i></b>	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.
<b><i>DCLG</i></b>	Department for Communities and Local Government
<b><i>Debtors</i></b>	Sums of money due to the Council but which are unpaid at the date of the balance sheet.
<b><i>DEFRA</i></b>	Department for Environment, Food and Rural Affairs

<b><i>Depreciation</i></b>	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.
<b><i>Effective Interest Rate</i></b>	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.
<b><i>Fair Value</i></b>	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.
<b><i>Finance Lease</i></b>	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.
<b><i>Financial Assets</i></b>	Cash, bonds, deposits, loan and debtors, and shares in another organisation, are all examples of financial assets.
<b><i>Financial instrument</i></b>	Any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.
<b><i>Financial Liabilities</i></b>	Include borrowings, other financing and bank overdrafts, derivative instruments and accounts and notes payable.
<b><i>Fixed Assets</i></b>	Include investments, accounts and notes receivable, short-term investments, including derivative instruments, and cash and cash equivalents.
<b><i>General Fund Services</i></b>	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.
<b><i>Historical Cost</i></b>	This represents the original cost of acquisition, construction or purchase of a fixed asset.
<b><i>IAS</i></b>	International Accounting Standard
<b><i>IFRS</i></b>	International Financial Reporting Standard
<b><i>Impairment</i></b>	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.
<b><i>Infrastructure Assets</i></b>	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.
<b><i>Liabilities</i></b>	Money the Council will have to pay to people or organisations.
<b><i>Minimum Revenue Provision</i></b>	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.

<b>Net Current Replacement Cost</b>	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.
<b>Net Realisable Value</b>	The open market value of an asset in its existing use less any expenses incurred in realising the asset.
<b>Non-Domestic Rates (NNDR)</b>	These are business rates collected locally by the Council and shared between the Council, Government, County Council and the Fire Authority.
<b>Operating Lease</b>	A lease other than a finance lease.
<b>Operational Assets</b>	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.
<b>Precepts</b>	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.
<b>Public Works Loan Board</b>	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.
<b>Recharges</b>	The transfer of costs within the Council from one account to another to reflect work undertaken on behalf of another service.
<b>Reserves</b>	These are amounts set aside from balances to meet specific items of future expenditure. There are revenue and capital reserves.
<b>Revenue Contributions</b>	A method of financing capital expenditure through the revenue account.
<b>Revenue Expenditure</b>	This represents day to day running costs incurred in the provision of Council services. Such costs principally include employees' costs, supplies & services costs, etc.
<b>Revenue Support Grant (RSG)</b>	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.
<b>SeRCOP</b>	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.
<b>SOLACE</b>	Society of Local Authority Chief Executives.
<b>Unusable Reserves</b>	Reserves that the Council is not able to use to provide services as they reflect unrealised gains and losses and associated accounting adjustments.
<b>Usable Reserves</b>	Reserves that the Council may use to provide services subject to maintaining a prudent level and any statutory limitations.
<b>Working Balances</b>	This represents the accumulated surplus (excess of income over expenditure) on the Council's revenue accounts i.e. General Fund.