Borough of Pendle

STATEMENT OF ACCOUNTS

for the year ended
31st March 2019

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Statement of Accounts
Approved by the
Accounts and Audit Committee
30th July 2019

Tommy Cooney

Councillor Tommy Cooney
Chairman

Introduction

This Statement of Accounts for the year ended 31st March 2019 has been prepared and published in accordance with the Code of Practice on Local Authority Accounting 2018/19, 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 2018. 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 is the **Expenditure and Funding Analysis (EFA)**. 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 Fire and Rescue Service. The Collection Fund records the income we receive from local tax payers and the money that is paid out as precepts.

The Government introduced the Business Rates Retention scheme in 2013/14 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. During 2018/19 under this 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 21 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 Chief Financial Officer (CFO) is the statutory officer responsible for the proper administration of the Council's financial affairs. The CFO 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. The CFO's statement of assurance appears on page 39 of this document.

Narrative Report for 2018/19 by the Chief Financial Officer

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 out-turn for 2018/19.
- 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 provides information about Pendle, including key issues affecting the Council and its accounts. It also provides a summary of the Council's financial position at 31st March 2019 and adopts the following structure:-

- An introduction to Pendle
- Key facts about Pendle
- Information about the Council
- The 2018/19 revenue budget and medium term position
- The capital programme for 2018/19 and over the medium term
- Financial performance of the Council in 2018/19
- Non-financial performance of the Council in 2018/19
- Overview of strategic risks facing the Council
- The financial outlook to 2022/23
- Access to further information

An introduction to Pendle

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

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

Key facts about Pendle

Population

The Borough covers an area of 169.4 km^2 and has a population of 90,696 giving it an overall population density of 535 persons per km^2.

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

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

The most recent Sub-National Population Projections (SNPP) published by the Office for National Statistics estimates that the population of Pendle will increase to 92,509 by 2039. 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 (20.0%). 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 2016, Pendle had 37,920 household spaces, a figure that is expected to increase to 39,690 by 2041 representing an increase of 4.1% compared to the Lancashire projected average growth of 7.3%. The increase in households is projected to slow down from 1.44% between 2016 and 2021 to just 0.46% between 2036 and 2041.

Of the 37,920 household spaces that were occupied in 2016, over one-third (34%) were single person households which is higher than the county average of 33% and by 2041 one person households is predicted to increase to 37.2%. The age profile of households is also projected to get older between 2016 and 2041 with 50.69% being under 55 and 13.50% being over 74 in 2016 to 43.8% being under 55 and 22.18% being over 74.

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 33.3% 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 Pendle's housing stock in the private Sector is 88.3% and the remaining 11.7% is with Private Registered Providers (much of this is in the older terraced stock) compared to the average in Lancashire District Council areas at 87.7% and 10.4% respectively (1.9% Local Authority owned).

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 (61.5%) in the lowest council tax band (Band A) compared to Lancashire as a whole at 37%.

Deprivation

The latest data, based on the average Index of Multiple Deprivation (IMD) score, ranks Pendle (factoring in population weighting) in 42nd place out of 326 local authorities, previously Pendle was ranked 38th.

The Ministry of Housing, 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 resident in Pendle are consistently below the level of the North West and the UK. 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 (£411.90) are below the comparable figures for the North West (£421.60) and significantly below the UK (£448.60) average. Positive effects from commuter inflow mean that the average wage rate for people working in the borough is slightly higher (£415.00), this trend is consistent with the North West (£422.80).

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. Construction accounts for 12% of business types in Pendle which is slightly below the national average with Professional, Scientific and Technical services making up circa. 11% which is significantly below the national average (circa. 18%). Manufacturing accounts for 10.5% being significantly higher than the national average of just 4.5%.

Pendle has been proactively working with businesses through its award winning Gearing up for Growth scheme. In 2018/19, 19 businesses have received support to start, expand and grow. Over £70,000 has been invested in the borough which will result in nearly £750,000 of private sector investment in Pendle. During this 12 month period the scheme has created 8 new businesses, created over 55 new jobs whilst safeguarding 33 full time jobs.

The Council’s Regeneration team is also working on a new strategic site in the M65 growth corridor bringing forward 30 hectares of strategic employment land (16 hectares net developable) adjacent to the existing Lomeshaye Industrial Estate. This scheme will be developed in phases providing a number of high quality industrial units. Work is also underway at Northlight Brierfield Mill which is a £32million renovation project of a listed mill creating leisure facilities, usable office space and housing. Both projects will help create employment opportunities for Pendle residents.

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 64 attractions and 59 accommodation providers in the district.

There were over 2.75million visitors to Pendle in 2017, visitor spend increased from £116million to £119million with nearly 27% of this from staying visitors. The Pendle area 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 2018/19 Municipal Year

The political make-up of the Council during the year was:

Conservative Party	25 Councillors
Labour Party	15 Councillors
Liberal Democrat Party	9 Councillors

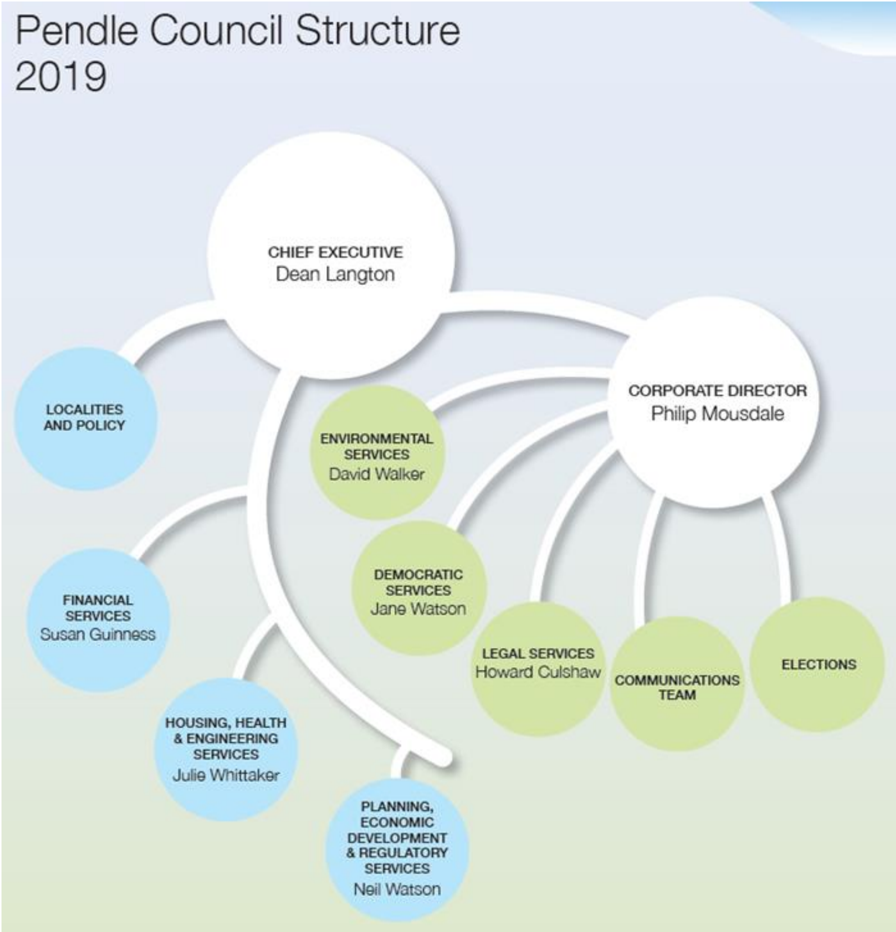
Pendle has 20 wards and the Council is composed of 49 councillors with one-third elected three years in four. The model of governance which operated during 2018/19 was a streamlined Committee System. The Council appoints the Leader. The Policy and Resources Committee comprises 17 Councillors including the Leader.

The arrangements for scrutiny under the committee system, introduced in 2018/19, operate via a Task and Finish Committee as required and also provided by the Council's Call-in procedures.

Management Structure

Between April 2015 and early 2018 the Council's senior management structure consisted of two Director posts - Strategic Director (Head of Paid Service) and Corporate Director (Monitoring Officer and Returning Officer) and Service Heads. In early 2018, the post of Strategic Director was subsequently re-designated as Chief Executive. During 2018/19 a further Organisational Review was undertaken which resulted in the number of Service Head posts being reduced to 4.

The current senior management structure is shown below:



The Council's staffing establishment at the end of March 2019 comprised 208.0 full time equivalent staff compared with 216.0 as at 31st March 2018.

Our Strategic Plan 2018/19 to 2019/20

As a Council we have signed up to the vision we are committed to working 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. We want Pendle to be a place where everyone aspires to reach their full potential.*
>
> *We want to be recognised locally, regionally and nationally as a great are to live, learn, work, play and visit."*

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, the community and volunteers 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: Helping 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: Helping to create and sustain resilient communities**

   We will acknowledge and build upon Pendle'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 which is Digital by Default**

   We will ensure that, as an organisation, we are suitably placed to deliver the priorities identified for Pendle and our local 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:

P	**Pride**	**Take pride in all you do** ☺ Believe in Pendle and be an ambassador for the Council ☹ Don't forget our customers
E	**Enterprising**	**Be open to doing things differently** ☺ Ensure public money is spent in the smartest way ☹ Don't ignore new ways of working
N	**No blame**	**Don't be afraid to fail. Together we achieve more** ☺ Act in an open, honest and friendly manner ☹ Don't ignore the impact your behaviour has on others
D	**Determined**	**Face challenges in a positive way** ☺ Make the effort to find information out yourself ☹ Don't limit your opportunities to learn and grow
L	**Listen**	**Listen to and support others** ☺ Value alternative views ☹ Don't forget to thank others for their contribution
E	**Equality**	**Value differences and celebrate diversity** ☺ Ask for help and support when needed ☹ Don't make assumptions about people

The 2018/19 Revenue Budget Process and Medium Term Position

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 2018 when the full Council agreed a net budget for the year of £12.197m. The budget assumed the use of £1.3m from reserves and included various proposals (i.e. service efficiencies, savings and income generation) estimated to reduce the overall budget by £0.847m. Details on the revenue out-turn for 2018/19 are provided in the Financial Performance section below.

Council Tax

When setting the budget for 2018/19 the Council agreed to increase council tax by £7.48 (2.99%). The Council set a Band D council tax for the year of £257.64. The Band D total council tax for the year was £1,872.45, an increase of 5.42% on the previous year made up as follows:-

	2017/18 £	2018/19 £
Pendle Borough Council	250.16	257.64
Police & Crime Commissioner	165.45	177.45
Lancashire County Council	1,175.64	1,212.17
Lancashire County Council – Adult Social Care	46.10	82.75
Lancashire Fire Authority	65.50	67.46
Local Town and Parish Councils (average)	63.35	74.98
Total Council Tax at Band D	**1,766.20**	**1,872.45**

Council Tax Base

As part of the budget process for 2018/19 the Council set a council tax base (expressed as the number of Band D equivalent properties) of 23,661.5. This represented an increase of 1.34% on the previous year – 2017/18 (23,348.3).

Medium Term Financial Plan 2018/19 to 2021/22

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 income streams
- **Saving** – reducing 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 Plan takes account of the significant reductions in core funding from Government. Since 2010/11 the Council's budgeted core revenue funding from Government has reduced by 65% as shown in the table below:

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Retained Business Rates (excluding Section 31 grant)	9,038	6,765	7,839	3,305	3,369	3,670	3,595	3,552	3,804
Revenue Support Grant (adjusted)	2,087	2,091	151	4,011	2,780	2,571	1,680	877	374
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	995	488
Total	**13,178**	**11,788**	**10,396**	**8,705**	**7,889**	**7,234**	**6,364**	**5,424**	**4,666**
Change	**-**	**-10%**	**-21%**	**-34%**	**-40%**	**-45%**	**-52%**	**-59%**	**-65%**

An update of the Council's medium term financial plan was considered by the Policy and Resources Committee in December 2018 covering the plan period to 2021/22. Following approval by Council in February, the budget for 2019/20 the current position is as set out in the following table. This position is continually being updated and more information is available on the Council's website as part of reports to Council and the Policy and Resources Committee e.g. May 2019 Policy and Resources Agenda. Agendas, reports and minutes for all Council meetings can be viewed on our website (www,pendle.gov.uk).

	Budget 2019/20 £000	Forecast 2020/21 £000	Forecast 2021/22 £000
Net Revenue Expenditure (A)	**12,908**	**13,891**	**14,855**
Funded By:-			
Business Rates Retained	(4,505)	(4,342)	(4,127)
Add: Collection Fund (Surplus) / Deficit	(775)	(300)	(250)
Plus Council Tax Income	(6,384)	(6,625)	(6,874)
Total Funding (B)	**(11,664)**	**(11,267)**	**(11,251)**
Local Funding Gap (A – B)	**1,244**	**2,624**	**3,604**
Use of Reserves	(1,244)	(1,152)	(734)
Prior year savings implemented	-	-	(1,472)
In Year Savings Required	**-**	**1,472**	**1,398**

At £2.9m, the scale of savings required over the next two years represents a significant challenge to the Council and work is already underway to develop options for savings.

The Capital Programme for 2018/19 and Over The Medium Term

Capital spending has reduced in recent years as the level of capital resources has 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 2018/19 was approved by the Council in February 2018. At that time the overall programme was £7.683m which consisted of 'new' expenditure of £2m and slippage valued at £5.683m represented by schemes previously approved and carried forward.

In considering the capital programme for 2018/19 onwards, our Capital Strategy 2018/19 to 2020/21 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 for the Council given the condition of the housing stock within some areas of Pendle and the ongoing focus on reducing the number of empty homes in the Borough. The extent to which the Council has the financial capacity to deliver the renewal of private sector housing, however will largely depend on the receipt of external funding from the Government or related agencies such as Homes England;

- **Promoting, Enabling and Providing Regeneration** – the wider regeneration of Pendle is a key capital investment priority for the Council. In previous years this has largely been driven by the external funding provided to the Council. Given the continuing constraints on external funding, the Council has used its joint venture arrangement with Barnfield Investment Properties Ltd – PEARL, PEARL2, PEARL (Brierfield Mill) and more recently PEARL Together Ltd – as key vehicles for regeneration activity. This will continue to be the case where it remains viable to do so;

- **Enabling economic growth** – to support the growth of business and employment opportunities within the borough. A key priority is to bring forward the extension of Lomeshaye Industrial Estate as a strategic employment site in partnership with the Lancashire Enterprise Partnership and the County Council;

- **Corporate and Service Asset Renewal** – where resources permit we will continue investing in our own assets. Primarily those employed in the delivery of services direct to the residents e.g. parks and recreational facilities, but also those that are used for administrative purposes. A key part of this is to provide adequate resources to ensure assets are safe to use and occupy.

- **Invest to save / transformation projects** – the Council will consider using its prudential borrowing powers to undertake projects which generate revenue savings, examples include the acquisition of parts of the ACE Centre in Nelson and the acquisition of No.1 Market Street, Nelson. In addition there is now some scope to use capital receipts flexibly to fund expenditure on transformation type projects where they also deliver revenue savings.

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 2018/19 programme was updated throughout the year in response to the previous year's out-turn, updates on the timing of expenditure and funding or saving opportunities with the final programme value being £10.940m. Significant changes from the programme approved in February included additional slippage from 2017/18 (£2.5m), flood alleviation schemes at Earby (£0.160m) and Barnoldswick (£0.300m) and additional allocations received for Disabled Facilities Grant. Details on the capital out-turn for the year are provided in the Financial Performance section below.

Financial Performance of the Council in 2018/19

The Council's revenue out-turn for 2018/19 is shown in the table below. The approved budget provided a budget requirement of £12.197m with a council tax requirement of £6.1m.

Revenue Budget Outturn 2018/19	Approved Budget 2018/19 £000	Actual 2018/19 £000	Variance 2018/19 £000
Net Cost of Services	15,283	15,293	10
Corporate Income and Expenditure	(2,149)	(2,328)	(179)
Contribution to/(from) Reserves	(449)	(449)	-
Net Expenditure	**12,685**	**12,516**	**(169)**
Contribution from Budget Strategy Reserve	**(488)**	**(319)**	**169**
Approved Net Expenditure – Budget Requirement	**12,197**	**12,197**	**0**
Funded by:-			
Council Tax (precept on the Collection Fund)	(6,096)	(6,096)	0
Government Grant	(1,707)	(1,707)	0
Share of Collection Fund Surplus – Council Tax	(337)	(337)	0
Business Rates Income (net)	(4,057)	(4,057)	0
Total Funding	**(12,197)**	**(12,197)**	**0**

As the table above indicates, our budgeted net expenditure for the year was £12.685m. It was planned to meet this expenditure primarily from Council Tax income of £6.096m, Government Grant of £1.707m and net income from Business Rates of £4.057m. After deducting the Council's share of the council tax surplus on the Collection Fund, the balance of expenditure over income of £488k was to be met by a contribution from the Budget Strategy Reserve.

The original planned use of £488k from the Budget Strategy Reserve was reduced to £319k, a reduction of £169k. This is a consequence of a net underspend of £169 comprising a net overspend of £10k on the Net Cost of Services and an underspend of £179k on Corporate Income and Expenditure.

Service Financial Performance

As the table above shows, the cost of services was overspent by £10k compared to the approved budget for the year. All variations will be analysed and any future implications brought into the budget planning process.

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 112.

Service Area – Revenue Out-turn	Approved Budget 2018/19 £000	Actual Expenditure 2018/19 £000	Budget to Actual Variance 2018/19 £000
Directorate	53	51	(2)
Financial Services (including services provided by Liberata)	5,716	5,767	51
Democratic & Legal Services	1,097	1,062	(35)
Planning, Building Control & Licensing	531	500	(31)
Environmental Services	4,500	4,574	74
Housing, Health and Economic Regeneration	1,891	1,905	14
Neighbourhood Services	1,495	1,433	(62)
Net Cost of Services	**15,283**	**15,293**	**10**

The General Fund Working Balance

In view of the out-turn position outlined above on our General Fund Revenue Account for the year, it has not been necessary to draw on the General Fund Working Balance. At 31st March 2019 the Council retained a General Fund Working Balance of £1.0m. This is unchanged from the position reported for the previous year.

Capital Expenditure and Income 2018/19

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 2018/19, we spent £2.712m 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 2018/19	Approved Programme 2018/19 £000	Actual Expenditure 2018/19 £000	Approved to Actual Variance 2018/19 £000
Housing	3,776	904	(2,872)
Waste Collection	257	262	5
Environmental, Roads, Street Lighting & Road Safety	572	197	(375)
Information & Communications Technology	506	143	(363)
Asset Renewal	618	174	(444)
Resource Procurement/Externally funded schemes	4,227	641	(3,586)
Area Committees	407	153	(254)
Parks and Recreation	400	224	(176)
Other General Capital schemes	177	14	(163)
TOTAL	**10,940**	**2,712**	**(8,228)**

The majority of the variance shown above will be carried forward to support capital expenditure in 2019/20.

The table below shows the sources of capital income used to meet the cost of capital expenditure in the year:

Capital Financing 2018/19	Actual 2018/19 £000
Capital Grants and Contributions	1,065
Revenue Contributions	25
Capital Receipts	1,622
Prudential Borrowing	-
TOTAL	**2,712**

Treasury Management (Borrowings and Investments)

At 31st March 2019, the Council had a total capital financing requirement (Council debt) of £20.4m, a decrease on the previous year of £0.6m. This reflects that there was no prudential borrowing in 2018/19. The reduction in the Capital Financing Requirement included an amount of £473k being the statutory repayment of debt in the year.

To meet the capital financing requirement the Council had external borrowing from the Public Works Loans Board (PWLB) as at 31st March 2019 of £20.359m. During the year two new loans, each for £1.0m were taken from the PWLB and one loan of £1.0m was repaid.

In relation to the cash account, we had a balance in hand of £1.119m on 31st March 2019 (compared to cash in hand of £1.102m at 31st March 2018). At 31st March 2019, we had investments (excluding the bank balance in hand) of £16.0m (compared to £14.026m last year). This comprised short-term investments (those for less than 364 days) of £10.5m and cash equivalents of £5.5m.

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 2018/19, when setting the council tax for 2019/20, we expected that the Fund would be in a surplus position of £2.111m in relation to council tax collection as at 31st March 2019. The actual balance carried forward in respect of council tax was a surplus of £2.610m which will be carried forward in support of future years' budgets. Pendle Borough Council's share of this is £0.463m with the balance due to the major preceptors.

In relation to business rates in 2018/19, the Collection Fund was projected to be in a surplus position of £1.000m as at 31st March 2019. The actual position as at 31st March 2019 was a surplus of £1.006m which will be carried forward and distributed in subsequent years' budgets. Pendle Borough Council's share of this is £402k with the balance due to the Government and major preceptors.

In 2018/19 a ballot of eligible voters returned a majority in favour of a proposed Business Improvement District (BID) in Colne. The number of votes cast in favour of a BID was 87 or 74% of voters (£910k Rateable Value). The financial arrangements are set out in the Operating Agreement between Pendle Borough Council (PBC) and Colne BID Limited (CBL) which establishes PBC as the billing authority having responsibility for collecting the BID levy and administering the BID Revenue Account for CBL.

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 31st March 2019 showed a liability of £44.0m compared to a liability of £41.8m for the previous financial year. This represents an increase in the liability of £2.2m. 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.

In addition, in April 2017, the Council pre-paid an amount of £2.4m to the pension fund in respect of the past service deficit contributions it is obliged to make in 2018/19 and 2019/20. The Council did this so as to secure a discount from the pension fund which outweighed the equivalent investment income that could be generated from investing the money elsewhere. The prepayment for these two years was charged to the General Fund balance in 2017/18 but subsequently reversed out via the Movement in Reserves Statement. As a result only that part of the past service deficit due for 2018/19 (£1.212m) has been charged against the General Fund balance in the year.

The pension 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 2019 the pre-audit balance of revenue reserves is £7.374m (including External Funding Receipts and Developers' Contributions). Of this amount, £1.0m represents the Council's General Fund Working Balance with £6.374m held in specific earmarked reserves. Included within specific reserves is the Budget Strategy Reserve (£2.988m at 31st March 2019) which is used to support future General Fund expenditure.

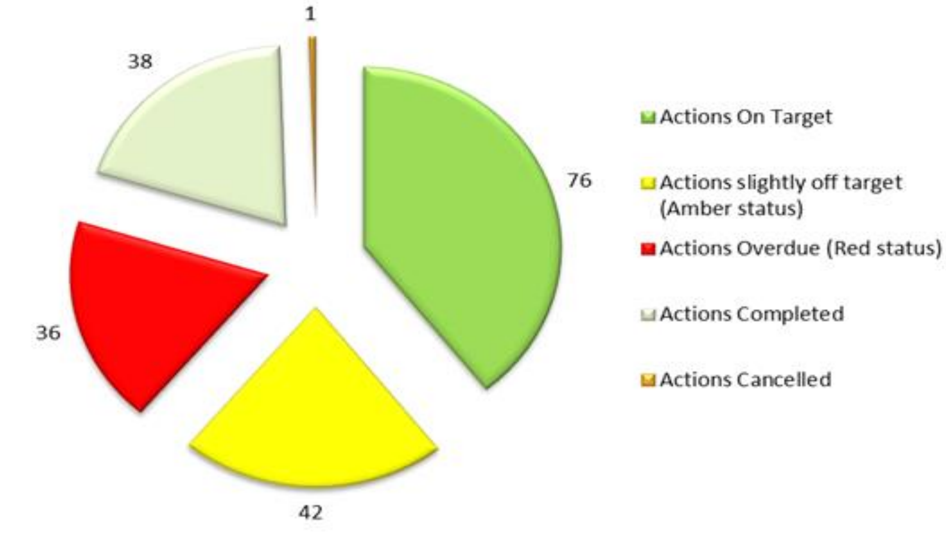
Non-Financial Performance of the Council in 2018/19

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 Policy and Resources Committee.

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 Life in Pendle 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 Life in Pendle Survey is undertaken every two years.

Our Strategic Plan identifies our priorities and objectives and details on 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 the period 1st April 2018 to 31st March 2019 (which is the first year of the two year plan) a total of 193 actions from Service Plans contributed to the delivery of our Strategic Plan and the chart below demonstrates how those actions are being delivered. A total of 38 (almost 20%) of planned actions were delivered by 31st March 2019.



Of the remaining 155 actions, 76 (34.1%) are being delivered on target and one action has been cancelled due to the planning application for the development of Halifax Road being refused making this action no longer deliverable at this present time. There are also a further 78 actions which whilst not being delivered within projected timescales are expected to be delivered by 31st March 2020.

The Council has adopted a basket of 29 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.

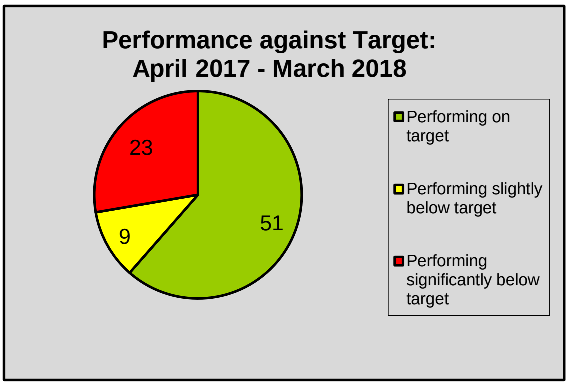
A full report setting out the performance for the year on each of these indicators will be reported to the Policy and Resources Committee in June 2019 and can be viewed at www.pendle.gov.uk. A summary follows below:-

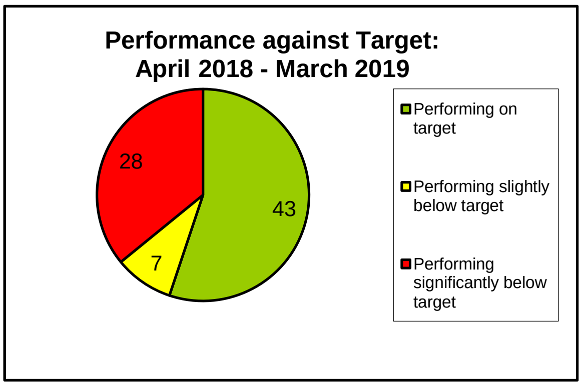
In total, the Council had 92 corporate performance indicators (PIs) during the year of which 29 are classed as 'key' and reported externally. Based on a report to the Council's Management Team in May 2019, of the 92 Corporate PIs reported on, performance could only be measured against 78.

Performance could not be assessed against 14 PIs because they 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 for information / context.

There are also 3 PIs reported annually (2 relating to carbon dioxide emissions reduction and one being the % of sickness absence due to work related injury and / or work related ill health) which we are still awaiting data for relating to 2018/19 due to the complex data collection processes involved.

The chart below shows how these 78 PIs have performed during the period April 2018 – March 2019. 43 (55.1%) of our PIs are performing on or above target whilst 44.9% are underperforming (28 (36%) are Red and 7 (9%) are Amber). The summary from the previous year has also been provided as a comparison.





Overview of Strategic Risks facing the Council

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 Assessments within the Service Planning 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
- Impact on Council's capacity/viability of organisational change linked to ongoing reductions in funding for local government
- The risk that the Council's Medium Term Financial Plan is not sustainable
- The financial position of the Leisure Trust leading to inability to provide existing level of service

Our risk management policy and strategy was formally approved by Council in October 2017.

The Financial Outlook to 2022/23

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. This level of certainty will come to an end at the end of 2019/20 in lieu of the outcomes of the Fair Funding review referred to below.

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 75% of business rates is retained locally by 2020/21. In 2018/19 business rates income was shared 50:50 with central and local government (i.e. Pendle Borough Council, the County Council and the Fire Authority). The Pilot Pooling agreement in 2019/20 means that the share retained locally has increased to 75% with the remaining 25% being paid to Central Government. Due to the vagaries of the system, however, this does not translate into an equivalent increase in actual core income to the Council.

The uncertainty surrounding the design of the new system of business rates retention combined with the Government's Fair Funding Review of local government finance presents a changeable and challenging environment in which to operate and plan for the medium term. The Fair Funding Review will propose changes in the distribution methodology for the allocation of resources across local government. The implications of this could potentially be significant for the Council although we do not expect to learn the outcomes from the review until later in 2019. As a result the Medium Term Financial Plan 2020/21 does not contain any certain core income funding levels and is based wholly on estimates that may significantly change.

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 medium term as it seeks to align its spending within the level of projected resources. This will be especially challenging given the added uncertainty surrounding the latter due to the aforementioned factors.

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.

S. J. Guinness.

Susan Guinness
Chief Financial Officer
July 2019

STATEMENT OF ACCOUNTING POLICIES

Statement of Accounts Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. 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 under Section 21 of the Local Government Act 2003 primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The Council's accounts are prepared on a 'going concern' basis i.e. that its functions and services will continue in operational existence for the foreseeable future. An assessment is undertaken each year of the Council as a going concern for the purposes of producing the Statement of Accounts. The outcome of the most recent assessment was reported to the Accounts and Audit Committee in March 2019 and can be viewed at www.pendle.gov.uk.

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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories (stock) on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet subject to a de-minimus level of £500. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

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

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

4. Exceptional Items

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

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

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6. Charges to Revenue for Non-Current Assets

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

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible 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, e.g. time off in lieu) 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 entitlements 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.

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 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 97 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.
    - 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 or 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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) [separate accounting policy is required where an authority holds financial instruments at fair value through other comprehensive income].

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority 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 (CIES) 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 financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

If the authority were to make a loan at less than market rate (soft loan), a loss would be recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain 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.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model (Material Items)

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial assets are classified as Financial Assets at amortised cost – 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 the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

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 Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the

Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

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 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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

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-minimus threshold of £5,000.

Recognition: expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated 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:

- 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 land and buildings are revalued every five years. 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 receipts 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 transferring 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 transferred 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, local taxation, 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's 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 non-financial assets, such as surplus 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 in an orderly transaction between market participants 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 2018/19 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 Chief Financial Officer;

- 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 Chief Financial Officer, 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 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts I have:-

- selected suitable accounting policies and applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the Code of Practice on Local Authority Accounting.

I have also:-

- kept proper and up to date accounting records;

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Council at the reporting date and its expenditure and income for the year ended 31st March 2019.

S. J. Guinness.

Susan Guinness, CPFA
Chief Financial Officer (s151)
30th July 2019

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

or by writing to: Chief Financial Officer
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 2018/19. 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 31st March 2019 and up to the date of approval of the Statement of Accounts for the 2018/19 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. 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 Standards Hearing Committee. 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:-

PRIDE	**Take pride in all you do** **Believe in Pendle and be an ambassador for the Council** Don't forget your customers
ENTERPRISING	**Be open to doing things differently** **Ensure public money is spent in the smartest way** Don't ignore new ways of working
NO BLAME	**Don't be afraid to fail. Together we achieve more** **Act in an open, honest and friendly manner** Don't ignore the impact your behaviour has on others
DETERMINED	**Face challenges in a positive way** **Make the effort to find information for yourself** Don't limit your opportunities to learn and grow
LISTEN	**Listen to and support others** **Value alternative views** Don't forget to thank others for their contribution
EQUALITY	**Value differences and celebrate diversity** **Ask for help and support when needed** Don't make assumptions about people

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. 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 which are published on the Council's website. The Council's Constitution sets out the responsibility for decision-making. Certain decisions are reserved to the full Council with others delegated to the Policy and Resources Committee or other Committees 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, the community and volunteers 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, Policy and Resources Committee and other 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 Code of Conduct for Councillors also outlines the following requirements:-

> *You must act solely in the public interest and should never improperly confer an advantage or disadvantage on any person or act to gain financial or other material benefits for yourself, your family, a friend or close associate.*
>
> *You are accountable for your decisions to the public and you must co-operate fully with whatever scrutiny is appropriate to your office.*
>
> *You must be as open as possible about your decisions and actions and the decisions and actions of your authority and should be prepared to give reasons for those decisions and actions.*

3.14 The Council undertakes consultation on specific topics (examples in 2018/19 included consultation on the Strategic Review of Leisure, the Life in Pendle Survey, Four yearly Elections, Development Brief for Lomeshaye Industrial Estate and Barrowford Neighbourhood Plan). The Council also makes use of social media via Facebook and Twitter.

3.15 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.

3.16 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, Pick up for Pendle) 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.*

3.17 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.

3.18 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

3.19 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.

3.20 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.

3.21 Decisions on the overall level of resources allocated are taken by the Council following recommendations from the Policy and Resources Committee. 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.*

3.22 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.

3.23 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.

3.24 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 Enterprise Partnership and Pennine Lancashire bodies notably in areas such as economic development, regeneration and skills/training.

3.25 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 Chief Executive). 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.

3.26 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 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 (IIP) provide another form of external review and assessment with the Council holding the Gold standard during 2018/19 (Gold being the highest possible grade at that time).

3.27 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 help 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.*

3.28 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 the Strategic Risk Register comprising corporate risks 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 reports to the Council's Management Team, Policy and Resources Committee and the Accounts and Audit Committee;
- 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.

3.29 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.

3.30 Corporate Governance including risk management, incorporating the key strategic risks for the Council, are the subject of periodic reports to Policy and Resources Committee and the Accounts and Audit Committee.

3.31 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.

3.32 The Chief Executive, 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.

3.33 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.

3.34 The Chief Financial Officer 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.

3.35 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 Chief Financial Officer at the Council accords with the principles set out in CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

3.36 An established **financial management framework** comprising the following:-

- 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 Policy and Resources Committee;

- Annual reports to councillors on both the final revenue and capital out-turns compared to the approved budget;
- 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.

3.37 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;

3.38 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.
- Formation of the Information Governance Working Group in 2018/19.

3.39 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.

3.40 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.

3.41 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 Policy and Resources Committee and Council.

3.42 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.*

3.43 All reports to meetings of Council, Policy and Resources Committee 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.

3.44 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.

3.45 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:-

- Updating the Council's Constitution to reflect the change from a Leader/Executive model of Governance to a streamlined Committee System reflecting the decision of the Council to do so in May 2017;

- 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. The Constitution was most recently reviewed in May 2018 at the Annual General Meeting of Council;

- The arrangements for scrutiny under the committee system, introduced in 2018/19, operate via a Task and Finish Committee as required allowing for the review of key policy areas and providing opportunities for public involvement in specific matters of business.

- Further scrutiny of Policy and Resources Committee decisions is also provided by the Council's Call-In procedures.

- 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 2018 on the outcome of a review of the effectiveness of the system of internal audit in 2017/18, (for 2018/19 the equivalent report is due to be submitted to the Accounts and Audit Committee in July 2019);

- The Accounts and Audit Committee and Council were previously appraised of developments arising from the Local Audit and Accountability Act 2014. This includes provisions for the appointment of local auditors. The Council had previously agreed to opt in to the national scheme for auditor appointments and during the year under review the appointment of Grant Thornton UK LLP as auditor to the Council was confirmed for a term of five years commencing from 1st April 2018;

- Internal Audit completed 19 scheduled audits up to the end of March 2019 with a further 10 audits completed in the early part of the 2019/20 financial year. All high risk and key financial systems were audited. All high risk and key financial systems were audited. There were 2 completed audits subject to a Limited Assurance opinion in 2018/19, being Uniform (IDOX) and Sundry Debtors. Over the coming months Internal Audit will work with Management to address the weaknesses identified in these audits and progress will be reported to the Accounts and Audit Committee.

- The overall opinion expressed by the Internal Audit Manager for 2018/19 stated:-

  > "Internal Audit reports on the effectiveness of governance, risk management and internal control arrangements. In giving this opinion, it should be noted that no assurance can be absolute, the Internal Audit Manager has concluded that **substantial assurance** can be taken that arrangements in place to secure governance, risk management and internal control within those areas audited, are suitably designed and applied effectively. This opinion is reflective of the high number of substantial or full assurance opinions provided."

- In accordance with the Accounts and Audit Regulations 2015, the Chief Financial 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 2019.

- 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 Policy and Resources Committee. To ensure Councillors are aware of the Council's key risks details of the key risks are periodically reported to Policy and Resources Committee and the Accounts and Audit Committee.

- 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 Policy and Resources Committee.

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

- The Council's external auditor, Grant Thornton, audited the year-end Statement of Accounts and assessed our arrangements for securing value for money. Their Audit Findings report in July 2018, identified no material errors in the accounts for 2017/18 and concluded that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

- The Council has in place reporting arrangements on the financial affairs of the Council. Regular Strategic Monitoring reports were submitted to both Management Team and the Policy and Resources Committee during 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 Information Governance Framework was established during the year and the Information Governance Working Group has met on 4 occasions to consider issues such as: Subject Access Request procedures; Data Retention Policy; review and consolidation of IT Policies; GDPR Staff Training; Internal Audit findings; monitoring reports from the Data Protection Officer (DPO) and Information Governance arrangements within key partner organisations. The group will continue to meet to oversee the Council's information governance arrangements.

- During the year, acknowledging that the Council has embedded people management processes and procedures and in the context of the financial challenge faced by the Council, a decision was taken not to renew the Council's Investors in People Accreditation. A key issue for the Council going forward will be to ensure that people management remains at the heart of the Council so that it can continue to ensure that it retains the right people with the skills in the right job.

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

- The Council's Business Continuity Plans are in place albeit they need updating to reflect changes in the Council's accommodation arrangements and the requirement for an alternative 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.

4.4 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 narrative below sets out the action has been taken to address these issues in the current year:

Moving from an Executive and Leader model of governance to a Committee system of governance

All elements of the governance framework have been updated to reflect the new arrangements which came in to force following the annual meeting of Council in May 2018 (i.e. revisions to the Constitution, replacement of the Executive with a Policy and Resources Committee)

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.

Work continues against the backdrop of ongoing reductions in core funding. Savings of £0.850m were identified and agreed by Council in February 2018 when setting the budget for 2018/19 with further savings and efficiencies amounting to £0.750m agreed by Council in February 2019 for 2019/20. This action will be retained for 2019/20, not just due to the forecasted scale of savings required, but also due to the uncertainty of the forward estimates within the Medium Term Financial Plan from 2021 onwards pending publication of the outcomes of both the 2019 Spending and Fair Funding Reviews. In light of the reductions in core funding since 2010 it is anticipated that this matter will continue to represent a significant challenge for the Council.

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

The Disaster Recovery site is in the process of being transferred to the Fleet Street Depot. Disaster Recovery of IT functionality will be fully tested in September 2019 and remains an issue to be concluded in 2019/20 as per the schedule below.

Development of an electronic records management system.

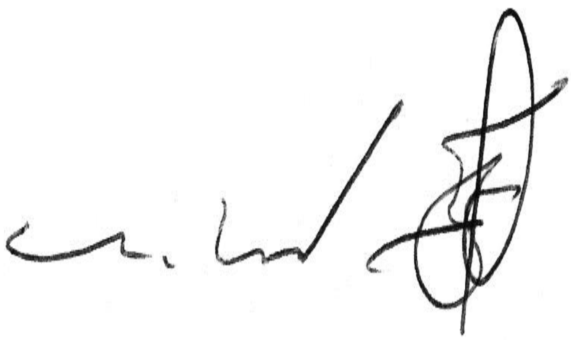
Work was undertaken on this as part of the preparations for GDPR. The Council has developed a database of its record of processing activity and part of this will include details of retention periods. The Information Governance Working Group will review its effectiveness and any further improvements required within its 2019/20 Action Plan.

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 2019/20 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. The outcomes of the 2019 Spending and Fair Funding Reviews are unknown, therefore there is no certainty within the funding forecasts across the whole of the 2020/21 to 2022/23 MTFP	Review of the Council's Medium Term Financial Plan (MTFP) – identified as a key strategic risk for the Council	Work has already begun to develop savings proposal for the period 2020/21 to 2022/23 as part of the development of the Council's Financial Strategy and Medium Term Financial Plan This work will also consider arrangements for prioritising resources and maintaining organisational resilience Reports will be considered by the Policy and Resources Committee
2	Embedding the Information Governance Framework into the Council's normal governance arrangements	Information Governance Working Group	The Information Governance Working Group will develop a work programme reflecting key information governance issues to be addressed during the year

Issue No.	Issue Identified	Source of Evidence	Summary of Action Proposed
3	Disaster Recovery – review and testing of local arrangements including designated recovery site	The transfer of the Council's recovery site featured in the 2017/18 AGS and work is ongoing	Implement testing of specific recovery plans and the arrangements for the new Disaster Recovery site at the Fleet Street Depot
4	Compliance with GDPR	Review by the Information Governance Working Group (IGWG) and initial feedback within the draft Internal Audit Report	This is be a key element of the IGWG Action Plan for 2019/20 and reports to Management Team via the Corporate Governance Group
5	Review of IT systems password access and information access permissions	Internal Audit Review	Projects and actions in the Information technology Service Plan for 2019/20 and review by the IGWG with 'system owners.'
6	Continued review and investment in People Management within a structured framework	Management Team	Update of Workforce Development Strategy Meetings of the Continuous Improvement Group and Regular Staff Focus Groups Staff Survey (planned for September 2019)

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
Chief Executive

Councillor Mohammed Iqbal
Leader of the Council

20th May 2019

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**
Balance at 31 March 2017	**8,968**	**2,002**	**474**	**11,444**	**(2,876)**	**8,568**
Movement in reserves during 2017/18						
Total Comprehensive Income and Expenditure	**(9,111)**	**-**	**-**	**(9,111)**	**7,703**	**(1,408)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	8,305	589	85	**8,979**	(8,979)	**-**
Net Increase / Decrease before Transfers to Earmarked Reserves	**(806)**	**589**	**85**	**(132)**	**(1,276)**	**(1,408)**
Increase / Decrease in Year	**(806)**	**589**	**85**	**(132)**	**(1,276)**	**(1,408)**
Balance at 31 March 2018	**8,162**	**2,591**	**559**	**11,312**	**(4,152)**	**7,160**
Movement in reserves during 2018/19						
Total Comprehensive Income and Expenditure	**(5,436)**	**-**	**-**	**(5,436)**	**(804)**	**(6,240)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	4,648	(575)	491	**4,564**	(4,564)	**-**
Net Increase / Decrease before Transfers to Earmarked Reserves	**(788)**	**(575)**	**491**	**(872)**	**(5,368)**	**(6,240)**
Increase / Decrease in Year	**(788)**	**(575)**	**491**	**(872)**	**(5,368)**	**(6,240)**
Balance at 31 March 2019	**7,374**	**2,017**	**1,050**	**10,441**	**(9,521)**	**920**

General Fund analysed over:	
Amounts Earmarked (Note 7)	**6,374**
Amounts uncommitted (Bfwd/Cfwd)	**1,000**
Total General Fund Balance at 31/03/2019	**7,374**

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.

2017/18				2018/19		
Gross Expenditure	**Income**	**Net Income/Expenditure**		**Gross Expenditure**	**Income**	**Net Income/Expenditure**
£000's	**£000's**	**£000's**		**£000's**	**£000's**	**£000's**
615	1	614	Directorate	787	39	748
34,295	25,232	9,063	Financial Services	33,259	24,492	8,767
1,098	178	920	Democratic & Legal Services	1,147	211	936
1,039	1,001	38	Planning, Building Control & Licensing	1,056	984	72
6,084	2,478	3,606	Environmental Services	6,032	1,983	4,049
4,963	1,657	3,306	Housing, Health & Economic Dev. Services	2,719	1,514	1,205
2,129	552	1,577	Neighbourhood Services	1,491	412	1,079
56	-	56	Area Committees	18	-	18
50,279	**31,099**	**19,180**	**Cost Of Services**	**46,509**	**29,635**	**16,874**
4,382	-	4,382	Other Operating Expenditure **(Note 8)**	3,090	-	3,090
1,733	151	1,582	Financing and Investment Income and Expenditure **(Note 9)**	1,690	217	1,473
3,142	19,175	(16,033)	Taxation and Non-Specific Grant Income and Expenditure **(Note 10)**	4,015	20,016	(16,001)
		9,111	**(Surplus) or Deficit on Provision of Services**			**5,436**
		(2,452)	(Surplus) or deficit on revaluation of Property Plant and Equipment assets			283
		(5,251)	Remeasurement of net Defined Benefit Liability			521
		(7,703)	**Other Comprehensive Income and Expenditure**			**804**
		1,408	**Total Comprehensive Income and Expenditure**			**6,240**

Balance Sheet as at 31st March 2019

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 2018 £000's		Notes	31 March 2019 £000's
54,649	Property, Plant & Equipment	11	50,963
768	Heritage Assets	11	768
581	Intangible Assets	12	562
3,503	Long Term Debtors	13	3,952
59,501	**Long Term Assets**		**56,245**
11,021	Short Term Investments	13	10,531
1,459	Assets Held For Sale	17	242
24	Inventories		45
1,949	Short Term Debtors	15	1,850
4,107	Cash and Cash Equivalents	16	7,024
18,560	**Current Assets**		**19,692**
(1,405)	Short Term Borrowing	13	(1,408)
(7,590)	Short Term Creditors	18	(8,028)
(8,995)	**Current Liabilities**		**(9,436)**
(27)	Long Term Creditors	13	(25)
(1,591)	Provisions	19	(2,065)
(18,359)	Long Term Borrowing	13	(19,359)
(41,796)	Pension Liability	34	(44,012)
(127)	Other Long Term Liabilities		(120)
(6)	Capital Grants Receipts in Advance	31	-
(61,906)	**Long Term Liabilities**		**(65,581)**
7,160	**Net Assets**		**920**
11,312	**Usable Reserves**	20	10,441
(4,152)	**Unusable Reserves**	21	(9,521)
7,160	**Total Reserves**		**920**

S. J. Guinness.

Susan Guinness, CPFA
Chief Financial Officer
30th July 2019

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.

2017/18 £000's		Note	2018/19 £000's
9,111	Net (surplus) or deficit on the provision of services		5,436
(8,364)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(8,575)
3,648	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		2,553
4,395	**Net Cash Flows from Operating Activities**	22	**(586)**
3,868	Investing Activities	23	(1,487)
(3,303)	Financing Activities	24	(844)
4,960	**Net (Increase) / Decrease in Cash and Cash Equivalents**		**(2,917)**
(9,067)	Cash and cash equivalents at the beginning of the reporting period		(4,107)
(4,107)	**Cash and Cash Equivalents at the end of the reporting period**	16	**(7,024)**

Index of Explanatory Notes to the Core Financial Statements

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 which has been issued but is yet to be adopted by the 2018/19 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2019/20 code are:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

These changes are not expected to have a material impact on the Council's single entity statements.

2. Critical judgements in applying accounting policies

In applying the Accounting Policies set out in the Statement of Accounting Policies on pages 21 to 37, 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. The Council has determined, however, that this uncertainty is not yet sufficient to indicate that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. This will be re-assessed post the publication of the Fair Funding Review due late in 2019.

- 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.

- At the reporting date the Council had established four joint venture arrangements with a private sector partner trading as Pendle Enterprise and Regeneration Limited (PEARL, PEARL 2, PEARL (Brierfield Mill) Limited) and a Housing Association (Pearl Together). 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 35.

- The Council's land and buildings 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 2018. 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 31st March 2019 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Debt Impairment
At 31 March 2019 the Council had a balance of debtors of £7.101m. A review of significant balances suggested that an impairment of doubtful debts of £5.250m was appropriate (equivalent to 74% of the debt outstanding). 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 c£70k 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 c£2.9m. A change of +0.1% in the discount rate as applied at 31st March 2019 would reduce the pensions liability by c£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.

Pensions Ruling - The McCloud Case

The case concerns the transitional protections given to scheme members, who in 2012 were within 10 years of their normal retirement age, in the judges and firefighters schemes as part of public service pensions reform. Tapered protections were provided for those 3-4 years younger. On 20th December 2018 the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and could not be justified.

If the protections are unlawful then those members who are found to have been discriminated against will need to be offered appropriate remedies to ensure they are placed in an equivalent position to the protected members. Such remedies will need to be 'upwards' - that is the benefits of unprotected members will need to be raised rather than the benefits of protected members being reduced.

Protections were applied to all members within 10 years of retirement in all public service schemes, with the form that protection took varying from scheme to scheme. Although the case only relates directly to two schemes it is anticipated that the principles of the outcome could be accepted as applying to all public service schemes. However, there remains some uncertainty about the application to LG pension schemes.

An appeal from Government against the judgement in the ‘McCloud’ case has been considered at the Supreme Court. This appeal was lost after the year end and there is no further recourse to appeal.

Actuarial calculations of the potential gross additional pension liability for the Council have been reassessed at £574k as at 31 March 2019 with an additional service cost of £108k. As neither of these amounts are considered material to the accounts no additional charge has been made against the Comprehensive Income and Expenditure Statement at this stage, especially as there remains a small amount of uncertainty about the case and its implications for local government. When those uncertainties are removed it is likely that the Authority will have to fund this additional liability, but that funding is likely to be deferred until the next financial year.

The additional costs are very sensitive to the assumptions made. For example, the above figures are based on an assumed future real pay growth of 1.5% p.a. above the Consumer Price Index (CPI). Were the assumed real pay growth instead to be set at zero the potential additional costs in relation to McCloud would not be significant and be taken as zero. Figures for other levels of real pay growth could be obtained approximately by interpolation from the above. For example, assuming future real pay growth of 0.75% p.a. above CPI would result in (approximate) additional past service liabilities as at 31 March 2019 of £288k and an additional projected service cost for the year commencing 1 April 2019 of £54k.

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 2017/18 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 2019. The estimate has been calculated using the latest Valuation Office Agency ratings list of appeals as at 31st March 2019. The Council’s share of the provision held at this date is £1.706m being 40% and an increase of £454k compared to the previous year. In 2019/20 this will increase to 56% as the Council is a member of the Lancashire 75% Pilot Pooling Agreement. Appeals can be made on the basis of local and national issues that may impact on the Rateable Values of hereditaments. Estimating what appeals may be submitted from businesses in the future is problematic especially with the backdrop of varied economic reports on the potential impact of the various outcomes of Brexit.

4. Material items of income and expense

There are no material items of income and expenditure in 2018/19 other than those disclosed separately in the Statement of Accounts. The Council has adopted IFRS 15 *Revenue from contracts with customers* in accordance with the Code, however this has no material impact on the financial statements.

5. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 25th July 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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.

	Usable Reserves			
2018/19	General Fund Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	**Movement in Unusable Reserves** £000's
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	1,429	-	-	(1,429)
Revaluation losses on Property Plant and Equipment	2,010	-	-	(2,010)
Impairment of Long Term Debtor	-	-	-	-
Amortisation of intangible assets	131	-	-	(131)
Capital grants and contributions applied	(669)	-	-	669
Revenue expenditure funded from capital under statute	1,000	-	-	(1,000)
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	2,235	-	-	(2,235)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(473)	-	-	473
Capital expenditure charged against the General Fund	(27)	-	-	27
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(887)	-	887	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(396)	396
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(997)	997	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(1,622)	-	1,622
Transfer in respect of Long Term Debtor proceeds		51	-	(51)
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(16)	-	-	16
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 34)	2,751	-	-	(2,751)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,267)	-	-	2,267
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council non-domestic rating income calculated tax and for the year in accordance with statutory requirements	407	-	-	(407)
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	21	-	-	(21)
Total Adjustments	**4,648**	**(574)**	**491**	**(4,564)**

2017/18	Usable Reserves General Fund Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	**Movement in Unusable Reserves** £000's
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	1,292	-	-	(1,292)
Revaluation losses on Property Plant and Equipment	4,157	-	-	(4,157)
Impairment of Long Term Debtor	-	-	-	-
Amortisation of intangible assets	122	-	-	(122)
Capital grants and contributions applied	(934)	-	-	934
Revenue expenditure funded from capital under statute	1,898	-	-	(1,898)
Amounts of non-current assets w ritten off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	5,185	-	-	(5,185)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(439)	-	-	439
Capital expenditure charged against the General Fund	(107)	-	-	107
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(354)	-	354	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(269)	269
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,364)	2,364	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(1,828)	-	1,828
Contribution from the Capital Receipts Reserve tow ards 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	-	41		(41)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	12	-	(12)
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by w hich finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance w ith statutory requirements	(16)	-	-	16
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 34)	2,823	-	-	(2,823)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,249)	-	-	2,249
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by w hich 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 w ith statutory requirements	(706)	-	-	706
Adjustment primarily involving the Accumulated Absences Account:				
Amount by w hich officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance w ith statutory requirements	(3)	-	-	3
Total Adjustments	**8,305**	**589**	**85**	**(8,979)**

7. 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 2018/19.

		2017/18			2018/19		
	Balance at 1 April 2017	Transfers In	Transfers Out	Balance at 31 March 2018	Transfers In	Transfers Out	Balance at 31 March 2019
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Renewals Reserve	67	158	(107)	**118**	-	-	**118**
Budget Strategy	3,910	740	(1,343)	**3,307**	529	(848)	**2,988**
VAT Partial Exemption	100	-	(50)	**50**	-	-	**50**
Revenue Expenditure	893	268	(367)	**794**	321	(226)	**889**
Change Management	-	300	-	**300**	-	(198)	**102**
Pensions	-	22	-	**22**	37	-	**59**
Local Development Framework	194	25	(8)	**211**	24	(31)	**204**
Insurance/Risk Management	85	20	(1)	**104**	30	(31)	**103**
External Funding for Projects	46			**46**	-	-	**46**
Liberata Bond	300	-	(50)	**250**	-	-	**250**
Performance	113	-	-	**113**	-	-	**113**
Developers' Contributions	79	-	-	**79**	-	-	**79**
External Funding Receipts	178	49	(74)	**153**	41	(68)	**126**
Business Growth Incentive	543		(175)	**368**	6	(135)	**239**
Portas Pilot	7	-	-	**7**	-	-	**7**
High Street Innovation Fund	27	-	(13)	**14**	-	(2)	**12**
ICT Strategy	95	-	-	**95**	103	-	**198**
Staff Development/Apprentices	207	-	(31)	**176**	10	(37)	**149**
Pearl Development Reserve	300	-	-	**300**	-	-	**300**
Community Projects Reserve	59	-	(7)	**52**	-	-	**52**
Business Rates Volatility Reserve	600	100	(419)	**281**	-	(281)	**-**
Community Investment Reserve	-	-	-	**-**	85	-	**85**
Growth Sites Development	165	182	(25)	**322**	30	(147)	**205**
	7,968	**1,864**	**(2,670)**	**7,162**	**1,216**	**(2,004)**	**6,374**

Further information on the reserves shown above is provided in Appendix 1 on page 108.

In addition to those Earmarked Reserves outlined above, the Council also has other Usable Reserves as reported in the Balance Sheet (page 56).

The Council's Usable Reserves at 31 March 2019 are presented below:

	£'000
Earmarked Reserves	6,374
Uncommitted Funds	1,000
Capital Receipts Reserve*	2,017
Capital Grants Unapplied*	1,050
Total Usable Reserves	**10,441**

*Brought forward and carry forward balances for these reserves are shown in the Movement in Reserves Statement (page 54) with in-year movements disclosed in Note 6 (page 62).

8. OTHER OPERATING EXPENDITURE

2017/18 £000's		2018/19 £000's
1,479	Parish Council Precepts	1,774
52	Levies (County Council share of retained Business Rates Levy)	43
2,826	(Gains)/Losses on the disposal of Non-Current Assets	1,248
25	Pensions - Fund Administration Costs	25
4,382	**Total**	**3,090**

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2017/18 £000's		2018/19 £000's
615	Interest payable and similar charges	606
1,118	Pensions interest cost and expected return on pensions assets	1,084
(146)	Interest Income	(204)
(5)	Other income	(13)
1,582	**Total**	**1,473**

10. TAXATION AND NON SPECIFIC GRANT INCOMES

2017/18 £000's		2018/19 £000's
(7,614)	Council Tax Income (Net)	(8,152)
(3,995)	Non Domestic Rates (Net)	(3,705)
	Non-ringfenced Government Grants	
(2,210)	- Revenue Support Grant	(1,707)
(1,004)	- New Homes Bonus Grant	(488)
-	- Levy/Surplus Allocation	(61)
-	- Council Tax Annexe Grant	(2)
(8)	- Transparency Code	(8)
-	- EU Exit Funding	(17)
(1,036)	- Small Business Rate Relief Grant	(1,130)
-	- Parks Improvement Grants	(38)
	Capital Grants and Contributions	
(166)	- Third Party Grants and Contributions	(604)
-	- Developers Contributions (Section 106)	(89)
(16,033)	**Total**	**(16,001)**

11. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment for 2018/19 are as follows:-

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipement	Heritage Assets	Community Assets	Assets under Construction	Surplus Assets	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or Valuation							
At 1st April 2018	46,536	4,610	768	40	1,492	6,607	60,053
Additions	187	491	-	41	276	65	1,060
Revaluations increases/(decreases)							
- to Revaluation Reserve	(252)	-	-	-	-	(32)	(284)
- to Provision of Services	(799)	-	-	(2)	(1,193)	(17)	(2,011)
Derecognition							-
- disposals	(1,070)	-	-	(10)	-	(14)	(1,094)
- other	(870)	-	-	-	-	-	(870)
Reclassification of Assets	(17)	-	-	-	-	17	-
- (to)/from Held for Sale	-	-	-	-	-	-	-
At 31st March 2019	**43,715**	**5,101**	**768**	**69**	**575**	**6,626**	**56,854**
Accumulated Depreciation and Impairment							
At 1st April 2018	948	3,685	-	-	-	3	4,636
Depreciation							
- to Provision of Services	1,226	203	-	-	-	-	1,429
Derecognition							-
- disposals	(71)	-	-	-	-	-	(71)
- written out to Revaluation Reserve	(870)	-	-	-	-	-	(870)
At 31st March 2019	1,233	3,888	-	-	-	3	5,124
Net Book Value 31st March 2019	**42,482**	**1,213**	**768**	**69**	**575**	**6,623**	**51,730**
Net Book Value 31st March 2018	**45,588**	**925**	**768**	**40**	**1,492**	**6,604**	**55,417**

Included in the Net Book Value for Other Land and Buildings as at 31 March 2019 is an adjustment for an immaterial misstatement (£80k) included in the 2017/18 closing balance identified during the 2017/18 audit.

Heritage Assets

Detailed information on the Council's Heritage Assets is provided in the Accounting Policies note 11 on page 28. 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 2017/18 were as follows:-

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipement	Heritage Assets	Community Assets	Assets under Construction	Surplus Assets	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or Valuation							
At 1st April 2017	48,031	4,326	768	54	1,889	6,512	61,580
Additions	6,074	344	-	-	659	-	7,077
Revaluations increases/(decreases)							
- to Revaluation Reserve	248	-	-	(49)	-	2,213	2,412
- to Provision of Services	(2,746)	-	-	(14)	(867)	(530)	(4,157)
Derecognition							
- disposals	(2,457)	(60)	-	-	(21)	(424)	(2,962)
- other	(2,686)	-	-	-	-	-	(2,686)
Reclassification of Assets	46	-	-	49	(163)	68	-
- (to)/from Held for Sale	26	-	-	-	(5)	(1,232)	(1,211)
At 31st March 2018	**46,536**	**4,610**	**768**	**40**	**1,492**	**6,607**	**60,053**
Accumulated Depreciation and Impairment							
At 1st April 2017	2,696	3,561	-	-	-	3	6,260
Depreciation							
- to Provision of Services	1,123	169	-	-	-	-	1,292
Derecognition							
- disposals	(185)	(45)	-	-	-	-	(230)
Reserve	(2,686)	-	-	-	-	-	(2,686)
Other movements	-	-	-	-	-		-
At 31st March 2018	948	3,685	-	-	-	3	4,636
Net Book Value 31st March 2018	**45,588**	**925**	**768**	**40**	**1,492**	**6,604**	**55,417**
Net Book Value 31st March 2017	**45,335**	**765**	**768**	**54**	**1,889**	**6,509**	**55,320**

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 31st March 2019, the Council had no material contractual commitments for the acquisition, construction or enhancement of Property, Plant and Equipment.

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations have been carried out by qualified staff under Mrs S Livesey, the Property Services Manager for Liberata (who now provide this professional service to the Council as part of a public private partnership arrangement). Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipement	Heritage Assets	Community Assets	Assets under Construction	Surplus Assets	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Carried at historical cost	61	308	36	22	462	6	895
Valued as at:							
31 March 2019	15,219	381	-	-	30	585	16,215
31 March 2018	18,756	258	-	16	85	5,480	24,595
31 March 2017	643	88	-	30	-	270	1,031
31 March 2016	6,984	64	-	-	-	261	7,309
31 March 2015	811	142	732	-	-	-	1,685
Total Cost or Valuation	**42,474**	**1,241**	**768**	**68**	**577**	**6,602**	**51,730**

12. INTANGIBLE ASSETS

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

The carrying amount of intangible assets is amortised on a reducing balance basis at 25%. The amortisation of £131k charged to revenue in 2018/19 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:

2017/18 Total £000's		2018/19 Total £000's
	Balance at 1st April	
1,150	Gross carrying amount	1,320
(617)	Accumulated amortisation	(739)
533	**Net carrying amount at 1st April**	**581**
170	Additions	112
(122)	Amortisation for the period	(131)
581	**Balance at 31st March**	**562**
	Comprising:	
1,320	- Gross carrying amounts	1,432
(739)	- Accumulated amortisation	(870)
581		**562**

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

13. FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and Government grants, do not give rise to financial instruments.

The term 'financial instrument' covers both financial assets and financial liabilities. These range from straight forward trade receivables and trade payables to more complex transactions such as financial guarantees, derivatives and embedded derivatives. The Council's borrowing and investment transactions are classified as financial instruments.

The Code requires disclosures in relation to financial instruments with two objectives relating to helping users evaluate:

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

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet and have been reclassified as required by the Code (IFRS 9) with no calculated change to carrying amounts:

	2017/18 Classification Bfwd			2017/18 Reclassification		2018/19	
	Long Term	Current		Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000's	£000's		£000's	£000's	£000's	£000's
Investments			Financial Assets Measured at :				
Loans and receivables at amortised cost *	-	15,126	Amortised Costs				
Amortised Cost*	-	-	Investments*	15,126	15,126	17,553	17,553
Total Investments	**-**	**15,126**		**15,126**	**15,126**	**17,553**	**17,553**
Debtors							
Loans and receivables	3,503	-					
Financial assets carried at contract amounts	-	1,342	Long Term Debtors	3,503	3,503	3,952	3,952
Amortised Cost	-	-	Short Term Debtors	1,342	1,342	1,140	1,140
Total Debtors	**3,503**	**1,342**		**4,845**	**4,845**	**5,092**	**5,092**
				19,971	**19,971**	**22,645**	**22,645**
			Financial Liabilities Measured at :				
Borrowings			Amortised Costs				
Financial liabilities at amortised cost	18,359	1,405	Long Term Borrowings	18,359	20,820	19,359	22,303
Amortised Cost	-	-	Short Term Borrowings	1,405	1,405	1,408	1,408
Total Borrowings	**18,359**	**1,405**		**19,764**	**22,225**	**20,767**	**23,711**
Creditors							
Financial liabilities at amortised cost	27	847	Long Term Creditors	27	27	25	25
Amortised Cost	-	-	Short Term Creditors	847	847	1,045	1,045
Total Creditors	**27**	**847**		**874**	**874**	**1,070**	**1,070**
				20,638	**23,099**	**21,837**	**24,781**

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

Income, Expense, Gains and Losses

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

2017/18 Financial Liabilities : measured at amortised cost	2017/18 Financial Assets : measured at amortised cost	2017/18 Total		2018/19 Financial Liabilities : measured at amortised cost	2018/19 Financial Assets : measured at amortised cost	2018/19 Total
£000's	£000's	£000's		£000's	£000's	£000's
615	-	**615**	Interest expenses	606	-	**606**
615	**-**	**615**	**Total expense in Surplus or Deficit on the Provision of Services**	**606**	**-**	**606**
-	(146)	**(146)**	Interest income	-	(204)	**(204)**
-	**(146)**	**(146)**	**Total income in Surplus or Deficit on the Provision of Services**	**-**	**(204)**	**(204)**
615	**(146)**	**469**	**Net (gain)/loss for the year**	**606**	**(204)**	**402**

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. 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:-

Amortised Costs (£22.6m)

The following assets are shown on the Balance Sheet at amortised cost. Unless otherwise stated, all balances shown are an adequate approximation of fair value in view of the amounts involved.

- Investments (£17.5m)
- Long Term Debtors (£4.0m)
- Current Debtors (£1.1m)

Investments (£17.5m)

These amounts are cash deposits held within financial institutions or on loan to Lancashire County Council. These relate to surplus cash balances held over the year end and loaned out temporarily as part of treasury management operations to financial institutions and local authorities. To mitigate against the risk of loss, the Council places investment limits (approved annually) on each financial organisation depending on its credit rating and asset base.

The Council has not suffered any counterparty defaults during the year. The deposits invested at the year-end have been assessed for impairment by looking at each institution's credit rating and general standing. It has not been considered necessary to write off or impair any of the investments held at the balance sheet date.

- Temporary Loans (£10.5m)
- Bank (£1.5m)
- LCC Call (£5.5m)

Long Term Debtors (£4.0m)

The Council has a small number of debtors being repaid over various periods longer than one year. These are shown in the Balance Sheet at principal outstanding.

- Housing Advances (£0.2m)
- Pearl (£2.6m)
- Pendle Leisure Trust (£1.0m)
- Other (£0.2m)

Housing advances are for previous Council Housing tenants where they are buying their house under the Governments RTB scheme for unconventional build construction.

Pearl (Pendle Enterprise and Regeneration) consists of three joint venture Limited Companies with shares held jointly between Barnfield Investment Properties Limited and Pendle Borough Council. The Council also has a fourth joint venture (Pearl Together) with Barnfield Investment Properties and Harewood Housing Society. The loans made to Pearl cover regeneration capital schemes. The loans are offered on deferred repayment terms.

The loan to Pendle Leisure Trust was initially to re-finance equipment previously leased on a commercial basis. This is being repaid on principal and interest basis over a 12 year period.

Current Debtors (£1.1m)

The sum of £1.1m (for contributions and reimbursements and sales, fees charges and other income) has been included as amortised cost financial assets. Council tax and business rate arrears are statutory debts and do not arise from contracts and so are not classed as financial assets, and prepayments are not included as financial assets as they are not contracts giving rise to financial assets and liabilities.

<u>Financial Liabilities (£21.9m)</u>

- Borrowing £20.8m
- Creditors £1.1m

Financial liabilities are shown on the Balance Sheet at amortised cost. Fair values are disclosed below for each type of financial liability where the carrying value on the Balance Sheet is not an adequate approximation.

- **Borrowings (£20.8m)**

All borrowings are shown at amortised cost which for these loans is the same as principal outstanding. Of the total borrowings £20.4m has been borrowed from the PWLB, with £0.4m being borrowed from other bodies.

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has immediate access to liquid investments as well as ready access to borrowings from the money markets and PWLB. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

As the Council has ready access to borrowings from the PWLB, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The main risk is that the Council will need to replace a significant proportion of its borrowings at a time of unfavourable interest rates. The main treasury management strategy to deal with this is to manage the Council's debt maturity profile so that it is as smooth as possible taking account of historic debt and available interest rates.

There is a range of possible fair values for these borrowings at the Balance Sheet date. A fair value of £23.7m is based on the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with PWLB, against what would be paid if the loans were at prevailing market rates.

- **Creditors (£1m)**

The total of £1m is for trade and other payables, tax and social security creditors has been included in financial liabilities. All other categories of creditor arising from statutory debts (council tax and business rates), are governed by more specific reporting standards, or are not contracts giving rise to financial assets and liabilities.

Fair Values

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:

2017/18			2018/19	
Carrying Amount £000's	**Fair Value £000's**		**Carrying Amount £000's**	**Fair Value £000's**
19,359	21,820	PWLB borrowing*	20,359	23,303
19,359	**21,820**	**Total financial liabilities**	**20,359**	**23,303**
14,000	14,000	Loans and receivables*	16,000	16,000
14,000	**14,000**	**Total loans and receivables**	**16,000**	**16,000**

*The carrying amount for short-term Financial Instruments (i.e. less than 365 days) is considered an acceptable approximation of fair value at the Balance Sheet date by the Code. Short-term Public Works Loan Board (PWLB) borrowing with a carrying amount of £1m is included in the above table. All loans and receivables are short-term.

In terms of the long-term 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 long-term 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 £27.104m rather than the value of £23.303m shown in the table above.

14. 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 2018/19 which incorporates the prudential indicators was approved by Council on 15th March 2018 and is available on the Council website at www.pendle.gov.uk.

The key issues within the strategy were:

- The Authorised Limit for 2018/19 was set at £30.5m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was set at £28.5m. 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 2018/19 range from 100 days to 364 days. The maximum sums invested range from £1.0m to £5.0m (£5.0m for the Council's Bankers) and £6.0m for Lancashire County Council.

Any short-term operational breaches of these limits 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 31st March 2019 that this was likely to crystallise.

Amounts arising from Expected Credit Losses

We have assessed the Council's short and long term investments and concluded that the expected credit loss is not material therefore no allowances have been made.

A summary of the credit quality of the Council's individual investments at 31st March 2019 is shown below, along with the potential maximum exposure to credit risk, based on duration to maturity, experience of default and uncollectability.

Cash Deposits	Principal (£)	Lowest Long Term Rating	Historic Risk of Default*	Expected Credit Loss (£)
Lancashire CC	5,500,000	AA	0.000%	0
Nationwide BS	1,000,000	AA	0.090%	85.19
Coventry BS	1,500,000	AA	0.009%	140.78
Nationwide BS	1,000,000	AA	0.014%	135.72
Santander UK	1,000,000	AA	0.015%	153.05
Salford CC	2,000,000	AA	0.000%	0
Thurrock BC	2,000,000	AA	0.000%	0
Lloyds Bank	1,000,000	A+	0.033%	330.65
Lloyds Bank	1,000,000	A+	0.040%	395.62
Total	**16,000,000**			**1,241.01**

*The Code does not recognise a loss allowance where the counterparty is central government or a local authority since relevant statutory provisions prevent default.

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 £000's	Historical experience of default %	Adjustment for market conditions %	Estimated maximum exposure to default (ECL) £000's	Estimated maximum exposure to default £000's
Cash deposits :	31 March 2019	31 March 2019	31 March 2019	31 March 2019	31 March 2018
Banks & Building Societies	6,514	0.00%	0.00%	Nil	Nil
Other Local Authorities / Govt	9,522	0.00%	0.00%	Nil	Nil
Sundry /Trade Debtors	653	3.00%	48.00%	331	330
Total	16,689			331	330

The Council does not generally allow credit for its customers, such that the sum of £644,000 of the £653,000 debtors balance shown above is past its due date for payment. The past due amount can be analysed by age as follows:-

2017/18 £000's		2018/19 £000's
329	Less than three months	210
29	Three to six months	97
54	Six months to one year	52
277	More than one year	285
689		**644**

Trade debtors are not subject to internal credit rating and have been collectively assessed in the following groupings for the purposes of calculating expected credit losses:-

Maximum Exposure: (£331k)

- Trade Refuse Charges (£68k)
- Market Rents (£60k)
- Building Act/Works in Default (£56k)
- Other service recipients (£147k)

Expected credit losses are calculated based on historical data for defaults adjusted for current and forecast economic conditions. Debt write-off is considered when normal recovery procedures have been unable to secure payment. Prior to write-off, all possible action will have been taken to secure the debt, however the extent to which it is pursued is dependent on the amount of the debt and the financial circumstances of the debtor.

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 requirements, 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:

2017/18 £000's		2018/19 £000's
1,000	Less than one Year	1,000
1,000	Between one and two years	-
3,000	Between two and five years	3,000
3,500	Between five and ten years	3,500
10,859	More than ten years	12,859
19,359		**20,359**

Market risk

Interest rate risk

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

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances). As an example, a 1% increase in the discount rate would reduce the fair value of the Council's borrowing liabilities shown on page 72 from £23.303m to £20.213m;
- 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 for long-term investments i.e. for those in excess of 365 days (no impact on revenue balances). The Council does not hold any long-term investments.

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 2018/19 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.

15. SHORT-TERM DEBTORS

2017/18 Total £000's		2018/19 Total £000's
689	Central Government Departments	1,091
469	Other Local Authorities	201
23	NHS Bodies	-
1,915	Business Rate Payers/Council Tax Payers	1,975
3,894	Other Entities and Individuals	3,833
6,990	**Total Debtor Balance**	**7,100**
(5,041)	Provision for Bad and Doubtful Debts	(5,250)
1,949	**Net Debtor Balance**	**1,850**

16. CASH AND CASH EQUIVALENTS

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

2017/18 Total £000's		2018/19 Total £000's
2	Cash held by the Council	1
1,102	Bank current accounts	1,517
1,002	Bank/Other Deposits - instant access	5,505
2,001	Short term deposit	-
4,107		**7,023**

17. ASSETS HELD FOR SALE

2017/18 £000's		2018/19 £000's
2,615	**Balance at 1st April**	**1,459**
46	In year capital expenditure	5
	Assets newly qualified as held for sale:	
1,211	Property, Plant and Equipment	-
40	Revaluation gains (losses)	-
(2,453)	Assets sold	(1,222)
1,459	**Balance at 31st March**	**242**

18. CREDITORS

2017/18 Total £000's		2018/19 Total £000's
558	Central Government bodies	841
295	Other Local Authorities	215
6,002	Business Rate Payers/Council Tax Payers	6,027
735	Other entities and individuals	945
7,590		**8,028**
	Receipts in Advance included in the above creditors:	
-	Central Government bodies	19
86	Other Local Authorities	6
214	Business Rate Payers/Council Tax Payers	152
40	Other entities and individuals	93
340		**270**

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:-

2017/18		2018/19		2018/19
		Advanced	Utilised	
£000's		£000's	£000's	£000's
74	Burnley and Pendle JTC	1	-	**75**
-	Interest on PSW Deposits	-	-	**-**
251	Municipal Mutual Insurance	13	-	**264**
14	Other	9	(3)	**20**
1,252	Business Rates Appeals*	712	(258)	**1,706**
1,591		**735**	**(261)**	**2,065**

*The provision for Business Rates Appeals represents the Council’s estimated share of sums repayable to businesses on successful appeal against their rateable value, as determined by the Valuation Office Agency (VOA).

20. USABLE RESERVES

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

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).

2017/18 £000's		2018/19 £000's
25,892	Revaluation Reserve	23,335
13,149	Capital Adjustment Account	11,754
(44,211)	Pensions Reserve	(45,216)
(180)	Financial Instruments Adjustment Account	(164)
1,273	Collection Fund Adjustment Account	866
(75)	Accumulated Absences Account	(96)
(4,152)		**(9,521)**

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.

2017/18 £000's		2018/19 £000's	2018/19 £000's
26,237	**Balance at 1st April**		**25,892**
5,077	Upward Revaluation of assets	2,863	
(2,625)	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(3,146)	
2,452	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(283)
(555)	Difference between fair value depreciation and historical cost depreciation	(545)	
(2,242)	Accumulated gains on assets sold or scrapped	(1,729)	
(2,797)	Amount written off to the Capital adjustment Account		(2,274)
25,892	**Balance at 31st March**		**23,335**

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 1st 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.

2017/18 £000's		2018/19 £000's
19,470	**Balance at 1st April**	**13,149**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(1,292)	Charges for depreciation and impairment of non current assets	(1,429)
(4,157)	Revaluation losses on Property, Plant and Equipment	(2,010)
(122)	Amortisation of intangible assets	(131)
(1,898)	Revenue expenditure funded from capital under statute	(1,000)
(5,185)	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	(2,245)
(12,654)		(6,815)
(128)	Adjusting amount written out re Long Term Debtor	(126)
2,797	Adjusting amounts written out of the Revaluation Reserve	2,274
(9,985)	Net written out amount of the cost of non-current assets consumed in the year	(4,667)
	Capital financing applied in the year:	
1,828	Use of the Capital Receipts Reserve to finance new capital expenditure	1,622
934	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	721
270	Application of grants to capital financing from the Capital Grants Unapplied Account	343
439	Statutory provision for the financing of capital investment charged against General Fund balances	473
86	Amounts voluntarily set aside for repayment of debt	88
107	Capital expenditure charged against General Fund balances	25
3,664		3,272
13,149	**Balance as at 31st March**	**11,754**

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.

2017/18 £000's		2018/19 £000's
(48,888)	**Balance at 1st April**	**(44,211)**
5,251	Remeasurements of the net defined benefit liability	(521)
(2,823)	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	(2,751)
2,249	Employer's pensions contributions and direct payments to pensioners payable in the year	2,267
(44,211)		**(45,216)**

Collection Fund Adjustment Account

2017/18 £000's		2018/19 £000's
567	**Balance at 1st April**	**1,273**
706	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	(407)
1,273		**866**

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.

2017/18 £000's		2018/19 £000's
13	**Balance at 1st April**	-
-	Transfer to the Capital Receipts Reserve upon receipt of cash	-
(13)	Amount written out to the Capital Adjustment Account	-
-	**Balance at 31st March**	**-**

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

2017/18 £000's		2018/19 £000's
1,292	Depreciation charged to Comprehensive Income & Expenditure Statement	1,429
122	Amortisation of Intangible Assets	131
-	Impairment and Downward Revaluations	2,012
(520)	Increase / (Decrease) in Creditors	370
48	(Increase) / Decrease in Debtors	243
2	(Increase) / Decrease in Inventories	(20)
(1,842)	Pensions Liability	1,687
(80)	Contributions to / (from) Provisions	-
4,157	Revaluation Losses	2,248
5,185	Carrying value on disposal of Property, Plant and Equipment, Investment Property and Intangible Assets	475
8,364		**8,575**

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

2017/18 £000's		2018/19 £000's
1,289	Capital Grants credited to the surplus or deficit on the provisions of services	1,556
2,359	Proceeds from the sale of non-current assets	997
3,648		**2,553**

c) Interest received and interest paid

2017/18 £000's		2018/19 £000's
(89)	Interest received	(115)
307	Interest paid	603
218		**488**

23. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2017/18 £000's		2018/19 £000's
7,191	Purchase of property, plant and equipment, investment property and intangible assets	1,195
21,500	Purchase of short-term investments	23,000
-	Other payments for investing activities	535
(2,372)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(997)
32	Other payments from investing activities - loans granted	-
(21,000)	Proceeds from short-term investments	(23,500)
(1,483)	Other receipts from investing activities (mainly capital grants)	(1,720)
3,868	**Net cash flows from investing activities**	**(1,487)**

24. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2017/18 £000's		2018/19 £000's
(3,000)	Cash receipts of short- and long-term borrowing	(2,000)
(309)	Council Tax and NNDR Adjustments (as Billing Authority)	-
6	Repayments of short- and long-term borrowing	1,007
	Other payments for financing activities	149
(3,303)	**Net cash flows from financing activities**	**(844)**

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.

2017/18				2018/19		
Net Expenditure Chargeable to the General Fund £000's	Adjustment between the Funding and Accounting Basis £000's	Net Expenditure in the Comprehensive Income and Expenditure Statement £000's		Net Expenditure Chargeable to the General Fund £000's	Adjustment between the Funding and Accounting Basis £000's	Net Expenditure in the Comprehensive Income and Expenditure Statement £000's
636	(22)	614	Directorate	776	(28)	748
6,971	2,092	9,063	Financial Services	6,841	1,926	8,767
971	(51)	920	Democratic & Legal Services	994	(58)	936
99	(61)	38	Planning, Building Control & Licensing	149	(77)	72
3,330	276	3,606	Environmental Services	4,212	(163)	4,049
1,228	2,078	3,306	Housing, Health & Economic Development	1,258	(53)	1,205
1,519	58	1,577	Neighbourhood Services	1,082	(3)	1,079
56	-	56	Area Committees	18	-	18
14,810	**4,370**	**19,180**	**Cost Of Services**	**15,330**	**1,544**	**16,874**
(14,004)	3,935	(10,069)	Other Income and Expenditure	(14,542)	3,104	(11,438)
806	**8,305**	**9,111**	**(Surplus) or Deficit**	**788**	**4,648**	**5,436**
		8,968	**Opening General Fund Balance**			**8,162**
		(806)	Less/Plus Surplus or (Deficit) on General Fund Balance in Year			(788)
		8,162	**Closing General Fund Balance at 31st March**			**7,374**

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.

2017/18						2018/19				
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
19	617	636	(22)	614	Directorate	776	-	776	(28)	748
5,995	976	6,971	2,092	9,063	Financial Services	6,841	-	6,841	1,926	8,767
1,007	(36)	971	(51)	920	Democratic & Legal Services	994	-	994	(58)	936
524	(425)	99	(61)	38	Planning, Building Control & Licensing	133	16	149	(77)	72
3,547	(217)	3,330	276	3,606	Environmental Services	4,212	-	4,212	(163)	4,049
1,792	(564)	1,228	2,078	3,306	Housing, Health & Economic Development	1,255	3	1,258	(53)	1,205
1,874	(355)	1,519	58	1,577	Neighbourhood Services	1,082	-	1,082	(3)	1,079
56	-	56	-	56	Area Committees	18	-	18	-	18
14,814	**(4)**	**14,810**	**4,370**	**19,180**	**Net Cost Of Services**	**15,311**	**19**	**15,330**	**1,544**	**16,874**
(14,004)	-	**(14,004)**	3,935	(10,069)	Other Income and Expenditure	(14,542)	-	(14,542)	3,104	(11,438)
810	**(4)**	**806**	**8,305**	**9,111**	**(Surplus) or Deficit**	**769**	**19**	**788**	**4,648**	**5,436**
				8,968	**Opening General Fund Balance**					**8,162**
				(806)	Less/Plus Surplus or (Deficit) on General Fund Balance in Year					(788)
				8,162	**Closing General Fund Balance at 31st March**					**7,374**

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

Adjustments between the Funding and Accounting Basis are shown below for both 2018/19 and 2017/18.

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	2018/19			
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	-	(35)	7	(28)
Financial Services	1,995	(72)	3	1,926
Democratic & Legal Services	-	(61)	3	(58)
Planning, Building Control & Licensing	-	(79)	2	(77)
Environmental Services	18	(187)	6	(163)
Housing, Health & Economic Development	79	(134)	2	(53)
Neighbourhood Services	55	(57)	(1)	(3)
Area Committees	-	-	-	-
Net Cost Of Services	**2,147**	**(625)**	**22**	**1,544**
Other Income and Expenditure from the Funding Analysis	(693)	1,109	2,688	3,104
Difference between the General Fund surplus or deficit and that shown on the face of the Comprehensive Income and Expenditure Statement	**1,454**	**484**	**2,710**	**4,648**

Adjustments between Funding and Accounting Basis	2017/18			
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	-	(23)	1	(22)
Financial Services	2,198	(114)	7	2,091
Democratic & Legal Services	-	(52)	1	(51)
Planning, Building Control & Licensing	-	(63)	2	(61)
Environmental Services	407	(135)	4	276
Housing, Health & Economic Development	2,197	(109)	(10)	2,078
Neighbourhood Services	131	(73)	1	59
Area Committees	-	-	-	-
Net Cost Of Services	**4,933**	**(569)**	**6**	**4,370**
Other Income and Expenditure from the Funding Analysis	3,523	1,143	(731)	3,935
Difference between the General Fund surplus or deficit and that shown on the face of the Comprehensive Income and Expenditure Statement	**8,456**	**574**	**(725)**	**8,305**

27. 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.

2017/18 £000's	Gross Expenditure	2018/19 £000's
7,997	Employee Benefits Expense	6,659
34,676	Other Service Expenses	35,132
59	Support Service Recharges	69
7,547	Depreciation Amortisation and Impairment	4,649
615	Interest Payments	606
3,142	Expenditure Associated with Council Tax/NNDR	4,015
1,531	Precepts and Levies	1,817
3,969	Gain or Loss on Disposal of Non Current Assets/Pension Interest	2,357
59,536	**Gross Expenditure**	**55,304**
	Gross Income	
6,730	Fees and Charges and Other Service Income	6,207
14,749	Income from Council Tax/NNDR	15,872
28,780	Government Grants and Contributions	27,510
15	Support Service Recharge	62
151	Interest and Investment Income	217
50,425	**Gross Income**	**49,868**
9,111	**Net Expenditure (Deficit on Provision of Services)**	**5,436**

28. 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** £
Chief Executive								
	2018/19	100,873	-	350	-	-	15,635	**116,858**
	2017/18	96,150	-	377	-	-	14,903	**111,430**
Corporate Director								
	2018/19	93,209	-	250	-	-	14,447	**107,906**
	2017/18	91,342	-	203	-	-	14,143	**105,688**
Housing Health & Economic Development Services Manager								
	2018/19	64,598	-	-	-	8,709	10,013	**83,320**
	2017/18	58,331	-	-	-	7,561	9,041	**74,933**
Planning, Building Control & Licensing Manager								
	2018/19	56,948	-	-	-	9,069	8,827	**74,844**
	2017/18	55,831	-	-	-	8,031	8,654	**72,516**
Financial Services Manager/Chief Financial Officer								
	2018/19	58,633	-	-	-	-	7,026	**65,659**
	2017/18	57,123	-	-	-	-	8,854	**65,977**
Neighbourhood Services Manager								
	2018/19	43,438	-	-	-	16,659	-	**60,097**
	2017/18	43,389	-	-	-	8,203	-	**51,592**
Environmental Services Manager								
	2018/19	53,995	-	-	-	-	8,369	**62,364**
	2017/18	-	-	-	-	-	-	**-**

* 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 post of Financial Services Manager was re-designated Chief Financial Officer during 2018/19.

The officers shown above are also included in the analysis by remuneration band provided below.

The lease car scheme is closed to new entrants.

The Council's Pay Policy is approved annually. The 2018 Pay Policy Statement was approved by the Council in February 2018 and can be found on the Council's website at 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 2017/18	2018/19
£50,000 -	£54,999	1	1
£55,000 -	£59,999	1	1
£60,000 -	£64,999	1	1
£65,000 -	£69,999	1	1
£70,000 -	£74,999	-	1
£90,000 -	£94,999	1	1
£95,000 -	£99,999	1	-
£100,000 -	£104,999	-	1

The Authority terminated the contracts of seven employees in 2018/19, incurring liabilities of £68k (£42k in 2017/18). 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	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18 £	2018/19 £
£0 - £20,000	-	1	4	6	4	7	41,818	67,631
Totals	-	1	4	6	4	7	41,818	67,631

29. MEMBERS' ALLOWANCES

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

2017/18 £		2018/19 £
173,800	Allowances	162,112
471	Expenses	608
174,271	Total	**162,719**

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

30. 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. Appointed Auditor fees are as per scale fees published by Public Sector Audit Appointments Ltd (PSAA). All grant work, including Housing Benefit certification falls outside the PSAA contract and fees are agreed separately with the Council. Details are shown below:

2017/18 Total £000's		2018/19 Total £000's
	Fees Payable:	
41	with regard to external audit services carried out by the appointed auditor for the year	31
8	to external auditors for certification of grant claims and returns	9
49	**Total**	**40**

31. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

2017/18 Total £000's		2018/19 Total £000's
	Credited to Taxation and Non Specific Grant Income	
2,210	Revenue Support Grant	1,707
1,004	New Homes Bonus Grant	488
8	Transparency Code	8
-	Levy/Surplus Allocation	61
-	Council Tax Annexe Grant	2
-	EU Exit Funding	17
-	Parks Improvement Grants	38
1,036	Small Business Rate Relief Grant	1,130
166	Capital Grants and Contributions	693
4,424		**4,144**
	Credited to Services	
23,098	Housing Benefits and Council Tax	22,366
15	Individual Electoral Registration Grant	-
118	Misc Grants from MHCLG (mainly Housing/Homelessness)	82
-	High St Improvement Grant (MHCLG)	16
-	Electoral Integrity Pilot (Cabinet Office)	33
-	Cyber Security Grant (IDEA)	7
1,123	Capital grants funding Revenue Expenditure Under Statute	862
24,354		**23,366**
28,778	**Total**	**27,510**

The Council received no capital grants in year that have yet to be recognised as income due to the conditions attached which if not met will require the monies to be returned to the grantor. The balance at 31st March 2019 is shown below. By comparison, the Council had £6k of such grants at the end of 2017/18.

2017/18 Total £000's		2018/19 Total £000's
	Capital Grants Receipts in Advance	
-	Local Town Council	-
6	Other Contributions and Grants	-
6	**Total**	**-**

32. 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 27 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 101. Precepts payable to local Town and Parish Councils – refer to Note 8 on page 65. For details of payments to the Lancashire County Council Pension Fund refer to Note 34 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 2018/19 is shown in Note 29. 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, Together Housing Association Ltd (formerly Housing Pendle), Pendle Leisure Ltd and the three joint venture arrangements that the Council has established in partnership with Barnfield Investment Properties Ltd (PEARL, PEARL 2 and PEARL Brierfield Mill). The Council has a fourth joint venture with Barnfield Investment Properties Ltd and Harewood Housing Society Limited (Pearl Together Ltd).

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 2018/19 the Council paid a grant of £1.315m to the Trust (£1.426m in 2017/18). At the Balance Sheet date the Council owed Pendle Leisure Trust £2k and was owed £1,080,907 of which £1,071,616 related to long-term loans. 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. At the Balance Sheet date the Council owed Housing Pendle £Nil and Housing Pendle owed the Council £5k.

In the year, the Council's Chief Executive was the Company Secretary for PEARL and four Councillors and the Housing, Health and Economic Development Services Manager (re-designated Housing, Health and Engineering Manager with effect from 1st April 2019) also served on the Board. Total payments of £577k were made to PEARL entities during the year (£142k in 2017/18). Additional information on PEARL entities is disclosed in Note 35.

Payments to the value of £90,315 (£50,767 in 2017/18) 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 £54,450 (£76,410 in 2017/18) to the Burnley and Pendle Citizens Advice Bureau, a local organisation on which two positions on the governing body are held on behalf of the Council. One position was vacant during 2018/19.

Other payments in the year were made to Growth Lancashire Ltd in the sum of £15k (£17k in 2017/18) with Councillor Paul White and Councillor Joe Cooney both serving on the Board prior to their resignations in May 2019; Burnley and Pendle Council for Voluntary Service (CVS) in the sum of £10k (£10k in 2017/18) with Councillor Blackburn acting as the Council's nominated representative; and £7k (£7k in 2017/18) to the Forest of Bowland Area of Outstanding Natural Beauty (AONB) with Councillor Starkie acting as the Council's nominated representative.

A number of Councillors also serve on Town and Parish Councils and during the year the Council completed a range of asset transfers to local councils including ad hoc parcels of land in parts of the Borough.

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The following matters stem from declarations made by Councillors when responding to requests for information to complete this disclosure note:

Cllr R Carroll

Cllr Carroll is a director of Carro-Step, commercial printers. In the course of the year, the Council obtained printing services for an order of service from the company for which the Council paid it £320.

Cllr K Hartley and Cllr D Whipp

Cllrs Hartley and Whipp are unpaid, non-executive directors of West Craven Together. During the year the Council's West Craven Area Committee approved and paid a grant of £4,000 to replace a boiler at the Rainhall Centre, West Craven Together's administrative headquarters. In addition, the Council paid over £818 for use of the Centre for room hire and use as a Polling Station.

Cllr A Greaves

Cllr Greaves has declared a related party interest as his wife is a member of Colne in Bloom. During the year the Council's Colne and District Committee paid out a grant in the sum of £1,000 to fund horticulture projects.

The Council's Standing Orders require Members who believe they have an interest in a matter to be discussed at a Council, Policy and Resources Committee or other 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.

33. 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.

2017/18 £000's		2018/19 £000's
15,406	**Opening Capital Financing Requirement**	**20,965**
	Capital Investment	
7,123	Property Plant and Equipment	1,065
170	Intangible Assets	112
32	Expenditure on Loans	535
1,898	Revenue Expenditure funded from Capital under Statute	1,000
	Sources of Finance	-
(1,828)	Capital Receipts	(1,622)
(1,204)	Government Grants and Other Contributions	(1,065)
	Sums set aside from Revenue:	-
(107)	Direct Revenue Contributions	(25)
(439)	Minimum Revenue Provision	(473)
(86)	Amounts voluntarily set aside for debt repayment	(88)
20,965	**Closing Capital Financing Requirement**	**20,404**
	Explanation of Movements in Year	
5,559	Increase/ decrease in underlying need to borrow (unsupported by government financial assistance)	(561)
5,559	**Increase/(decrease) in Capital Financing Requirement**	**(561)**

34. 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 scheme and pays defined benefits based on how long employees are active members and their salary when they leave (a “final salary” scheme) for service up to 31st March 2014 and on revalued average salary (a “career average” scheme) for service from 1st April 2014 onwards. A funded scheme means that the Council and employees pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investments 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.

2017/18 £000's	Lancashire County Pension Fund - Pendle Borough Council	2018/19 £000's
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
1,680	Current service costs	1,617
-	Settlements and Curtailments	25
1,680	**Total Service Cost**	**1,642**
	Other Operating Expenditure	
25	Fund Administration Expenses	25
	Financing and investment Income and Expenditure	
1,118	Net interest expense	1,084
2,823	**Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services**	**2,751**
	Remeasurements of the Net Defined Benefit Liability comprising:	
(942)	Return on plan assets (excluding amounts included in net interest)	(7,578)
-	Actuarial gains and losses arising from changes in demographic/experience assumptions	-
(4,309)	Actuarial (gains) or losses arising from changes in financial assumptions	8,099
(5,251)	**Total remeasurements recognised in Other Comprehensive Income**	**521**
(2,428)	**Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement**	**3,272**
	Movement in Reserves Statement	
(2,823)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(2,751)
	Actual amount charged against the General Fund Balance for pensions in the year:	
2,249	Employer contributions payable to the scheme	2,267

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:

2017/18 £000's	Lancashire County Pension Fund - Pendle Borough Council	2018/19 £000's
85,419	Fair Value of employer assets	93,368
(125,189)	Present value of funded benefit liabilities	(134,123)
(4,441)	Present value of unfunded benefit liabilities	(4,461)
(44,211)	**Closing balance at 31st March**	**(45,216)**

Reconciliation of the Movements in the Fair value of Scheme Assets

2017/18 £000's	Lancashire County Pension Fund - Pendle Borough Council	2018/19 £000's
84,176	**Opening fair value of scheme assets**	85,419
2,157	Interest income	2,234
	Remeasurement gain / (loss):	-
942	Return on plan assets excluding amounts included in net interest	7,578
(25)	Other	(25)
2,249	Contributions from employer	2,267
314	Contributions from employees into the scheme	327
(4,394)	Benefits paid	(4,432)
85,419	**Closing fair value of scheme assets**	**93,368**

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

2017/18 £000's	Lancashire County Pension Fund - Pendle Borough Council	2018/19 £000's
133,064	**Opening balance at 1st April**	**129,630**
1,680	Current service cost	1,617
3,275	Interest cost	3,318
314	Contributions from scheme participants	327
	Remeasurement (gains) and losses:	
(4,309)	- Actuarial (gains)/losses arising from changes in financial assumptions	8,099
-	Curtailments	25
(4,394)	Benefits paid	(4,432)
129,630	**Closing balance at 31st March**	**138,584**

The two tables above give rise to a net liability of £45.216m. This is consistent with the information and calculations provided by the Fund Actuary as at 31st March 2019. In 2017/18, in addition to the 2017/18 contribution made to the past service deficit in the sum of £1,219,900, the Council made an additional payment to the Pension Fund of £2,415,300. This payment was made in relation to the past service deficit contribution due to the Fund from the Council covering the two year period from 2018/19 to 2019/20. The past service deficit contribution is an annual lump sum payment intended to clear the Council's underlying deficit on the Fund over a defined period. This is in addition to the primary contribution rate the Council pays based on a fixed percentage applied to our payroll (currently 15.5%). The next valuation will use data from 31st March 2019 and become effective with effect from 1st April 2020.

As part of the 2016 valuation of the Fund, the Fund Administrator and Fund Actuary allowed some fund employers the option of pre-paying specified sums in exchange for a discount on the amounts to be paid. As part of the Council's budget plans for 2017/18 the Council agreed to pre-pay the past service deficit in full for three years as follows:-

	£'000
2017/18 Past Service Deficit	1,220
2018/19 Past Service Deficit	1,212
2019/20 Past Service Deficit	1,203
Total payment made in 2017/18	**3,635**

The past service deficit payment relating to 2018/19 has been charged against the General Fund Balance in 2018/19 and forms part of the Employer Contribution sum shown in the tables above of £2,267k. Payment in respect of 2019/20 cannot be charged to the General Fund Balance in 2018/19 as it relates to a later year. This payment has therefore been charged directly to the pension liability. As a result the Pension Liability disclosed on the Balance Sheet at 31st March 2019 differs from the balance on the Pension Reserve owing to this arrangement as summarised below:

	£’000
Fund Assets	93,368
Fund Liabilities	(138,584)
Net Liability per Fund Actuary*	**(45,216)**
Less:	
Advance payment of past service deficit for 2019/20	1,203
Adjusted Net Liability per Balance Sheet	**(44,013)**
Balance on Pension Reserve as at 31st March 2019	**45,216**
Difference (relating to advance payments)	1,203

*Following the McCloud pensions ruling, estimated Actuarial calculations of the potential gross additional pension liability for the Council have been reassessed at £574k as at 31 March 2019. As part of this reassessment, the net liability has been estimated at £45,573, a net increase of £357k. This comprises:

	£’000
Increase in past service costs (McCloud):	(574)
Increased return on fair value of plan assets:	217
Net increase in liability:	(357)

This figure is not considered material and no change to the Council’s accounts has been made.

The pension scheme assets comprised the following:

2017/18 £000's	Lancashire County Pension Fund - Pendle Borough Council	2018/19 £000's
	Asset Category:	
(357)	**Cash and Cash equivalents**	543
	Bonds*	
487	UK corporate	634
1,014	Overseas corporate	461
-	UK Fixed gilts	-
83	Overseas fixed interest	-
2,038	UK index linked	3,282
3,622		4,377
	Property	
2,350	Retail	2,248
5,684	Commercial	6,454
8,034		8,702
	Other	
6,200	Private Equity - UK and Overseas	7,176
37,952	Pooled Equity Funds - UK and Overseas	41,157
10,825	Infrastructure	13,199
15,739	Credit Funds	6,629
2,107	Pooled Fixed Income	10,156
1,297	Indirect Property Funds	1,429
74,120		79,746
85,419	**Closing balance at 31st March**	**93,368**

* denotes asset categories that have quoted prices in active markets

Basis for estimating assets and liabilities

Within the pension scheme the Council is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees. Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The pension scheme benefits liabilities have been assessed by Mercer

Limited, an independent firm of actuaries, estimates being based on the latest full valuation of the Lancashire County Pension Fund scheme as at 31st March 2016. The next valuation will use data from 31st March 2019 and become effective with effect from 1st April 2020.

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 31st 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 - Pendle Borough Council	2017/18	2018/19
Mortality assumptions:		
Longevity at 65 for current pensioners (years)		
Men	22.7	22.8
Women	25.4	25.5
Longevity at 65 for future pensioners (years)		
Men	25.0	25.1
Women	28.0	28.2
Rate of CPI inflation	2.1%	2.3%
Rate of increase in salaries	3.6%	3.8%
Rate of increase in pensions	2.2%	2.4%
Rate for discounting scheme liabilities	2.6%	2.4%

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 2017/18.

Local Government Pension Scheme - Pendle Borough Council	Impact on the Defined Benefit Obligation £'000
Sensitivity Analysis - Assumptions	
+0.1% change in discount rate	(2,089)
+0.1% change in inflation rate	2,120
+0.1% change in pay growth	223
1 year increase in life expectancy	2,883

Impact on the Council's Cash Flows

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

The Council anticipates paying employer contributions of £2.280m to the scheme in 2019/20.

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

35. JOINT VENTURE ARRANGEMENTS

In partnership with Barnfield Investment Properties Limited (BIP), the Council has established three joint venture companies (JVC). During 2018, a fourth JVC was established with BIP and Harewood Housing Society Limited (part of the Together Housing Group). 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 2018/19. 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. 06375571)

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

- Management of the Enterprise Units in the ACE Centre, Nelson;
- Management of the Colne Shopping Precinct (Hartley Square).

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.

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 ratio of 30:70).

The total approved loan advances agreed by the Council as at 31st March 2019 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 total value of the loan notes as at 31st March 2019 is £743k including accrued interest of £173k.

Pendle Enterprise and Regeneration (2) Ltd (Company No 06684862)

Pendle Enterprise and Regeneration (2) Ltd (PEARL 2) 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.

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.

Further housing developments are underway at Clitheroe Road in Brierfield and at Oak Mill and Carry Lane in Colne.

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

The total approved loan advances agreed by the Council as at 31st March 2019 was £1.192m. New loan advances of £235k 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 total value of the loan notes as at 31st March 2019 is £1.356m (including accrued interest of £163k).

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 Mill, 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.

The Council has allocated funding as a contribution to the overall redevelopment of the Brierfield Mill site, of which £481k has been advanced by way of loans to the company at 31st March 2019. Advances in the sum of £300k 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 total value of the loan notes as at 31st March 2019 is £505k (including accrued interest of £24k).

In addition to the loans recognised as a long-term debtor, the Council has also made 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 was not resolved during 2017/18 nor during 2018/19 but is expected to be confirmed in 2019/20 the Council has recognised this loan as a current rather than long-term debtor as at the 31st March 2019.

Pearl Together Ltd (Company No 11229691)

Pearl Together was incorporated in February 2018 but at the balance sheet date had not commenced trading. The principal activity of the Company is the construction of domestic buildings.

Pearl Together has an authorised share capital of £100 of which Harewood Housing Society Limited has 50 £1 ordinary shares, BIP has 35 £1 shares and the Council has 15 £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.

Other Joint Venture related matters

Company Secretarial services were provided by the Council in 2018/19 to all three PEARL entities and the Council's Chief Executive is the Company Secretary for each.

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.

36. 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 2019, 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.

37. 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 Together Housing (formerly 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 Together Housing 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.

38. TRUST FUNDS

The Council has the following funds:-

		2018/19		
	2017/18 £000's	Advanced £000's	Utilised £000's	2018/19 £000's
Mayor's War Benevolent Fund	43	-	-	43
Winewall Inghamites	40	-	-	40
Carl Pritchard	14	-	-	14
	97	**-**	**-**	**97**

As at the 31st March 2019 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.

COLLECTION FUND

Collection Fund

Revenue Account for the year ended 31st March 2019

201718 £000's		Council Tax £000's	2018/19 NNDR £000's	Total £000's
	Income			
43,521	Council Tax	46,699	-	46,699
18,658	Business Rates	-	19,438	19,438
62,179	**Total Income**	46,699	19,438	66,137
	Expenditure			
	Precepts			
30,056	Lancashire County Council	30,640	8,830	39,470
12,641	Pendle Borough Council	6,096	7,064	13,160
3,863	Lancashire Police Commissioner	4,199	1,589	5,788
1,699	Lancashire Combined Fire Authority	1,596	177	1,773
1,479	Town & Parish Councils	1,774	-	1,774
8,500	Central Government	-	-	-
1,050	Transfer of Collection Fund Surplus / (Deficit)	1,894	632	2,526
59,288		46,199	18,292	64,491
	Business Rates			
134	Collection Allowance	-	133	133
134		-	133	133
	Bad and Doubtful Debts			
390	Bad Debts Provision	630	110	740
558	Appeals Provision	-	1,497	1,497
309	Write-Offs	176	288	464
1,257		806	1,895	2,701
60,679	**Total Expenditure**	47,005	20,320	67,325
1,500	Surplus / (Deficit) For The Year	(306)	(882)	(1,188)
3,304	Surplus / (Deficit) Brought Forward	2,916	1,888	4,804
4,804	Surplus / (Deficit) Carried Forward	2,610	1,006	3,616

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 with 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 their locality. 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 £52.7m as at 31st March 2019 (£52.5m as at 31st March 2018). The national non-domestic rate standard multiplier for 2018/19 was 49.3p, with a small business multiplier of 48.0p (47.9p and 46.6p respectively in 2017/18).

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.

2017/18			2018/19	
Adjusted No of Properties	**Band D Equivalent**	**Council Tax Band**	**Adjusted No of Properties**	**Band D Equivalent**
94	52	-A	97	54
21,796	14,530	A	21,810	14,540
4,175	3,247	B	4,203	3,269
4,004	3,559	C	4,007	3,562
2,956	2,956	D	2,990	2,990
1,653	2,020	E	1,671	2,043
902	1,303	F	914	1,321
478	796	G	487	811
37	74	H	34	67
	28,537			**28,657**

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 2018/19 was calculated as follows expressed as a number of Band D equivalent dwellings:

Number of Band D equivalent properties (per above)	28,657
Less: Class C Discount from 1st April 2018	(54)
Adjusted gross tax base	28,603
Less: reduction for estimated non-collection	(1,144)
	27,459
Less: reduction for impact of Council Tax Support discount	(3,798)
Net Tax Base for 2018/19	23,661

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

2017/18 £000's		Precept/ Demand £000's	Share of Surplus £000's	2018/19 Total £000's
6,359	Pendle Borough Council	6,096	463	6,559
30,543	Lancashire County Council	30,640	1,802	32,442
4,137	Lancashire Police Commissioner	4,199	251	4,450
1,636	Lancashire Combined Fire Authority	1,596	94	1,690
42,675		**42,531**	**2,610**	**45,141**

Business Rates

2017/18 £000's		Precept/ Demand £000's	Share of Surplus £000's	2018/19 Total £000's
9,444	Central Government	8,830	503	9,333
7,555	Pendle Borough Council	7,064	402	7,466
1,700	Lancashire County Council	1,589	91	1,680
189	Lancashire Combined Fire Authority	177	10	187
18,888		**17,660**	**1,006**	**18,666**

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 2018 it was estimated that the Collection Fund would have a Council Tax surplus of £1.894m and a Business Rates surplus of £0.632m, a combined net Collection Fund surplus of £2.526m (£1.05m surplus in January 2017) and so the following amounts were due to / (from) the preceptors in 2018/19.

2017/18 £000's		Council Tax £000's	Business Rates £000's	2018/19 Total £000's
(524)	Central Government	-	316	316
(54)	Pendle Borough Council	336	253	589
1,358	Lancashire County Council	1,310	57	1,367
70	Lancashire Combined Fire Authority	70	6	76
200	Lancashire Police & Crime Commissioner	178	-	178
1,050		**1,894**	**632**	**2,526**

9. This Council is part of the Lancashire Business Rates Pool which began on 1st 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 Housing, 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. Pendle's retained levy in 2018/19 has been calculated at £355,927 (£518,196 in 2017/18), hence under pooling we have benefitted from extra income of £320,334 (£466,376 in 2017/18). 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 2018/19	Authority Type	Tariffs and Top-Ups in Respect of 2018/19 £	Retained Levy on Growth 2018/19 £	10% Retained Levy Payable to/received by Lancashire County Council £	Net Retained Levy 2018/19 £
Burnley Borough Council	Tariff	5,813,386	-779,370	77,937	-701,433
Chorley Borough Council	Tariff	6,255,602	-798,029	79,803	-718,226
Fylde Borough Council	Tariff	7,792,807	-640,137	64,014	-576,123
Hyndburn Borough Council	Tariff	3,817,977	-554,502	55,450	-499,052
Pendle Borough Council	**Tariff**	**3,259,593**	**-355,927**	**35,593**	**-320,334**
Ribble Valley Borough Council	Tariff	4,147,262	-725,653	72,565	-653,088
Rossendale Borough Council	Tariff	2,610,199	-603,452	60,345	-543,107
South Ribble Borough Council	Tariff	9,933,983	-1,190,680	119,068	-1,071,612
West Lancashire Borough Council	Tariff	8,367,158	-889,169	88,917	-800,252
Wyre Borough Council	Tariff	6,577,163	-608,534	60,853	-547,681
Lancashire County Council	Top-Up	-152,078,891	0	-714,545	-714,545
Central Government	-	93,503,761	0	0	0
Total		**0**	**-7,145,453**	**0**	**-7,145,453**

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENDLE BOROUGH COUNCIL

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pendle Borough Council (the 'Authority') for the year ended 31 March 2019 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, notes to the Core Financial Statements, the Collection Fund, notes the Collection Fund and Statement of Accounting Policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters**.**

Responsibilities of the Authority, the Chief Financial Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Accounts and Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements – Certificate

We certify that we have completed the audit of the financial statements of Pendle Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Heap

Mark Heap, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Manchester

31 July 2019

EARMARKED RESERVES 2018/19

- 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;
- Change Management Reserve – established to provide funding for the Council to deal with changes in the delivery of services as and when they arise;
- Pensions Reserve – to provide cover for changes in Employers' contribution rates;
- 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;
- 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;
- 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;
- 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.
- Community Investment Reserve – to fund asset improvement projects within the borough. Each Councillor was awarded a one-off allocation of £2,040 with no expiring date.

Summary of Council Service Areas in 2018/19

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
- Emergency Planning/Health and Safety
- Depot
- Parks
- Open Spaces
- Playgrounds
- Picnic Sites
- Cemeteries
- Landscape Maintenance
- Enforcement Team

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

GLOSSARY OF TERMS

Glossary of Terms

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

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

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

Unusable Reserves	Reserves that the Council is not able to use to provide services as they reflect unrealised gains and losses and associated accounting adjustments.
Usable Reserves	Reserves that the Council may use to provide services subject to maintaining a prudent level and any statutory limitations.
Working Balances	This represents the accumulated surplus (excess of income over expenditure) on the Council's revenue accounts i.e. General Fund.