

# Blackpool Council

## STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2017



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## INTRODUCTION BY DIRECTOR OF RESOURCES – STEVE THOMPSON

Blackpool Council's accounts show the financial results of the Council for the financial year 2016/17 and the financial position as at 31<sup>st</sup> March 2017.

It is intended that these accounts will provide a useful and important source of financial information for the community, stakeholders, Council Members and other interested parties. The style and format of the accounts complies with CIPFA standards and is similar to those of previous years.

The 2016/17 Budget was undoubtedly the most challenging to date with a budget savings target of £25.1m on the back of successfully delivering £93.8m over the previous 5 years. This Budget underwent detailed consideration and scrutiny over a lengthy formulation period. From the very outset this involved the Council's Cabinet Members, who ensured that resources were aligned more than ever before to the Council's specific priorities, followed by extensive engagement and consultation with key stakeholders such as the trade unions, business representatives, equality and diversity forums and of course our residents.

Despite the financial constraints, the Council made sufficient provision within the Budget to accommodate:

- pay levels rising on average by 1% for the period from 1st April 2016 until 31st March 2017
- the payment of annual increments
- voluntary 5 days' average unpaid leave continuing
- a non-pay inflation contingency based on individual contract price increases
- the latest estimates of Settlement Funding Assessment
- interest rates to rise slowly from 2017/18 but to remain at low levels
- consideration of the previous year's financial performance
- the Council fulfils its statutory obligation to balance its Budget.

These were all big challenges, but by working more collaboratively across Council directorates and indeed with other public sector partners where appropriate we have achieved common goals and efficiencies together.

The Narrative Report provides information about Blackpool, including key issues affecting the Council and its accounts. It also provides a summary of the financial position as at 31<sup>st</sup> March 2017.

Steve Thompson  
Director of Resources

## NARRATIVE REPORT

### An Introduction to Blackpool

Blackpool is a seaside town situated on the north-west coast of England. It is the world's first mass market seaside resort, with a proud heritage stretching back over 150 years. It covers an area of approximately 13.46 square miles and has a population of around 139,500.

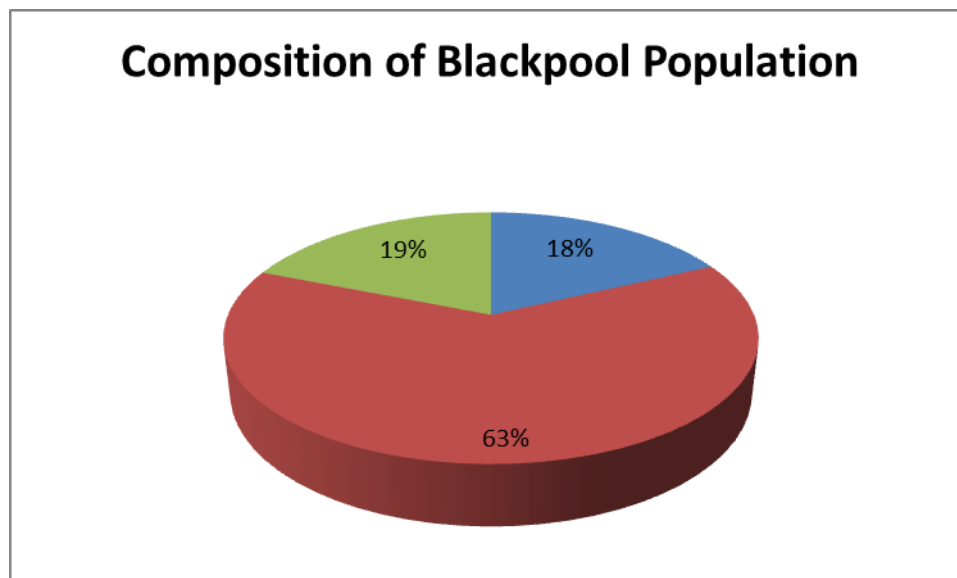
In addition to its sandy beaches, Blackpool's major attractions and landmarks include Blackpool Tower, Blackpool Illuminations, the Pleasure Beach, Blackpool Zoo, Sandcastle Water Park, the Winter Gardens, and the UK's only surviving first-generation tramway. More than two thirds of Britons have visited Blackpool, and with 17 million visits a year from all corners of the country, it is still amongst the most popular destinations. Despite people having more leisure and holiday options than ever, around 24,000 Blackpool jobs still rely directly on tourism – the most of any seaside destination – and the town enjoys the greatest concentration of leisure attractions outside London.

### Key Facts about Blackpool

The profile of the local population dictates the direction and substance of the services provided by the Council, for example, there is an increasing demand for children's and adult social care in Blackpool.

#### Population

The Office for National Statistics Mid-Year Estimates for 2015 reported that Blackpool's estimated population was 139,500. The chart below shows the age profile.



### Economy

- The annual survey of hours and earnings 2015 revealed that the median gross weekly earnings for residents in Blackpool was £319.00. This was £72.50 lower than the Lancashire figure and £106.80 lower than the UK figure of £425.80. It was the third lowest nationally.
- In August 2015 22.2% of the working age population in Blackpool claimed working age benefits. This compares to 12.0% for UK and 13.9% for Lancashire. For Blackpool the rate was the highest in the country.
- Approximately 18,675 households in Blackpool claim housing benefit.

## Political Structure

Blackpool Council is split into 21 wards each represented by 2 Councillors elected every four years. The Council's next full elections are in May 2019. The political make-up of the Council is as follows:

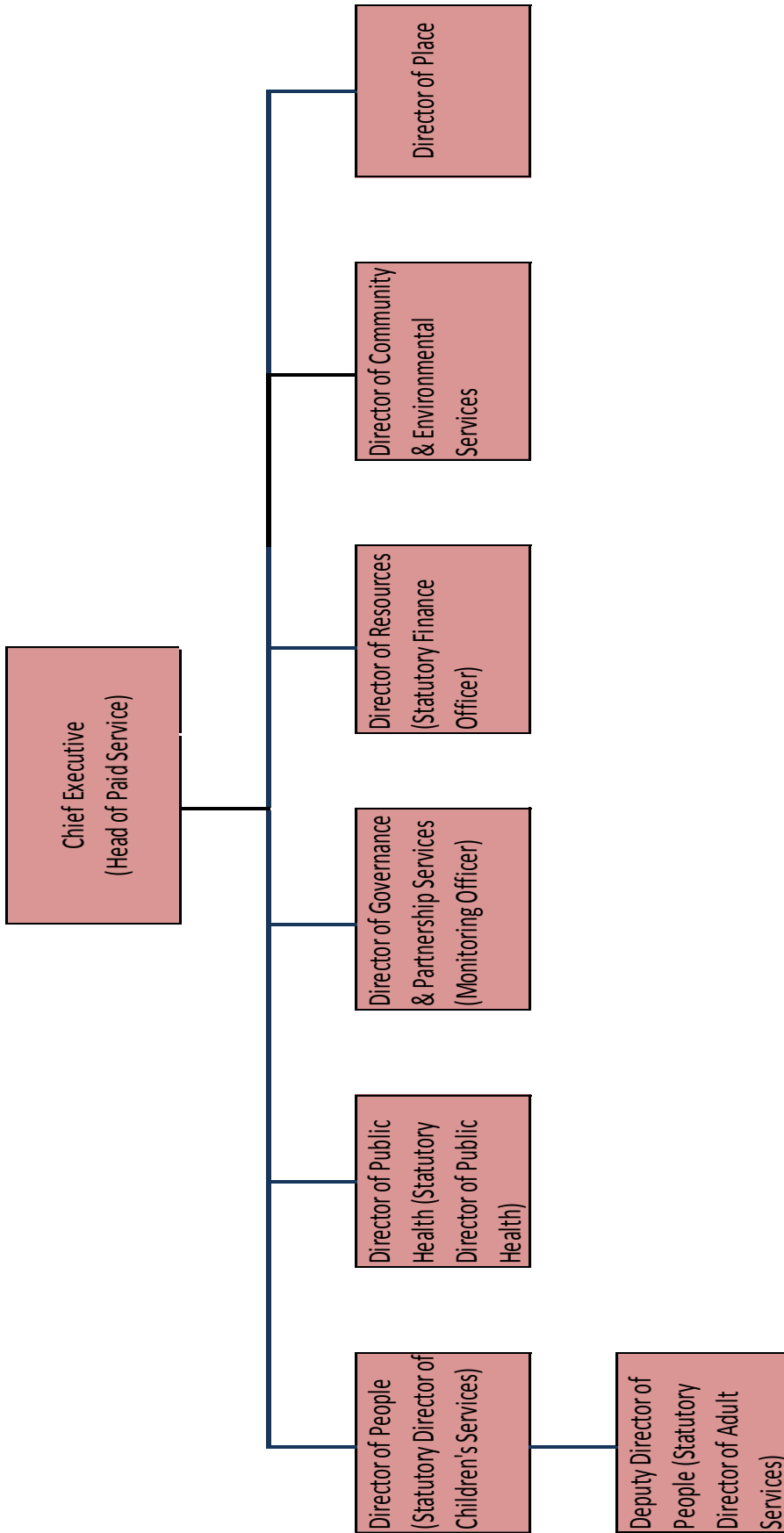
Labour Party	29 Councillors
Conservative Party	13 Councillors

The Executive is the part of the Council which is responsible for most day-to-day decisions. The Executive is made up of a Leader and a Cabinet of nine other councillors whom the Leader has appointed. The Leader of the Council has also appointed one of these Cabinet Members as his deputy along with a Cabinet Secretary.

When major decisions are to be discussed or made, these are published in the Executive's Forward Plan in so far as they can be anticipated. If these major decisions are to be discussed at a meeting of the Executive, this will generally be open for the public to attend except where personal or confidential matters are being discussed. The Executive has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide.

## Corporate Leadership Team

Supporting the work of the Councillors is the Corporate Leadership Team which is led by the Chief Executive Neil Jack. The make-up of the Corporate Leadership Team is as follows:

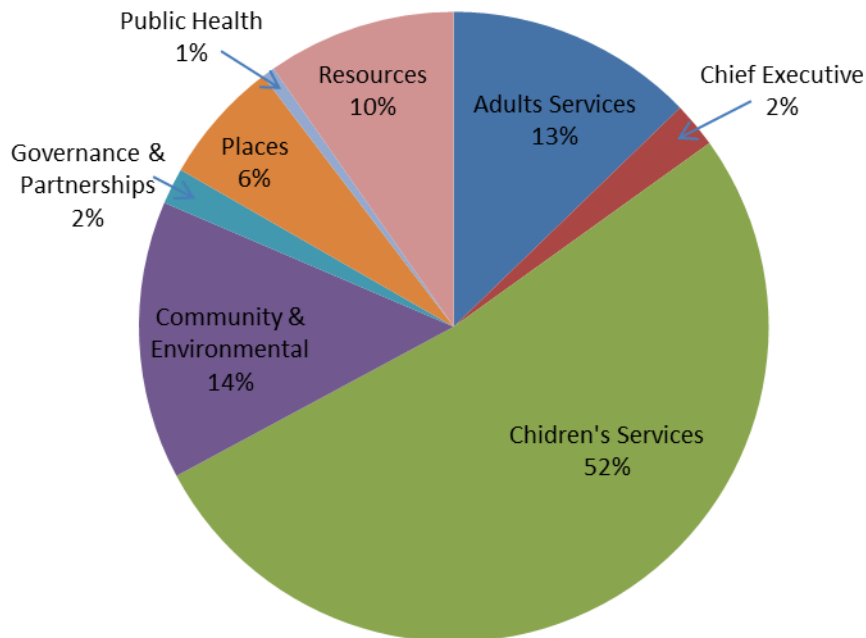


The Corporate Leadership Team provides managerial leadership and supports Councillors in:

- developing strategies
- identifying and planning resources; and
- delivering plans

**Staffing**

At 31<sup>st</sup> March 2017 the Council employed 3,628 people and also employed a further 1,216 people in schools. This represents 2,145 Full Time Equivalent Council staff and 1,255 Full Time Equivalent schools staff. The chart below shows how these support the Council’s services.



**Blackpool Council Plan 2015 - 2020**

The Council Plan is a key element of the Council’s corporate business planning framework and forms part of the Council’s Strategic Policy Framework. The purpose of the Council Plan is to provide a clear and concise summary of the Council’s vision for Blackpool and the key actions that the Council will take to work towards achieving that vision.

The plan focuses on two key priorities:

## Priority One - The economy – Maximising growth and opportunity across Blackpool

**Key economic challenges**

- High levels of child poverty and deprivation
- Low employment rate
- High levels of ill health and disability
- High numbers of benefits claimants
- Low levels of skills and qualifications
- Few skilled job opportunities and public sector job cuts

**Key infrastructure projects**

- Deliver the tramway extension to Blackpool North
- Improved access to town through three “green corridors”, improving our environment
- New Business District - more professional working in the town centre
- Deliver the new Energy College
- Sea defence works

**Key employment projects**

- Expand apprenticeship schemes
- Enterprise education at schools
- Specialist jobs schemes for the most vulnerable and disadvantaged people in the town
- Promotion and delivery of the living wage

**Key enterprise projects**

- Enterprise Zone at Blackpool Airport
- Business start-up support
- Increase across the Public Sector in use of local contractors
- Business Champions - mentoring

**Key housing projects**

- Reduce transience and stabilise communities by supporting quality public and private homes
- Establish a big new private sector landlord
- Deliver a home energy efficiency scheme
- Lobby for benefits changes to reduce numbers of Houses in Multiple Occupation

**Key community safety projects**

- Strong management of the night time economy
- Adoption of Public Space Protection Orders
- Extension of Selective Licensing and Transience projects across the town
- Behaviour management in the town centre

## Priority Two – Communities: Creating stronger communities and increasing resilience

**Key stronger community challenges**

- High rates of Looked After Children
- Low GCSE achievement
- Poor life expectancy
- High levels of alcohol and substance misuse
- High levels of teenage pregnancy
- Domestic violence
- Mental health

**Key community projects**

- Asset-based Community Development bringing people together through the arts café, food growing & farm scheme
- Improving access to community activities
- Reducing isolation through creation of neighbourhood navigators to help the isolated access activities

**Key health projects**

- New active health referral programme
- Improved wellness service
- More people accessing NHS Health Checks
- Healthier Catering Award scheme



**SUMMARY OF THE FINANCIAL YEAR****REVENUE SUMMARY**

The budget for 2016/2017 was set by the Council on 25<sup>th</sup> February 2016 in the sum of £122.999m. There was an increase in Council Tax Band D to £1,331.93 (£1,306.00 in 2015/2016) to fund services which are the responsibility of the Council to deliver. For 2016/17 the Spending Review announced that local authorities responsible for adult social care would be given an additional 2% flexibility on their council tax referendum threshold to be used entirely for adult social care. This increased Council Tax at Band D by £26.12. There was an increase in Council Tax Band D to £1,585.77 (£1,529.92 in 2015/2016) when precepts for the Police and Crime Commissioner for Lancashire and Lancashire Fire Authority are included. The budget was financed as follows:

	£m
Revenue Support Grant	31.640
Non-Domestic Rate Baseline	24.038
Non-Domestic Rate Top-Up	19.320
Section 31 grants	2.211
Collection Fund Deficit	-2.505
Council Tax	48.295
	<u>122.999</u>

The Provisional Revenue Outturn for 2016/2017 (before allowing for changes to working balances) is £128.036m compared with the approved budget of £125.566m – a net increase of £2.470m.

The year-end variance position for each directorate is set out below and is summarised as follows:-

<b>Directorate</b>	<b>2016/2017 Variance £000</b>
Chief Executive	(10)
Governance & Partnership Services	225
Ward Budgets	(248)
Resources	(94)
Places	429
Community & Environmental Services	(66)
Adult Services	(1,205)
Children's Services	5,397
Public Health	-
<b>Total</b>	<b>4,428</b>

The main reasons for this net service overspend are:-

Service	Reasons	£000
Children's Services	Children's Social Care overspent by £5.916m due to a significant increase in the numbers of Looked After Children. Budgets were set when numbers were around 450, which was still the highest LAC per 10,000 population nationally. However, numbers continued to rise and ended at an all-time high of 529 by 31 <sup>st</sup> March 2017. Lack of capacity in the market along with more complex care needs have also pushed up unit costs. Legal costs have also increased as would be expected in line with the increase in numbers. Staffing savings across other Children's Services teams offset this pressure by £581k.	5,397
Places	The Places directorate overspend largely comprises Prudential Borrowing costs of £200k relating to the Foxhall Village and Central Leisure Quarter developments coupled with overspending and income shortfalls of £109k in Illuminations and a £95k shortfall against income target in Central Print Services. Other smaller service under and over spends increased this to a directorate overspend of £429k.	429
Governance & Partnership Services	Repair and maintenance costs in Registration and Bereavement Services comprise the main component of the overspend. These, coupled with coroner costs in excess of budget and an income shortfall against budget in relation to cremation fees resulted in the reported position.	225
Chief Executive	The underspend in the Chief Executive's area related to income received in excess of budget.	(10)
Community & Environmental Services	Leisure and Catering were under budget by £145k due to a combination of increased income generation on Parks and a reduction in catering provisions costs. Highways and Traffic Management were £88k over budget due to pressures on Bus Shelter income and maintenance, partly offset by scheme income. A review of discretionary costs undertaken through the year resulted in savings offsetting pressures experienced elsewhere in the Directorate. The pressure due to the loss of the Waste PFI grant has been offset against reserves in 2016/17.	(66)
Resources	Property Services achieved savings of £620k against a property rationalisation target of £800k resulting in an overspend of £180k. All the other services within Resources underspent, totalling £274k, through a combination of staff vacancies, increased income and savings on supplies and services.	(94)
Ward Budgets	Scheme commitments of £287k are being carried forward into 2017/18. However, the balance of £39k overspend relates to expected income not being realised.	(248)
Adult Services	The Adult Commissioning Placements Budget underspent by £1,268k mainly as a result of higher than anticipated residential income and one-off savings following a review of prudent year-end accruals. Staffing budgets across the department also underspent by £80k due to higher than expected vacancy levels. Adult Safeguarding overspent by £143k due to additional legal and staffing costs to fund Deprivation of Liberty (DoLs) case law.	(1,205)
<b>Total</b>		<b>4,428</b>

The financial outturn for budgets 'outside the cash limit' shows an aggregate underspending of £1,092,000. The main reasons for this are:-

Service	Reasons	£000
Concessionary Fares	Concessionary Fares were over budget due to the ongoing pressure arising from increased bus patronage and the impact of fare increases.	491
Parking Services	The service's challenging income target was not achieved; the service did however continue its significant improvement in income generation. This was in spite of a reduction in available car parking spaces.	284
Previous Years' Pension Liability/Land Charges/Housing Benefits/Council Tax and NNDR Cost of Collection	Council Tax and NNDR Cost of Collection underspent due to increase income from costs recovered on Council Tax collection. There was also increased income in Land Charges.	(30)
New Homes Bonus	This underspend is due to the additional income resulting from the final NHB allocation.	(150)
Subsidiary Companies	This underspend has resulted from a saving on Prudential Borrowing costs as borrowings on historic capital schemes have been repaid.	(152)
Treasury Management	Treasury Management has a £1,535k favourable position due to the ongoing temporary windfall from the short-term interest rates paid to finance capital expenditure during the year.	(1,535)
<b>Total</b>		<b>(1,092)</b>

### Treatment of Revenue Budget Variances

As part of the year-end process an analysis of budget variances is undertaken in order to determine the treatment of under/overspendings on service budgets. The conventional Cash Limited Budgeting approach requires that:-

- underspendings are carried forward in full and are then available to supplement the following year's service budget;
- overspendings are similarly carried forward but must as far as possible be recovered in the following financial year (where an extended period is required, this must be on the basis of a recovery plan with a timetable not exceeding 3 years and approved by the Executive); and
- any windfall gains, as determined by the Director of Resources and arising from events outside the control of the service, are added to the Council's general working balances.

However, having considered the Provisional Revenue Outturn 2016/2017 in detail and the financial outlook and consulted Corporate Leadership Team colleagues, it is recommended that:-

- the underspending of £287,000 on Ward Budgets is carried forward to 2017/2018 in full;
- the following under and overspendings are to be written off:

Directorate	£000
Chief Executive	(10)
Governance & Partnership Services	225
Resources	(94)
Places	429
Community & Environmental Services	(66)
Adult Services	(1,205)
Children's Services	5,397
<b>Total</b>	<b>4,676</b>

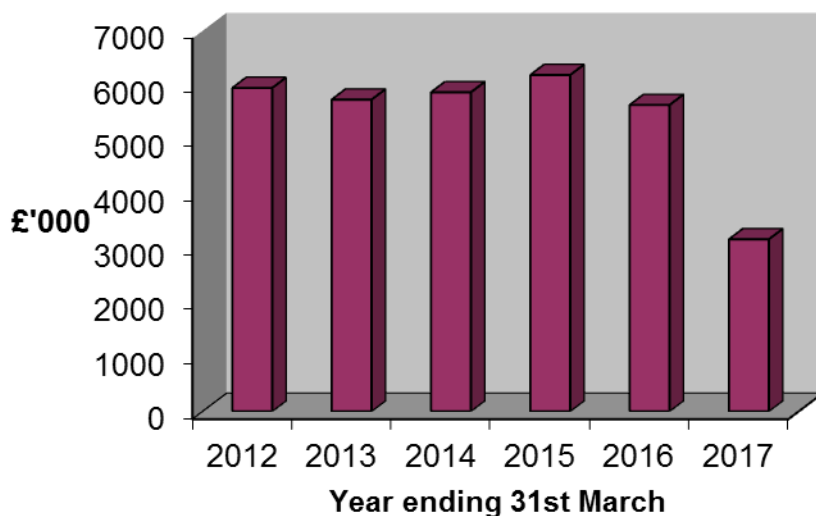
This will allow services to enter the new financial year in a balanced position and give directorates a realistic chance of meeting their budget savings for that year.

### GENERAL FUND WORKING BALANCES

In setting the Council's original budget for 2016/2017 the target General Fund working balances as at 31<sup>st</sup> March 2017 were approximately £6m. However the outturn position means that the actual General Fund working balances as at 31<sup>st</sup> March 2017 were £3,166,000.

The graph below shows the change in the General Fund Working Balances over the last 6 years.

### General Fund Balances



### CAPITAL SUMMARY

The total of the Council's capital spending in 2016/2017 was £42.7m, which is a 19% increase from the previous year. The main reason for the increase in capital spending is the acquisition of Bonny Street police station site and Wilkinson's on Talbot Road. The net book value of the Council's non-current assets as at 31<sup>st</sup> March 2017 was £777.3m.

The main areas of capital spending during the year were:

	2015/2016 £m	2016/2017 £m
Children's Services	2.2	1.1
Adult Services	1.9	1.7
Community and Environment	13.7	14.5
Governance and Partnership Services		0.1
Transport	7.2	1.8
Housing - Private Sector Housing	1.3	1.1
Housing - HRA	7.0	7.6
Place	1.5	5.3
Resources	1.1	9.5
<b>Total</b>	<b>35.9</b>	<b>42.7</b>

The funding of capital expenditure came from a number of sources as summarised below:

	2015/2016 £m	2016/2017 £m
Capital receipts	1.6	1.7
Grants	23.0	14.5
Borrowing	1.8	15.1
Other	9.5	11.4
<b>Total</b>	<b>35.9</b>	<b>42.7</b>

As at 31<sup>st</sup> March 2017 the Council held a balance of usable capital receipts amounting to £2m. Most of these capital receipts are earmarked to already approved schemes.

The Council plans future capital developments within the financial constraints placed upon it. Key policy objectives for the future include regeneration and renewal of the town on a significant scale.

- A Tramway upgrade linking the Tramway on the Promenade with Blackpool North Train station, creating a transport hub and a new 4 star hotel. This includes the acquisition of the Wilko's building in Talbot

Road. The majority of funding will come from the Lancashire Enterprise Partnership and prudential borrowing.

- The continued development of the former Queens Park estate in Layton, creating a vibrant, family friendly living area.
- The repair and improvement of a number of key bridges in the town ensuring that the significant number of vehicles using the Blackpool Council highway network, can be managed in an efficient and effective manner, and journeys are less likely to be disrupted.

### **HOUSING REVENUE ACCOUNT (HRA)**

Under the *Local Government and Housing Act 1989* expenditure on council housing is “ring-fenced” meaning no contribution can be made to or from the General Fund. Furthermore, the *Housing Revenue Account (Accounting Practices) Directions 2000* applies whereby “Resource Accounting” is implemented, making more transparent the costs of capital tied up in the assets and providing resources to maintain them.

### **HOUSING REVENUE ACCOUNT RESERVES**

The balance on the HRA reserve stands at £6.9m at 31 March 2017.

### **MAIN CHANGES TO THE CORE STATEMENTS AND SIGNIFICANT TRANSACTIONS IN 2016/17**

The actuarial valuation of the Council’s pension scheme liabilities and pension reserve shown on the balance sheet have increased by £72.8m during the year. This is mainly as a result of a revaluation of the pension fund and changes to financial assumptions used by the Actuary (Mercers). The assumptions are determined by the Actuary and represent market conditions at the reporting date. The Council relies on the professional judgement of the Actuary and the assumptions used to calculate this actuarial valuation. Further information can be found in Note 50.

## **EXPLANATION OF THE STATEMENTS**

The statements presented in the following pages comprise:-

### **Statement of Responsibilities for the Statement of Accounts**

This sets out the respective responsibilities of the Council and the Director of Resources for the accounts.

The accounts are supported by notes to the financial statements. These notes include a summary of significant accounting policies, further detail relating to items in the main financial statements and assumptions made about the future.

### **Movement in Reserves Statement**

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

### **Comprehensive Income and Expenditure Account**

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.

### **Balance Sheet**

This sets out the overall financial position of the Council as at 31<sup>st</sup> March 2017. It shows the reserves and balances of the Council, its long-term indebtedness and the value of non-current assets and net current assets.

### **Cash Flow Statement**

This summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

### **Housing Revenue Account**

This reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure and income.

### **Collection Fund**

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund which shows the transactions on non-domestic rates and council tax and illustrates the way in which these are distributed to Central Government, Police and Crime Commissioner for Lancashire, Lancashire Fire Authority and the Council's General Fund.

### **Group Accounts**

This summarises group financial statements prepared in order to show the overall financial position and results of the local authority group.

**ACCOUNTING PRACTICE COMPLIANCE**

These accounts have been prepared in accordance with the Accounts and Audit Regulations 2015 and the current *Code of Practice on Local Authority Accounting in the United Kingdom*, based on International Financial Reporting Standards.

In accordance with the latest *CIPFA Code of Practice on Local Authority Accounting in the United Kingdom*, which is applicable to financial reporting from 1<sup>st</sup> April 2016, the Comprehensive Income and Expenditure Account is presented using a Service Expenditure Analysis (SEA) reflecting the Service Reporting Accounting Code of Practice approach to consistent financial reporting. The accounting policies adopted by the Council are explained fully in Note 1 in Section 5.

**FURTHER INFORMATION**

The Statement of Accounts forms one element of the Council's financial reporting to local taxpayers, employees and other interested parties. Further information can be found on the Council's website [www.blackpool.gov.uk](http://www.blackpool.gov.uk)

**Transparency**

The Government's Transparency Agenda encourages local authorities to make public data openly available. Details of the Council's spend over £250 and senior managers' salaries can be found on the above website.

Further information about this Statement of Accounts is available from:

Director of Resources  
Blackpool Council  
P O Box 4  
Town Hall  
Blackpool  
FY1 1NA



# **SECTION 2**

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### 1. 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 the proper responsibility for the administration of those affairs. In this authority that officer is the Director of Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

### 2. THE DIRECTOR OF RESOURCES' RESPONSIBILITIES

The Director of Resources is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in United Kingdom* ("the Code of Practice").

In preparing this Statement of Accounts, the Director of Resources has:

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

The Director of Resources has also:

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

### 3. CERTIFICATION OF THE ACCOUNTS

I certify that the Statement of Accounts gives a true and fair view of the financial position of Blackpool Council and its income and expenditure for the year ended 31st March 2017.

Steve Thompson  
Director of Resources  
31<sup>st</sup> May 2017

# **SECTION 3**

# **INDEPENDENT AUDITOR'S REPORT**

**Report to be inserted following audit**

# SECTION 4

## CORE FINANCIAL STATEMENTS

## MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority'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 (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

### 2016/2017

	General Fund Balance	Earmarked General Fund Reserves	HRA	Capital Receipts Reserve	Major Repairs Reserve	Capital Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance as at 31st March 2016</b>	<b>(10,505)</b>	<b>(42,231)</b>	<b>(7,234)</b>	<b>(3,825)</b>	-	<b>(4,502)</b>	<b>(68,297)</b>	<b>(270,391)</b>	<b>(338,688)</b>
<b>Movements in Reserves in 2016/2017</b>									
(Surplus) or Deficit on the provision of services	46,126		(4,105)				42,021		42,021
Other Comprehensive Income & Expenditure							-	57,054	57,054
<b>Total Comprehensive Income and Expenditure</b>	<b>46,126</b>	<b>-</b>	<b>(4,105)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,021</b>	<b>57,054</b>	<b>99,075</b>
Adjustments between accounting basis and funding basis under regulations (Note 9)	(36,250)		3,014		3,873		(29,363)	29,363	-
<b>Net (Increase) or Decrease before Transfer to Earmarked Reserves</b>	<b>9,876</b>	<b>-</b>	<b>(1,091)</b>	<b>-</b>	<b>3,873</b>	<b>-</b>	<b>12,658</b>	<b>86,417</b>	<b>99,075</b>
Transfer to/(from) Earmarked Reserves (Note 10)	(5,793)	4,730	1,468	632	(3,873)	(371)	(3,207)	3,207	-
<b>(Increase)/Decrease in 2016/2017</b>	<b>4,083</b>	<b>4,730</b>	<b>377</b>	<b>632</b>	<b>-</b>	<b>(371)</b>	<b>9,451</b>	<b>89,624</b>	<b>99,075</b>
<b>Balance as at 31st March 2017</b>	<b>(6,422)</b>	<b>(37,501)</b>	<b>(6,857)</b>	<b>(3,193)</b>	<b>-</b>	<b>(4,873)</b>	<b>(58,846)</b>	<b>(180,767)</b>	<b>(239,613)</b>

**2015/2016**

	General Fund Balance	Earmarked General Fund Reserves	HRA	Capital Receipts Reserve	Major Repairs Reserve	Capital Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance as at 31st March 2015</b>	<b>(11,242)</b>	<b>(46,024)</b>	<b>(5,617)</b>	<b>(3,431)</b>	-	<b>(4,388)</b>	<b>(70,702)</b>	<b>(212,453)</b>	<b>(283,155)</b>
<b>Movements in Reserves in 2015/2016</b>									
(Surplus) or Deficit on the provision of services	26,312	-	(1,107)	-	-	-	25,205	-	25,205
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	(80,738)	(80,738)
<b>Total Comprehensive Income and Expenditure</b>	<b>26,312</b>	<b>-</b>	<b>(1,107)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,205</b>	<b>(80,738)</b>	<b>(55,533)</b>
Adjustments between accounting basis and funding basis under regulations (Note 9)	(29,739)		(2,072)		3,983		(27,828)	27,828	-
<b>Net (Increase) or Decrease before Transfer to Earmarked Reserves</b>	<b>(3,427)</b>	<b>-</b>	<b>(3,179)</b>	<b>-</b>	<b>3,983</b>	<b>-</b>	<b>(2,623)</b>	<b>(52,910)</b>	<b>(55,533)</b>
Transfer to/(from) Earmarked Reserves (Note 10)	4,164	3,793	1,562	(394)	(3,983)	(114)	5,028	(5,028)	-
<b>(Increase)/Decrease in 2015/2016</b>	<b>737</b>	<b>3,793</b>	<b>(1,617)</b>	<b>(394)</b>	<b>-</b>	<b>(114)</b>	<b>2,405</b>	<b>(57,938)</b>	<b>(55,533)</b>
<b>Balance as at 31st March 2016</b>	<b>(10,505)</b>	<b>(42,231)</b>	<b>(7,234)</b>	<b>(3,825)</b>	<b>-</b>	<b>(4,502)</b>	<b>(68,297)</b>	<b>(270,391)</b>	<b>(338,688)</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31ST MARCH 2017

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 (or rents) to cover expenditure 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.

2015/2016				2016/2017		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
5,600	(5,434)	166		Chief Executive	3,819	(4,138)
8,121	(4,101)	4,020	Governance and Partnership Services	6,166	(4,437)	1,729
261	-	261	Ward Budgets	274	(6)	268
31,686	(22,755)	8,931	Resources	27,000	(27,436)	(436)
17,314	(8,934)	8,380	Places	22,663	(12,580)	10,083
4,462	(3,035)	1,427	Strategic Leisure Assets	5,728	(3,053)	2,675
74,385	(27,102)	47,283	Community and Environmental Services	73,204	(28,604)	44,600
68,306	(26,100)	42,206	Adult Services	69,780	(25,256)	44,524
124,152	(78,442)	45,710	Children's Services	115,381	(69,561)	45,820
19,197	(18,916)	281	Public Health	20,021	(19,580)	441
94,557	(95,346)	(789)	Budgets Outside the Cash Limit	93,969	(94,880)	(911)
2,109	(3,598)	(1,489)	Contingencies	2,749	(859)	1,890
16,628	(18,784)	(2,156)	Housing Revenue Account	14,211	(18,702)	(4,491)
<b>466,778</b>	<b>(312,547)</b>	<b>154,231</b>	<b>Net Cost of Services</b>	<b>454,965</b>	<b>(309,092)</b>	<b>145,873</b>
		5,143	Other Operating Expenditure (Note 11)			26,530
		5,950	Financing & Investment Income & Expenditure - Other (Note 12)			3,105
		(126)	Income & Expenditure in relation to Investment Properties and changes in their fair value (Notes 16)			(1,449)
		(139,993)	Taxation and Non-Specific Grant Income - Other (Note 13)			(132,038)
		<b>25,205</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>42,021</b>
		(26,836)	Surplus or Deficit on revaluation of Property, Plant and Equipment assets			(8,741)
		(14,586)	Impairment (gains)/losses on non-current assets charged to Revaluation Reserve			(4,686)
		(1,500)	Surplus or deficit on revaluation of available for sale financial assets			(1,500)
		(44)	Movement on financial instruments adjustment account			(44)
		(33,090)	Actuarial gains / losses on pension assets / liabilities			72,823
		(4,682)	Other Movements			(798)
		<b>(80,738)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>57,054</b>
		<b>(55,533)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>99,075</b>



**BALANCE SHEET FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2017**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example Capital Receipts Reserve 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'.

31st March 2016		Notes	31st March 2017
£000			£000
764,054	Property, Plant and Equipment	14	751,515
7,764	Heritage Assets	15	7,764
14,667	Investment Property	16	17,347
65	Intangible Assets	17	32
1,551	Assets Held for Sale	18	654
13,310	Long Term Investments	20	17,060
9,304	Long Term Debtors	21	19,376
<b>810,715</b>	<b>Long Term Assets</b>		<b>813,748</b>
538	Inventories	22	479
43,600	Short Term Debtors	23	35,813
1,979	Payments in Advance	24	5,770
12,594	Cash and Cash Equivalents	25	9,878
<b>58,711</b>	<b>Current Assets</b>		<b>51,940</b>
(72,126)	Short Term Borrowing		(91,697)
(44,606)	Short Term Creditors	27	(37,355)
(15,285)	Receipts in Advance	26	(18,365)
(16,143)	Short Term Provisions	28	(12,718)
<b>(148,160)</b>	<b>Current Liabilities</b>		<b>(160,135)</b>
(78,181)	Long Term Creditors	27	(76,830)
(80,144)	Long Term Borrowing		(84,701)
(216,368)	Other Long Term Liabilities		(288,336)
(7,885)	Capital Grants in Advance		(16,073)
<b>(382,578)</b>	<b>Long Term Liabilities</b>		<b>(465,940)</b>
<b>338,688</b>	<b>Net Assets</b>		<b>239,613</b>
(68,297)	Usable Reserves	29	(58,846)
(270,391)	Unusable Reserves	30	(180,767)
<b>(338,688)</b>	<b>Total Reserves</b>		<b>(239,613)</b>

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2017**

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 flow by providers of capital (i.e borrowing) to the authority.

<b>2015/2016 £000</b>		<b>Notes</b>	<b>2016/2017 £000</b>
25,205	Net (surplus) or deficit on the provision of services		42,021
(18,767)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	31	(6,521)
(19,518)	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	31	(43,731)
<b>(13,080)</b>	<b>Net cash flows from Operating Activities</b>		<b>(8,231)</b>
10,313	Investing Activities	32	24,595
(688)	Financing Activities	33	(26,012)
<b>(3,455)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(9,648)</b>
(131,404)	Cash and cash equivalents at the beginning of the reporting period		(134,859)
<b>(134,859)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	34	<b>(144,507)</b>

# SECTION 5

## NOTES TO THE ACCOUNTS

**CONTENTS FOR NOTES TO THE ACCOUNTS**

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## 1. ACCOUNTING POLICIES

### i. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2016/2017 financial year and its position at the year-end 31<sup>st</sup> March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/2017* (the 'Code') and the *Service Reporting Code of Practice 2016/2017* (SERCOP) supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

### ii. ACCRUALS OF INCOME AND EXPENDITURE

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

- ❑ Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- ❑ Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- ❑ Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet. Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- ❑ 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 payable on borrowing and receivable on investments is accounted for respectively as expenditure and income 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. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### iii. ACQUIRED AND DISCONTINUED OPERATIONS

All operations acquired and discontinued in year are treated in line with the Council's accounting policies.

### iv. 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 three months 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.

**v. 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 and 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.

**vi. 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 fixed assets during the year:

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. 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 authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision (MRP)), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

**vii. COUNCIL TAX AND NON-DOMESTIC RATES**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

**Accounting for Council Tax and NDR**

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

**viii. EMPLOYEE BENEFITS****Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits 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 and flexi time 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 employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement on Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

**Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or where applicable to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for 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 Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

**Post - Employment Benefits**

Employees of the Authority are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pension Scheme, administered by Lancashire County Council.
- The NHS Pension Scheme administered by NHS Business Services Authority.

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Authority.

However, the arrangements for the NHS and teachers' schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined benefit contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education and Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers pensions in the year. The Public Health line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

**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 fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by the employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 19.92% (4.99% in 2015/2016) (based on the weighted average of "spot yields" on AA rated corporate bonds).

- 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 pension liability is analysed into the following components:

- Service cost comprising:
  - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts for services for which the employees worked
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - Net interest on the net defined benefit liability (asset), ie 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 changes 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 defined benefit liability (asset) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure
  - Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
  - 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 (including teachers) 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.



**ix. 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.

**x. FINANCIAL INSTRUMENTS****Financial Liabilities**

Financial Liabilities 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 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 Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. However if funds allow, the premium or discount will be charged to the Comprehensive Income and Expenditure Statement in full in the year it is incurred. 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 of Reserves Statement.

**Financial Assets**

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

## Loans and Receivables

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.

However, the Council has made loans to Marketing Lancashire and Lancashire County Developments at less than market rates (soft loans) – see Note 19. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (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 Comprehensive Income and Expenditure Statement at a marginally higher effective rate than the rate receivable from the 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 Comprehensive Income and Expenditure Statement 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.

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 the 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 the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **Available-for-Sale Assets**

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, 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 amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations

The inputs to the measurement techniques are categorised in accordance with the following 3 levels:

Level 1 inputs – quoted prices (unadjusted) in active markets for identified assets that the Authority can access at the measurement date.

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

Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with net gain/loss for the asset accumulated in the Available for Sale Reserve.

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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the assets Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement has fixed or determinable payments, 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. Otherwise, the impairment loss is measured as any shortfall of fair value against acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement along with any accumulated gains/losses previously recognised in the Available for Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

#### **xi. FOREIGN CURRENCY TRANSLATION**

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end they are reconverted at the spot exchange rate at 31<sup>st</sup> March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### **xii. GOVERNMENT GRANTS AND CONTRIBUTIONS**

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

- The Council will comply with the conditions attached to the payments, and
- The grants and 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 acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried on the Balance Sheet as creditors. When conditions have been satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non ring-fenced 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 not yet been 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.

### **Business Improvement District**

A Business Improvement District (BID) scheme applies across the whole of the Council. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

### **xiii. 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 and services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority 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 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 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 over £10,000) the Capital Receipts Reserve.

### **xiv. HERITAGE ASSETS**

#### **Tangible and Intangible Heritage Assets**

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However some of the measurement rules have been relaxed in relation to heritage assets as detailed below. The Authority's collections of heritage assets are accounted for as below:

#### **Illuminations Historic Collection**

This is a collection of illuminations that have been on display in the past but no longer form part of the annual display (i.e. non-operational). They are kept for their historical significance. These items are

reported in the Balance Sheet at insurance valuations that are based on market values. These insurance valuations are reviewed on a 4 yearly basis.

The collection was due to be revalued in 2015/16 but due to funds being unavailable for professional valuations, and the likelihood that any movement in valuation would not be material, the assets have not been valued.

Due to the unique nature of the collection it is deemed to have an indeterminate life and a high residual value hence, the Authority does not consider it appropriate to charge depreciation.

The collection is fairly static. Any transfers of operational illuminations to this collection would be recognised at a value ascertained by the Illuminations Manager in accordance with the Authority's policy.

### **Art Collection**

The art collection consists of paintings (both oil and watercolour), oriental works of art, European works of art and furniture, and is reported in the Balance Sheet at market value. Due to funds being unavailable for professional valuations the collection has not been revalued for many years. However, the valuation is adequate for insurance purposes and has been reported in the Balance Sheet.

The collection is deemed to have an indeterminate life and a high residual value hence the Authority does not consider it appropriate to charge depreciation.

The collection is fairly static; any acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at a valuation ascertained by the Head of Arts in accordance with the Authority's policy on art collection.

### **Tower Company Collection and Local and Family History Collections**

These collections are not as large as the art collection but contain some rare items. They include paintings, tourism memorabilia (e.g. model of Blackpool Tower) and other items of significant local interest. The collections have been valued by the Head of Heritage using estimated market valuations (although some items are rare and unique to the area so it is difficult to assess their true value) and have been reported in the Balance Sheet on this basis.

The collections are deemed to have indeterminate lives and a high residual value hence the Authority does not consider it appropriate to charge depreciation.

The collections are fairly static any acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at a valuation ascertained by the Head of Heritage in accordance with the Authority's policy on the collections.

### **Civic Regalia**

This collection includes the Mayoral chain, Deputy Mayor's chain, Mace and many other civic items. They are reported in the Balance Sheet at market value. The collection is revalued every four years by external valuers.

The collection was due to be revalued in 2015/16 but due to funds being unavailable for professional valuations, and the likelihood that any movement in valuation would not be material, the assets have not been valued.

The collection is deemed to have an indeterminate life and a high residual value hence the Authority does not consider it appropriate to charge depreciation.

The collection is static and any acquisitions and donations are highly unlikely. Where they do occur acquisitions are initially recognised at cost and donations are recognised at a valuation ascertained by the Head of Democratic Services in accordance with the Authority's policy on the collections.

### **Cenotaph**

This had previously been included within community assets in the balance sheet. It is included in Balance Sheet at historic cost less depreciation and is valued by external valuers every four years.

The Cenotaph was due to be revalued in 2015/16 but due to funds being unavailable for professional valuations, and the likelihood that any movement in valuation would not be material, the assets have not been valued.

The cenotaph has an estimated useful life of 50 years and therefore the Authority considers it appropriate to charge depreciation.

### **Stanley Park Statues**

These are being held for purposes of knowledge and culture and are therefore considered to be heritage assets. Due to the cost of obtaining external valuations, they have been reported in the Balance Sheet based on insurance valuations. They are to be revalued every four years by external valuers.

The statues were due to be revalued in 2015/16 but due to funds being unavailable for professional valuations, and the likelihood that any movement in valuation would not be material, the assets have not been valued.

They are deemed to have indeterminate lives and a high residual value hence the Authority does not consider it appropriate to charge depreciation.

The collection is fairly static; any acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at a valuation ascertained by valuers in accordance with the Authority's policy on the collections.

## **xv. INTERESTS IN COMPANIES AND OTHER ENTITIES**

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost less any provision for losses.

## **xvi. INVENTORIES AND LONG TERM CONTRACTS**

Items of stock held by the Central Print Unit are valued at current price. All other operational stores of the Council, including spares for plant and vehicle fleets, are included in the accounts at the lower of average cost or net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

Work in progress arises in the Community and Environmental Services Directorate, the Illuminations Division (production of new features) and the Central Print Unit. It is valued at cost including an allocation of overheads.

**xvii. INVESTMENT PROPERTY**

Investment properties are those that are solely used to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of the service or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Investment properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements 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.

**xviii. JOINT OPERATIONS**

Joint operations are arrangements where parties that have joint-control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

**xix. 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 elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey the 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 Authority as Lessee****Finance Leases**

Property, Plant and Equipment held under finance leases is recognised in 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 assets estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Council 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 benefiting from use of the leased property, plant and 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).

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease generally meaning that rentals are charged when they become payable. Rental of a building will always contain an element of land (on which the building stands), the land will generally be treated as an operating lease.

### **The Authority as Lessor**

#### **Finance Leases**

Where the Council grants a finance lease over a property or an item of plant and 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 lease 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 in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.



The written off value of disposals is not a charge against council tax, as the cost of fixed 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 Council 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.

### xx. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the *CIPFA Service Reporting Code of Practice 2016/2017 (SERCOP)*. The total absorption costing principle is used – full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

The main basis for charging of overhead costs is: -

<b>Percentage Time –</b>	Management
	Financial Services
	Payroll (also number of employees/payslips)
	Debtors & Creditors (also number of transactions)
	Human Resources
	Information Technology (also Direct Allocation/No of PCs)
	Corporate Leadership Team
<b>Floor Area –</b>	Administrative Buildings
<b>Actual Time Allocation –</b>	Asset Management Services, Legal Services, Highways, Transportation, Cleansing and Capital Projects Division

### xxi. PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods and 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.

#### 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 Authority 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 Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost 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 Authority). 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 Authority.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- All other assets – fair 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 fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every four years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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 an insufficient balance, the carrying amount of the asset is written down against the relevant service line 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 an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line 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 useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.
- Infrastructure – straight line allocation over 25 years

Where an item of Property, Plant and Equipment asset has major components whose cost is at least 20% of the total cost of the item, the components are depreciated separately. Only items with a value in excess of £1m were determined material for component accounting.

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 classified 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 previous losses recognised in the Surplus or Deficit on 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 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 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 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 that have 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. A proportion of the receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to 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.

#### **xxii. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS**

PFI and similar contracts are agreements to receive services where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the Property, Plant and Equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on the Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the Property, Plant and Equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into four elements:

- **Fair value of services received during the year** - debited to the relevant service in the Comprehensive Income and Expenditure Statement
- **Finance cost** – an interest charge of a percentage of the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **Payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease)
- **Lifecycle replacement costs** - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.
- **Contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

**Street Lighting & Signals PFI**

The project commenced on 4<sup>th</sup> January 2010 and is for 25 years. The total value of the project is £124.635m and includes the replacement of approximate 16,000 streetlights and signals. The service provider is Community Lighting Partnership.

The project was refinanced in 2015/16 which has resulted in annual revenue savings of £0.298m. The financing of the scheme was remodelled and the street lighting and signals are now depreciated across the remaining period of the contract to 2035.

**xxiii. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority 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, this is only recognised as income in the relevant revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

**Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Authority 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 Authority. 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 Authority 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 Authority.

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.

**xxiv. ACCOUNTING FOR THE COSTS OF THE CARBON REDUCTION COMMITMENT SCHEME**

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. The scheme is currently in the initial year of its second phase, which ends on 31<sup>st</sup> March 2019. The Council is required to purchase and surrender allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet

the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and apportioned to services on the basis of energy consumption.

#### **xxv. RESERVES**

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

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

#### **xxvi. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

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.

#### **xxvii. SCHOOLS**

The Code of Practice on Local Authority Accounting in the UK confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the Schools Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those school assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions cash flows and balances of the authority.

#### **xxviii. FAIR VALUE MEASUREMENT**

The Council measures some of its non-financial assets, such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer the 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:-

- In the principal market for the asset or liability, or
- In the absence of a principal market in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest).

When measuring the fair value of a non-financial asset, the Council takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices(unadjusted) in active markets for identical assets or liabilities that the Council 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.

#### **xxix. VAT**

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.

## **2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED**

Under the *Code of Practice on Local Authority Accounting in the UK 2016/2017* (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

There are no new standards in the 2017/2018 Code which are likely to have a material impact on the accounts.

## **3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of the need to close facilities and reduce levels of service provision.
- The Council is deemed to control the services provided under the agreement for the replacement and upgrade of street lighting and also to control the residual value of the lighting at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangements and the assets are recognised as Property, Plant and Equipment on the Council's Balance Sheet.
- The following claims have potentially significant settlement values:
  - There are a number of claims against the Authority regarding accidents and injuries sustained on Council land.
  - There are a number of claims against the Authority regarding injuries sustained on roads and footpaths.

- Schools which have converted to Academies are not included in the Council's Balance Sheet. When a school which is held on the Council's Balance Sheet transfers to Academy status the Council accounts for this as a disposal for nil consideration, on the date the school converts to Academy status. All other schools except one voluntary aided school are included on the Council's balance sheet in line with accounting standards following an assessment of the ownership of these schools.

#### 4. ASSUMPTIONS MADE ABOUT THE FUTURE AND 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 items in the Authority's Balance Sheet at 31<sup>st</sup> March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are shown below:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by approximately £575,000 for every year that useful lives had to be reduced.</p>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured although the assumptions interact in complex ways. During 2016/2017 the Council's actuaries advised that the net pension liability has increased by £72.8m.
Arrears	At 31/3/17 the Authority had a balance of sundry debtors of £7.5m. £3.4m of this balance was expected to be paid in full. A review of the remaining £4.1m suggested that an impairment of doubtful debts of 40% was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate a doubling of the impairment of doubtful debts would require an additional £1.6m to be set aside as an allowance.



Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Business Rates	<p>Since the introduction of the Business Rates Retention Scheme on 1<sup>st</sup> April 2013, local authorities are liable for a share of successful appeals against the business rates charged to businesses. Therefore a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31<sup>st</sup> March 2017. The estimate has been calculated using the Valuation Office (VO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of the total provision up to and including 31<sup>st</sup> March 2017.</p>	<p>If the level of appeals were to increase by 1% it would require the Council to set aside an additional £38,290.</p>
Fair Value Measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or discounted cash flow (DCF) model).</p> <p>Where possible, the inputs to these valuation techniques are based on observable data but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine (for example investment properties, the authority's chief valuation officer and external valuer).</p> <p>Information regarding the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in Notes 16,18 and 19.</p>	<p>The authority uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets.</p> <p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant change in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.</p>

## 5. MATERIAL ITEMS OF INCOME AND EXPENSE

The Council has transferred land and buildings for the following schools which have moved to Academy status during the year. The value of the land and buildings that are no longer on the Council's balance sheet are as follows:

	<b>2016/2017 £000</b>
Highfield Humanities College	19,092
Mereside Primary School	5,880
<b>Total</b>	<b>24,972</b>

## **6. EVENTS AFTER THE REPORTING PERIOD**

The Statement of Accounts was authorised for issue by the Director of Resources on 31<sup>st</sup> May 2017. Events taking place after this date are not reflected in the financial statements and notes. Where events taking place before this date provide information about conditions existing at 31<sup>st</sup> March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 7. 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 directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/2016				2016/2017		
Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
110	56	166	Chief Executive	(355)	36	(319)
1,636	2,384	4,020	Governance and Partnership Services	1,652	77	1,729
261	-	261	Ward Budgets	268	-	268
1,720	7,211	8,931	Resources	(3,444)	3,008	(436)
6,822	1,558	8,380	Places	5,579	4,504	10,083
226	1,201	1,427	Strategic Leisure Assets	2,675	-	2,675
48,876	(1,593)	47,283	Community and Environmental Services	38,908	5,692	44,600
41,081	1,125	42,206	Adult Services	44,938	(414)	44,524
35,621	10,089	45,710	Children's Services	19,158	26,662	45,820
259	22	281	Public Health	431	10	441
(7,202)	6,413	(789)	Budgets Outside the Cash Limit	(129)	(782)	(911)
(1,490)	1	(1,489)	Contingencies	1,890	-	1,890
(4,228)	2,072	(2,156)	Housing Revenue Account	(1,477)	(3,014)	(4,491)
<b>123,692</b>	<b>30,539</b>	<b>154,231</b>	<b>Net Cost of Services</b>	<b>110,094</b>	<b>35,779</b>	<b>145,873</b>
(130,298)	1,272	(129,026)	Other Income and Expenditure	(101,309)	(2,543)	(103,852)
<b>(6,606)</b>	<b>31,811</b>	<b>25,205</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>8,785</b>	<b>33,236</b>	<b>42,021</b>
		(62,883)	Opening General Fund and HRA Balance			(59,970)
			Surplus/Deficit on General Fund and HRA			
		(6,606)	Balance in Year			8,785
		9,519	Transfers between Reserves			405
			Closing General Fund and HRA Balance at			
		(59,970)	31st March*			(50,780)

\*See the Movement in Reserves Statement for a breakdown of this balance.

**7a. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS**

Adjustments between Funding and Accounting Basis 2016/2017				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for capital purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
	£000	£000	£000	£000
Chief Executive	13	13	10	36
Governance and Partnership Services	68	12	(3)	77
Ward Budgets	-	-	-	
Resources	2,918	56	34	3,008
Places	2,463	36	2,005	4,504
Strategic Leisure Assets	-	-	-	
Community and Environmental Services	5,615	61	16	5,692
Adult Services	(530)	72	44	(414)
Children's Services	26,356	260	46	26,662
Public Health	-	7	3	10
Budgets Outside the Cash Limit	(6,175)	181	5,212	(782)
Contingencies	-	-	-	-
Housing Revenue Account	(3,014)	-	-	(3,014)
<b>Net Cost of Services</b>	<b>27,714</b>	<b>698</b>	<b>7,367</b>	<b>35,779</b>
Other income and expenditure from the Expenditure and Funding Analysis		(2,543)		(2,543)
<b>Difference between General Fund surplus or deficit and Comprehensive Income &amp; Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>27,714</b>	<b>(1,845)</b>	<b>7,367</b>	<b>33,236</b>

Adjustments between Funding and Accounting Basis 2015/2016				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for capital purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
	£000	£000	£000	£000
Chief Executive	13	47	(4)	56
Governance and Partnership Services	2,362	39	(17)	2,384
Ward Budgets	-	-	-	-
Resources	7,067	187	(43)	7,211
Places	(563)	112	2,009	1,558
Strategic Leisure Assets	1,201	-	-	1,201
Community and Environmental Services	(1,793)	201	(1)	(1,593)
Adult Services	908	245	(28)	1,125
Children's Services	9,248	1,009	(168)	10,089
Public Health	-	25	(3)	22
Budgets Outside the Cash Limit	(3,225)	554	9,084	6,413
Contingencies	-	1	-	1
Housing Revenue Account	2,072	-	-	2,072
<b>Net Cost of Services</b>	<b>17,290</b>	<b>2,420</b>	<b>10,829</b>	<b>30,539</b>
Other income and expenditure from the Expenditure and Funding Analysis	-	1,272	-	1,272
<b>Difference between General Fund surplus or deficit and Comprehensive Income &amp; Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>17,290</b>	<b>3,692</b>	<b>10,829</b>	<b>31,811</b>

### i) Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the service line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off against those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing ie Minimum Revenue Provision 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 practices. Revenue grants are adjusted from 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 and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### ii) Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition 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.
- **Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Account.

### iii) Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- **Financing and investment income and expenditure** – the other differences 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** represents the difference between what is chargeable under statutory regulations for council tax and NDR 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 the timing difference as any difference will be brought forward in future Surplus or Deficits on the Collection Fund.

## 7b. SEGMENTAL INCOME

Income received on a segmental basis is analysed below:		
	2015/2016 Income from Services £000	2016/2017 Income from Services £000
Chief Executive	5,434	4,138
Governance and Partnership Services	4,101	4,437
Ward Budgets	-	6
Resources	22,755	27,436
Places	8,934	12,580
Strategic Leisure Assets	3,035	3,053
Community and Environmental Services	27,102	28,604
Adult Services	26,100	25,256
Children's Services	78,442	69,561
Public Health	18,916	19,580
Budgets Outside the Cash Limit	95,346	94,880
Contingencies	3,598	859
Housing Revenue Account	18,784	18,702
	<b>312,547</b>	<b>309,092</b>

## 8. EXPENDITURE AND INCOME ANALYSED BY NATURE

The authority's expenditure and income is analysed as follows:

	2015/2016 £000	2016/2017 £000
<b>Expenditure</b>		
Employee benefit expenses	123,527	113,931
Other Services expenses	266,141	282,866
Support Service Recharges	21,493	28,350
Depreciation, amortisation, impairment	34,855	30,247
Interest payments	517	6,725
Precepts and Levies	25,550	66
Payments to Housing Capital Receipts Pool	289	236
Gain on the disposal of assets	4,789	26,228
Pension Interest Cost and return on assets	-	(2,543)
<b>Total Expenditure</b>	<b>477,161</b>	<b>486,106</b>
<b>Income</b>		
Fees, charges and other service income	137,470	147,612
Interest and investment income	763	1,323
Income from council tax, non-domestic rates	78,674	48,295
Government grants and contributions	235,049	246,855
<b>Total Income</b>	<b>451,956</b>	<b>444,085</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>25,205</b>	<b>42,021</b>

## 9. ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the Comprehensive Income and Expenditure recognised by the Authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

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

### General Fund Balance

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

### Housing Revenue Account (HRA)

The HRA balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the

balance of income and expenditure as defined by the 1989 Act, that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

### **Major Repairs Reserve**

The authority is required to maintain the Major Repairs Reserve which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at year end.

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

The Capital Grant Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require replacement of monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to capital expenditure against which it can be applied and/or the financial year in which this can take place.



2016/2017	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Reserves £000	
<b>Adjustments involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non current assets	(27,585)	3,014				24,571
Capital grants and contributions applied	13,232					(13,232)
Revenue expenditure funded from capital under statute	(1,992)					1,992
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	(26,224)					26,224
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of investment	7,038					(7,038)
Capital expenditure charged against the General Fund and HRA balances	2,811					(2,811)
<b>Adjustment involving the Major Repairs Reserve</b>						
Reversal of Major Repairs Allowance credited to the HRA						-
Use of the Major Repairs Reserve to finance new capital expenditure				3,873		(3,873)
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>						
Amounts 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.	45					(45)
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,845					(1,845)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax and non domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rating income calculated for the year in accordance with statutory requirements	(6,760)					6,760
<b>Adjustment involving the Available for Sale Reserve</b>						
Gain/loss on revaluation of investments	1,500					(1,500)
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(160)					160
<b>Total Adjustments</b>	<b>(36,250)</b>	<b>3,014</b>	<b>-</b>	<b>3,873</b>	<b>-</b>	<b>29,363</b>

	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Reserves £000	
<b>2015/2016</b>						
<b>Adjustments involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non current assets	(35,965)	(2,072)				38,037
Capital grants and contributions applied	19,917					(19,917)
Revenue expenditure funded from capital under statute	(2,023)					2,023
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	(4,158)					4,158
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of investment	9,426					(9,426)
Capital expenditure charged against the General Fund and HRA balances	(4,438)					4,438
<b>Adjustment involving the Major Repairs Reserve</b>						
Reversal of Major Repairs Allowance credited to the HRA						-
Use of the Major Repairs Reserve to finance new capital expenditure				3,983		(3,983)
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>						
Amounts 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.	44					(44)
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,692)					3,692
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax and non domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rating income calculated for the year in accordance with statutory requirements	(10,649)					10,649
<b>Adjustment involving the Available for Sale Reserve</b>						
Gain/loss on revaluation of investments	1,500					(1,500)
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	299					(299)
<b>Total Adjustments</b>	<b>(29,739)</b>	<b>(2,072)</b>	<b>-</b>	<b>3,983</b>	<b>-</b>	<b>27,828</b>

## 10. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund and HRA expenditure in 2016/2017.

	Balance at 1st April 2015 £000	Transfers Out 2015/2016 £000	Transfers In 2015/2016 £000	Balance at 31st March 2016 £000	Transfers Out 2016/2017 £000	Transfers In 2016/2017 £000	Balance at 31st March 2017 £000
<b>General Fund:</b>							
Balances held by schools under scheme of delegation (1)	(2,976)	486	(619)	(3,109)	1,045	(219)	(2,283)
School DSG Underspend (1)	(2,078)	991	(673)	(1,760)	1,326	(539)	(973)
Unallocated Reserves	(6,188)	552	-	(5,636)	2,470		(3,166)
<b>Total General Fund</b>	<b>(11,242)</b>	<b>2,029</b>	<b>(1,292)</b>	<b>(10,505)</b>	<b>4,841</b>	<b>(758)</b>	<b>(6,422)</b>
<b>Earmarked Reserves</b>							
Potential Pay Liabilities	(3,231)	3,652	(1,735)	(1,314)	2,370	(1,340)	(284)
Public/Private Partnership Reserve	(14,042)	9,517	(4,531)	(9,056)	1,668	(160)	(7,548)
Council Tax & Non-Domestic Rates Deficits	(12,275)	2,010	(3,800)	(14,065)	5,048	(4,893)	(13,910)
Service Underspends	(5,199)	4,492	(1,090)	(1,797)	1,797	-	-
Museum Reserve	-	-	(2,006)	(2,006)	754	-	(1,252)
Transformation Reserve	-	-	(1,315)	(1,315)	433	(1,062)	(1,944)
Specific Settlements in Dispute	(547)	2	(12)	(557)	1	(6)	(562)
Strategic Investments	(320)	-	-	(320)	-	-	(320)
Financial systems upgrade, renewals & replacements	(251)	30	-	(221)	64	(13)	(170)
Financial Instruments	(14)	-	-	(14)	-	-	(14)
Treasury Management - Prudential borrowing	(2,517)	645	(457)	(2,329)	229	(568)	(2,668)
Insurances	-	-	(600)	(600)	-	(250)	(850)
Other	(7,628)	4,505	(5,514)	(8,637)	4,067	(3,409)	(7,979)
<b>Total Earmarked Reserves</b>	<b>(46,024)</b>	<b>24,853</b>	<b>(21,060)</b>	<b>(42,231)</b>	<b>16,431</b>	<b>(11,701)</b>	<b>(37,501)</b>
<b>HRA</b>							
<b>Housing Revenue Account</b>	<b>(5,617)</b>	<b>-</b>	<b>(1,617)</b>	<b>(7,234)</b>	<b>377</b>	<b>-</b>	<b>(6,857)</b>

- Such balances are committed to be spent on the Education Service.

## 11. OTHER OPERATING EXPENDITURE

2015/2016 £000		2016/2017 £000
65	Flood Defence Levy	66
289	Payments to the Government Housing Capital Receipts Pool	236
4,789	Gains/losses on the disposal of non-current assets	26,228
<b>5,143</b>	<b>Total</b>	<b>26,530</b>

**12. FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

<b>2015/2016 £000</b>		<b>2016/2017 £000</b>
5,793	Interest payable and similar charges	6,725
1,272	Net interest on the net defined benefit liability (asset)	(2,543)
(452)	Interest receivable and similar income	(552)
(663)	Dividend - Blackpool Transport Services	(525)
<b>5,950</b>	<b>Total</b>	<b>3,105</b>

**13. TAXATION AND NON SPECIFIC GRANT INCOME**

<b>2015/2016 £000</b>		<b>2016/2017 £000</b>
(45,535)	Council Tax Income	(48,295)
10,649	Collection Fund (surplus)/deficit	6,699
(23,997)	Retained Business Rates	(24,038)
(19,163)	Business Rates Top Up	(19,323)
(42,030)	Non-ringfenced government grants	(33,849)
(19,917)	Capital Grants & contributions	(13,232)
<b>(139,993)</b>	<b>Total Taxation and Non-Specific Grant Income</b>	<b>(132,038)</b>

**14. PROPERTY, PLANT AND EQUIPMENT (PPE)**

The movements on property, plant and equipment during the year were as follows:-

**2016/2017**

	<b>Council Dwellings &amp; Other HRA £000</b>	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>PP&amp;E Under Construction £000</b>	<b>Total PP&amp;E £000</b>	<i>PFI Assets Included in PPE £000</i>
<b>Cost or Valuation</b>								
<b>Balance as at 1 April 2016</b>	<b>103,738</b>	<b>309,198</b>	<b>39,907</b>	<b>473,115</b>	<b>66</b>	<b>11,882</b>	<b>937,906</b>	<i>55,390</i>
Additions	7,629	3,666	1,743	15,933	-	11,625	<b>40,596</b>	<i>6</i>
Revaluation increases/decreases to Revaluation Reserve	9,085	(3,577)	-	-	-	(2,764)	<b>2,744</b>	<i>-</i>
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(333)	(3,336)	-	-	-	-	<b>(3,669)</b>	<i>-</i>
Derecognition - Disposals	(302)	(28,950)	-	-	-	-	<b>(29,252)</b>	<i>(22,691)</i>
Transfer	-	-	-	-	-	-	-	<i>-</i>
<b>Balance as at 31 March 2017</b>	<b>119,817</b>	<b>277,001</b>	<b>41,650</b>	<b>489,048</b>	<b>66</b>	<b>20,743</b>	<b>948,325</b>	<i>32,705</i>
<b>Depreciation and Impairment</b>								
<b>Balance as at 1 April 2016</b>	<b>(2,421)</b>	<b>(9,817)</b>	<b>(30,548)</b>	<b>(131,066)</b>	-	-	<b>(173,852)</b>	<i>(5,840)</i>
Depreciation Charge	(2,405)	(8,894)	(2,289)	(15,805)	-	-	<b>(29,393)</b>	<i>(2,129)</i>
Depreciation written out on Revaluation Reserve	-	-	-	-	-	-	-	<i>-</i>
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	2,421	1,020	-	-	-	-	<b>3,441</b>	<i>-</i>
Derecognition - Disposals	-	2,994	-	-	-	-	<b>2,994</b>	<i>2,751</i>
Derecognition - Other	-	-	-	-	-	-	-	<i>-</i>
<b>Balance as at 31 March 2017</b>	<b>(2,405)</b>	<b>(14,697)</b>	<b>(32,837)</b>	<b>(146,871)</b>	-	-	<b>(196,810)</b>	<i>(5,218)</i>
<b>Net Book Value</b>								
<b>Balance as at 31 March 2017</b>	<b>117,412</b>	<b>262,304</b>	<b>8,813</b>	<b>342,177</b>	<b>66</b>	<b>20,743</b>	<b>751,515</b>	<i>27,487</i>
<b>Balance as at 31 March 2016</b>	<b>101,317</b>	<b>299,381</b>	<b>9,359</b>	<b>342,049</b>	<b>66</b>	<b>11,882</b>	<b>764,054</b>	<i>49,550</i>

## COMPARATIVE MOVEMENTS 2015/2016

	Council Dwellings & Other HRA £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	PP&E Under Construction £000	Total PP&E £000	PFI Assets Included in PPE £000
<b>Cost or Valuation</b>								
Balance as at 1 April 2015	103,126	313,353	38,438	453,723	66	11,942	920,648	55,869
Additions	6,954	2,742	1,469	20,609		1,314	33,088	738
Revaluation increases/decreases to Revaluation Reserve		14,856		(1,217)			13,639	(1,217)
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(5,314)	(14,358)					(19,672)	
Derecognition - Disposals	(1,028)	(8,769)					(9,797)	
Transfer		1,374				(1,374)	-	
<b>Balance as at 31 March 2016</b>	<b>103,738</b>	<b>309,198</b>	<b>39,907</b>	<b>473,115</b>	<b>66</b>	<b>11,882</b>	<b>937,906</b>	<b>55,390</b>
<b>Depreciation and Impairment</b>								
Balance as at 1 April 2015	(2,274)	(14,313)	(28,379)	(115,840)	-	-	(160,806)	(4,430)
Depreciation Charge	(2,421)	(9,146)	(2,169)	(15,376)			(29,112)	(2,113)
Depreciation written out on Revaluation Reserve		10,120					10,120	
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	2,274	2,185					4,459	
Derecognition - Disposals		1,337		150			1,487	
Derecognition - Other							-	703
<b>Balance as at 31 March 2016</b>	<b>(2,421)</b>	<b>(9,817)</b>	<b>(30,548)</b>	<b>(131,066)</b>	<b>-</b>	<b>-</b>	<b>(173,852)</b>	<b>(5,840)</b>
<b>Net Book Value</b>								
Balance as at 31 March 2016	101,317	299,381	9,359	342,049	66	11,882	764,054	49,550
Balance as at 31 March 2015	100,852	299,040	10,059	337,883	66	11,942	759,842	51,439

## Depreciation

The following assets have been depreciated at varying rates in relation to their useful economic lives:

- Council Dwellings and Other Buildings – straight line allocation over the useful life of the property as estimated by the valuer.
- Plant, Furniture and Equipment – a percentage of the value of each class of asset in the Balance Sheet as advised by a suitably qualified officer
- Infrastructure - straight line allocation over 25 years

The useful economic lives are reviewed at least every four years as is the likely residual value.

Where an item of Property, Plant and Equipment asset has major components whose cost is at least 20% of the total cost of the item, the components are depreciated separately. Only items with a value in excess of £1m were deemed material for component accounting.

### Capital Commitments

At 31<sup>st</sup> March 2017 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/2018 and future years budgeted to cost £7.1m. Similar commitments at 31<sup>st</sup> March 2016 were £11.8m. The major commitment is in relation to the Queens Park re-development.

### Revaluations

The Council 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 four years. Valuations were carried out both internally and externally during 2016/2017. These 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.

The significant assumptions in estimating fair values are:-

	<b>Council Dwellings £000</b>	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant &amp; Equipment £000</b>	<b>Surplus Assets £000</b>	<b>Total £000</b>
Carried at Historic Cost			41,651		41,651
Valued at fair value as at:					
31/03/2017	114,470	20,001		654	135,125
31/03/2016		144,626		1,551	146,177
31/03/2015		79,246			79,246
31/03/2014		149,803			149,803
<b>Total Cost or Valuation</b>	<b>114,470</b>	<b>393,676</b>	<b>41,651</b>	<b>2,205</b>	<b>552,002</b>

## Component Accounting

### Council Dwellings

Within the Net Book Value of Assets – Council Dwellings (Note 14) are the following assets which have been accounted for on a component basis. This means they are written off according to their own unique economic life.

Asset Type £000	Land £000	Kitchens and Bathrooms £000	Structure £000	Total £000
Houses & Bungalows	17,869	3,157	36,418	<b>57,444</b>
Flats	21,089	6,249	29,688	<b>57,026</b>
<b>Total</b>	<b>38,958</b>	<b>9,406</b>	<b>66,106</b>	<b>114,470</b>

### Other Land and Buildings

Items valued at £1m and above have been subject to component accounting. A component must be worth at least 20% of the value of the asset. The valuations are on a 4 year rolling programme. Only one building in excess of £1m was identified for valuation and this was not componentised as it has been completed within the last 4 years.

## 15. HERITAGE ASSETS

Reconciliation of the carrying value of heritage assets held by the Authority is as follows;



	Art Collection	Civic Regalia	Other	Tower & Local History Collection	Illuminations	Stanley Park Statues	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation 1st April 2016	5,000	591	120	900	500	653	7,764
Revaluations	-	-	-	-	-	-	-
<b>Balance 31st March 2017</b>	<b>5,000</b>	<b>591</b>	<b>120</b>	<b>900</b>	<b>500</b>	<b>653</b>	<b>7,764</b>

	Art Collection	Civic Regalia	Other	Tower & Local History Collection	Illuminations	Stanley Park Statues	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation 1st April 2015	5,000	591	120	900	500	653	7,764
Revaluations	-	-	-	-	-	-	-
<b>Balance 31st March 2016</b>	<b>5,000</b>	<b>591</b>	<b>120</b>	<b>900</b>	<b>500</b>	<b>653</b>	<b>7,764</b>

#### *Art Collection*

The Authority's Art Collection has not been formally valued for a number of years but insurance valuations have been used for the Balance Sheet.

#### *Civic Regalia*

The Authority's civic regalia was valued as at 31<sup>st</sup> March 2012 by an external valuer. The valuations were based on commercial markets.

#### *Cenotaph*

This was previously classed as a community asset and is valued by external valuers every 4 years.

#### *Tower & Local History Collection*

This has been valued by the Head of Heritage as at 31<sup>st</sup> March 2012.

#### *Illuminations*

These assets have been valued by the Illuminations Manager as at 31<sup>st</sup> March 2012.

#### *Statues*

Insurance valuations have been used for the purposes of valuing these assets. The valuations are as at 31<sup>st</sup> March 2012.

## 16. INVESTMENT PROPERTIES

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

2015/2016 £000		2016/2017 £000
(1,273)	Rental income from investment property	(1,447)
2,415	Direct operating expenses arising from investment property	2,493
(1,268)	Net (gains)/losses from fair value adjustments	(2,495)
<b>(126)</b>	<b>Net (gain)/loss</b>	<b>(1,449)</b>

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

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

2015/2016 £000		2016/2017 £000
13,398	Balance at start of the year	14,667
1	Additions: - Purchases	185
1,268	Net gains/(losses) from fair value adjustments	2,495
<b>14,667</b>	<b>Balance at end of the year</b>	<b>17,347</b>

### Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Note 1 Accounting Policies xxviii for an explanation of the fair value levels).

### Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

There has been no change in the valuation techniques used during the year for investment properties.

### Highest and Best Use

In estimating the fair value of the Council's investment properties, the highest and best use is their current use.

### Valuation Process for Investment Properties

The Council's investment property has been valued as at 31 March 2017 by the authority's Chief Valuation Officer in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

## 17. 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 include purchased software licenses.

All software is given a finite useful life based on the assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to major software suites used by the Authority are 5 years.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £32,341 charged to revenue in 2016/2017 was charged to the ICT Administration cost centre and then absorbed as an overhead across all the service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement in intangible asset balances during the year is as follows:

2015/2016 £000		2016/2017 £000
97	<b>Balance at start of year</b>	65
(32)	Amortisation for period	(33)
<b>65</b>	<b>Net carrying amount at end of year</b>	<b>32</b>
	Comprising:	
97	Gross carrying amounts	65
(32)	Accumulated amortisation	(33)

**18. ASSETS HELD FOR SALE**

2015/2016 £000		2016/2017 £000
763	Balance outstanding at start of year	1,551
954	Revaluation gains/(losses)	(822)
(166)	Impairment losses	(75)
<b>1,551</b>	<b>Balance outstanding at end of year</b>	<b>654</b>

**19. FINANCIAL INSTRUMENTS****Categories of Financial Instruments**

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

	Long Term		Current	
	31st March 2017 £000	31st March 2016 £000	31st March 2017 £000	31st March 2016 £000
<b>Investments</b>				
Loans and receivables	1,500	2,500	10,700	13,350
Unquoted equity investment at cost*	17,060	13,310	-	-
<b>Total Investments</b>	<b>18,560</b>	<b>15,810</b>	<b>10,700</b>	<b>13,350</b>
<b>Debtors</b>				
Financial assets carried at contract amounts	-	-	35,813	43,600
<b>Total included in Debtors</b>	<b>-</b>	<b>-</b>	<b>35,813</b>	<b>43,600</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(84,701)	(79,750)	(91,697)	(72,520)
<b>Total included in borrowings</b>	<b>(84,701)</b>	<b>(79,750)</b>	<b>(91,697)</b>	<b>(72,520)</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	(76,830)	(78,181)	(37,355)	(44,606)
<b>Total creditors</b>	<b>(76,830)</b>	<b>(78,181)</b>	<b>(37,355)</b>	<b>(44,606)</b>

\*= shares in Blackpool Transport Services, Blackpool Housing Company, Blackpool Airport and Municipal Bonds Agency.

### Fair Value of Financial Assets

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring Fair Value Measurement	Input Level in Fair Value Hierarchy	Valuation Technique used to Measure Fair Value	As at 31st March 2017 £000	As at 31st March 2016 £000
Available for Sale - Blackpool Transport Services Ltd	Level 3	Earnings based	12,500	11,000
Available for Sale - Blackpool Housing Company	Level 3	Earnings based (see below*)	3,850	1,600
			<b>16,350</b>	<b>12,600</b>

\* - Blackpool Housing Company Limited was set up on 26<sup>th</sup> January 2015. The shares are carried at cost of £3,850,000 and have not been valued as a fair value cannot be measured reliably as the company has no established trading history. There are also no established companies with similar aims in the Authority's area whose shares are traded and which might provide comparable market data.

### Equity Shareholding in Blackpool Transport Services Ltd

The Council's shareholding in Blackpool Transport Services Ltd – the shares in this company are not traded in an active market and fair value of £12.5m has been based on valuation techniques that are not based on observable current market data or available market data.

The valuation method used is the revenue method, which uses multiples of turnover. The Multiples of Turnover method of valuation has been selected, on the basis that that if the business were to be offered for sale in the future, a purchaser is more than likely to be another bus operator, who would drive out efficiencies in operation. Based on the company's existing structure, its' branding, reputation and longevity, a multiple of 0.55 times the average turnover has been used.

If future returns are greater or lesser by 1%, the fair value will be £123,857 higher or lower respectively.

### Transfers between Levels of Fair Value Hierarchy

There are no transfers between input levels during the year.

### Changes in Valuation Technique

There has been no change in the valuation techniques used during the year for the financial instruments.

### Reconciliation of Fair Value Measurement for Financial Assets carried at Fair Value Categorised within Level 3 of the Fair Value Hierarchy for Financial Assets

2015/2016 Unquoted Shares £000		2016/2017 Unquoted Shares £000
10,204	<b>Opening Balance</b>	13,310
0	Transfers In/Out of Level 3	0
	Total Gains and Losses of the Period:	
0	- Included in Surplus/Deficit on the Provision of Services	0
1,500	- Included in Other Comprehensive Income and Expenditure	1,500
1,606	Additions	2,250
0	Disposals	0
<b>13,310</b>	<b>Closing Balance</b>	<b>17,060</b>

Gains and losses included in the Other Comprehensive Income and Expenditure for the current and previous year relate to unquoted shares in Blackpool Transport Services Ltd and are taken to the Available for Sale Financial Instruments Reserve. These are reported in the surplus or deficit on revaluation of available for sale financial assets line in the Comprehensive Income and Expenditure Statement.

#### **Material Soft Loan made by the Authority to Lancashire County Developments**

Upon Local Government Reorganisation in 1998 the Authority took over a 10% share in a loan made to Lancashire County Developments by Lancashire County Council. The loan is now due to be repaid in 2031. Under requirements of IAS 32 this loan has been revalued to fair value. The original amount of the loan was £721,000. The fair value of the loan in 2016/2017 was £390,205 (£372,857 in 2015/2016).

The interest rate at which the fair value of this soft loan has been made is arrived at by taking the authority's prevailing cost of borrowing and adding an allowance for the risk that the loan might not be repaid, in this case a zero rate.

#### **Employee Car Loans**

The authority has made loans for car purchase to 3 employees in the authority who are in posts that require them to drive regularly on the authority's business. Interest is charged on the loans at 4.9%.

	2016/2017 £000	2015/2016 £000
<b>Balance at start of year</b>	20	37
New loans granted in year	-	-
Loans repaid	(14)	(17)
<b>Balance at end of year</b>	<b>6</b>	<b>20</b>

## Income, Expense, Gains and Losses

(1) Available for Sale Assets – The Authority holds all of the shares in Blackpool Transport Services Ltd which operates buses and trams within the Blackpool area. The shares cost £2,789,000. The fair value of the shares, based on the accounts to 31st March 2017 is £12.5m.

	2016/2017				2015/2016			
	Financial Liabilities measured at amortised cost	Financial Assets - loans & receivables	Financial Assets - Available for Sale	Total	Financial Liabilities measured at amortised cost	Financial Assets - loans & receivables	Financial Assets - Available for Sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	6,725	-	-	6,725	5,793	-	-	5,793
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>6,725</b>	<b>-</b>	<b>-</b>	<b>6,725</b>	<b>5,793</b>	<b>-</b>	<b>-</b>	<b>5,793</b>
Interest income	-	(552)	-	(552)	-	(452)	-	(452)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(552)</b>	<b>-</b>	<b>(552)</b>	<b>-</b>	<b>(452)</b>	<b>-</b>	<b>(452)</b>
Gains on revaluation	-	-	1,500	1,500	-	-	1,500	1,500
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>-</b>	<b>-</b>	<b>1,500</b>	<b>1,500</b>	<b>-</b>	<b>-</b>	<b>1,500</b>	<b>1,500</b>
<b>Net gain/(loss) for the year</b>	<b>6,725</b>	<b>(552)</b>	<b>1,500</b>	<b>7,673</b>	<b>5,793</b>	<b>(452)</b>	<b>1,500</b>	<b>6,841</b>

## Fair Values of Assets and Liabilities

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

- Estimated ranges of interest rates at 31<sup>st</sup> March 2017 of 1.67% to 6.375% for loans from the PWLB and 1.25% to 8.875% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to be approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated as follows:

	31st March 2017		31st March 2016	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities	176,398	230,876	152,270	152,674
Long term creditors	100,470	100,470	102,673	102,673

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2017) arising from a commitment to pay interest to lenders above current market rates.

	31st March 2017		31st March 2016	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	10,357	10,357	13,132	13,132
Long term debtors	19,707	19,376	9,652	9,304
Short term debtors	41,583	41,583	45,585	45,585

The fair value of the assets is lower than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2017) attributable to the commitment to receive interest below current market rates.

Available for sale assets and assets and liabilities at fair value through profit and loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

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



## 20. LONG-TERM INVESTMENTS

31st March 2016 £000		31st March 2017 £000
	<b>Ordinary Shares (£1 per share) in:-</b>	
11,000	Blackpool Transport Services Ltd	12,500
1,600	Blackpool Housing Company	3,850
700	5% Share in Blackpool Airport	700
10	Municipal Bonds Agency	10
<b>13,310</b>	<b>Total</b>	<b>17,060</b>

### BLACKPOOL TRANSPORT SERVICES LIMITED

Investments in Blackpool Transport Services Limited consist of share capital (£2,789,000 at historic cost) in the company which was set up in accordance with the provisions of the Transport Act 1985 to operate the Council's municipal bus operation. The company provides a comprehensive passenger transport service in the Fylde coast area through its bus and tram operations. The Council leases the tramway and associated premises to Blackpool Transport Services Limited. The company is wholly owned by the Council.

The audited accounts of Blackpool Transport Services have been used as the basis upon which to arrive at a formal valuation for the Council's shareholding of the company. The investment value included within the Council's Balance Sheet represents the value of Total Equity Shareholder Funds. In 2016/2017 there was an increase in value of £1.5m. All profit and losses on revaluation are credited or charged to the Available for Sale Reserve via the Movement in Reserves Statement.

### BLACKPOOL HOUSING COMPANY

Blackpool Housing Company Limited was set up on 26<sup>th</sup> January 2015. The company is a housing regeneration company and is wholly owned by the Council. The shares are carried at cost of £3,850,000 and have not been valued as a fair value cannot be measured reliably as the company has no established trading history. There are also no established companies with similar aims in the Authority's area whose shares are traded and which might provide comparable market data.

As 100% shareholders Blackpool Council agrees to meet all accumulated deficits or losses of Blackpool Transport Services Limited, Blackpool Operating Company Limited, Blackpool Entertainment Company Limited and Blackpool Housing Company Limited.

### BLACKPOOL AIRPORT

Upon the sale of Blackpool Airport to City Hopper Airports the Council retained a 5% share in the Airport.

### MUNICIPAL BONDS AGENCY

A Local Government Association backed firm called Local Capital Finance Company (Municipal Bonds Agency) has been formed to issue bonds. The money raised from investors will then be lent onwards to Councils to either invest in capital projects or to refinance existing loans. At 31<sup>st</sup> March 2017 the Council had purchased £10,000 worth of shares in the Company.

**BLACKPOOL OPERATING COMPANY LTD (SANDCASTLE WATERPARK)**

The Council purchased the operation of the centre from a private company on 20<sup>th</sup> June 2003 and now wholly owns both the building and the commercial operator - Blackpool Operating Company Limited (BOC). The Council's shares in Blackpool Operating Company Limited are valued at £2.

**BLACKPOOL ENTERTAINMENT COMPANY LIMITED**

The Council purchased the operation of the Winter Gardens from a private company on 16<sup>th</sup> May 2014 and now wholly owns both the building and the commercial operator - Blackpool Entertainment Company Limited (BECL). The Council's shares in BECL are valued at £1.

**GLOBAL RENEWABLES LANCASHIRE OPERATIONS LIMITED (GRLOL)**

On the 31st July 2014 Lancashire County Council and Global Renewables Lancashire Limited agreed to the consensual termination of the Waste Disposal PFI contract. The former operating company, GRLOL, transferred into the ownership of Lancashire County Council with Blackpool Council owning 12.5% of the share capital in that company. The consideration paid for the shareholding of GRLOL by LCC was £1.

**21. LONG-TERM DEBTORS**

Long-term debtors relate to amounts that are due to be repaid in over twelve month time. These include a share in land held for use under what was formerly the Lancashire Waste Disposal contract, care and repair loans and staff car loans.

31st March 2016 £000		31st March 2017 £000
0	Blackpool Transport Services	7,655
4,250	Blackpool Pleasure Beach	4,250
0	Blackpool Housing Company	3,600
2,500	Local Authority Mortgage Scheme	1,500
617	Business Loans	742
423	Waste Disposal Site (prev PFI)	552
548	Adult Social Care Deferred Payments	415
373	Lancashire County Developments	390
221	Care & Repair Loans	221
40	Marketing Lancashire	40
12	Council Mortgages - (Right to Buy)	9
20	Car Loans	2
300	VIA	0
<b>9,304</b>	<b>Total</b>	<b>19,376</b>

**Blackpool Transport Services Limited**

On 23<sup>rd</sup> May 2016 the Executive agreed to offer Blackpool Transport Services a loan facility of £7,740,000 to fund the purchase of 10 double buses and 25 vehicles between June 2016 and June 2017. Each loan (including interest) is repayable over 10 years with 120 monthly repayments.

### **Blackpool Pleasure Beach**

In 2010/2011 the authority granted a loan of £5m to Blackpool Pleasure Beach towards the development of Nickelodeon Land. The loan is due to be repaid by September 2018 and interest is charged at the market rate.

### **Blackpool Housing Company**

On 20<sup>th</sup> July 2015 Executive agreed to draw down the funding offered in the Growth Deal of £26m from Public Works Loan Board to fund Blackpool Housing Company's housing regeneration programme. An additional £1.6m was met from earmarked revenue reserves.

The £27.6m will take the form of £11.6m in equity and £16m in loans. Interest on the loans is charged at market rates and loan repayments will be made once revenue streams are established and are of sufficient scale.

### **Local Authority Mortgage Scheme**

In 2011/2012 the authority advanced £1m with Lloyds Banking Group as part of the Local Authority Mortgage Scheme. This scheme is aimed at first time buyers within Blackpool and the advance reflects the authority's share of financial assistance through the provision of an indemnity. This indemnity will be in place for a fixed five-year period, at which point the advance will be returned to the authority.

In 2012/2013 the scheme was extended with a further £1m being advanced to Lloyds Banking Group and £500,000 advanced to Leeds Building Society.

### **Business Loans**

The Council set up a £3m fund for businesses to safeguard and create jobs and help Blackpool get through the recession. The fund was increased to £10m in 2015/16. Subsequently as part of the 2017/18 budget approval the fund has been increased to £100m. The aim of the fund is to provide a lifeline for local, normally sound businesses that are currently experiencing difficulty in getting finance from the banks because of the global slow down. These loans have been divided into four categories:

- Retail – loans of £5,000 to assist businesses and premises in a defined Town Centre Area
- Promenade – loans of £5,000 to help businesses situated between Central and North Pier
- Investment Fund – up to £150,000 loans for businesses that are growing or planning to invest in Blackpool thereby bringing new jobs to the town.
- Credit Crunch – this loan fund applies to good and sound businesses experiencing cash flow problems but not within other categories.

Three new loans totalling £250,000 were issued in 2016/2017.

### **Waste Disposal Site**

The total value of land held under the Waste Disposal contract at current market value is estimated at £4.4m. In 2015/16 this value was £3.385m. The increase of £1.015m is due to a revaluation in 2016/17 carried out by Lancashire County Council Estates Department. Under the terms of the Joint Working Agreement, Blackpool Council will be due a 12.5% share of this at the end of the contract.

### **Adult Social Care Deferred Payments Scheme**

The Health & Social Care Act 2001 introduced the concept of a Deferred Payment Scheme. This legislation provides for the possibility of eligible service users putting off the sale of their home when they move into residential care and delaying the payment of the fees. Instead of paying the care home fees in full the

resident will be financially assessed ignoring the value of the property and asked to contribute the lesser amount towards the cost of their care. The Council effectively provides an interest free loan and pays the difference between the amount contributed by the service user and the usual fee paid to the care home by the local authority.

The Council take out a legal charge on the service user's property. When the property is sold, the debt will usually be recovered in full. Interest is not charged on the amount due until 56 days after the person has died.

### **Lancashire County Developments**

The loan to Lancashire County Developments is due to be repaid in 2031. Under the requirements of IAS 32 this loan has been revalued to fair value. The original amount of the loan was £721,000. The fair value of the loan in 2016/2017 was £390,205 (£372,857 in 2015/2016). The movement in fair value of £17,348 has been charged to the Comprehensive Income and Expenditure Account and then transferred to the Financial Instruments Adjustment Account via Movement in Reserves. This does not affect the loan repayment due to the authority in 2031.

### **Care and Repair Loans**

These are loans to council tenants for home improvements and repairs to be paid back over a number of years.

### **Marketing Lancashire**

The loan to Marketing Lancashire was issued in January 2008. The loan is interest free and due to be repaid in January 2018.

### **Car Loans**

The number of outstanding long-term car loans at 31st March 2017 was 3 (5 as at 31 March 2016). See note 19 for breakdown.

### **VIA Loan**

The loan to VIA was issued on 30<sup>th</sup> March 2014. The loan is to support the Company's cash flow commitments and provide a platform towards business development.

This is an interest only loan with a term of no more than 8 years with an interest rate of 4% for years 1 to 3, rising to 4.5% for years 4-8 to encourage early repayment.

However, following an inadequate Ofsted inspection rating, the company went into administration in December 2015. Due to the inadequate rating the company lost a number of contracts and was unable to operate. The loan has been written off in 2016/2017 and funded from the Council's Bad Debt Provision.

The car loans and loan to Lancashire and Blackpool Tourist Board have not been recalculated to fair value due to the immaterial amounts.

**22. INVENTORIES**

<b>2016/2017</b>	<b>Consumables £000</b>	<b>Materials £000</b>	<b>Work in Progress £000</b>	<b>Total £000</b>
<b>Balance outstanding at start of the year</b>	<b>162</b>	<b>375</b>	<b>1</b>	<b>538</b>
Purchases	60	1,588	-	<b>1,648</b>
Recognised as an expense in the year	(127)	(1,579)	(1)	<b>(1,707)</b>
<b>Balance outstanding at year end</b>	<b>95</b>	<b>384</b>	<b>-</b>	<b>479</b>

<b>2015/2016</b>	<b>Consumables £000</b>	<b>Materials £000</b>	<b>Work in Progress £000</b>	<b>Total £000</b>
<b>Balance outstanding at start of the year</b>	<b>188</b>	<b>259</b>	<b>2</b>	<b>449</b>
Purchases	39	1,774	-	<b>1,813</b>
Recognised as an expense in the year	(65)	(1,658)	(1)	<b>(1,724)</b>
<b>Balance outstanding at year end</b>	<b>162</b>	<b>375</b>	<b>1</b>	<b>538</b>

**23. DEBTORS**

<b>31st March 2016</b> <b>£000</b>		<b>31st March 2017</b> <b>£000</b>
3,735	Central government bodies	4,689
1,426	Other local authorities	2,591
873	NHS bodies	467
56,166	Other entities and individuals	45,877
(18,600)	Total impairment	(17,811)
<b>43,600</b>	<b>Net Value of Debtors</b>	<b>35,813</b>

**24. PAYMENTS IN ADVANCE**

<b>31st March 2016</b> <b>£000</b>		<b>31st March 2017</b> <b>£000</b>
1,167	Adult Services	12
37	Community & Environmental Services	89
689	Children's Services	478
3	Governance & Partnership Services	21
-	Public Health	4,650
60	Places	10
23	Resources	510
<b>1,979</b>	<b>Total Payments in Advance</b>	<b>5,770</b>

The significant increase in Public Health payments in advance is due to the upfront payment of the 2017/18 Public Health contract with Blackpool Teaching Hospital. The Council received a discount when making the upfront payment.

## 25. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

31st March 2016 £000		31st March 2017 £000
824	Cash held by the Authority	848
(1,580)	Bank current accounts	(1,670)
13,350	Short term deposits with institutions	10,700
<b>12,594</b>	<b>Total</b>	<b>9,878</b>

## 26. RECEIPTS IN ADVANCE

31st March 2016 £000		31st March 2017 £000
(1,496)	Adult Services	(1,213)
(2,539)	Community & Environmental Services	(1,452)
(2,951)	Children's Services	(3,306)
(109)	Governance & Partnership Services	(57)
(196)	Chief Executive	(201)
(4,470)	Places	(4,466)
(329)	Resources	(300)
(451)	Housing Revenue Account	(385)
(1,888)	Capital	(6,180)
(856)	Collection Fund	(714)
-	Public Health	(59)
-	Budgets Outside the Cash Limit	(32)
<b>(15,285)</b>	<b>Total Receipts in Advance</b>	<b>(18,365)</b>

**27. CREDITORS**

	Long term creditors		Short term creditors	
	31st March 2017 £000	31st March 2016 £000	31st March 2017 £000	31st March 2016 £000
Central Government Bodies	-	-	(5,326)	(4,273)
Other Local Authorities	-	-	(4,225)	(5,751)
NHS Bodies	-	-	(91)	(82)
Other Entities and Individuals	(76,830)	(78,181)	(27,713)	(34,500)
<b>Total</b>	<b>(76,830)</b>	<b>(78,181)</b>	<b>(37,355)</b>	<b>(44,606)</b>

**28. PROVISIONS**

	Injury and Damage Compensation Claims £000	Other Provisions £000	Total £000
<b>Balance at 1 April 2016</b>	<b>(3,288)</b>	<b>(12,855)</b>	<b>(16,143)</b>
Additional Provisions Made in 2016/2017	(5,167)	(8,244)	<b>(13,411)</b>
Amounts Used in 2016/2017	4,231	12,605	<b>16,836</b>
<b>Balance at 31 March 2017</b>	<b>(4,224)</b>	<b>(8,494)</b>	<b>(12,718)</b>



	<b>Injury and Damage Compensation Claims £000</b>	<b>Other Provisions £000</b>	<b>Total £000</b>
<b>Balance at 1 April 2015</b>	<b>(3,123)</b>	<b>(14,711)</b>	<b>(17,834)</b>
Additional Provisions Made in 2015/2016	(4,915)	(5,218)	<b>(10,133)</b>
Amounts Used in 2015/2016	4,750	7,074	<b>11,824</b>
<b>Balance at 31 March 2016</b>	<b>(3,288)</b>	<b>(12,855)</b>	<b>(16,143)</b>

### Outstanding legal cases

#### Injury Compensation Claims

Most of the injury compensation claims are individually insignificant. Significant claims are detailed in Note 3. They relate to personal injuries sustained where the Authority is alleged to be at fault (e.g. through failure to repair a road or pavement properly). Provision is made for those claims where it is deemed probable that the Authority will have to make settlement, based on past experience of court decisions about liability and the amount of damages payable. All outstanding claims are expected to be settled by 2017/2018. The Authority may be reimbursed by its insurers, but until claims are actually settled no income is recognised.

#### Other Provisions

These represent amounts set aside to meet potential future liabilities. This includes a provision for Business Rate Appeals.

## 29. USABLE RESERVES

<b>31st March 2016 £000</b>		<b>31st March 2017 £000</b>
(4,869)	Schools Reserves	(3,256)
(5,636)	Unallocated General Fund Reserves	(3,166)
(7,234)	Housing Revenue Account	(6,857)
(42,231)	Earmarked Revenue Reserves	(37,501)
(3,825)	Capital Receipts Reserve	(3,193)
-	Major Repairs Reserve	-
(4,502)	Capital Reserves	(4,873)
<b>(68,297)</b>	<b>Total Usable Reserves</b>	<b>(58,846)</b>

**30. UNUSABLE RESERVES**

31st March 2016 £000		31st March 2017 £000
(88,240)	Revaluation Reserve	(89,187)
(8,911)	Available for Sale Financial Instrument Reserve	(10,411)
(365,511)	Capital Adjustment Account	(345,582)
1,799	Financial Instruments Adjustment Account	1,755
191,869	Pensions Reserve	264,692
(2,609)	Collection Fund Adjustment Account	(3,407)
1,212	Accumulated Absences Account	1,373
<b>(270,391)</b>	<b>Total Unusable Reserves</b>	<b>(180,767)</b>

**Revaluation Reserve**

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

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

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

2015/2016 £000		2016/2017 £000
<b>(69,429)</b>	<b>Balance at 1st April</b>	<b>(88,240)</b>
(14,586)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(4,686)
(10,128)	Difference between fair value depreciation and historical cost depreciation	-
4,384	Accumulated gains on assets sold or scrapped	2,497
1,519	Amount written off to the Capital Adjustment Account	1,242
<b>(88,240)</b>	<b>Balance at 31st March</b>	<b>(89,187)</b>

### Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised

2015/2016 £000		2016/2017 £000
(7,411)	<b>Balance at 1st April</b>	(8,911)
(1,500)	Upward revaluation of investments	(1,500)
(8,911)	<b>Balance at 31st March</b>	(10,411)

### 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 subsequent costs 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 Authority.

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

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2015/2016 £000		2016/2017 £000
<b>(366,000)</b>	<b>Balance at 1st April</b>	<b>(365,511)</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
43,256	- Charges for depreciation and impairment of non-current assets	27,233
(1,669)	- Revaluation losses on PPE	(1,242)
197	- Revenue expenditure funded from capital under statute	20
4,627	Adjusting amounts written out of the Revaluation Reserve	26,525
46,411	Net written out amount of the cost of non-current assets consumed in year	52,536
	Capital financing applied in year:	
(1,453)	- Use of the Capital Receipts Reserve to finance new capital expenditure	(1,689)
(3,983)	- Use of the Major Repairs Reserve to finance new capital expenditure	(3,872)
(19,946)	- Application of grants to capital financing from the Capital Grants Unapplied Account	(13,232)
(20,540)	- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(13,814)
<b>(365,511)</b>	<b>Balance at 31st March</b>	<b>(345,582)</b>

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

2015/2016 £000		2016/2017 £000
1,844	<b>Balance at 1st April</b>	1,799
(45)	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	(44)
1,799	<b>Balance at 31st March</b>	1,755

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

2015/2016 £000		2016/2017 £000
224,959	<b>Balance at 1st April</b>	191,869
(43,981)	Remeasurement of net defined liability	68,038
(10,891)	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	(4,785)
21,782	Employer's pension contributions and direct payments to pensioners payable in the year	9,570
191,869	<b>Balance at 31st March</b>	264,692

**Collection Fund Adjustment Account**

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

2015/2016 £000		2016/2017 £000
<b>2,073</b>	<b>Balance at 1st April</b>	<b>(2,609)</b>
(4,682)	Amount by which council tax and non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rate income calculated for the year in accordance with statutory requirements	(798)
<b>(2,609)</b>	<b>Balance at 31st March</b>	<b>(3,407)</b>

**Accumulated Absences Account**

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

2015/2016 £000		2016/2017 £000
<b>1,511</b>	<b>Balance at 1st April</b>	<b>1,212</b>
(1,511)	Settlement or cancellation of accrual made at the end of the preceding year	(1,212)
1,212	Amounts accrued at the end of the current year	1,373
<b>1,212</b>	<b>Balance at 31st March</b>	<b>1,373</b>

**31. CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

2015/2016 £000		2016/2017 £000
(452)	Interest Received	(552)
5,793	Interest Paid	6,725
(663)	Dividend Received	(525)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2015/2016 £000		2016/2017 £000
(38,037)	Depreciation/Impairment charges to CIES	(24,571)
(3,692)	Pension Liability	1,845
9,426	Minimum Revenue Provision	7,038
(612)	Contributions to/from reserves	9,191
1,421	Increase/(decrease) in Payments in Advance	3,791
7,150	Increase/(decrease) in Debtors	(7,787)
89	Increase/(decrease) in Inventories	(59)
1,691	(Increase)/decrease in Provisions	3,425
(2,893)	(Increase)/decrease in Creditors	7,251
3,719	(Increase)/decrease in Creditors over 1 year	1,351
1,277	(Increase)/decrease in Receipts in Advance	(11,268)
1,694	Other non-cash items charged to the net surplus or deficit on the provision of services	3,272
<b>(18,767)</b>	<b>Total</b>	<b>(6,521)</b>

The surplus or deficit on the provision of services has been adjusted for the following items that are investing or financing activities:

2015/2016 £000		2016/2017 £000
19,917	Capital grants credited to the surplus or deficit on the provisions of services	13,232
(4,789)	Proceeds from the sale of property, plant and equipment investment property and intangible assets	(26,227)
(34,646)	Billing Authorities - Collection Fund adjustments	(30,736)
<b>(19,518)</b>	<b>Total</b>	<b>(43,731)</b>

**32. CASH FLOW STATEMENT - INVESTING ACTIVITIES**

31st March 2016 £000		31st March 2017 £000
33,090	Purchase of property, plant & equipment, investment property and intangible assets	38,787
2,023	Other payments for investing activities	1,993
(1,567)	Proceeds from sale of property, plant and equipment, investment property and intangible assets	(1,689)
(23,233)	Capital Grants received	(14,496)
<b>10,313</b>	<b>Net cash flows from investing activities</b>	<b>24,595</b>

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

31st March 2016 £000		31st March 2017 £000
(143,895)	Cash receipts of short and long term borrowing	(322,387)
9,945	Other receipts from financing activities	(2,650)
132,462	Repayments of short and long term borrowing	298,259
800	Other payments for financing activities	766
<b>(688)</b>	<b>Net cash flows from financing activities</b>	<b>(26,012)</b>



**34. CASH FLOW STATEMENT – CASH & CASH EQUIVALENTS**

	<b>31st March 2017</b>	<b>31st March 2016</b>	<b>Movement</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash in Hand & at Bank	848	824	24
Bank overdrawn	(1,670)	(1,580)	(90)
Short term borrowing	(91,697)	(64,100)	(27,597)
Short term investments	10,700	13,350	(2,650)
Long term borrowing	(84,701)	(88,171)	3,470
Loan to Subsidiaries	11,256	-	11,256
Business loans & long term investments	10,757	4,818	5,939
<b>Balance at 31 March</b>	<b>(144,507)</b>	<b>(134,859)</b>	<b>(9,648)</b>

**35. ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000**

<b>2015/2016</b>		<b>2016/2017</b>
<b>£000</b>		<b>£000</b>
<b>(1,529)</b>	On-street parking operation surplus	<b>(1,478)</b>
	<b>Utilised to Fund:</b>	
5,318	Public Transport	5,069
247	Traffic Management & Road Safety	289
<b>5,565</b>	<b>Total Qualifying Expenditure</b>	<b>5,358</b>

Decriminalised Parking Enforcement (DPE) of on-street parking was introduced in November 2003 as part of the Local Transport Plan with the aim of reducing congestion and improving traffic management. The surplus arising from on street parking is used to defray qualifying expenditure. The use of DPE is governed by section 55 of the Road Traffic Regulation Act 1984, as amended from October 2004 by section 95 of the Traffic Management Act 2004. This specifies the use that DPE surpluses may be put to.

### 36. AGENCY SERVICES

The Authority provides payroll services for Chorley Borough Council, Fylde Borough Council, Blackpool Coastal Housing, Baines School, Claremont First Step Centre, Blackpool Grand Theatre, Blackpool Operating Company and a number of Academies. These organisations pay a management fee to the Council for the service. The total management fee received by the Council in 2016/2017 was £195,730 (2015/2016 £180,844). The management fee is based on the number of employees paid.

### 37. POOLED BUDGETS

On 1<sup>st</sup> April 2015 the Council entered into a Pooled Budget arrangement with NHS Blackpool Clinical Commissioning Group in relation to the Better Care Fund.

The Government created the Better Care Fund to incentivise the NHS and local government to work more closely together around people, placing their wellbeing as the focus of health and care services, and shifting resources into social care and community services for the benefit of the people, communities and health and care systems.

2015/16 £000			2016/17 £0000	
		Funding provided to the pooled budget:		
1,649		Local Authority	3,236	
12,581		Trust	15,609	
	14,230	Blackpool Council		18,845
		Blackpool CCG		
		Expenditure met from the pooled budget:		
8,628		Local Authority	11,679	
5,602		Trust	6,844	
	14,230	Blackpool Council		18,523
		Blackpool CCG		
	-	Net surplus arising on the pooled budget during the year		322

### 38. MEMBERS' ALLOWANCES

The Authority paid the following amounts to Members of the Council during the year.

2015/2016 £000		2016/2017 £000
680	Allowances	737
58	Expenses	58
<b>738</b>	<b>Total</b>	<b>795</b>

**39. OFFICERS' REMUNERATION**

The number of employees whose remuneration, excluding pension contributions was £50,000 or more in bands of £5,000 is set out below.

	Number in 2016/2017		Number in 2015/2016	
	Schools	Other Staff	Schools	Other Staff
£50,000 - £54,999	10	20	13	23
£55,000 - £59,999	6	22	7	15
£60,000 - £64,999	6	12	6	14
£65,000 - £69,999	5	7	4	7
£70,000 - £74,999	1	3	2	2
£75,000 - £79,999	1	2	1	1
£80,000 - £84,999	2	1	1	1
£85,000 - £89,999	-	2	1	3
£90,000 - £94,999	-	2	-	3
£95,000 - £99,999	-	1	-	2
£100,000 - £104,999	-	1	-	-
£105,000 - £109,999	-	-	-	1
£110,000 - £114,999	-	-	-	1
£115,000 - £119,999	-	1	-	1
£135,000 - £139,999	-	1	-	1
£185,000 - £189,999	-	-	-	1
<b>TOTAL</b>	<b>31</b>	<b>75</b>	<b>35</b>	<b>76</b>

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

<b>Employees in Post 2016/2017</b>							
<b>Post Holder Information</b>	<b>Salary</b>	<b>Expense Allowance</b>	<b>Compensation for loss of Office</b>	<b>Benefits in Kind</b>	<b>Total Excluding Pensions</b>	<b>Employer Pension Contributions</b>	<b>Total Including Pensions</b>
	£	£	£	£	£	£	£
Chief Executive - Neil Jack	136,549	963	-	70	137,582	16,796	154,378
Director of Resources	93,856	-	-	1,144	95,000	11,544	106,544
Director of Place	89,298	963	-	1,148	91,409	10,984	102,393
Director of Governance & Partnership Services	84,761	-	-	59	84,820	10,426	95,246
Director of Community & Environmental Services	84,761	963	-	135	85,859	10,426	96,285
Director of Public Health	113,455	4,841	-	235	118,531	16,224	134,755
Director of People - Left 31/1/17 (Note F)	102,558	803	-	160	103,521	13,255	116,776
Deputy Director of People (Adult Services)	88,957	963	-	7	89,927	11,200	101,127
<b>TOTAL</b>	<b>794,195</b>	<b>9,496</b>	<b>-</b>	<b>2,958</b>	<b>806,649</b>	<b>100,855</b>	<b>907,504</b>

<b>Employees in Post 2015/2016</b>							
<b>Post Holder Information</b>	<b>Salary</b>	<b>Expense Allowance</b>	<b>Compensation for loss of Office</b>	<b>Benefits in Kind</b>	<b>Total Excluding Pensions</b>	<b>Employer Pension Contributions</b>	<b>Total Including Pensions</b>
	£	£	£	£	£	£	£
Chief Executive	110,793	963	-	9	111,765	13,628	125,393
Director of Resources	96,989	-	-	1,344	98,333	11,930	110,263
Deputy Chief Executive (Note E)	86,884	963	47,541	1,240	136,628	178,589	315,217
Director of Place	88,585	963	-	759	90,307	10,986	101,293
Director of Governance & Regulatory Services	79,766	-	-	-	79,766	9,811	89,577
Director of Community & Environmental Services	85,386	963	-	440	86,789	10,502	97,291
Director of Public Health	100,555	4,841	-	480	105,876	14,420	120,296
Director of People	117,295	963	-	105	118,363	16,776	135,139
Deputy Director of People (Adults)	88,466	963	-	126	89,555	10,881	100,436
<b>TOTAL</b>	<b>854,719</b>	<b>10,619</b>	<b>47,541</b>	<b>4,503</b>	<b>917,382</b>	<b>277,523</b>	<b>1,194,905</b>

**NOTES**

**A** – Compensation for loss of office includes statutory redundancy pay. Statutory pension strain is included within employer pension contributions. Pension strain is the cost to the Council of the redundancy/retirement. It is not the amount received by the post holder.

**B** – Benefits in kind include travel & subsistence expenses, professional fees.

**C** – Expense Allowances include essential car user payments.

**D** – Salary includes a voluntary reduction for unpaid leave which commenced in April 2011

**2015/16**

E – In March 2016 the post holder of Deputy Chief Executive was made redundant and the post was disestablished.

**2016/17**

F – The post holder resigned on 31<sup>st</sup> January 2017. Their contracted salary was £117,618.

Between 1/2/17 and 31/3/17 this role was undertaken by a temporary post holder via an external company.

Payment for this period was £21,994 excluding VAT.

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

Exit Package Cost by Band (incl Special Payments)	Number of Exit Packages by Cost Band		Total Cost of Exit Packages in each Band	
	2016/2017	2015/2016	2016/2017 £000	2015/2016 £000
£0 - £20,000	100	134	747	950
£20,001 - £40,000	18	14	514	386
£40,001 - £60,000	8	2	384	93
£60,001 - £80,000	4	4	303	278
£80,001 - £100,000	-	9	-	824
£100,001 - £150,000	3	5	324	635
£150,001 - £200,000	-	1	-	215
<b>Total</b>	<b>133</b>	<b>169</b>	<b>2,272</b>	<b>3,381</b>

**40. EXTERNAL AUDIT COSTS**

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

	2016/17 £000	2015/16 £000
Fees payable to auditors with regard to external audit services carried out by the appointed auditor	110	154
Fees payable to auditors in respect of statutory inspections	1	5
Fees payable to auditors for the certification of grant claims and returns	16	49
<b>Total</b>	<b>127</b>	<b>208</b>

**41. DISCLOSURE OF DEPLOYMENT OF DEDICATED SCHOOLS GRANT**

The Council's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the schools budget as defined in the School Finance (England) Regulations 2011. The schools budget includes elements for a range of educational services provided on an authority wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2016/2017 are as follows:

		<b>CENTRAL EXPENDITURE £000</b>	<b>ISB £000</b>	<b>TOTAL £000</b>
A	Final DSG for 2016/17 before academy recoupment			104,575
B	Academy figure recouped for 2016/17			60,363
C	Total DSG after Academy recoupment for 2016/17			44,212
D	B/F from 2015/16			2,020
E	C/F to 2017/18 agreed in advance			1,580
F	Agreed initial budget distribution in 2016/17	24,510	20,142	44,652
G	In year adjustments	-	-	-
H	Final budgeted distribution for 2016/17	24,510	20,142	44,652
I	Less Actual Central Expenditure	24,702		
J	Less Actual ISB deployed to Schools		20,142	
K	Plus Local authority contribution for 2016/17	0	0	0
L	C/F to 2017/18	(192)	0	(192)

## 42. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/2017.

	2016/2017 £000	2015/2016 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	31,636	38,668
Council Tax Freeze Grant	-	615
Non-Domestic Rates Retained	24,038	23,997
Non-Domestic Rates Top Up	19,323	19,163
Capital Grants - Coastal Communities Fund Grant	-	700
Capital Grants - Other	213,232	19,217
<b>Total</b>	<b>288,229</b>	<b>102,360</b>
<b>Credited to Services</b>		
Dedicated Schools Grant	44,212	50,181
Pupil Premium Grant	3,564	4,230
Housing & Council Tax Benefit Administration Subsidy	1,007	1,232
Rent Allowance Subsidy	65,607	71,339
Rent Rebates	12,752	13,239
Public Health Grant	19,392	18,290
Coastal Communities Fund Grant	558	740
Other Grants and Contributions	17,863	18,624
<b>Total</b>	<b>164,955</b>	<b>177,875</b>

The Coastal Communities Fund Grant is a ring-fenced grant which is to be used to create sustainable economic growth and jobs in coastal areas. The grant relates to both capital and revenue schemes. At 31<sup>st</sup> March 2016 £100,298 of capital grant and £182,544 of revenue grant remained unspent and was carried forward to 2016/17. These amounts were spent in 2016/17. An additional £557,883 revenue grant was received in 2016/17 and was fully spent in year.

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that, if not met, will require the monies or property to be returned to the provider. The balances at year end are as follows:

	<b>2016/2017</b> <b>£000</b>	<b>2015/2016</b> <b>£000</b>
<b>Capital Grants Received in Advance</b>		
HCA	58	485
Tramway	-	61
Environment Agency grants	3,254	1,943
NHS Grants	-	36
Local Transport Plan	3,905	1,517
Empty Homes	798	801
Education Funding Agency	5,651	1,975
Other Grants & Contributions	2,407	1,067
<b>Total</b>	<b>16,073</b>	<b>7,885</b>

### 43. RELATED PARTIES

The authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit party's ability to bargain freely with the authority.

#### Central Government

Central Government has significant control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Grants received from government departments are set out in Note 42. Grant receipts unspent at 31<sup>st</sup> March 2017 are shown on Note 42.

#### Members

The Council maintains a register of all members' disclosable pecuniary interests. Within 28 days of election, Councillors are legally required to inform the Council's Monitoring Officer of any pecuniary interests they have. If a Councillor is present at a meeting of the authority, or any committee, subcommittee, joint committee or joint subcommittee of the authority, and has a disclosable pecuniary interest then, if that interest is not already registered, they must disclose that interest to the meeting and notify the Council's Monitoring Officer to have that interest added to the register of interests.

The register of members' interests is open to public inspection as required by Section 29 of the Localism Act 2011. A copy of the register of members' interests is also available to view on the council's website. Where a member has a disclosable pecuniary interest they are precluded from taking any part in meetings or decisions related to their previously disclosed interest, unless an appropriate dispensation has been granted.

In respect of the 2016/17 financial year a number of council members had a controlling interest in a company, partnership, trust or entity. The controlling interest was by way of ownership, or as a director, member, trustee, governor or partner of an organisation. The existence of the procedures described above ensure that the Council is able to both identify where a member has an interest, and take action to ensure that there is no participation in any decisions relevant to their interest. All major decisions are available for public scrutiny and challenge as part of the Council's constitutional arrangements.



Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2016/2017 is shown in Note 38.

During the year a Member of the Council had a private interest in a housing association. The Council made payments to this charity amounting to £459,648 in 2016/2017 to meet the Council's homelessness requirements.

These transactions were conducted at arms-length and in accordance with the Authority's financial regulations.

Details of all these transactions are recorded in the Register of Members Interest, open to the public inspection at the Town Hall during office hours.

During the year a Member of the Council had a private interest in a local taxi firm. The Council made payments to this organisation amounting to £281,147.80 to meet the Council's transport requirements.

During the year the Council made payments totalling £562,483 to a number of local Academy schools. These payments were to meet the Council's education requirements. A number of Members have an interest in these schools.

In 2016/17 the Council made payments totalling £296,590 to a number of voluntary organisations where a number of Members have a private interest in these organisations. The payments were made to meet the Council's policies.

### **Chief Officers**

The Director of Resources is a board member of Lancashire Pension Board and acts as a representative for the Fund's employers.

It is considered that transactions identified involving Chief Officers with related parties are not material.

### **Other Public Bodies**

The authority has a pooled budget arrangement with NHS Blackpool Clinical Commissioning Group in relation to the Better Care Fund. Transactions and balances outstanding are detailed in Note 37.

### **Entities Controlled or Significantly Influenced by the Authority**

The authority controls Blackpool Transport Services Limited through its ownership of 100% shares in the Company. The authority provided loans to the value of £7,655,000 to Blackpool Transport Services during the year. Full details are in Note 21.

The authority controls Blackpool Housing Company Limited through its ownership of 100% shares in the Company. The authority provided loans to the value of £3,600,000 to Blackpool Housing Company during the year. Full details are in Note 21.

Transactions with all wholly owned subsidiaries are shown in Group Accounts Note G2.

## **44. 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 and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2016/2017 £000	2015/2016 £000
<b><u>Capital Financing Requirement</u></b>		
<b>Opening Capital Financing Requirement</b>	<b>277,718</b>	<b>287,174</b>
<b>Capital Investment</b>		
Property, Plant & Equipment	28,970	31,775
Investment Properties	185	1
Assets under Construction	11,625	1,314
Revenue Expenditure funded from Capital under Statute	1,993	2,023
<b>Sources of Finance</b>		
Capital Receipts	(1,689)	(1,567)
Government Grants & Other Contributions	(14,496)	(23,233)
Sums set aside from Revenue	(19,162)	(19,769)
<b>Closing Capital Financing Requirement</b>	<b>285,144</b>	<b>277,718</b>
<b>Explanations of Movements in Year</b>		
Increase in underlying need to borrow(supported by Government Financial Assistance)	-	(11,989)
Increase in underlying need to borrow(unsupported by Government Financial Assistance)	7,426	1,867
Assets acquired under PFI contracts	-	666
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>7,426</b>	<b>(9,456)</b>

## 45. LEASES

### Authority as Lessee

#### Finance Leases

The Authority is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding.

The minimum lease payments are made up of the following amounts:

	<b>2016/2017</b> <b>£000</b>	<b>2015/2016</b> <b>£000</b>
Finance lease liabilities (net present value of minimum lease payments)		
- current	24	67
- non-current	12	61
Finance lease costs payable in future years	7	17
<b>Minimum lease payments</b>	<b>43</b>	<b>145</b>

The minimum lease payments will be payable over the following periods:

	<b>Minimum Lease Payments</b>	
	<b>31st March 2017</b> <b>£000</b>	<b>31st March 2016</b> <b>£000</b>
Not later than one year	28	77
Later than one year and not later than five years	15	68
<b>Total</b>	<b>43</b>	<b>145</b>

### Operating Leases

The Authority has acquired assets by entering into operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

	<b>Operating Lease Payments</b>	
	<b>31st March 2016</b> <b>£000</b>	<b>31st March 2016</b> <b>£000</b>
Not later than one year	-	1
<b>Total</b>	<b>-</b>	<b>1</b>

### The Authority as Lessor

The Council has granted various property leases including the lease of the Sandcastle Waterpark. The rentals received in 2016/2017 amounted to £369,290 (2015/2016 £374,311). The gross value of the assets held for use in leases was £8.4m at 31st March 2017 (2015/2016 £8.7m). The assets have been subject to £336,000 depreciation at 31st March 2017.

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

	Minimum Lease Payments	
	31st March 2017 £000	31st March 2016 £000
Not later than one year	1,681	1,496
Later than one year and not later than five years	5,215	4,922
Later than five years	7,706	9,596
<b>Total</b>	<b>14,602</b>	<b>16,014</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

## 46. PRIVATE FINANCE INITIATIVE (PFI)

### Highfield Leadership Academy (previously Highfield Humanities College) PFI

The Highfield Leadership Academy PFI scheme is the only PFI school resulting from the Government's Building Schools for the Future Programme. This project consists of the new build of a secondary school for up to 1,216 pupils and the provision of a fully managed facility for a period of 25 years by the selected operator.

The operator is Eric Wright Facilities Management via the Highfield PFI SPV Limited (a company wholly owned by Blackpool Local Education Partnership, a joint venture between Eric Wright Group, Blackpool Council and Northgate Management Services). The total projected cost over the life of the project is £98m which is funded by PFI credits of £40m from the Department of Education with the remainder funded by the School and Local Authority contributions.

On 1<sup>st</sup> April 2017 the school converted to an Academy and the assets relating to the PFI were transferred to Tauheedul Education Trust the school's Governing Body and are no longer recognised on the Authority's Balance Sheet. However, the liability for the remaining payments relating to the scheme are still held on the Authority's Balance Sheet under Long Term Creditors. The school makes a contribution to the Authority for these payments.

The Authority makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31<sup>st</sup> March 2017 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	<b>Payment for Service £000</b>	<b>Repayment Liability £000</b>	<b>Interest £000</b>	<b>Total Payment Due £000</b>
Payable 2017/18	1,176	480	2,012	3,668
Payable in two to five years	4,965	2,476	7,515	14,956
Payable in six to ten years	7,690	3,335	8,018	19,043
Payable in eleven to fifteen years	9,336	4,701	6,121	20,158
Payable in sixteen to twenty years	10,187	8,203	3,227	21,617
Payable in twenty one to twenty five years	738	1,043	104	1,885
<b>Total</b>	<b>34,092</b>	<b>20,238</b>	<b>26,997</b>	<b>81,327</b>

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

<b>2015/2016 £000</b>		<b>2016/2017 £000</b>
(21,574)	Balance outstanding at start of year	(20,936)
638	Payments during the year	698
<b>(20,936)</b>	<b>Total</b>	<b>(20,238)</b>

### Street Lighting and Signals PFI

The scheme, supported by the Department for Transport, was signed in December 2009, and provides for the design, maintenance and replacement of Street Lighting and Signals across the town. The contract was awarded to Community Lighting Partnership. The project commenced on 4<sup>th</sup> January 2010 and is for 25 years. The service provider is responsible for the management and maintenance of street lights and signals within Blackpool. The total sum payable to the contractor over the term of the contract is £127.313m, being met from Government Grant and Authority contributions.

The Authority makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31<sup>st</sup> March 2017 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	<b>Payment for Service £000</b>	<b>Repayment Liability £000</b>	<b>Interest £000</b>	<b>Total Payment Due £000</b>
Payable 2017/18	2,642	898	1,236	4,776
Payable in two to five years	8,896	4,235	4,582	17,713
Payable in six to ten years	7,531	8,535	5,531	21,597
Payable in eleven to fifteen years	13,977	14,801	4,585	33,363
Payable in sixteen to twenty years	10,219	11,856	1,016	23,091
<b>Total</b>	<b>43,265</b>	<b>40,325</b>	<b>16,950</b>	<b>100,540</b>

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

<b>2015/2016 £000</b>		<b>2016/2017 £000</b>
(28,188)	Balance outstanding at start of year	(28,005)
849	Payments during the year	856
(666)	Capital expenditure incurred in year	-
<b>(28,005)</b>	<b>Total</b>	<b>(27,149)</b>

#### 47. IMPAIRMENT LOSSES

During 2016/2017, the Authority has recognised an impairment loss of £3,336,108 (2015/2016 £14,358,252) in relation to land and buildings. The impairment loss has been charged to the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

#### 48. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2016/2017 incurring liabilities of £2.3m (2015/2016 £3.8m).

## 49. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

### *Teachers' Pension Scheme*

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of the members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years. The scheme has in excess of 3,700 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2016/2017 the Council paid £2,034,166 (2015/16 £2,292,083) to the Department for Education in respect of teachers retirement benefits, representing 16.48% of teachers' pensionable pay. There were no contributions remaining payable at the year end. The contributions due to be paid in the next financial year are estimated to be £1.9m.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' pension scheme. These costs are accounted for on a defined benefit basis and detailed in Note 50.

The Authority is not liable to the scheme for any other entities obligations under the plan.

### *NHS Staff Pension Scheme*

From 1<sup>st</sup> April 2013 NHS staff working within Public Health transferred to the Council. The transferred staff have maintained their membership in the NHS Pension Scheme. The Scheme provides these staff with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. However the Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined benefit contribution.

In 2016/2017, the Council paid £112,817 (2015/16 £117,040) to the NHS Pension Scheme in respect of Public Health employees' retirement benefits, representing 14.3% (2015/16 14.3%) of pensionable pay. There were no contributions remaining payable at the year end.

## 50. DEFINED BENEFIT PENSION SCHEMES

### **Participation in Pension Schemes**

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

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

The Lancashire 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 pensions committee at Lancashire County Council. Policy is determined in accordance with the Pension Fund Regulations. The

Treasurer of Lancashire County Council is also the Treasurer of Lancashire Pension Fund. The investment managers of the fund are appointed by the committee. There are currently nine external investment managers.

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

#### **Discretionary Post-retirement Benefits**

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

#### **Transactions Relating to Post-Employment Benefits**

The Authority 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 the Authority is 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:



	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services:</i>				
<i>Service Cost comprising</i>				
- current service cost	13,176	15,574	0	0
- past service costs	1,141	1,352	0	0
- (gain)/loss from settlements	(3,684)	(80)	0	0
<i>Financing &amp; Investment Income and Expenditure</i>				
Net interest expense	22,494	21,187	104	101
<b>Total Post-employment Benefits charged to the Surplus/Deficit on the Provision of Services</b>	<b>33,127</b>	<b>38,033</b>	<b>104</b>	<b>101</b>
<i>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>				
Remeasurement of the net defined benefit liability comprising:				
- Return on plan assets (excluding the amount included in the net interest expense)	(15,968)	(14,089)	0	0
- Actuarial gains and losses arising on changes in demographic assumptions	(4,830)	0	0	0
- Actuarial gains and losses arising on changes in financial assumptions	167,005	(37,386)	379	(127)
- Other	(94,516)	(6,468)	0	0
<b>Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>51,691</b>	<b>(57,943)</b>	<b>379</b>	<b>(127)</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(72,488)	32,905	(335)	185
<b>Actual amount charged against the general fund balance for pensions in the year:</b>				
Employers' contributions payable to scheme	12,330	12,995		
Retirement benefits payable to pensioners			148	159

**Assets and Liabilities Recognised in the Balance Sheet**

The amount included in the balance sheet arising from the Authority's obligation in respect of its defined pension benefit plans is as follows:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Present value of the defined benefit obligation	790,509	634,957	3,478	3,143
Fair value of plan assets	(529,295)	(446,231)	0	0
<b>Net liability arising from defined benefit obligation</b>	<b>261,214</b>	<b>188,726</b>	<b>3,478</b>	<b>3,143</b>

**Reconciliation of the Movements in the Fair Value of Scheme (Plan)**

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Opening fair value of scheme assets	446,231	428,574	0	0
Interest Income	15,968	14,089	0	0
Remeasurement gain/(loss):				
- The return on plan assets , excluding the amount included in the net interest expense	73,285	6,468	0	0
- Other	(291)	(248)	0	0
The effect of changes in foreign exchange rates	0	0	0	0
Contributions from employer	12,330	12,995	148	159
Contributions from employees into the scheme	3,790	3,973	0	0
Benefits paid	(20,285)	(18,441)	(148)	(159)
Other	(1,733)	(1,179)	0	0
<b>Closing fair value of scheme assets</b>	<b>529,295</b>	<b>446,231</b>	<b>0</b>	<b>0</b>

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

	<b>Funded Liabilities: Local Government Pension Scheme</b>		<b>Unfunded Liabilities: Discretionary Benefits Arrangements</b>	
	<b>2016/17 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2015/16 £000</b>
Opening balance at 1 April	634,957	650,205	3,143	3,328
Current service cost	12,885	15,326	0	0
Interest cost	22,494	21,187	104	101
Contributions from scheme participants	3,790	3,973	0	0
Remeasurement (gains) and losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	(4,830)	0	0	0
- Actuarial gains/losses arising from changes in financial assumptions	167,005	(37,386)	379	(127)
- Other	(21,231)	0	0	0
Past service cost	122	43	0	0
Losses/(gains) on curtailment (where relevant)	1,019	1,309	0	0
Benefits paid	(20,285)	(18,441)	(148)	(159)
Liabilities extinguished on settlements (where relevant)	(5,417)	(1,259)	0	0
<b>Closing balance at 31 March</b>	<b>790,509</b>	<b>634,957</b>	<b>3,478</b>	<b>3,143</b>

**Local Government Pension Scheme assets comprised:**

	Fair Value of Scheme Assets	
	2016/17 £000	2015/16 £000
Cash & cash equivalents	5,494	15,345
Equity Instruments:		
- Consumer	0	48,475
- Manufacturing, materials & miscellaneous	0	24,859
- Energy & Utilities	0	5,613
- Financial Institutions	0	27,066
- Health & care	0	16,192
- Information technology & telecoms	0	31,165
Sub total equity	0	153,370
Bonds:		
- Corporate	8,692	9,089
- Government	10,476	8,966
Sub total bonds	19,168	18,055
Property:		
-Retail	14,407	15,286
- Commercial	32,223	27,608
Sub total property	46,630	42,894
Private Equity:		
UK	6,001	7,278
Overseas	262,066	55,183
Sub total private equity	268,067	62,461
Other investment funds:		
- Credit Funds	118,607	112,289
- Emerging Markets	0	0
- Infrastructure	63,867	35,656
- Property	7,462	6,161
Sub total other investment funds	189,936	154,106
<b>Total assets</b>	<b>529,295</b>	<b>446,231</b>

All scheme assets have quoted prices in active markets.

### Basis for Estimating Assets and Liabilities

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.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Mercers, an independent firm of actuaries, estimates for the Lancashire County Council Fund being based on the latest full valuation of the scheme as at 1 April 2016.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Mortality assumptions: Men/Women	99%/93%	100%/98%	99%/93%	100%/98%
Longevity at 65 for current pensioners:				
- Men	22.6yrs	23.0yrs	13.8yrs	23.0yrs
- Women	25.2yrs	25.2yrs	15.9yrs	25.6yrs
Longevity at 65 for future pensioners:				
- Men	24.9yrs	25.2 yrs	-	-
- Women	27.9yrs	27.9yrs	-	-
Rate of inflation	2.3%	2.0%	2.3%	2.0%
Rate of increase in salaries	3.8%	3.5%	-	-
Rate of increase in pensions	2.3%	2.0%	2.3%	2.0%
Rate for discounting scheme liabilities	2.5%	3.6%	2.5%	3.1%

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 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 below did not change from those used in 2015/2016.

	Impact on the Defined Benefit Obligation in the Scheme	
	Approximate % change in employee liability	Approximate monetary value £000
1 year increase in member life expectancy	1.97%	15,562
Rate of Inflation - increase by 1%	1.83%	14,433
Rate of increase in salaries - increase by 1%	0.35%	2,740
1% increase in real discount rate	(1.79%)	(14,173)

### Impact on Authority's Cash Flows

The objectives of the scheme are to keep employer's contributions at as constant a rate as possible. Lancashire County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 16 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings scheme to pay pensions and other benefits.

The Authority anticipated to pay £12.7m expected contributions to the scheme in 2016/2017.

The weighted average duration of the defined benefit obligation for scheme members is 18 years, 2016/2017 (19 years 2015/2016).

## 51. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

The Council's overall risk management procedures focus on the unpredictability of financial markets, and seek to minimise potential adverse effects on resources available to fund services. Risk management is carried out by the Treasury Management Panel, under policies approved by the Executive in the Council's Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

### Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the 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. The criteria are based on information from Fitch, Moody's and Standard and Poors, the three principal credit ratings agencies.

Banks – the authority will use banks which have at least the following ratings:

- Short term – F1 or equivalent
- Long term – Single A or equivalent.

Building Societies – the authority will use any UK society with assets in excess of £1.5 billion.

Local authorities – the authority will use upper tier authorities only.

Investments in UK Government – permitted due to overall security

Investments in supranational institutions – not permitted along with investments in money market funds.

The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

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

The Authority's potential maximum exposure to credit risk in relation to its investments in banks and building societies of £13.350m cannot be assessed generally as the risk of any institution failing to make the 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 31<sup>st</sup> March 2017 that this was likely to crystallize.

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31st March 2016 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31st March 2017 %	Estimated maximum exposure to default and uncollectability At 31st March 2017 £000	Estimated maximum exposure at 31st March 2016 £000
Deposits with banks and financial institutions	10,700	0	0	0	0
Customers	41,583	35%	0	14,554	15,910

No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority does not generally allow credit for its customers, such that £3.2m of the £41.6m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	<b>31st March 2017</b>	<b>31st March 2016</b>
	<b>£000</b>	<b>£000</b>
Up to 3 months	1,690	341
Three to six months	425	333
Six months to one year	342	254
1-2 years	189	317
2-3 years	215	135
Over 3 years	365	347
<b>Total</b>	<b>3,226</b>	<b>1,727</b>

### Liquidity risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of borrowings at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing during specified periods. Except for short term temporary borrowing the strategy is to ensure that not more than 30% of loans are due to mature within any rolling five year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:



	<b>31st March 2017</b> <b>£000</b>	<b>31st March 2016</b> <b>£000</b>
Less than one year	93,197	72,521
Between one and two years	1,776	1,697
Between two and five years	3,071	7,654
Between five and ten years	9,833	11,017
Between ten and fifteen years	7,703	7,696
Between fifteen and twenty years	4,736	11,736
More than twenty years	18,375	40,353
<b>Total</b>	<b>138,691</b>	<b>152,674</b>

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

#### **Market risk**

##### **Interest rate risk**

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

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

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

The Authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 35% of its long-term borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management panel has an active strategy for assessing interest rate exposure that feeds into the annual budget setting. Any adverse changes are updated in the budget during the year. The analysis will also advise whether new borrowing taken out is fixed or variable.

If interest rates had been 1% higher with all other variables held constant, the financial effect would have a nil effect on the financial statements as would a 1% fall in interest rates. This assumption is based on the methodology used in the Note – Fair Value of Assets and Liabilities.

### **Price Risk**

The Authority does not invest in equity shares but does have shareholdings to the value of £17.1m in a number of subsidiaries.

As the shareholdings have arisen in the acquisition of specific interests, the Authority is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for 'open book' arrangements with the company concerned so that the authority can monitor factors that might cause a fall in the value of specific shareholdings.

The £17.1m shares are classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £1,485m gain or loss being recognised in the Other Comprehensive Income and Expenditure for 2016/2017.

### **Foreign Exchange Risk**

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

## **52. CONTINGENT LIABILITIES / ASSETS**

### **Municipal Mutual Insurance**

The Scheme of Arrangement was enacted in 2012/2013. Although Blackpool Council is not a scheme creditor the Council will have a liability in relation to Lancashire County Council (for transferred services). It is not yet clear how much this liability will be.

### **NNDR Appeals**

The Council has made provision for NNDR appeals based upon its best estimate of the actual liability as at the year end in known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts.

As at 31<sup>st</sup> March 2017 the Council had no material contingent assets to disclose.

These assets and liabilities are not included on the Balance Sheet.

## **53. HERITAGE ASSETS: FIVE YEAR SUMMARY OF TRANSACTIONS**

Information on Illuminations and Civic Regalia is not available before 1<sup>st</sup> April 2010. The Tower Company Collection only transferred to the Authority in March 2009 and there have been no movements in the valuation. There have been no movements in the valuation of the art collection, local and family history collection and Stanley Park statues.

	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
	£000	£000	£000	£000	£000
<b>Balance B/fwd</b>					
Cenotaph	120	120	120	120	120
Civic Regalia	381	591	591	591	591
Illuminations	250	500	500	500	500
Art Collection	500	500	500	500	500
Tower Collection	5,000	5,000	5,000	5,000	5,000
Local Family History Collection	400	400	400	400	400
Stanley Park Statues	653	653	653	653	653
<b>Total Balance B/fwd</b>	<b>7,304</b>	<b>7,764</b>	<b>7,764</b>	<b>7,764</b>	<b>7,764</b>
<b>Additions</b>					
Cenotaph	-	-	-	-	-
<b>Total Additions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Impairment/Revaluation</b>					
Cenotaph	-	-	-	-	-
Civic Regalia	-	-	-	-	-
Illuminations	-	-	-	-	-
<b>Total Impairment/Revaluation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance C/fwd</b>					
Cenotaph	120	120	120	120	120
Civic Regalia	381	591	591	591	591
Illuminations	250	500	500	500	500
Art Collection	500	500	500	500	500
Tower Collection	5,000	5,000	5,000	5,000	5,000
Local Family History Collection	400	400	400	400	400
Stanley Park Statues	653	653	653	653	653
<b>Total Balance C/fwd</b>	<b>7,304</b>	<b>7,764</b>	<b>7,764</b>	<b>7,764</b>	<b>7,764</b>

## 54. HERITAGE ASSETS: FURTHER INFORMATION ON THE COLLECTION

### Art Collection

The Art Collection is stored at the Grundy Art Gallery and consists of Victorian oils and watercolours, modern British paintings, contemporary prints, jewellery and video, oriental ivories, ceramics and photographs and souvenirs of Blackpool. The Council commissioned the building of the Grundy Art Gallery in 1908 following a bequest of 33 artworks from brothers John and Cuthbert Grundy, both of whom were artists. The Gallery displays artwork loaned from major UK institutions as well as its own permanent collection.

**Family and Local History Collection**

Mainly based at Blackpool Central Library this collection includes an extensive collection of maps, newspapers, and genealogical indices. It also includes the Cyril Critchlow Collection which is a collection of records, memorabilia and artefacts relating to Blackpool's entertainment heritage.

**Tower Company Collection**

This collection transferred to the Authority when it purchased Blackpool Tower in March 2009. This collection is currently stored in Coastal House. The only item in this collection which is on display in Blackpool Tower is a silver model of Blackpool Tower. The collection has many items which represent Blackpool's tourism heritage and includes many rare items.

**Illuminations**

This is a collection of illuminations previously used in the annual illuminations display. They are kept due to their historical and unique nature but will not form part of any future Illuminations displays. Many of the items have a "Disney studio" stamp on them which makes them unique and adds value.

**Cenotaph**

The Cenotaph was previously included in the balance sheet as a community asset but as it represents an historical event and is being held for the purposes of knowledge and culture the asset has been reclassified as a heritage asset.

The Cenotaph is situated on the Promenade close to North Pier.

**Civic Regalia**

Civic Regalia includes the following items:

Mayor's Chain – Made in 1875.

Mayoress' Chain – Made in 1897.

Deputy Mayoress' Chain – Made in 1897.

Deputy Mayor's Chain – Made 1937.

Mayoral Mace – Made in 1897.

**Stanley Park Statues**

These are mainly statues of lions and other sculptures in Stanley Park.

# SECTION 6

## SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

<b>HOUSING REVENUE ACCOUNT</b>			
<b>INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31ST MARCH 2017</b>			
<b>2015/2016</b>		<b>2016/2017</b>	
<b>£000</b>		<b>£000</b>	<b>£000</b>
	<b>Expenditure</b>		
4,917	Repairs and maintenance	4,839	
5,759	Supervision and management	6,254	
209	Rent, rates , taxes and other charges	108	
5,461	Depreciation and impairment of non-current assets	2,662	
62	Debt management costs	62	
220	Movement in the allowance for bad debts	286	
<b>16,628</b>	<b>Total Expenditure</b>		<b>14,211</b>
	<b>Income</b>		
(17,048)	Dwelling rents	(17,030)	
(159)	Non-dwelling rents	(138)	
(1,386)	Charges for services and facilities	(1,338)	
(191)	Contributions towards expenditure	(196)	
<b>(18,784)</b>	<b>Total Income</b>		<b>(18,702)</b>
<b>(2,156)</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Account</b>		<b>(4,491)</b>
	<b>HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>		
632	Gain/or Loss on sale of HRA non-currents assets	4	
517	Interest payable and similar charges	468	
(100)	Interest and investment income	(86)	386
<b>(1,107)</b>	<b>(Surplus) or deficit for the year on HRA services</b>		<b>(4,105)</b>

**HOUSING REVENUE ACCOUNT**  
**MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDING 31<sup>ST</sup>**  
**MARCH 2017**

	2016/2017 £000	2015/2016 £000
<b>Balance on HRA Reserve at 31st March</b>	<b>(7,234)</b>	<b>(5,617)</b>
Surplus/Deficit for the year on HRA Income and Expenditure Statement	(4,105)	(1,107)
Adjustments between accounting basis and funding basis under statute	3,014	(2,072)
Net increase or decrease before transfers to/from reserves	(1,091)	(3,179)
Transfers to/from reserves	1,468	1,562
<b>Balance on HRA Reserve at 31st March</b>	<b>(6,857)</b>	<b>(7,234)</b>

## NOTES TO THE HRA STATEMENT

### 1. HOUSING REVENUE ACCOUNT STOCK

The Council owned 4,751 dwellings at 31<sup>st</sup> March 2017 which are analysed below:-

	2016/2017 £000	2015/2016 £000
Low rise flats	2,175	2,177
Medium rise flats	767	768
Houses and bungalows	1,765	1,772
Multi occupied dwellings	44	44
<b>Total</b>	<b>4,751</b>	<b>4,761</b>

The change in the stock during the year is summarised below:-

	2016/2017 £000	2015/2016 £000
<b>Stock at 1st April</b>	<b>4,761</b>	<b>5,023</b>
Less: Sales to tenants	10	12
Disposal to Housing Associations	-	319
Add: Right to Buy Backs	-	2
Property Conversion	-	1
Transferred from General Fund	-	66
<b>Stock at 31st March</b>	<b>4,751</b>	<b>4,761</b>



The Balance Sheet value of assets held in the Housing Revenue Account was as follows:-

	<b>2016/2017 £000</b>	<b>2015/2016 £000</b>
Operational assets:		
Council dwellings	115,300	99,003
Other HRA	2,112	2,314
<b>Stock at 31st March</b>	<b>117,412</b>	<b>101,317</b>

## 2. DWELLING RENTS

This is the total rent due for the year after allowance is made for voids etc. During the year 1.9% of lettable properties, including hostels, were vacant (2015/16: 5.5%). This includes properties intentionally held vacant pending the ongoing re-development of the Queens Park estate and other sites. During the year the average void rate for hostels was 33% (2015/16 - 23%).

The average rent (excluding Affordable Rent properties) was £68.63 a week in 2016/17, an decrease of 0.26% over the previous year.

	<b>2016/2017 £000</b>	<b>2015/2016 £000</b>
Vacant possession value of properties	287,005	281,324

The vacant possession value of dwellings held on 31<sup>st</sup> March 2017 was £287,005,400. The difference between this and the Existing Use Value (Social Housing) valuation of £115,300,400 represents the economic cost to the Government of providing council housing at less than the open market rents.

### 3. MAJOR REPAIRS RESERVE

The movements in the Major Repairs Reserve (MRR) are summarised below:

	2016/2017 £000	2015/2016 £000
<b>Balance at 1st April</b>	-	-
Transferred to MRR during the year	2,405	2,421
Transfer between MRR and HRA during the year	1,468	1,562
Debits to MRR during the financial year in respect of capital expenditure:		
Houses held within HRA	(3,873)	(3,983)
<b>Balance at 31st March</b>	-	-

### 4. HOUSING REPAIRS ACCOUNT

The movement on the Housing Repairs Account during the year is summarised below:

	2016/2017 £000	2015/2016 £000
<b>Balance at 1st April</b>	-	-
Add: Revenue contribution	4,839	4,917
Less: Expenditure in year		
Responsive repairs	(3,490)	(2,612)
Planned maintenance	(1,349)	(2,305)
<b>Balance at 31st March</b>	-	-

## 5. CAPITAL EXPENDITURE WITHIN HOUSING REVENUE ACCOUNT

	2016/2017 £000	2015/2016 £000
<b>Total capital expenditure within the Housing Revenue Account on land, housing &amp; other property</b>	<b>7,629</b>	<b>6,955</b>
Sources of funding for the above Capital Expenditure:		
- Usable Capital Receipts	65	114
- Revenue contributions (as defined in Local Government & Housing Act 1989)	3,691	2,830
- Major Repairs Reserve	3,873	3,983
- Grants and other funding	-	28
<b>Total capital expenditure within the HRA</b>	<b>7,629</b>	<b>6,955</b>

Usable capital receipts totalling £65,078 were received during the year.

## 6. DEPRECIATION CHARGE WITHIN THE HRA

	2016/2017 £000	2015/2016 £000
Depreciation charges for:		
- Operational assets, comprising dwellings and other land and buildings	2,328	2,345
- Non-Operational assets	77	76
<b>Total</b>	<b>2,405</b>	<b>2,421</b>

## 7. IMPAIRMENT

	2016/2017 £000	2015/2016 £000
Impairment charges in respect of land, houses and other property within the HRA	257	3,040

The basis of valuation of the housing stock within the HRA is Existing Use Value – Social Housing (EUV-SH). This is calculated by applying a prescribed discount factor to the Existing Use Value – Vacant Possession. During 2016/17 the Department for Communities and Local Government (DCLG) issued revised guidance to valuers that included a change to the discount factor to be applied to EUV-SH from 35% to 40%. This change in policy has resulted in an increased value to the social housing stock which nets off all other in-year impairments. However, this change in policy does not affect non-dwellings which were impaired by £257,000 in 2016/17.

## **8. GOVERNMENT RULES**

The Localism Act 2011 resulted in the cessation of the Housing Subsidy System on 31<sup>st</sup> March 2012 and the introduction of the HRA self-financing system on 1<sup>st</sup> April 2012. One of the purposes for the introduction of the Act is to enable all local authorities to be in a position whereby they can manage their homes from their own income.

### **a) The Ringfence**

The present rules do not allow authorities to transfer funds from the Housing Revenue Account to the General Fund or vice versa except under specified conditions. The items to be included within the Housing Revenue Account are also specified.

### **b) Control**

A deficit balance on the Account is not allowed and the format of the Account must comply with Schedule 4 of the Act.

### **c) Annual Report**

An annual report to tenants must be published detailing activities and performance during the year.

## **9. RENT ARREARS**

Rent Arrears for 2016/2017 amounted to £635,000 compared to £556,000 in the previous year. During the year 2016/2017 rent arrears as a proportion of gross collectable rent (including service charges) were 3.42% (2015/2016 2.92%).

Amounts written off during the year amounted to £272,000 (2015/16 £405,000). The total provision for bad and doubtful rental debts in the Housing Revenue Account at 31st March 2017 is £548,000 (£478,000 at 31<sup>st</sup> March 2016). This provision has been calculated in accordance with the Housing Revenue Account (Arrears of Rents and Charges) Directions 1990.

# **COLLECTION FUND 2016/2017**

## COLLECTION FUND STATEMENT 2016/2017

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.

2015/2016 £000 Council Tax	2015/2016 £000 NNDR	2015/2016 £000 Total		2016/2017 £000 Council Tax	2016/2017 £000 NNDR	2016/2017 £000 Total
			<b>INCOME</b>			
56,120		56,120	Council Tax Receivable	58,139		58,139
	45,580	45,580	Business Rates Receivable		52,486	52,486
<b>56,120</b>	<b>45,580</b>	<b>101,700</b>	<b>TOTAL INCOME</b>	<b>58,139</b>	<b>52,486</b>	<b>110,625</b>
			<b>EXPENDITURE</b>			
			<u>Apportionment of previous year's surplus/deficit</u>			
	(3,766)	(3,766)	Central Government		(1,709)	(1,709)
1,753	(3,690)	(1,937)	Blackpool Council	1,737	(1,675)	62
85	(75)	10	Lancashire Fire Authority	86	(34)	52
209		209	Police & Crime Commissioner for Lancashire	212		212
			<u>Precepts, Demands and Shares</u>			
	24,487	24,487	Central Government		24,529	24,529
45,535	23,997	69,532	Blackpool Council	48,295	24,038	72,333
2,261	490	2,751	Lancashire Fire Authority	2,329	490	2,819
5,546		5,546	Police & Crime Commissioner for Lancashire	5,769		5,769
			<u>Charges to Collection Fund</u>			
(2,222)	(1,676)	(3,898)	less: Write offs of uncollectable amounts	(3,005)	(1,156)	(4,161)
2,797	1,700	4,497	less: Increase/Decrease in BDP	3,432	1,552	4,984
	(3,274)	(3,274)	less: Increase/Decrease in Provision for Appeals		1,050	1,050
	275	275	less: Cost of Collection		270	270
	340	340	less: Transitional Protection Payments		(234)	(234)
<b>55,964</b>	<b>38,808</b>	<b>94,772</b>	<b>TOTAL EXPENDITURE</b>	<b>58,855</b>	<b>47,121</b>	<b>105,976</b>
<b>(156)</b>	<b>(6,772)</b>	<b>(6,928)</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR</b>	<b>716</b>	<b>(5,365)</b>	<b>(4,649)</b>
			<b>COLLECTION FUND BALANCE</b>			
(4,083)	11,352	7,269	Fund balance at 1st April (Surplus)/Deficit	(4,239)	4,580	341
<b>(4,239)</b>	<b>4,580</b>	<b>341</b>	<b>DEFICIT/(SURPLUS) AS AT 31ST MARCH</b>	<b>(3,523)</b>	<b>(785)</b>	<b>(4,308)</b>
			<b>Allocated to:</b>			
(3,625)	2,244	(1,381)	- Blackpool Council	(3,023)	(385)	(3,408)
(177)	46	(131)	- Lancashire Fire Authority	(143)	(8)	(151)
(437)		(437)	- Police & Crime Commissioner for Lancashire	(357)		(357)
	2,290	2,290	- Central Government		(392)	(392)
<b>(4,239)</b>	<b>4,580</b>	<b>341</b>	<b>TOTAL</b>	<b>(3,523)</b>	<b>(785)</b>	<b>(4,308)</b>

## NOTES TO THE COLLECTION FUND

### 1. GENERAL

The Collection Fund statement shows the transactions of the billing authority in relation to the collection of council tax from taxpayers and non-domestic rates from business rate payers. The Council has a statutory requirement to operate a Collection Fund separate account to the General Fund. The Collection Fund is distributed between the Council, Central Government, Police and Crime Commissioner for Lancashire and Lancashire Fire Authority.

From 1<sup>st</sup> April 2013, the local government finance regime was revised with the introduction of a retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the area. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

The scheme allows Councils to retain 49% of the total NNDR received. The remaining 51% is paid to Central Government (50%) and Lancashire Fire Authority (1%).

NNDR surpluses and deficits are apportioned/charged to the relevant preceptors in the following financial year.

### 2. COUNCIL TAX

The Council as a billing authority is required to set a tax base for each billing year by 31<sup>st</sup> January of the previous year. The council tax base represents the number of chargeable dwellings in each valuation band (adjusted for discounts etc) multiplied by a set proportion to give the number of Band D equivalents.

The tax base is not constant. The number of properties eligible for discounts varies during the year. The number of properties on the valuation list also varies during the year owing to new properties being occupied and others being demolished. As a result the amount receivable from council tax payers in the year varies from the estimated amount. This will result in a surplus or deficit on the Collection Fund in respect of council tax. Surplus and deficits on the Collection Fund are shared between the Council, Police and Crime Commissioner for Lancashire and Lancashire Fire Authority in proportion to their budgets. The Council's share of any surplus/deficit is used to reduce/increase the council tax bills in the subsequent financial year.

The Council tax base for 2016/2017 was 35,562 (34,866 in 2015/2016). This increase is as a result of the Government's Council Tax Localisation changes which revised the way Central Government pay Council Tax benefit compensation to the Council.

The tax base for 2016/2017 was calculated as follows:

Band	Chargeable Dwellings	Proportion of Band D Tax	Equivalent Band D Dwellings
A Reduced	30	5/9	17
A	16,127	6/9	10,751
B	14,410	7/9	11,208
C	8,684	8/9	7,719
D	3,772	1	3,772
E	1,574	11/9	1,924
F	472	13/9	681
G	216	15/9	360
H	21	18/9	42
Less allowances for non collection			912
<b>Tax Base for the Calculation of Council Tax</b>			<b>35,562</b>

### 3. NATIONAL NON-DOMESTIC RATES

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VO) multiplied by a uniform business rate set nationally by Central Government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR Pool) administered by Central Government, which in turn paid to local authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/2014 the administration of NNDR changed following the introduction of a business rate retention scheme which aims to give councils greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of collectable rates due. Blackpool Council's local share is 49%. The remainder is distributed to the preceptors which are Central Government (50%) and Lancashire Fire Authority (1%).

The business rates shares payable for 2016/2017 were estimated before the start of the financial year as £24.529m (£24.487m in 2015/16) to Central Government, £0.49m (£0.490m in 2015/16) to Lancashire Fire Authority and £24.038m (£23.997m in 2015/16) to Blackpool Council. These sums have been paid in 2016/2017 and charged to the Collection Fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all local authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Blackpool received top up grant to the General Fund in 2016/2017 to the value of £19.320m (£19.163m in 2015/2016).

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VO. Authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion to precepting shares. The total provision charged to the Collection Fund for 2016/2017 has been calculated at £7.814m (£6.764m in 2015/2016).



For 2016/2017, the total non-domestic rateable value at the year- end is £132.7m. The national multiplier for 2016/2017 was 49.7p (49.3p in 2015/2016) for qualifying small businesses and the standard multiplier being 48.4p (48.0p in 2015/2016) for all other businesses.

#### 4. ALLOCATION OF CLOSING BALANCES

The allocation of the closing balances for 2016/2017 between the preceptors is as follows:

	<b>CENTRAL GOVERNMENT £000</b>	<b>BLACKPOOL COUNCIL £000</b>	<b>LANCASHIRE FIRE AUTHORITY £000</b>	<b>POLICE AUTHORITY £000</b>	<b>TOTAL £000</b>
<b>COUNCIL TAX</b>					
Arrears at 31st March 2017		12,949	595	1,503	<b>15,047</b>
Receipts in Advance		(651)	(30)	(75)	<b>(756)</b>
Bad Debt Provision		(4,877)	(224)	(566)	<b>(5,667)</b>
Surplus/Deficit		(3,023)	(143)	(357)	<b>(3,523)</b>
<b>BUSINESS RATES</b>					
Arrears at 31st March 2017	3,016	2,956	60		<b>6,032</b>
Receipts in Advance	(154)	(151)	(3)		<b>(308)</b>
Bad Debt Provision	(1,135)	(1,112)	(23)		<b>(2,270)</b>
Appeals	(3,907)	(3,829)	(78)		<b>(7,814)</b>
Surplus/Deficit	(392)	(385)	(8)		<b>(785)</b>

# SECTION 7

## GROUP ACCOUNTS 2016/2017

## 7.0 INTRODUCTION

The Group Accounts show the combined overall financial position of the Council, its subsidiary companies and its associates.

**Subsidiaries** are where the Council exercises control. Blackpool Transport Services, Blackpool Operating Company and Blackpool Coastal Housing are 100% owned by the Council and are therefore classified as subsidiaries. They are incorporated into the accounts on a line-by-line basis.

**Associates** are where the Council exercises significant influence. Marketing Lancashire is classified as such and are incorporated into the accounts on an equity basis.

### Subsidiaries

#### *Blackpool Transport Services*

Blackpool Transport Services Limited was set up in accordance with the provisions of the Transport Act 1985 to operate the Council's municipal bus operation. The company provides a comprehensive passenger transport service in the Fylde coast area through its bus and tram operations.

#### *Blackpool Operating Company*

The Council purchased the operation of the Sandcastle Waterpark from a private company on 20<sup>th</sup> June 2003 and now wholly owns both the building and the commercial operator - Blackpool Operating Company Limited (BOC). The Council's shares in Blackpool Operating Company are valued at £2.

#### *Blackpool Coastal Housing*

Blackpool Coastal Housing is an ALMO (arms-length management organisation) of the Council and was formed on 15<sup>th</sup> January 2007. The company's principal activities are to manage and maintain the housing stock of the Council.

#### *Blackpool Entertainment Company*

The Council purchased the operation of the Winter Gardens from a private company on 16<sup>th</sup> May 2014 and now wholly owns both the building and the commercial operator - Blackpool Entertainment Company Limited (BECL). The Council's shares in BECL are valued at £1.

#### *Blackpool Housing Company*

Blackpool Housing Company Limited was set up on 26<sup>th</sup> January 2015. The company is a housing regeneration company and is wholly owned by the Council. The Council's shares in the company are valued at £3,850,000.

### Associates

#### *Marketing Lancashire*

Marketing Lancashire (previously known as Lancashire and Blackpool Tourist Board) is limited by guarantee and therefore has no share capital. The Council has 43% of the voting rights. It supports businesses in the Lancashire and Blackpool area by representing their interests regionally and nationally, by co-ordinating marketing activity, managing and developing the tourism product and working in partnership with industry. Activities in commercial membership, business support, "Welcome to Excellence" training, visitors services and marketing activity are all designed to improve quality and achieve common goals.

# CORE FINANCIAL STATEMENTS – GROUP

## GROUP MOVEMENT IN RESERVES STATEMENT

**2016/2017**

	General Fund Balance	Earmarked General Fund Reserves	HRA	Capital Receipts Reserve	Major Repairs Reserve	Capital Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Group Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 31st March 2016	(10,505)	(42,231)	(7,234)	(3,825)	-	(4,502)	(68,297)	(270,391)	(338,688)	(885)	(339,573)
<b>Movements in Reserves in 2016/2017</b>											
(Surplus) or Deficit on the provision of services	46,126		(4,105)				42,021		42,021	423	42,444
Other Comprehensive Income & Expenditure							-	57,054	57,054	1,114	58,168
<b>Total Comprehensive Income and Expenditure</b>	<b>46,126</b>	<b>-</b>	<b>(4,105)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,021</b>	<b>57,054</b>	<b>99,075</b>	<b>1,537</b>	<b>100,612</b>
Adjustments between accounting basis and funding basis under regulations (Note 9)	(36,250)		3,014		3,873		(29,363)	29,363	-		-
<b>Net (Increase) or Decrease before Transfer to Earmarked Reserves</b>	<b>9,876</b>	<b>-</b>	<b>(1,091)</b>	<b>-</b>	<b>3,873</b>	<b>-</b>	<b>12,658</b>	<b>86,417</b>	<b>99,075</b>	<b>1,537</b>	<b>100,612</b>
Transfer to/(from) Earmarked Reserves (Note 10)	(5,793)	4,730	1,468	632	(3,873)	(371)	(3,207)	3,207	-		-
<b>(Increase)/Decrease in 2016/2017</b>	<b>4,083</b>	<b>4,730</b>	<b>377</b>	<b>632</b>	<b>-</b>	<b>(371)</b>	<b>9,451</b>	<b>89,624</b>	<b>99,075</b>	<b>1,537</b>	<b>100,612</b>
Balance as at 31st March 2017	(6,422)	(37,501)	(6,857)	(3,193)	-	(4,873)	(58,846)	(180,767)	(239,613)	652	(238,961)

**2015/2016**

	General Fund Balance	Earmarked General Fund Reserves	HRA	Capital Receipts Reserve	Major Repairs Reserve	Capital Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Group Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 31st March 2015	(11,242)	(46,024)	(5,617)	(3,431)	-	(4,388)	(70,702)	-212,453	(283,155)	(533)	(283,688)
<b>Movements in Reserves in 2015/2016</b>											
Surplus or Deficit on the provision of services	26,312	-	(1,107)	-	-	-	25,205	-	25,205	1,188	26,393
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	(80,738)	(80,738)	(1,540)	(82,278)
<b>Total Comprehensive Income and Expenditure</b>	<b>26,312</b>	<b>-</b>	<b>(1,107)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,205</b>	<b>(80,738)</b>	<b>(55,533)</b>	<b>(352)</b>	<b>(55,885)</b>
Adjustments between accounting basis and funding basis under regulations	(29,739)	-	(2,072)	-	3,983	-	(27,828)	27,828	-	-	-
<b>Net increase or Decrease before Transfer to Earmarked Reserves</b>	<b>(3,427)</b>	<b>-</b>	<b>(3,179)</b>	<b>-</b>	<b>3,983</b>	<b>-</b>	<b>(2,623)</b>	<b>(52,910)</b>	<b>(55,533)</b>	<b>(352)</b>	<b>(55,885)</b>
Transfer to/from Earmarked Reserves	4,164	3,793	1,562	(394)	(3,983)	(114)	5,028	(5,028)	-	-	-
<b>Increase/Decrease in 2015/2016</b>	<b>737</b>	<b>3,793</b>	<b>(1,617)</b>	<b>(394)</b>	<b>-</b>	<b>(114)</b>	<b>2,405</b>	<b>(57,938)</b>	<b>(55,533)</b>	<b>(352)</b>	<b>(55,885)</b>
Balance as at 31st March 2016	(10,505)	(42,231)	(7,234)	(3,825)	-	(4,502)	(68,297)	(270,391)	(338,688)	(885)	(339,573)

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2015/2016				2016/2017		
Gross Expenditure £000	Gross Income £000	Net Expenditure		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
5,600	(5,434)	166	Chief Executive	3,819	(4,138)	(319)
8,121	(4,101)	4,020	Governance and Partnership Services	6,166	(4,437)	1,729
261	-	261	Ward Budgets	274	(6)	268
31,686	(22,755)	8,931	Resources	27,000	(27,436)	(436)
17,314	(8,934)	8,380	Places	22,663	(12,580)	10,083
4,462	(3,035)	1,427	Strategic Leisure Assets	5,728	(3,053)	2,675
74,385	(27,102)	47,283	Community and Environmental Services	73,204	(28,604)	44,600
68,306	(26,100)	42,206	Adult Services	69,780	(25,256)	44,524
124,152	(78,442)	45,710	Children's Services	115,381	(69,561)	45,820
19,197	(18,916)	281	Public Health	20,021	(19,580)	441
104,705	(104,933)	(228)	Budgets Outside the Cash Limit	126,650	(127,331)	(681)
2,109	(3,598)	(1,489)	Contingencies	2,749	(859)	1,890
16,628	(18,784)	(2,156)	Housing Revenue Account	14,211	(18,702)	(4,491)
<b>476,926</b>	<b>(322,134)</b>	<b>154,792</b>	<b>Cost of Services</b>	<b>487,646</b>	<b>(341,543)</b>	<b>146,103</b>
		5,518	Other Operating Expenditure			26,530
		6,200	Financing & Investment Income & Expenditure - Other			3,412
		(126)	Income & Expenditure in relation to Investment Properties and changes in their fair value			(1,449)
		(139,993)	Taxation and Non-Specific Grant Income - Other			(132,038)
		<b>26,391</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>42,558</b>
		2	Share of (Surplus)/Deficit on the Provision of Services by Associates			-
		-	Tax of Subsidiaries			(114)
		<b>26,393</b>	<b>Group (Surplus)/Deficit</b>			<b>42,444</b>
		(26,836)	Surplus or Deficit on revaluation of non-current assets			(8,863)
		(14,585)	Impairment losses on non-current assets charged to Revaluation Reserve			(4,686)
		(1,500)	Surplus or deficit on revaluation of available for sale financial assets			(1,500)
		(45)	Movement on financial instruments adjustment account			(44)
		(36,702)	Actuarial gains / losses on pension assets / liabilities			74,059
		(2,610)	Other Movements			(798)
		<b>(82,278)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>58,168</b>
		<b>(55,885)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>100,612</b>

## GROUP BALANCE SHEET

31st March 2016 £000		Notes	31st March 2017 £000
775,303	Property, Plant and Equipment	G3	774,778
7,764	Heritage Assets		7,764
14,667	Investment Property		17,347
65	Intangible Assets		32
124	Net share of Associates		122
1,551	Assets Held for Sale		654
8,921	Long Term Investments		10,421
9,304	Long Term Debtors		8,121
<b>817,699</b>	<b>Long Term Assets</b>		<b>819,239</b>
1,225	Inventories		1,245
42,866	Short Term Debtors	G5	38,822
1,995	Payments in Advance		6,070
19,950	Cash and Cash Equivalents	G4	18,556
<b>66,036</b>	<b>Current Assets</b>		<b>64,693</b>
(72,126)	Short Term Borrowing		(91,697)
(49,128)	Short Term Creditors	G6	(50,114)
(15,285)	Receipts in Advance		(18,365)
(16,143)	Provisions		(14,416)
<b>(152,682)</b>	<b>Current Liabilities</b>		<b>(174,592)</b>
(79,739)	Long Term Creditors		(77,378)
(80,144)	Long term Borrowing		(84,701)
(223,712)	Other Long Term Liabilities		(292,227)
(7,885)	Capital Grants in Advance		(16,073)
<b>(391,480)</b>	<b>Long Term Liabilities</b>		<b>(470,379)</b>
<b>339,573</b>	<b>Net Assets</b>		<b>238,961</b>
(69,182)	Usable Reserves		(58,846)
(270,391)	Unusable Reserves		(180,115)
<b>(339,573)</b>	<b>Total Reserves</b>		<b>(238,961)</b>

**GROUP CASH FLOW STATEMENT**

<b>2015/2016 £000</b>		<b>2016/2017 £000</b>
<b>26,393</b>	<b>Net (surplus) or deficit on the provision of services</b>	<b>42,444</b>
(20,634)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(11,339)
(19,518)	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	(50,218)
<b>(13,759)</b>	<b>Net cash flows from Operating Activities</b>	<b>(19,113)</b>
10,313	Investing Activities	24,595
(688)	Financing Activities	(26,012)
<b>(4,134)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(20,530)</b>
(128,186)	Cash and cash equivalents at the beginning of the reporting period	(132,320)
<b>(132,320)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>(152,850)</b>



## NOTES TO THE GROUP ACCOUNTS

### G1. ACCOUNTING POLICIES

The group accounts include the Council's share of the operating results, assets and liabilities of each group entity's accounts. Subsidiaries are accounted for on an acquisition basis and incorporated line-by-line, writing out inter-group transactions. Associates are incorporated by accounting for the Council's share of their operating results in the group income and expenditure accounts and of their assets in the balance sheet.

### G2. INTER GROUP TRANSACTIONS

Certain figures from the balance sheets of Group members have been taken out of the consolidated position as they represent amounts outstanding within the Group and therefore cancel each other out in the balance sheet. The adjustments are as follows:

- i) The Council owns shares to the value of £2,789,000 in Blackpool Transport. This has been taken out of long term investments and capital and reserves.
- ii) The Council owns shares to the value of £3,850,000 in Blackpool Housing Company. This has been taken out of long term investments and capital and reserves.
- iii) An amount of £413,655 representing amounts outstanding between the Council and Blackpool Operating Company has been taken out of debtors and creditors.
- iv) An amount of £937,438 representing amounts outstanding between the Council and Blackpool Coastal Housing has been taken out of debtors and creditors.
- v) An amount of £7,655,000 representing loans to Blackpool Transport from the Council has been taken out of long term debtors and long term borrowing.
- vi) An amount of £3,600,000 representing loans to Blackpool Housing Company from the Council has been taken out of long term debtors and long term borrowing.

### G3. PROPERTY, PLANT AND EQUIPMENT

	NBV 31st March 2017 £000	NBV 31st March 2016 £000
Property, Plant & Equipment held by the Council	751,515	764,054
Property, Plant & Equipment held by		
- Blackpool Transport Services	14,463	7,526
- Blackpool Operating Company	1,146	1,171
- Blackpool Coastal Housing	101	113
- Blackpool Entertainment Company	371	308
- Blackpool Housing Company	7,182	2,131
<b>Total</b>	<b>774,778</b>	<b>775,303</b>

**G4. CASH AND CASH EQUIVALENTS**

The balance of cash and cash equivalents is made up of the following elements:

	<b>2016/17 £000</b>	<b>2015/16 £000</b>
Cash and cash equivalents held by the Council	9,878	12,594
Cash and cash equivalents held by:-		
- Blackpool Transport Services	3,144	3,274
- Blackpool Operating Company	180	134
- Blackpool Coastal Housing	2,429	2,271
- Blackpool Entertainment Company	2774	1555
- Blackpool Housing Company	151	122
<b>Total</b>	<b>18,556</b>	<b>19,950</b>

**G5. SHORT-TERM DEBTORS**

The group short-term debtors are made up of the following amounts:

	<b>2016/17 £000</b>	<b>2015/16 £000</b>
Debtors - single entity accounts	35,813	43,600
Debtors held by:-		
- Blackpool Transport Services	3,049	2,155
- Blackpool Operating Company	257	298
- Blackpool Coastal Housing	530	637
- Blackpool Entertainment Company	496	862
- Blackpool Housing Company	28	2
Removal of intra group debtors	(1,351)	(4,688)
<b>Total</b>	<b>38,822</b>	<b>42,866</b>

**G6. SHORT-TERM CREDITORS**

The group short-term creditors are made up of the following amounts:

	<b>2016/17</b> <b>£000</b>	<b>2015/16</b> <b>£000</b>
Creditors - single entity accounts	(37,355)	(44,606)
Creditors held by;-		
- Blackpool Transport Services	(4,651)	(2,534)
- Blackpool Operating Company	(899)	(1,226)
- Blackpool Coastal Housing	(1,875)	(2,134)
- Blackpool Entertainment Company	(5,247)	(2,447)
- Blackpool Housing Company	(1,438)	(869)
Removal of intra group creditors	1,351	4,688
<b>Total</b>	<b>(50,114)</b>	<b>(49,128)</b>

# SECTION 8

# ANNUAL GOVERNANCE STATEMENT

## Annual Governance Statement 2016/2017

### Acknowledgement of Responsibility

Blackpool Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It needs to ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

The Accounts and Audit Regulations (2015) require the Council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts.

### The Principles of Good Governance

The CIPFA Delivering Good Governance publication (2016) defines the various principles of good governance in the public sector and how they relate to each other and are defined as:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the Council's capacity, including its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting and audit, to deliver effective accountability.

The governance framework at Blackpool Council comprises the systems and processes, culture and values which the Council has adopted in order to deliver on the above principles. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The governance framework incorporated into this report has been in place at Blackpool Council for the year ended 31st March 2017 and up to the date of the approval for the statement of accounts for that year.

### The Governance Framework

The key elements of the structures and processes that comprise Blackpool Council's governance arrangements are summarised below.

#### Code of Conduct and Behaviours

Codes of Conduct are in place that define standards of behaviours for elected members and officers. Adherence to these is a key part of good governance. These are further supported by the Council's Whistleblowing Policy, Registers of Interests and Gifts and Hospitality Policies. Processes are in place to deal with non-compliance through the Council's Disciplinary Policy for Officers and the Monitoring Officer and/or Standards Committee for Elected Members.

The Council has developed a set of values which all elected members and officers should adhere to when carrying out their duties and these include being accountable, compassionate, delivering quality services, being trustworthy and fair.

Following a Leadership Summit in the year and considerable consultation a Leadership Charter was developed for officers. The Leadership Charter aims to bring to life the vision for the Council's workforce as outlined in the Workforce Strategy 2016-2020.

A set of Ethical Principles has been developed and these will be reviewed to ensure the appropriate arrangements in place to ensure that the Council behaves in an ethical manner.

The Council strives to deliver equal opportunities to all and equality impact assessments form a part of the decision making process. An Equalities and Diversity Manager is in place at the Council to support managers in discharging their duties.

### **Commitment to Openness, Communication and Consultation**

The Council complies with the minimum requirements of the Transparency Agenda and provides a range of information in the public domain through its website. Key messages are also communicated to residents in the Your Blackpool publication which is delivered to all Blackpool households on a quarterly basis. Social media is used on a regular basis and is proving an effective way to provide the community with important information from the Council. The public are able to attend and speak at Committee meetings and Full Council is broadcast on the Council's website.

The Council has in place a system to respond to Freedom of Information requests and compliance with the timelines is managed by the Information Governance Team.

The Council has refreshed the way in which it consults with the public in the year, in response to reduced resources in this area and the opportunity to attract external funding. A new process which sees consultation driven through the Fairness Commission, which is led by the voluntary sector, is now in place and a Community Orientated Primary Car project, has been piloted. The focus of these consultation exercises is to identify issues in the community but also co-design solutions to the problems.

Structures are in place to ensure consultation with other public sector agencies through the Public Service Board and also local businesses through the Blackpool Business Leadership Group.

### **Developing, Communicating and Translating the Vision**

The Council Plan 2015-2020 sets out the vision for Blackpool to be *'The UK's number one family resort with a thriving economy that supports a happy and healthy community who are proud of this unique town'*. This is supported by the two priorities for the Council which are:

- The Economy: Maximising Growth and Opportunity across Blackpool.
- Communities: Creating Stronger Communities and Increasing Resilience.

The length of the Council Plan has been reduced and the style in which the plan is written reviewed to ensure that the document is accessible and understandable to employees and residents and the plan contents were agreed following a consultation exercise.

A staff conference was held in the year, hosted by the Chief Executive, which provided an update on the plan and the Council's priorities to employees.

Beneath each priority the plan details the key challenges faced by Blackpool and the key projects and schemes which will be implemented to address these issues. The Council Plan seeks to address the big issues and policy drivers facing local government.

The Corporate Delivery Unit was introduced in the year whose role is to provide challenge and ensure that key outcomes identified in the Council Plan are achieved. To support this team two Priority Boards have been established who are accountable for the delivery of the Council's priorities. A Transformation Board is also now in place which oversees the implementation of the transformation programme and identifies areas where further change is necessary to meet the Council priorities, within the constraints of the budget available. A dedicated Cabinet Member Lead for Transformation has also been identified.

The Council priorities feed into directorate business plans and are a key tool for managers to use when developing business plans. The business plans then feed into Individual performance Appraisals (IPA). New business planning framework has been developed for 2017.

### **Performance Management**

A Policy Framework is in place which sets out the corporate strategies and plans which are in place and the Corporate Delivery Unit have a role in the production, monitoring and management of these key documents.

The Council has reviewed and refined its performance management system and strategic performance will be reported to Corporate Leadership Team and the relevant Scrutiny Committees with local performance indicators being managed through the Business Planning Process. This review has included an overhaul of the key performance indicators which will be measured in 2017/18.

In order to improve performance the Council participates in peer reviews and benchmarking exercises to learn from others and to ensure that services delivered are value for money. In 2016/17 a LGA peer review of the Planning Service was undertaken. CIPFA was also commissioning to undertake a review of the Council's financial resilience with a focus on the savings proposals for 2017/18 onwards. It is also intended that the LGA will be asked to undertake a peer review of Corporate Governance / Health in the future.

The Individual Performance Appraisal process which is in place is part of the Council's wider approach to performance management. The IPA process is an important tool designed to provide an opportunity to establish and understand expectations and to evaluate performance in order to help employees develop to their full potential. The IPA process is not a replacement for day to day people management so in addition employees are supported by their line managers and should be mentored, coached and directed according to their individual needs. This may come through regular one to one meetings, formal supervision meetings, team meetings and informal feedback. The Leadership Charter will support the Council's priorities and values and will be included in the Managers IPA template replacing the existing Management Objectives.

### **Roles and Responsibilities**

Responsibilities and functions are in place for each Council Committee including Licensing, Planning, Standards, Scrutiny Committees and Audit Committee. These are reviewed annually with any changes made at the Council's Annual Meeting to ensure that they continue to be fit for purpose. The Executive has agreed a set of criteria relating to the levels of decision making which provide clarity relating to levels of decision making which provide clarity and consistency for decision makers. This has also been reviewed and refined in the last twelve months.

All Council Officers, including the Corporate Leadership Team, have a job description which sets out their roles and responsibilities. Individual objectives for each officer are then parts of the Individual Performance Appraisal process and managers have an additional mandatory set of objectives which they must conform with.

The focus of the Corporate Leadership Team and the Senior Leadership Team has been refreshed to improve consultation of key initiatives and communication of key messages. The Corporate Leadership Team has also been extended once a month to involve key Heads of Service in the decision making process.

Steps have been taken to address some of the concerns with 'hard to recruit to posts' such as the development of the Next Step Blackpool website to recruit Children's Social Workers and Teachers to the area. In addition, there are ongoing investment in digital technologies to help improve capacity across the Council.

The Elected Members have now implemented a hierarchy for the Cabinet and introduced the role of Cabinet Assistants to build capacity in this area and ensure that members of the Cabinet are adequately resource and informed for of the portfolio's they are responsible for.

The Council's Constitution, including the Scheme of Delegation, sets out the arrangements and protocols which are in place to enable effective communication within the authority.

The Council has in place effective arrangements to discharge the Head of Paid Service function and this role is undertaken by the Chief Executive.

The Council has designated a Monitoring Officer and Deputy with appropriate qualifications and experience. The Monitoring Officer has the specific duty to ensure that the Council, its officers and its Elected Members maintain the highest standards in all they do and is responsible to Blackpool Council for ensuring that governance procedures are followed and all applicable statutes and regulations are complied with.

### **Decision Making**

The Constitution sets out the functions and responsibilities of the Council, the Executive and Committees. Included in this are the delegation arrangements adopted by the Council and the Executive and this is reviewed on a regular basis.

All Executive Decisions contain all relevant policy implications including financial, risk management, human resources, equality analysis, ethical considerations, legal considerations and links to Council priorities. All Executive Decisions are subject to finance and legal approval before they are taken forward for a decision to be made. The Monitoring Officer or a designated representative, receive all decisions before they are processed and therefore are able to check the robustness of data quality prior to a decision being submitted for formal approval. Cabinet Member and relevant Officer Decisions are published to meet transparency requirements and inform the public.

A framework for undertaking compliance checks to ensure that decision making processes are appropriate has been developed and these reviews are jointly carried out by Internal Audit and Democratic Governance and the findings reported to Audit Committee.

### **Compliance with relevant Laws, Regulations, Internal Policies and Procedures**

A wide range of corporate policies and procedures are in place to ensure compliance with laws and regulations. These cover all key areas including financial management, human resources, procurement,



contract management, risk management, business continuity, data protection, health and safety management arrangements and safeguarding arrangements.

Managers are responsible for ensuring that their service adheres to the relevant policies and procedures and Disciplinary and Capability Procedures are in place to deal with non-compliance. Two sessions have also been held within the year with the Senior Leadership Team to emphasise the need for all Heads of Services to ensure compliance.

Internal and external audit arrangements are in place to provide a reasonable level of assurance with compliance of the Council's system of internal control. The Health and Safety Team also undertake a programme of audits to ensure that managers maintain their manuals and comply with statutory requirements.

The Council has obtained PSNN, PCI and N3 security compliance so that it can effectively share data with other organisations including the National Health Service and Department for Work and Pensions. There is an ongoing review of cyber risks and progress against this is monitored by the Audit Committee. An ICT Security Policy is in place.

A Corporate Procurement and Projects Team is in place to support Heads of Services and Service Managers to undertake market engagement for those goods, services and works which are delivered through third-party organisations. Procedures are in place to ensure compliance with the Public Contract Regulations Act 2015, European Union Procurement Directive 2014 and the Council's Contract Procedure Rules. Standard Control Documents are used to ensure consistency of practice, demonstrate value for money and to maximise Social Value through tendering and contract arrangements.

Mandatory training is delivered in a number of ways including through the iPool online system to advise staff of legislative requirements covering Induction, Child Sexual Exploitation, Customer Care, Data Protection Awareness, Equality and Diversity Awareness, Fire Safety Awareness, ICT Security, Infection Control, Safeguarding and Protection of Adults, Safeguarding Children and You and Your Workstation. Completion rates are reported to the Corporate Leadership Team so that action can be taken in services where non-completion is evident.

The Council's Monitoring Officer has a role in ensuring that the Council acts within the remit of relevant law and regulations and that a robust democratic process is maintained. The Monitoring Officer is responsible for the in-house legal team which serves as an additional control to ensure that the Council operates within the constraints of the law and the team hold LEXCEL accreditation.

A number of arrangements are in place to deal with potential breaches to compliance and these include a Data Breach Panel, Corporate Complaints Panel and Serious Case Reviews These are chaired independently of the service which has breached requirements to ensure that objective decisions can be taken. Steps have been taken in the year to centralise the complaints function and information governance function which improves resilience in these areas.

A Disclosure and Barring Service Panel is in place which reviews any positive DBS's in relation to pre employment checks to ensure Council wide robust and consistent decision making.

### **Financial Management**

The Council has an appropriately qualified and experienced designated Chief Financial Officer who holds Section 151 responsibilities and a deputy has also been appointed. The Chief Financial Officer has

arrangements in place for financial management, financial reporting and value for money which is assessed annually by the Council's external auditors.

Financial Regulations are in place which are supported by a Scheme of Delegation to ensure that managers are aware of the level of expenditure they are able to authorise.

Monthly financial monitoring reports, starting from month 0, are reported to the Corporate Leadership Team, the Executive and Tourism, Economy and Resources Scrutiny Committee.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

The Council facilitates a Public Inspection of the Accounts and publishes details of all payment transactions over and above the minimum requirements of the Transparency Code.

### **Audit Arrangements**

An Audit Committee is in place which is independent of the scrutiny function. As a full committee of the Council it is able to discharge all the core functions of an Audit Committee outlined in the CIPFA Audit Committee: Practical Guidance for Local Authorities (2013), from which the Committee has adopted the model terms of reference. Over the past twelve months that Chair of the Audit Committee has taken steps to raise the profile of the Audit Committee and has presented a report to Full Council on the work of the Committee and has proactively requested Chief Officers to attend Committee to be challenged and held to account where controls issues have been identified.

Modular training is delivered prior to each Audit Committee meeting to ensure that members have the appropriate skills and knowledge to effectively discharge their duties. The Audit Committee undertake annual self-assessments of their performance to identify strengths and areas for development.

The Council has an internal audit team who prepare an Annual Internal Audit Plan which is approved by the Corporate Leadership Team and Audit Committee. This includes a balance of risk and compliance work. The audit opinion and assurance statement for each audit is reported quarterly to the Audit Committee.

In 2016/17 the Chief Internal Auditor's Annual Audit Opinion was that sufficient assurance work was undertaken to provide a reasonable conclusion on the adequacy and effectiveness of the control environment and that the overall control environment at the Council is adequate. However, it recognised the significant financial pressures faced by Children's Services which need to be addressed. Where weaknesses were identified through internal audit work the team have worked with management to agree appropriate remedial actions and a timescale for improvement.

The Council's internal audit arrangements broadly conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and the Public Sector Internal Audit Standards. An external review of the Council's compliance with the Public Sector Internal Audit Standards took place in the year which confirmed conformance with the standards. The recommendations made in the external assessment report have been incorporated into the Quality Assurance and Improvement Programme for the service.

External audit arrangements are in place and they are invited to attend Audit Committee to present the findings of their work and raise any concerns which they may have. Effective working relationships are in place with external audit which help ensure that the Council provides timely support, information and responses to the external auditors and considers audit findings and recommendations.

**Risk Management**

A Corporate Risk Management Group is in place to coordinate and promote risk management activity in line with the Council's Risk Management Framework 2014-2017. It is supported by directorate and thematic risk management groups.

All directorates have nominated risk champions to promote best practice in their areas and ensure that service level risk registers are in place and that risk registers are developed for major projects and partnerships where appropriate.

The Strategic Risk Register is reviewed by the Corporate Leadership Team and considered by the Audit Committee annually. Chief Officers identified in the Strategic Risk Register are required to attend Audit Committee to explain how the risks are being managed and what further mitigating controls may be required.

Risk management should be considered for all decisions made by the Council and these are evidenced in the dedicated section on the decision making template.

A Corporate Business Continuity Plan and Critical Activities List are in place and this is supported by service level business continuity plans.

**Counter Fraud and Anti-Corruption Arrangements**

The Council has developed counter fraud and anti-corruption arrangements in line with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014). An Anti-Fraud and Corruption Statement is in place and this is approved by the Corporate Leadership Team and Audit Committee on an annual basis. Any suspected instance of fraud or corruption should be reported to the Chief Internal Auditor so that an appropriate investigation into the matter can be undertaken.

A dedicated Corporate Fraud Team is in place which deals with a range of corporate fraud issues and work has commenced on high risk areas such as insurance fraud, blue badges and council tax. A fraud risk register is in place and this will be further enhanced to continue to inform the Proactive Anti-Fraud Plan.

The Council has appropriate procedures in place to deal with the risk of money laundering and also to raise awareness of the Bribery Act and ensure that appropriate controls are in place to reduce the risk. The Council participates in the National Fraud Initiative and progress against this, and outcomes, are reported to Audit Committee on quarterly basis.

A corporate group is in place to review the Council's use of covert surveillance and to ensure compliance with the Regulatory of Powers Act (2000). Where covert surveillance is used by the Council this is reported to Audit Committee each quarter to aid with transparency.

**Scrutiny Arrangements**

Three Scrutiny Committees are in place which aligns to the Council's priorities including a Resilient Communities Scrutiny Committee, Tourism, Economy and Resources Scrutiny Committee and a Health Scrutiny Committee. These committees help empower elected members and provide them with the opportunity to challenge and hold decision makers to account. These Committees meet on a regular basis and the minutes of the meetings and supporting documentation are published.

## **Learning and Development**

An Induction and Probation process is in place for all new employees in the Council. Following successful completion of this employees will then receive a mandatory Individual Performance Appraisal (IPA). The IPA incorporates an annual and interim review, held at an appropriate time in a private, comfortable space and can be considered as the setting of a 'roadmap' for an employee for the coming twelve months.

A wide range of training is available corporately which is informed from development needs identified in the Individual Performance Appraisal. The Council is committed to leadership development and various courses are available to continue to develop skills and knowledge. A revised leadership development programme will be delivered in 2017/18 and a baseline study will be undertaken to assess how the Council is currently performing in terms of its leadership. An aspiring leadership programme has been delivered to aid with succession planning and provide a development opportunity for managers wishing to progress in the organisation. The attainment of professional qualifications in relevant disciplines is encouraged and the Council is committed to funding studies where appropriate.

A Workforce Strategy is in place and steps are being taken to better align workforce planning with the business plan process however it is recognised that this is in its infancy.

The Council runs an apprentice programme to encourage young people and those who may have struggled to access work previously to engage in employment with the Council. From 2016/17 the way apprentices are funded is changing and work is continuing to address this. Employers with a pay bill of more than £3m will be required to pay an Apprenticeship Levy. Employers who pay the levy will be able to use this to access funding to meet the cost of apprenticeship training and assessment against an approved apprenticeship framework or standard and can be used for existing employees as well as new starters.

Project Search, the job scheme for young people with learning disabilities also ran for a second year where each of the students learn personal and job skills for a two month period before embarking on work placements to find a suitable job for them. An induction programme is in place for all elected members. A three year development plan is in place for elected members which helps deliver training to help them fulfil their role. All elected members have a personal development plan which helps to identify training needs.

## **Partnerships and Joint Working**

The Council is involved in a number of key projects with partner organisations in order to transform the way in which services are delivered. Examples include the Better Start Project and Head Start Project which focus on early intervention in order to build resilience in the community. Boards with representation from partner organisations are also in place for key risks faced by the Council to introduce an element of independence and challenge.

Arrangements are in place for the provision of Shared Services with Fylde Borough Council in a number of areas, the most significant being the Revenues and Benefits Service. The Council is also working jointly with other Fylde Coast authorities on the development of an enterprise zone to improve the local economy.

The Council has a number of wholly-owned companies and a Good Governance Framework has been developed and rolled-out across each company in order to strengthen the governance arrangements in place and ensure that the Council's vision for the town, as the shareholder, is able to form part of the direction of travel of each company. The Framework also gives assurance that each company is operating in an effective and accountable way.

## **Annual Review of Effectiveness**

Blackpool Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The stages included in the review process and the key findings from each are summarised below.

### **Good Governance Group**

A Good Governance Group was established in October 2016 and has led on the review of effectiveness and the production of the Annual Governance Statement, including reviewing the 2015/16 statement to ensure that governance issues identified have subsequently been addressed. This group is chaired by the Director of Governance and Partnerships and attended by the Chief Internal Auditor, Head of Democratic Governance, Head of Corporate Delivery Unit, Deputy Head of Legal Services, Head of ICT, Chief Accountant, Equality and Diversity Manager and the Head of Organisation and Workforce Development.

### **Elected Member Workshop**

A workshop was held on the 11th May 2017 with representation from Scrutiny, Audit and the Executive and facilitated by the Chief Internal Auditor and Head of Corporate Delivery Unit. The workshop was based around the principles of good governance and elected members were asked to establish what arrangements are already in place and these have been reflected in the overview of the governance framework included in this report. Elected members were also asked to identify areas for further development and these have been incorporated into the significant governance issues action plan.

### **Key Officer Workshop**

A workshop was held on the 24th April 2017 with key officers involved in governance. This included the core Good Governance Group and also the Head of Revenues and Exchequer Services, Fairness Commission Manager and Head of Customer Engagement and Life Events.

The workshop was based around the principles of good governance and an assessment was made as to what controls already form part of the Council's governance framework and also areas which needed further development. This process identified a number of areas of good practice and these have been summarised in the governance framework outlined earlier in this report and areas for improvement have been captured in the significant governance issues action plan.

### **Control Self-Assessment Questionnaire**

The Corporate Leadership Team was required to complete a control self-assessment questionnaire providing assurance that their directorates were compliant with a number of key controls. Each Director was asked to highlight the three most significant control issues faced over the next twelve months and the risks have been incorporated into the significant governance issues action plan.

## Progress on 2015/16 Actions

Issue	Actions	Update
Further embed arrangements in place relating to conduct and behaviours to raise awareness and ensure compliance.	Raise awareness of the whistleblowing policy to employees, elected members and the public.	<b>Partially Implemented</b> – The review process has started in the year and will be implemented in 2017/18.
	Further promote the Council’s values and embed the Leadership Charter.	<b>Partially Implemented</b> - The Leadership Charter has been developed and an approach agreed with CLT to embed the process. Further actions will be carried forward for the 2017/18 plan to ensure this takes place.
	Review the Ethical Principles to ensure that they remain fit for purpose.	<b>Partially Implemented</b> – The review process has started in the year and will be implemented in 2017/18.
The Council needs to review the way in which it consults with residents and ensures that data collected through the consultation process is adequately considered.	When implementing different approaches to engage with the community, such as the Council Couch, there is a need to ensure that elected members are appropriately consulted with and that senior managers engage in the process.	<b>Partially Implemented</b> - The community engagement activity has recently moved Directorates in response to a changing landscape across the public, voluntary and community sectors and will provide greater opportunities for collaborative community engagement activities in the future. This change in relatively recent and therefore a revised set of actions will be included in the 2017/18 action plan to ensure that they are embedded.
	The data which the Council collates in relation to the thoughts of the community should be more effectively used to inform decisions relating to service delivery.	
	New ways to consult with residents who do not ordinarily engage in consultation exercises should be considered and there is a need to ensure that consultation exercises are appropriately timed.	
	Improved coordination with partner organisations in relation to data collection could better inform service delivery decisions and avoid potential duplication in consultation processes.	
Assess the data which the Council makes available to the community to ensure that it contains an appropriate level of detail and is presented in an accessible way.		

Issue	Actions	Update
Performance management should be more robust and the data more accessible.	There is a need to review the performance data available to the community to ensure that it is relevant, understandable and empowers residents.	<b>Partially Implemented</b> – The review process has started in the year and will be implemented in 2017/18.
	The process for setting performance targets should be improved and there is a need to strengthen appropriate intervention in cases of low performance where outcomes may not be achieved.	<b>Partially Implemented</b> – The review process has started in the year and will be implemented in 2017/18.
	The Delivery Unit should be implemented to ensure services deliver appropriate outcomes and improve the quality of performance management data.	<b>Implemented</b> – The Delivery Unit has now been established and a work plan in place. The team has been strengthened in its resources to delivery better evidence and evaluation against key projects.
	The Policy Framework should be reviewed to ensure that all appropriate policies and strategies are in place and any gaps are addressed.	<b>Implemented</b> – The Policy Framework has been reviewed and has been approved by the Executive. This will be reviewed at quarterly points throughout the year.

Issue	Actions	Update
Corporate Policies and Procedures need to be consistently applied.	There is a need to raise awareness of the Corporate Policies and Procedures in place and ensure that all members of the Senior Leadership Team are compliant.	<b>Partially Implemented</b> – Two Senior Leadership Team meetings in the year have been focused on ensuring compliance with corporate policies and procedures. Actions identified at these meetings will be implemented as part of the 2017/18 action plan.
	As the Council continue to transform there is a need to ensure that adequate internal controls are maintained, particularly as there is an increasing move to self-service and reduced resources results in less capacity to maintain controls.	<b>Implemented</b> – The internal audit service delivered the 2016/17 plan which included a combination of risk based and compliance audits to ensure that effective controls are maintained. The internal audit service also provided advice to managers throughout the year when developing changes in systems and processes. The Audit Committee is holding Chief Officers to account where the need for control improvements has been identified.
	Workforce planning needs to more closely aligned to the business planning process to ensure that workforce pressures are effectively managed and the Council can continue to deliver its statutory duties.	<b>Implemented</b> – A refreshed business planning approach has been agreed for 2017/2020 which will ensure that the budget cycle, business planning and workforce planning are more closely aligned.



Issue	Actions	Update
It is increasingly challenging to set a legal budget due to the austerity measures faced by the Council.	The Corporate Leadership Team need to ensure effective monitoring of the achievement of saving and income targets and balance this with demand pressure for services.	<b>Implemented</b> – The annual savings programme is monitored on a monthly basis by the Corporate Leadership Team, the Executive and Tourism, Economy and Resources Scrutiny Committee.
	Effective financial administration needs to be consistently applied across all services including the accurate and timely raising of sundry debt and the prompt payment of creditor invoices.	<p><b>Implemented</b> – The creditors and debtors systems are subject to quarterly compliance testing by Internal Audit and any failings identified are reported to the relevant services. Risk based audits are also regularly undertaken in these key financial areas.</p> <p>An Income and Debt Strategy Group is in place which is chaired by the Director of Resources and targets those services which have aged debt or are not effectively managing the income collection process. A Corporate Income Management Group is also in place with cross-departmental representative to oversee the income management process.</p>
Continue to develop and strengthen the challenge to governance arrangements by the Audit Committee.	Consider the benefits of introducing the role of an independent member, with relevant skills and experience, to be represented on the Audit Committee.	<b>Partially Implemented</b> – This has been agreed with the Chair of the Audit Committee and requires approval from Full Council prior to a recruitment process commencing.

Issue	Actions	Update
Effectively manage risk with reduced resources and ensure that risk management is built into all decisions as the climate for taking riskier decisions grows.	The Senior Leadership Team need to consider risk management in the context of opportunity in order to transform the way in which the Council delivers its services.	<p><b>Partially Implemented</b> - Managers are being encouraged to take some risks in order to transform the way in which services are delivered. A Risk Management Strategy and a Risk Management Toolkit are in place to help managers effectively manage the risks that they are taking. A Corporate Risk Management Group is in place which is supported by Directorate and Thematic risk management groups.</p> <p>Risk Services is able to advise managers on effective risk management and facilitate risk workshops where appropriate to do so.</p> <p>Further actions to embed risk management will be included in the 2017/18 action plan.</p>
	The Senior Leadership Team need to ensure that risk management is embedded into all decisions taken.	<b>Implemented</b> - Risk management has been built into the decision making process and all decisions include a section on risk management considerations.

Issue	Actions	Update
Ensure that all elected members feel empowered when carrying out these duties.	Enhance the development programme for elected members to ensure that they have the appropriate skills and knowledge to empower them to carry out their duties.	<p><b>Implemented</b> – A Members Training Plan covering the period of 2016/2019 is in place, which sets out the member training priorities for this term of office.</p> <p>A Member Training Panel is also in place which meets several times a year. This is a cross-party group that meets to look at learning and development for members.</p>
	Raise Elected Members awareness of the policies and procedures in place which enable all members the opportunity to scrutinise, challenge and contribute to the Council’s activities.	<p><b>Implemented</b> – A training calendar outlining all Member training is in place and is sent to members each month. The calendar lists upcoming training for the next three months.</p>

## Assurance Statement

The results of the effectiveness of the governance framework have been considered by the Corporate Leadership Team and Audit Committee who have determined that the arrangements are fit for purpose in accordance with the governance framework.

## Governance Issues

Actions have been identified as part of the 2016/17 review of the effectiveness of the governance framework and these are captured in the following table. It should be noted that some of the issues identified are not deemed as significant but have been included to aid openness and transparency.

<b>Issue</b>	<b>Actions</b>	<b>Responsible Officer</b>	<b>Target Date</b>
Code of Conduct and Behaviours	Develop and pilot a new face to face diversity awareness course aimed at priority staff and managers, and Elected Members.	Director of Resources	After mid-term review
	Develop an Equality Compliance tool and performance scorecard, to track mainstreaming good practice within all departments linking in to the business planning process.	Director of Resources	After mid-term review
	Review the Whistleblowing Policy to ensure that this aligns to best practice and launch awareness raising for officers and elected members.	Director of Governance and Partnerships	Prior to mid-term review
	Seek approval from the Corporate Leadership Team and the Executive for the revised Ethical Principles and raise awareness across the Council.	Chief Executive	Prior to mid-term review

Issue	Actions	Responsible Officer	Target Date
Commitment to Openness, Communication and Consultation	Launch and roll out a programme of the 'people's jury' focused on Community Orientated Primary Care based on the finding of the pilot scheme.	Director of Public Health	After mid-term review
	Embed the new process for community engagement through the Fairness Commission.	Director of Public Health	After mid-term review
	Ensure effective links are developed between the community engagement function and elected members.	Director of Public Health	After mid-term review
	Consider what other Councils are doing in terms of effective community engagement is respect of governance.	Director of Public Health	After mid-term review
	Consider how the Council can measure the implementation of the resilient community's priority in terms of outcomes.	Director of Public Health	After mid-term review
	Update the Blackpool4Me website to ensure that the information held is current and that it aligns with the Council's website.	Chief Executive	Prior to mid-term review
	Explore more opportunities in wider service areas as part of the channel shift programme.	Director of Resources	Ongoing
	Improve the level of information published on the Council website so that this is readily available and reduces the number of Freedom of Information Requests.	Director of Governance and Partnerships	Prior to mid-term review

<b>Issue</b>	<b>Actions</b>	<b>Responsible Officer</b>	<b>Target Date</b>
Developing, Communicating and Translating the Vision	Embed the process for reporting and monitoring the success and benefits of the Corporate Delivery Unit.	Chief Executive	Prior to mid-term review
	Ensure that the new business planning framework is embedded, including the quarterly reporting to the Corporate Leadership Team and that an exercise is undertaken to assess the level of corporate / back office support required to deliver the directorate visions.	Chief Executive	Prior to mid-term review
Performance Management	Embed the new performance management framework which has been agreed for 2017/18.	Chief Executive	Prior to mid-term review
	Request the LGA to undertake a peer review of the Council's Corporate Governance / Health to provide independent assurance and advice on the adequacy of current arrangements.	Chief Executive	Prior to mid-term review
	Embed the Leadership Charter within the Individual Performance Appraisal process and ensure that all employees have an appraisal	Chief Executive	Prior to mid-term review

<b>Issue</b>	<b>Actions</b>	<b>Responsible Officer</b>	<b>Target Date</b>
Compliance with relevant Laws, Regulations, Internal Policies and Procedures	The Compliance Calendar will be finalised and rolled-out to all managers.	Director of Governance and Partnerships / Good Governance Group	Prior to mid-term review
	The managers 'quick guide' section on the Hub will be developed to ensure that there is guidance for all items on the Compliance Calendar.	Director of Governance and Partnerships / Good Governance Group	Prior to mid-term review
	Ensure that decision makers are taking and recording decisions at the right level and that they understand the decision making process and the need for an appropriate level of transparency.	Director of Governance and Partnerships	Ongoing
	Provide an annual update to Audit Committee on the robustness of the arrangements in place to reduce the risk of a cyber threat.	Director of Resources	After mid-term review
	Implement a robust action plan setting out any required process changes under the General Data Protection Regulations which come into force in May 2018 and raise awareness of the new requirements.	Director of Governance and Partnerships	After mid-term review
Financial Management	Ensure that 2017/18 savings targets are delivered with reduced resource and significant demand pressures.	Director of Resources / All Chief Officers	Ongoing
Audit Arrangements	Seek Full Council approval for the recruitment of an independent member to Audit Committee and aim to have these in post for September 2017.	Director of Governance and Partnerships	Prior to mid-term review

<b>Issue</b>	<b>Actions</b>	<b>Responsible Officer</b>	<b>Target Date</b>
Risk Management	Re-establish the Property Risk Management Group and ensure that this multi-agency group meets at least quarterly.	Director of Resources	Prior to mid-term review
	Review the Risk Management Framework 2014-2017 to ensure that this remains fit for purpose with a focus on ensuring that risk management groups are adequately represented and risk tolerances levels are set.	Director of Resources / Corporate Risk Management Group	After mid – term review
	Launch the revised Risk Management iPool course and deliver business continuity training.	Director of Resources	After mid – term review
	Review the Business Continuity Framework 2014-17 to ensure that it remains fit for purpose and that it encourages good quality plans and includes scenarios to help services test plans	Director of Resources / Corporate Risk Management Group	After mid-term review
Counter Fraud and Anti-Corruption Arrangements	Identify those staff for which counter fraud training is mandatory and ensure completion of the course.	Director of Resources	Prior to mid-term review
Scrutiny Arrangements	The scrutiny process should be strengthened to improve the level of challenge and look at ways in which other people, such as service users and the private sector, could be called to give evidence as part of the scrutiny process.	Director of Governance and Partnerships	Ongoing
	Ensure that the scrutiny work plan focuses on the key priorities areas and strengthen relationships between the Executive and effective scrutiny.	Director of Governance and Partnerships	Prior to mid-term review



Issue	Actions	Responsible Officer	Target Date
Leadership and Development	Build a baseline survey which will measure current performance against the Leadership Charter pledges. The survey should provide all employees with an opportunity to assess and comment on their managers and enable the future review and measurement of leadership performance at every level within the organisation.	Chief Executive	Prior to mid-term review
	Deliver the refocused Leadership Development Programme through the delivery of four events in the year each of which can be for 100 employees. The events should be taster / signposting sessions comprising of Council processes, techniques and new skills and new learning and soft skills.	Chief Executive	Ongoing
	Increase the robustness of succession plans across the Council.	Chief Executive / All Chief Officers	After mid-term review
	Develop digital skills across the Council to assist in the use of innovation technological solutions to build capacity.	Director of Resource / Chief Executive	After mid-term review
	Implement a robust action plan to ensure that the Council maximises the Apprenticeship Levy through a cross-departmental working group.	Chief Executive	Ongoing

## **Conclusion**

We propose over the coming year to take steps to address the significant governance issues identified to further enhance governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: (Leader of the Council)

Signed (Chief Executive)

# SECTION 9

## GLOSSARY OF TERMS

**ACCOUNTING POLICIES**

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- i) recognising,
- ii) selecting measurement bases for; and
- iii) presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

**ACCRUALS**

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

**ACQUIRED OPERATIONS**

Operations comprise services and divisions of service as defined in Service Reporting Code of Practice. Acquired operations are those operations of the local authority that are acquired in the period.

**ACTUARIAL GAINS AND LOSSES**

For a defined benefit scheme the changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experienced gains and losses); or
- (b) the actuarial assumptions have changed.

**ASSOCIATE COMPANY**

This is an entity other than a subsidiary or joint venture in which the Council has a participating interest and over whose operating and financial policies the Council is able to exercise significant influence.

**CAPITAL CHARGE**

A charge to service revenue accounts to reflect the cost of non current assets used in the provision of services.

**CAPITAL EXPENDITURE**

Expenditure above £15,000 on the acquisition of a non current asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

**CAPITAL RECEIPTS**

Proceeds above £10,000 from the sale of capital assets. Such income may only be used for capital purposes, ie to repay existing loan debt or to finance new capital expenditure. Any receipts which have not yet been utilised as described are referred to as "capital receipts unapplied".

**CIPFA**

The Chartered Institute of Public Finance and Accountancy - the Institute provides financial and statistical information for local government and other public sector bodies and advises central government and other bodies on local government and public finance matters.

**CLASS OF NON CURRENT ASSETS**

The classes of non-current assets required to be included in the accounting statements are:

**Operational assets**

- council dwellings
- other land and buildings
- vehicles, plant, furniture and equipment
- infrastructure assets
- community assets

**Non-operational assets**

- Investment properties
- Assets under construction
- Surplus assets, held for disposal

**COLLECTION FUND**

A statutory account which billing authorities have to maintain for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates.

**COMMUNITY ASSETS**

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

**CONSISTENCY**

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

**CONTINGENT ASSET**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control.

**CONTINGENT LIABILITY**

A contingent liability is either:

- (a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control; or
- (b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

**CORPORATE AND DEMOCRATIC CORE**

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

**COUNCIL TAX**

A banded property tax which is levied on domestic properties throughout the country. The banding is based on estimated property values as at 1<sup>st</sup> April 1991. The level of tax is set annually by each local authority for the properties in its area.

**CREDITORS**

Amounts owed by the Council for work done, goods received or services rendered to it during the accounting period, but for which payment has not been made by the balance sheet date.

**CURRENT ASSETS**

Assets which will be consumed or cease to have value within the next accounting period, e.g. inventories and debtors.

**CURRENT LIABILITIES**

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

**CURRENT SERVICE COST (PENSIONS)**

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

**CURTAILMENT**

For a defined benefit scheme, an event that reduces the expected years of future services of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and
- termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

**DEBTORS**

Amounts due to the Council which relate to the accounting period and have not been received by the balance sheet date.

**DEFINED BENEFIT SCHEME**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

**DEFINED CONTRIBUTION SCHEME**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

**DEPRECIATION**

The measure of the cost or revalued amount of the benefits of the non-current asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset, whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

**DISCONTINUED OPERATIONS**

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all the following conditions are met:

- the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved.
- The activities relating to the operations have ceased permanently.
- The termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations.
- The assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes..

Operations not satisfying all these conditions are classified as continuing.

**DISCRETIONARY BENEFITS**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers, such as the Local Government (Discretionary Payments) Regulations 1996.

**EMOLUMENTS**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

**ESTIMATION TECHNIQUES**

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- Methods of depreciation, such as straight line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a non-current asset consumed in period.
- Different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

**EXCEPTIONAL ITEMS**

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

**EXPECTED RATE OF RETURN ON PENSIONS ASSETS**

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

**EXTRAORDINARY ITEMS**

Material items possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur.

**FAIR VALUE**

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.

**FINANCE LEASE**

A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

**FINANCIAL YEAR**

The Council's financial year runs from the 1<sup>st</sup> April through to the following 31<sup>st</sup> March.

**FORMULA GRANT**

Grant distributed by formula through the local government finance settlement. It comprises Revenue Support Grant and redistributed business rates (NNDR). It is a general subsidy towards council spending and is not ring-fenced for specific services.

**GENERAL FUND**

The main revenue account of the Council which brings together all income and expenditure other than that recorded in the Housing Revenue Account and the Collection Fund.

**HOUSING REVENUE ACCOUNT**

A statutory account which local authorities have to maintain if they provide public housing and which includes all income and expenditure relating to the administration and maintenance of council dwellings and related properties.

**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**

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

**INTEREST COST (PENSIONS)**

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

**INTERNATIONAL ACCOUNTING STANDARDS (IAS)**

Accounting standards developed by the International Accounting Standards Board that are primarily applicable to general purpose company accounts. These standards are adopted by the CIPFA Code of Practice except where the standards conflict with specific statutory requirements.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

Financial reporting standards developed by the International Accounting Standards Board.

**INVENTORIES**

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories: goods or other assets purchased for resale, consumable stores, raw materials and components purchased for incorporation into products for sale, products and services in intermediate stages of completion, long-term contract balances and finished goods.

**INVESTMENTS (NON-PENSIONS FUND)**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pensions fund, that do not meet the above criteria should be classified as current assets.

**LEA**

Local Education Authority – a local authority with the statutory responsibility for securing the provision of education in its area.

**MINIMUM REVENUE PROVISION**

Minimum revenue provision is the minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

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

A tax levied on business properties and sometimes known as Business Rates. An NNDR poundage is set annually by the Government. Sums based on rateable values are collected by billing authorities and paid



into a national pool. The proceeds are then redistributed by central government as a grant to local authorities in proportion to adult population.

**NET BOOK VALUE**

The amount at which non-current assets are included in the balance sheet, i.e historic cost or current value less the cumulative amounts provided for depreciation.

**NET CURRENT REPLACEMENT COST**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent 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 the expenses to be incurred in realising the asset.

**NON CURRENT ASSETS (previously fixed assets)**

Assets that yield benefits to the local authority and the services it provides for a period of more than one year.

**OPERATING LEASES**

Leases which do not meet the definition of a finance lease, ie where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the property, plant and equipment from the lessor to the lessee, are accounted for as operating leases.

**PAST SERVICE COST**

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

**PRIVATE FINANCE INITIATIVE (PFI)**

A central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage Authority's participation.

**PROVISION**

An amount set aside by the Council for any liability of uncertain timing or amount that has been incurred.

**PRUDENTIAL CODE FOR CAPITAL FINANCE**

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

**RESERVES**

Amounts set aside in the accounts to meet expenditure which the Council may be committed to in future periods, but not allocated to specific liabilities which are certain or very likely to occur.

Earmarked reserves are allocated to a specific purpose or area of spending. Unallocated reserves are often described as balances.

**REVENUE ACCOUNT**

An account which records all annual running costs and the associated income.

**REVENUE EXPENDITURE**

Expenditure incurred on the day-to-day running of the Council.

**REVENUE SUPPORT GRANT**

A central government grant paid to each local authority to help to finance its general expenditure. The distribution of the grant between authorities is intended to allow the provision of similar standards of service throughout the country for a similar council tax levy.

**SERVICE REPORTING CODE OF PRACTICE**

A code of practice prepared to provide accounting guidance on financial reporting to stakeholders which is designed to enhance the comparability of local authority financial information. The code represents proper accounting practice for the purpose of best value reporting.

**SUPPORTED CAPITAL EXPENDITURE (REVENUE) (SCE(R))**

Replaces Basic Credit Approvals from 2004/2005 under the Local Government Act 2003. A specific amount of capital expenditure for which the Government will support the borrowing via RSG grant.

**WORK IN PROGRESS**

The cost of work undertaken up to a specified date on an uncompleted revenue project.

