Blackpool Council

10 September 2014

To: Councillors Callow, I Coleman, Galley, Hunter, O'Hara, Smith and L Taylor

The above members are requested to attend the:

FINANCE AND AUDIT COMMITTEE

Thursday, 18 September 2014 at 6.00 pm
in Committee Room A, Town Hall, Blackpool FY1 1GB

A G E N D A

1 DECLARATIONS OF INTEREST

Members are asked to declare any interests in the items under consideration and in doing so state:

(1) the type of interest concerned; and

(2) the nature of the interest concerned

If any member requires advice on declarations of interests, they are advised to contact the Head of Democratic Governance in advance of the meeting.

2 MINUTES OF THE LAST MEETING HELD ON 26TH JUNE 2014 (Pages 1 - 6)

To agree the minutes of the last meeting held on 26th June 2014 as a true and correct record.

3 STRATEGIC RISK REGISTER (Pages 7 - 12)

To consider a progress report on individual risks identified in the Council's Strategic Risk Register.

4 RISK SERVICES QUARTERLY REPORT - QUARTER 1 (Pages 13 - 34)

To consider the Risk Services quarterly report for the period April to June 2014.

5 EXTERNAL AUDITOR'S REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) AND STATEMENT OF ACCOUNTS 2013-2014 (Pages 35 - 224)

To consider KPMG's Governance Report and the audited Statement of Accounts for 2013-2014.

6 ENGAGEMENT OF CONSULTANTS MONITORING REPORT (Pages 225 - 230)

The Committee to consider the appointment of consultants exceeding £25,000 for the period 1st May 2014 to 31st July 2014.

7 FINANCIAL MONITORING AS AT MONTH 3 2014-2015 (Pages 231 - 234)

To consider the level of spending against the Council's Revenue and Capital budgets for the first 3 months to June 2014.

8 DATE OF NEXT MEETING

To note the date of the next meeting of the Committee as Thursday 23rd October 2014 at 6.00pm on Committee Room A at the Town Hall and the proposed items as:

Strategic Risk Register - PSN Compliance Requirement to restrict access to the network for unmanaged devices.
Financial Performance Monitoring Report

Venue information:

First floor meeting room (lift available), accessible toilets (ground floor), no-smoking building.

Other information:

For queries regarding this agenda please contact Bernadette Jarvis, Democratic Services Advisor, Tel: (01253) 477157, e-mail bernadette.jarvis@blackpool.gov.uk

Copies of agendas and minutes of Council and committee meetings are available on the Council's website at www.blackpool.gov.uk.

MINUTES OF FINANCE AND AUDIT MEETING - THURSDAY, 26 JUNE 2014

Present:

Councillor Callow (in the Chair)

Councillors

Benson	Galley	O'Hara
I Coleman	Hunter	Smith

In Attendance:

Neil Jack, Chief Executive
Dr Arif Rajpura, Director of Public Health
Steve Thompson, Director of Resources
Phil Redmond, Chief Accountant
Gary Smith, Audit Manager
Nicky Dennison, Senior Public Health Practitioner
Bernadette Jarvis, Senior Democratic Services Adviser

1 DECLARATIONS OF INTEREST

There were no declarations of interest on this occasion.

2 MINUTES OF THE LAST MEETING HELD ON 24TH APRIL 2014

The Committee agreed that the minutes of the meeting held on 24^{th} April 2014 be signed by the Chairman as a correct record.

3 STRATEGIC RISK REGISTER

Dr Rajpura, Director of Public Health, provided the Committee with an update on the risks identified on the Strategic Risk Register in relation to the local tendering of the drug and alcohol treatment services.

He outlined the requirement to tender for Drug and Alcohol treatment services following the transfer of Public Health to the Council and the risks associated with the re-tendering of clinical services.

Ms Dennison, Senior Public Health Practitioner, reported on the number of bids that had been received following the commencement of the tender process in April. Members were advised that the bids had been submitted by the third sector and the current service provider was not in the tender process and these factors presented a potential risk for the service in terms of future service provision. Contracts for the existing service provider had been extended until 31^{st} August.

Ms Dennison reported on the expectation for a successful tender at the end of the process. She highlighted a potential risk to the start of the new contract should there be a legal challenge to the outcome of the tender process and confirmed that a contingency plan had been put in place to mitigate against this risk.

The Committee was advised on successful negotiations with the existing service provider to continue to use the current premises. However, an element of risk existed in the event that the current arrangements could not continue and alternative compliant premises were required.

Ms Dennison concluded by advising that a decision on the tender process was expected by mid July.

Dr Rajpura reported that a key challenge was to ensure the continuity of service and reassured Members that this would be achieved.

The Committee was advised of the drive to support people to be drug free and rehabilitate back into normal life and employment. The various mechanisms that were in place to achieve this were outlined and the success rate.

Following concerns raised by the Committee relating to existing staff, the various support packages that were in place and consultations that had been undertaken were outlined. It was accepted that staff whilst were concerned about the future change in provider, there had been an element of uncertainty for a significant amount of time and that this had not impacted on the service provided.

In response to concerns relating to the financial implications of the change in provider, Members were informed of the expectation that a reduction in the number of service providers was expected which would result in reduced overheads and management costs and a rationalisation of activities not appropriate for funding was due to be undertaken to further reduce costs.
The Committee agreed to note the plans to control and mitigate the risks identified in the Council's Strategic Risk Register in relation to the local tendering of the drug and alcohol treatment services.

Background papers: None

4 ANNUAL AUDIT FEE 2014/2015

Mr Thompson, Director of Resources gave apologies on behalf of KPMG as they had been unable to attend the meeting. He reported on the Annual Audit Fee Letter 2014/15 that had been forwarded by the external auditor outlining the proposed audit fee for the current financial year.

Mr Thompson advised Members that the planned fee was £145,800 which was the same as the previous year. The certification of grant claims and returns had reduced to £18,210 which was a considerable reduction from the previous year and which was a reflection on the reduction in external funding available.

The Committee agreed to note the external auditor's Annual Audit Fee Letter 2014/2015.

Background papers: None

5 FINANCE AND AUDIT COMMITTEE TRAINING PROGRAMME

Mr Smith, Audit Manager, presented the proposed Finance and Audit Committee training programme for 2014/15. He advised that Ms Talbot no longer worked for KPMG and that discussions were ongoing to determine who would present future training on behalf of KPMG.

The Committee approved the Finance and Audit Committee training programme for 2014/15.

Background papers: None

6 ANNUAL GOVERNANCE STATEMENT

Mr Smith, Audit Manager, presented the Annual Governance Statement for 2013/2014, advising Members of the Council's statutory obligations in relation to governance arrangements. He advised that the draft Statement had been approved by the Corporate Leadership Team.

Mr Smith advised the Committee that the Annual Governance Statement sets out the statutory governance framework. It included the key elements of the Council Plan and the various controls in place under each category. Members were informed of the need for an annual review of the Council's governance arrangements which included engagement and consultation with relevant stakeholders. Members were advised of an error in the report in that external audit assessment had not yet taken place in relation to the Chief Financial Officer's arrangements for financial management, financial reporting and value for money but that this was due to take place in the near future.

Mr Smith presented the action plan which sets out the governance issues to be addressed in the current year and the planned actions to address these issues. Mr Thompson added that there was now a requirement to report changes in significant governance issues as part of the annual review.

The Committee agreed to approve the Annual Governance Statement for 2013/2014.

Background papers: None

7 ENGAGEMENT OF CONSULTANTS MONITORING REPORT

The Committee considered the report detailing the appointment of consultants exceeding £25,000 for the period 1st February 2014 to 30th April 2014.

Mr Thompson confirmed that the use of consultants was on an exceptional and unavoidable basis and that there had been three appointments exceeding £25,000 during the above period. He explained that the two appointments within the Built Environment Directorate had related to non-recurrent capital schemes. The appointment within Children's Social Care had been as a result of a need to cover unavoidable vacancies. In response to questions from the Committee, Mr Jack, Chief Executive, reassured Members of the necessity for the appointment and the effectiveness of the individual.

The Committee agreed to note the report.

Background papers: None

8 PROVISIONAL OUTTURN 2013/2014

Mr Thompson reported on the Provisional Revenue Outturn for 2013/2014 which had been presented to Executive at its last meeting. He advised Members of the net underspend of £134,000 on the approved budget of £150million which represented a good overall performance.

Members were advised of the expectation for an upturn in the planned deficit in Strategic Leisure Assets by 2018. The overspend in Children's Services had been due to higher than expected number of looked after children and associated costs. Plans were in place to reduce the number of looked after children but this could only be achieved gradually over a relatively long period of time.

Mr Jack reported on other modest overspends mainly relating to back office functions and outlined plans that had been put in place to address the issue, such as not filling vacant posts. He advised the Committee on the continued significant pressures on car parking and that the removal of the concessionary fares on the tramway was expected to contribute to a future saving in the budget.

The Committee was informed of the overspends and underspends which would be carried forward into 2014/2015. The Children's Services overspend would be written off to enable the Department to meeting its budget savings target for the year.

Members were advised that the level of expenditure on the Council's 2013/2014 Capital Programme was just over £82 million.

The Council Tax collection rates were reported upon and the expected adverse impact on the collection rates following the implementation of the Council Tax Reduction Scheme on 1st April 2013. There had been an upturn in the collection rate for National Non-Domestic Rates, however, there were a number of outstanding appeals which presented a financial risk for the Local Authority and discussions were ongoing with the Valuation Office to clarify this risk.

Responding to questions from the Committee relating to staff car parking, Members were advised that the uptake of town centre parking for employees would not be known until the relocation of staff to Bickerstaffe House had been completed. Mr Jack confirmed that the new staff parking arrangements were due to start in August and that some of the more expensive options had proven popular with staff. Members were advised of the expectation that business rates would apply for the car park at the former site of the Devonshire Road hospital and that these would be assessed on its rateable value.

The Committee noted the content of the report.

Background papers: None

9 TREASURY MANAGEMENT OUTTURN 2013/2014

Mr Thompson presented the Treasury Management Outturn Report for the 2013/2014 financial year that had been presented to Executive at its last meeting.

The Committee was advised that the Report outlined the Council's treasury management activities, its borrowing transactions, investment transactions, cash flow management and banking arrangements for the above period. He reported on a positive year during which the use of temporary borrowing had resulted in a contribution to the Council's bottom line of just over £2.8million. It was anticipated that in 2014/2015 it might be more difficult to achieve savings due to £2million having been earmarked against the in-year budget and a likelihood of a rise in interest rates. Mr Thompson advised Members of benchmarking exercises that had been undertaken with other Local Authorities which had shown that the Council was mid-range in terms of its level of debt.

Following questions from the Committee, Mr Thompson confirmed that short term borrowing attracted lower rates of interest and advised on the continuous sourcing of cheaper borrowing options.

The Committee agreed to note the content of the report.

Background papers: None

10 ANNUAL REPORT OF THE CHIEF INTERNAL AUDITOR 2013/2014

The Committee considered the Annual Report of the Chief Internal Auditor 2013/2014. Mr Smith advised Members that the Report included the Annual Audit opinion which stated that the number of negative assurance statements for internal audit work completed was higher and attributed the increase partially to the reduction in resources across the Council. He confirmed that high risk cases would continue to be addressed.

Mr Smith reported on the Service Development key issues which included recent staffing changes within the service and presented the performance data for Internal Audit, Investigations and Civil Contingencies. He advised Members of the need to address the issue of the percentage of Council services with business continuity plans which was below target and the aim of ensuring risk registers were kept up to date.

Mr Smith reported on the Assurance Statement which demonstrated an increase in the number of controls that had been considered adequate. Members were referred to the number of priority one audit recommendations that had been included in the Report.

Responding to questions relating to the reduction in the number of trained emergency response group volunteers, Mr Thompson reported that the reduction had been as a result of staff leaving the Council and that more volunteers were needed. Mr Jack confirmed that plans were in place to recruit more volunteers and that in the meantime there were sufficient resources to cover emergencies although it would be preferable to have increased resilience.

Mr Smith responded to concerns relating to the significant amount of Local Authority overpayments by highlighting the current recovery rates of 68.62%.

In response to concerns relating to the decision of the Benefit Fraud Investigations Manager to take voluntary redundancy, Mr Thompson confirmed that the fraud team had been given savings targets to achieve for the first time this year but that the remainder of the team were now protected from further staffing reductions. He advised Members that from April 2015, the Benefits Fraud team would be subsumed a single Fraud Investigation service within DWP and HMRC.

The Committee agreed to note the report.

11 INTERIM AUDIT LETTER 2013/14 - MANAGEMENT RESPONSE

Mr Thompson reminded Members that its last meeting the Committee had requested that the Management's response to the recommendation from the 2013/2014 Interim Management Letter be reported at this meeting.

He confirmed that the Management response was to implement the recommendation regarding the bank account reconciliations to ensure that all bank account reconciliations would be reviewed within one month of their preparation to ensure that all accounts were appropriately reconciled to the corresponding accounting records and any issues were promptly identified.

The Committee agreed to note the update report.

12 DATE OF NEXT MEETING

The Committee agreed to note the date of the next meeting as 6pm on Thursday 18th September 2014, Town Hall Blackpool and the proposed items for the meeting as follows:

- Statement of Accounts
- ISA260
- Financial Monitoring
- Risk Services Report – Quarter 1
- Strategic Risk Register – funding the illuminations

Chairman

(The meeting ended 7.02 pm)

Any queries regarding these minutes, please contact:
Bernadette Jarvis Democratic Services Advisor
Tel: (01253) 477157
E-mail: bernadette.jarvis@blackpool.gov.uk

Report to:	FINANCE AND AUDIT COMMITTEE
Relevant Officer:	Alan Cavill, Director of Place
Date of Meeting	18th September 2014

STRATEGIC RISK REGISTER

1.0 Purpose of the report:

1.1 The Committee to consider a progress report on individual risks identified in the Council's Strategic Risk Register.

2.0 Recommendation(s):

2.1 Members will have the opportunity to question the Director of Place in relation to the identified risks on the Strategic Risk Register with regards to the continuation in funding the illuminations.

3.0 Reasons for recommendation(s):

3.1 To enable the Finance and Audit Committee to consider an update and progress report in relation to an individual risk identified on the Strategic Risk Register.

3.2a	Is the recommendation contrary to a plan or strategy adopted or approved by the Council?	No
3.2b	Is the recommendation in accordance with the Council's approved budget?	Yes

3.3 Other alternative options to be considered:

To not receive an update report, however this would prevent the Committee from monitoring and asking relevant questions of the Strategic Risk Owner in relation to significant risks identified on the Strategic Risk Register.

4.0 Council Priority:

4.1 The relevant Council Priorities are:

- Expand and promote our tourism, arts, heritage and cultural offer

- Attract sustainable investment and create quality jobs

5.0 Background Information

5.1 At the March 2014 meeting, the Finance and Audit Committee agreed to continue to invite Strategic Risk Owners to attend future meetings to provide updates and progress reports in relation to the individual risks identified on the Strategic Risk Register.

5.2 Priority is being given to those risks which have been assessed as a high risk and once these have been effectively covered attention will then focus on medium and low risks.

Does the information submitted include any exempt information? No

List of Appendices:
Appendix 3(a) - Excerpt from Strategic Risk Register

6.0 Legal considerations:

6.1 None

7.0 Human Resources considerations:

7.1 None

8.0 Equalities considerations:

8.1 None

9.0 Financial considerations:

9.1 None

10.0 Risk management considerations:

10.1 None

11.0 Internal/ External Consultation undertaken:

11.1 None

12.0 Background papers:

12.1 None

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Risk Category	Impacts / Consequences	Opportunity	Gross Risk Score			Existing Controls	Net Risk Score			New / Developing Controls	Corporate Priority	Risk Owner / Risk Manager	Target Date
			I	L	GS		I	L	NS				
Local - Inability to continue funding the Illuminations	Cessation or significant reduction of the service resulting in: 1) Impact on local economy - shortening of tourism season. 2) Reputational damage to destination/adverse public image	1) Reinvent illuminations display to attract new income streams from private sector, visitors and external funding bodies.	5	4	20	1) Greater private sector contribution 2) Greater level of visitor contribution 3) More efficient ways of delivering display. 4) Identification of potential external funding stream.	5	3	15	1) Review of Illuminations content 2) Development of Coastal Communities Fund bid 3) Enhanced engagement with private sector 4) Analysis of 'congestion' type charging on Promenade	3	Owner: CLT Manager: Director of Place	**Jun-14**

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Report to:	**FINANCE AND AUDIT COMMITTEE**
Relevant Officer:	Tracy Greenhalgh – Chief Internal Auditor
Date of Meeting	18th September 2014

Risk Services Quarter One Report -2014/2015

1.0 Purpose of the report:

1.1 The report presents a quarterly summary of work undertaken by Risk Services. This is submitted in line with best practice, including the CIPFA audit code and the CIPFA Audit Committee guidance.

2.0 Recommendation(s):

2.1 To note the Risk Services Quarterly Report findings.

3.0 Reasons for recommendation(s):

3.1 To enable the Committee to receive an update report on the work undertaken by Risk Services.

3.2a	Is the recommendation contrary to a plan or strategy adopted or approved by the Council?	No
3.2b	Is the recommendation in accordance with the Council's approved budget?	Yes

3.3 Other alternative options to be considered.

None, as the report needs to be considered by the Committee in line with best practice, including the CIPFA audit code and the CIPFA Audit Committee guidance.

4.0 Council Priority:

4.1 The relevant Council Priority is 'Deliver quality services through a professional, well-rewarded and motivated workforce'.

5.0 Background Information

5.1 The report covers areas relevant to the work of the Committee in terms of internal audit, fraud investigation, risk management and emergency and business continuity planning.

5.2 Further details on any areas included in the report, and in particular expanded summaries or full copies of audit reports, are available to the Committee as required.

Does the information submitted include any exempt information? No

List of Appendices:
Appendix 4(a) – Risk Services Quarter 1 Report.

6.0 Legal considerations:

6.1 All work undertaken by Risk Services is in line with relevant legislation. This is particularly important when undertaking fraud investigations where a number of regulations need to be adhered too.

7.0 Human Resources considerations:

7.1 None

8.0 Equalities considerations:

8.1 None

9.0 Financial considerations:

9.1 All work has been delivered within the agreed budget for Risk Services.

10.0 Risk management considerations:

10.1 The primary role of Risk Services is to provide assurance that the Council is effectively managing its risks and to provide support to all services in relation to risk and control. Risks which have been identified in the quarter are reported in the summary report.

11.0 Ethical considerations:

11.1 None

12.0 Internal/ External Consultation undertaken:

12.1 The Risk Services Quarterly Report was presented to the Corporate Leadership Team on the 18th August 2014 and the Resources Directorate Management Team on the 19th August 2014.

13.0 Background papers:

13.1 None

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Risk Services Quarterly Report
1st April to 30th June 2014

Contents Page

Risk Services Quarter One Report – 2014/2015

1. First Quarter Summary

Service Developments

1.1 *Internal Audit*

Work has been underway in the quarter to finalise audit reports relating to 2013/2014 and to scope the first round of audits planned for 2014/2015.

The team has participated in the CIPFA benchmarking exercise for internal audit services and the results of this will be communicated to a future Finance and Audit Committee.

Helen Atkinson has been appointed to the Audit Administration Assistant role and will be taking up post in July 2014. Helen will be joining the team from Leisure Services where she has provided administrative support in the sports centres. This is a new role created to replace the Audit Apprentice which unfortunately was not successful.

1.2 *Investigations*

Tony Cooke (Senior Investigator) has taken on supervision responsibilities for the Benefit Fraud Team after the retirement of Mike Spencer.

Confirmation has now been received from the Department for Work and Pensions that the benefit fraud investigators will transfer to the DWP in April 2015 to become part of the Single Fraud Investigation Service. A project will be ongoing over the coming months to ensure that successful transition to the new working arrangements.

There are a number of corporate fraud investigations underway and there continues to be a number of referrals in this area. Alongside the reactive investigations, work is being undertaken to produce a suite of advisory documents in relation to putting adequate controls in place to prevent fraud and these will be launched on the Hub over the coming months.

1.3 *Risk Management and Insurance*

All new insurance policies are now in place and the team continue to monitor the success of the new arrangements and ensure that internal working practices evolve to be as efficient as possible.

The team continue to support the work of the various departmental and thematic risk management groups which are in place and address any gaps in this area. Adult Social Care has recently announced that they will be setting of their own risk management group which the Risk and Insurance Team will support as required. A focus is being given to high risk areas including driving at work and highways tripping claims.

Closer links are now in place between the in-house claims handling team in Legal Services and the Corporate Fraud Officer to enable robust checks to be undertaken to identify potentially fraudulent public liability claims.

1.4 *Emergency Planning and Business Continuity Planning*

The Business Continuity Officer was involved in planning for the national strike due to take place on the 10th July 2014 to help ensure that services, particularly those identified as a critical activities, had adequate continuity arrangements in place. Work has also been undertaken to discuss corporate arrangements for fuel disruption and which Council services would be deemed as essential.

The Emergency Planning Officer is leading on a review of the Lancashire Resilience Forum to ensure that the structure in place is effective. Considerable work is being undertaken on flood planning in conjunction with other Council services involved in the production of this plan.

Risk Services Quarter One Report – 2014/2015

A rest centre exercise was undertaken in April which involved staff from the Emergency Response Group and from the Emergency Planning Out of Hour Rota. The exercise was attended by the voluntary agencies who play a key role in the providing support should a major incident be declared.

2. Performance

Internal Audit performance indicators

PI Ref.	Performance Indicator (Description of measure)	2014/15 Target	2014/15 Actual
Local IAPI1	Percentage audit plan completed (annual target).	90%	14%
Local IAPI2	Percentage draft reports issued within deadline.	96%	100%
Local IAPI3	Percentage audit work within resource budget.	92%	100%
Local IAPI4	Percentage of positive satisfaction surveys.	85%	78%
Local IAPI5	Percentage compliance with quality standards for audit reviews.	85%	83%

Investigations performance indicators

PI Ref.	Performance Indicator (Description of measure)	2014/15 Target	2014/15 Actual
Local IPI1	Number of fraud investigations, per 1,000 caseload.	35	8.22
Local IPI2	Number of prosecutions and sanctions, per 1,000 caseload (annual target).	11	2.48
Local IPI3	Percentage cases closed resulting in changes to benefit.	50%	56%
Local IPI4	Percentage cases closed resulting in changes to benefit with sanctions.	54%	53%

Investigations Team Statistics

Month	Local Authority Overpayment	DWP Overpayment	Sanctions			
			Cautions	Admin Penalties	Completed Prosecutions	+/- Target
April	£75,391	£11,561	16	7	3	5
May	£54,175	£12,464	14	4	2	-2
June	£108,909	£34,783	12	3	4	-2

Risk Services Quarter One Report – 2014/2015

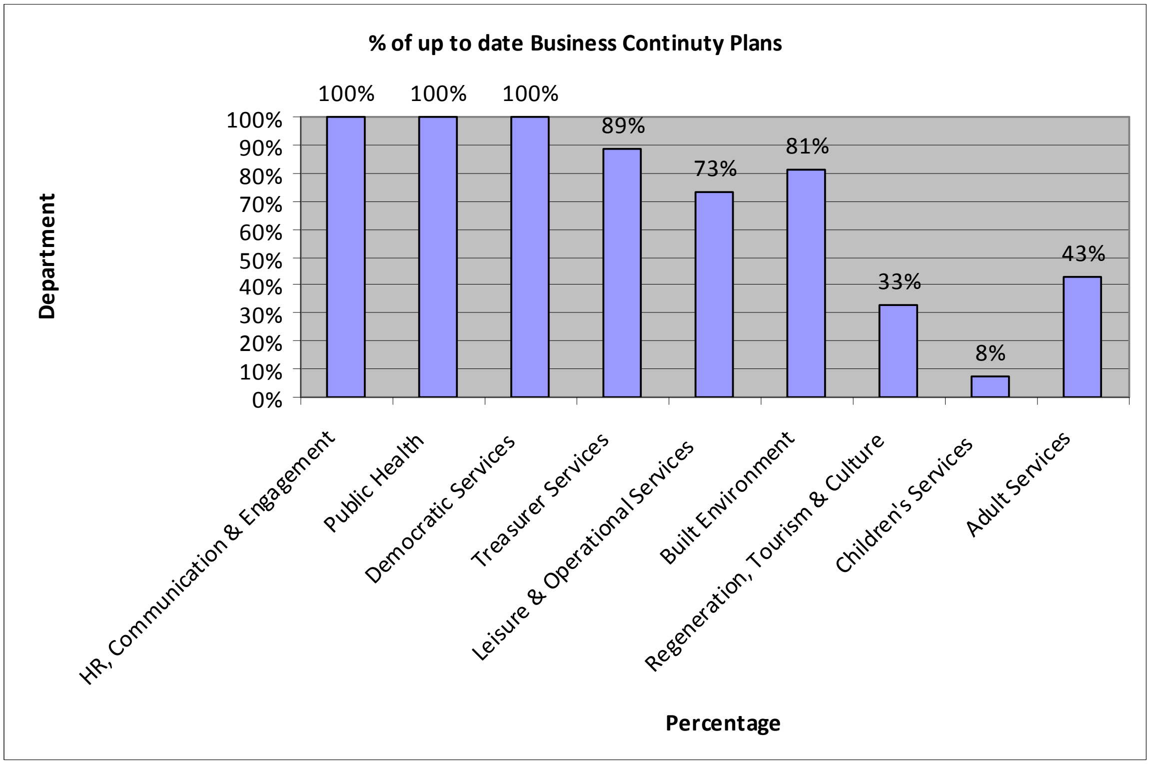
Month	Local Authority Overpayment	DWP Overpayment	Sanctions			
			Cautions	Admin Penalties	Completed Prosecutions	+/- Target
Totals	**£238,475.00**	**£58,808.00**	**42**	**14**	**9**	**1**

Civil Contingencies performance indicators

PI Ref. (BVPI, Local, PSA)	Performance Indicator (Description of measure)	2014/15 Target	2014/15 Actual
Local CC1	Percentage of Council services with business continuity plans.	100%	92%
Local CC2	Percentage of Council service business continuity plans updated during the financial year.	90%	44%
Local CC3	Number of civil contingency training and exercise sessions held.	6	1
Local CC4	Number of trained Emergency Response Group Volunteers.	60	32
Local CC5	Number of updates to the Major Emergency Plan.	2	0
Local CC6	Percentage integration into the Lancashire Resilience Forum workstreams	70%	70%

*In support of the 44% of business continuity plans up to date by the end of the quarter the following graph shows a breakdown by department. Please note that this follows the Council structure prior to the changes announced in May. Once full details of the restructure are known the way in which we record this data will be amended appropriately.

Risk Services Quarter One Report – 2014/2015



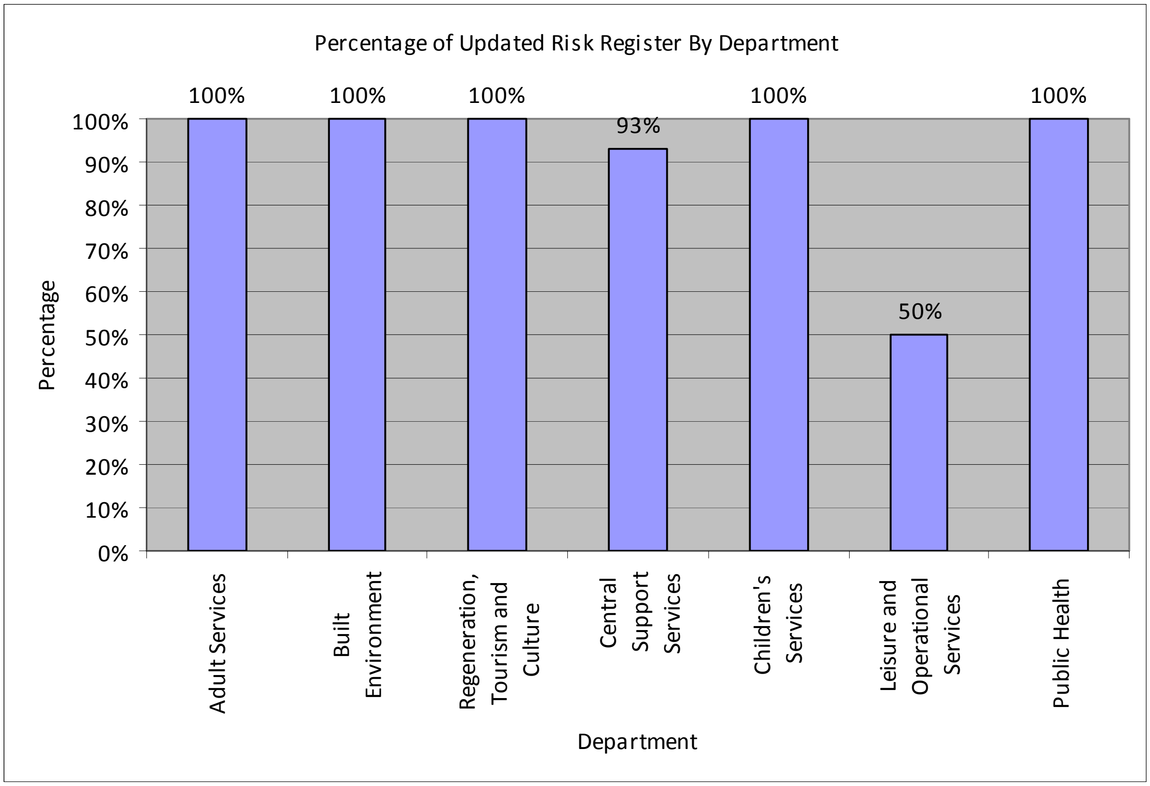
Risk and Insurance Performance Indicators

PI Ref. (BVPI, Local, PSA)	Performance Indicator (Description of measure)	2014/15 Target	2014/15 Actual
RI1	Number of new liability insurance claims notified each month.	30	30
RI2	Number of liability insurance claims settled each month.	35	31
RI3	Number of liability insurance claims outstanding.	550	455
RI4	Percentage of new insurance claims registered and dispatched to insurers within 3 working days of receipt.	92%	100%
RI5	Percentage of property risk audit programme completed (annual target).	90%	0%
RI6	Percentage of risk registers revised and up to date at end of quarter.	90%	85%

*In support of the 85% of risk registers revised and up to date by the end of the quarter the following graph shows a breakdown by department. Please note that this follows the Council structure prior to the changes

Risk Services Quarter One Report – 2014/2015

announced in May. Once full details of the restructure are known the way in which we record this data will be amended appropriately.



Risk Services Quarter One Report – 2014/2015

3. Appendix A: Performance & Summary Tables for Quarter 1– April to June 2014

Internal Audit reports issued in period

Department	Review Title	Assurance Statement
Corporate	Financial Control Assurance Testing 2013/2014	**Scope:** Annual internal audit work is undertaken to test the controls over the key financial systems across the Council. The systems covered are: ○ Business Rates ○ Capital Accounting / Asset Management ○ Council Tax ○ Creditor Payments (general, e-procurement and recurring payments) ○ Sundry Debtors ○ Housing Benefits ○ Housing Rents ○ Payroll ○ Trading Services **Assurance Statement:** Overall, for 2013/2014, we have assessed the key financial controls in place for business rates, council tax, creditor payments, housing benefits, housing rents, capital accounting and payroll/HR to be satisfactory. Results in relation to traded services have been variable throughout the year with some examples of good practice and other areas failing to meet the criteria agreed with the Corporate Leadership Team. We continue to identify recurring issues with the sundry debtors system and these relate to duplicate accounts being created, incomplete information being recorded on the customer file, the timeliness of issue of invoices and the completeness/quality of information contained on the invoices. As the sundry debtors system is used by practitioners across the Council the results of this testing will continue to be reported to the Income Management Group to drive further improvements.

Risk Services Quarter One Report – 2014/2015

Department	Review Title	Assurance Statement
Deputy Chief Executive	Grants to the Voluntary Sector	**<u>Scope:</u>** The scope of our audit work was to carry out compliance testing on a sample of the service level agreement payments and individual grants to the voluntary sector which the Council funded in 2013/2014. The service level agreements (SLAs) included within the scope of the audit were: o Blackpool, Fylde and Wyre Council for Voluntary Services; o Claremont First Step Community Centre; o Disability First; and o One Blackpool. The grants included in the sample were: o Blackpool Boys and Girls Club; and o Aunty Social Community Interest Company. **<u>Assurance Statement:</u>** We consider that all of the payments for service level agreements and grant allocations made to the organisations within our sample have been spent appropriately and in accordance with the intended objectives.

Risk Services Quarter One Report – 2014/2015

Department	Review Title	Assurance Statement
Deputy Chief Executive	Culture Change	**Scope:** The scope of our audit was to review: ○ The approach the Council is proposing to take to utilise culture change to provide a driver for efficiency and improved performance, ○ How the organisation plans to ascertain the prevailing cultures, determine their appropriateness and in what ways and to what extent cultural change is desirable, ○ The degree to which culture change is enabled by the new office environment and the associated changes in IT facilities and equipment, ○ How the proposed culture changes are effectively communicated across the organisation and the processes by which the changes are measured and assessed. **Assurance Statement:** We consider that the strategic level approach to culture change to date has been adequate, with some risks identified and assessed, and some changes necessary. Culture change will however be a long process and there is further work to do to clarify expectations and get all services on board with the necessary changes. We consider the current and planned support and resources available to help individual officers and teams to make the desired changes are adequate.

Risk Services Quarter One Report – 2014/2015

Department	Review Title	Assurance Statement
Public Health	Procurement	**<u>Scope:</u>** The scope of our audit was to review: ○ The procurement processes undertaken for public health contracts and whether these are consistent with corporate processes, ○ Ramifications of decisions taken relating to whether to undertake procurement exercises for services currently delivered by Council departments. **<u>Assurance Statement:</u>** We consider that the controls in place in relation to procurement activity undertaken by Public Health are adequate, with some risks identified and assessed and several changes necessary. Procurement activity has not yet been undertaken for all contracts. However, we recognise that the Public Health Team has a procurement programme in place in relation to future activity and has obtained appropriate dispensations. The Public Health Team has a positive working relationship with the Corporate Procurement Team which provides a level of confidence that the Public Health Team is seeking to comply with corporate procurement processes.

Risk Services Quarter One Report – 2014/2015

Department	Review Title	Assurance Statement
Public Health	Service Contract Monitoring	**Scope:** The scope of the audit was to review: o Monitoring arrangements by the Public Health Team of Local Enhanced Services (LES) contracts, o Systems used for data monitoring and whether there are preferable alternatives available. **Assurance Statement:** The service is experiencing national level challenges around gaining access to clinical data for payment monitoring purposes. We consider that the service has begun to put in place reasonable processes for contract monitoring given these current challenges. However, we consider that the current controls in place around data monitoring prior to payments to GP Practices and pharmacies are inadequate due to these national level data access challenges, with a number of material risks identified and significant improvement required in relation to addressing the current challenges.

Risk Services Quarter One Report – 2014/2015

Department	Review Title	Assurance Statement
Regeneration, Tourism and Culture	Economic Development	**Scope:** The scope of the audit was to review: ○ Whether there is an effective over-arching strategy to ensure that all economic development related activities are coherent; ○ The delivery model including resourcing since the service was brought back in-house; ○ Blackpool's place within the Lancashire Enterprise Partnership including the ability to influence strategy towards Blackpool's benefit; ○ Blackpool's relationships with Fylde and Wyre Borough Councils and their effectiveness at producing mutual benefits. **Assurance Statement:** Overall we consider that the controls in place are inadequate to address the level of business risk. There is no sufficient strategy in place which sets out the long term aims for economic development for both Blackpool and the Fylde Coast as a whole.

Progress with Priority 1 audit recommendations

There are a number of outstanding recommendations which have either not yet been fully implemented or a response is still required from the service area.

We are working with each of the service areas to ensure that actions are fully implemented and will follow-up each of the above actions to check progress in quarter two of the new financial year.

Benefit overpayment recovery rates

Current performance for the value of all overpayments recovered this year compared to those raised this year is 58.70%.

Risk Services Quarter One Report – 2014/2015

The Regulation of Investigatory Powers Act 2000

In line with best practice it has been agreed that the Council will report to the Finance and Audit Committee the number of RIPA authorisations undertaken each quarter which enables the Council to undertake directed and covert surveillance. Between April and June 2014 the Council had authorised no directed surveillance reported to Legal Services.

Complaints in relation to benefit fraud investigations

Within the quarter we received two complaints the first relating to procedures and the second relating to the professionalism on one of the investigating officers. Both complaints were investigated and in terms of the procedural complaint it was identified that correct procedure had been followed. In terms of staff conduct the investigator was spoken to and an apology issued to the complainant.

Benefit fraud referrals

An analysis of the benefit fraud cases to date in 2014/2015 has been included at **Appendix B**. This includes details of the referral source for cases opened and closed in 2014/2015.

Insurance claims data

Statistics in relation to insurance claims are collated on a quarterly basis and details of the latest information can be seen in **Appendix C** of this report.

Risk Services Quarter One Report – 2014/2015

4. Appendix B Benefit Fraud Referrals – Analysis of Cases Opened and Closed in to date

Cases Opened – Fraud Referral Source

	Benefit Section	Data Matching	DWP	Fraud Team	Other External	Other Internal	Public	Fraud Hotline	Verification Framework Activities	Total
No. of referrals received	70	136	39	14	5	76	67	8	2	417
No. of new referrals	1	0	0	0	0	6	4	4	1	16
No. of cases passed to DWP	16	1	0	1	2	20	26	2	0	68
No. of cases passed to Visiting Team	8	0	3	0	1	24	16	2	0	54
No. of cases not investigated	3	2	3	1	1	9	10	0	0	29

Cases Closed– Fraud Referral Source

	Benefit Section	Data Matching	DWP	Fraud Team	Other External	Other Internal	Public	Fraud Hotline	Verification Framework Activities	Total
No. of cases closed	60	92	30	19	6	97	75	6	2	387
No. of cases passed to DWP	17	1	0	1	2	25	26	2	0	74
No. of cases passed to Visiting Team	8	0	3	0	1	29	17	2	0	60
No. of cases not investigated	5	3	2	4	1	11	12	0	0	38

Risk Services Quarter One Report – 2014/2015

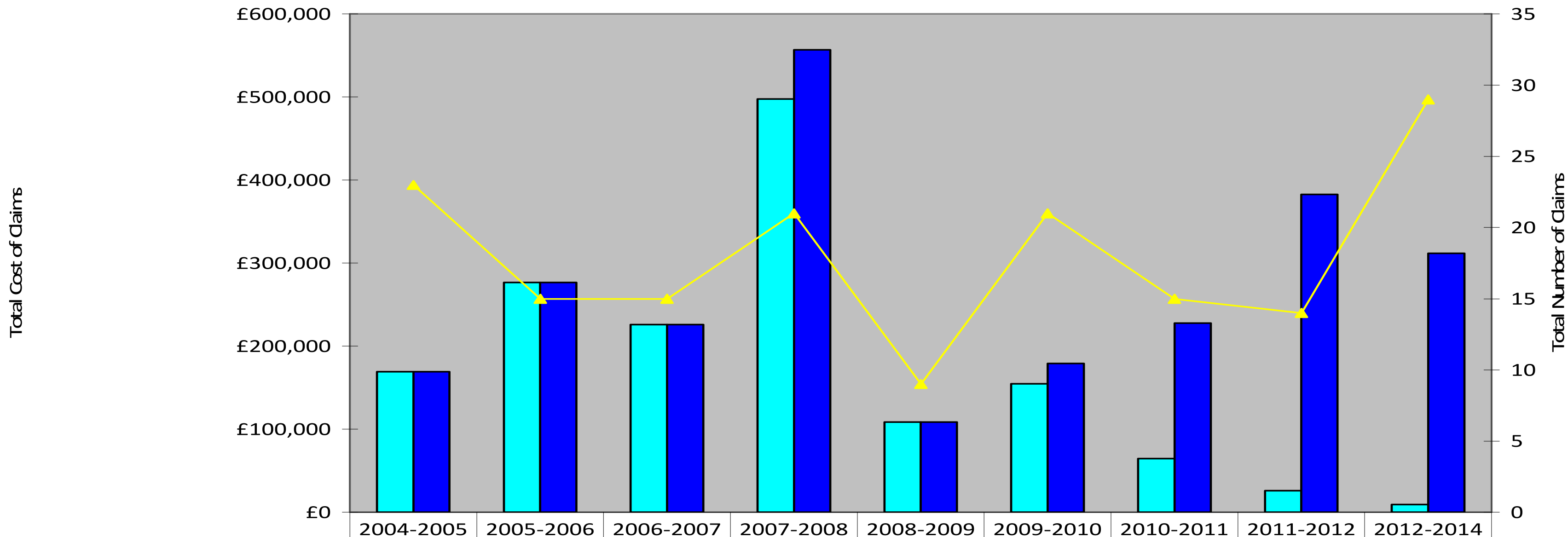
	Benefit Section	Data Matching	DWP	Fraud Team	Other External	Other Internal	Public	Fraud Hotline	Verification Framework Activities	Total
No. of investigations undertaken	31	88	25	13	2	32	20	2	2	215
No. of no fraud cases	11	34	9	8	1	21	10	0	0	94
No. of positive cases in period	20	54	16	5	1	11	10	2	2	121
No. of prosecutions in period	0	2	6	0	0	0	0	0	1	9
No. of admin penalties in period	3	4	4	0	0	1	2	0	0	14
No. of cautions in period	10	18	3	0	1	5	3	1	1	42

Risk Services Quarter One Report – 2014/2015

5. Appendix C – Insurance Claims Data

Page 32

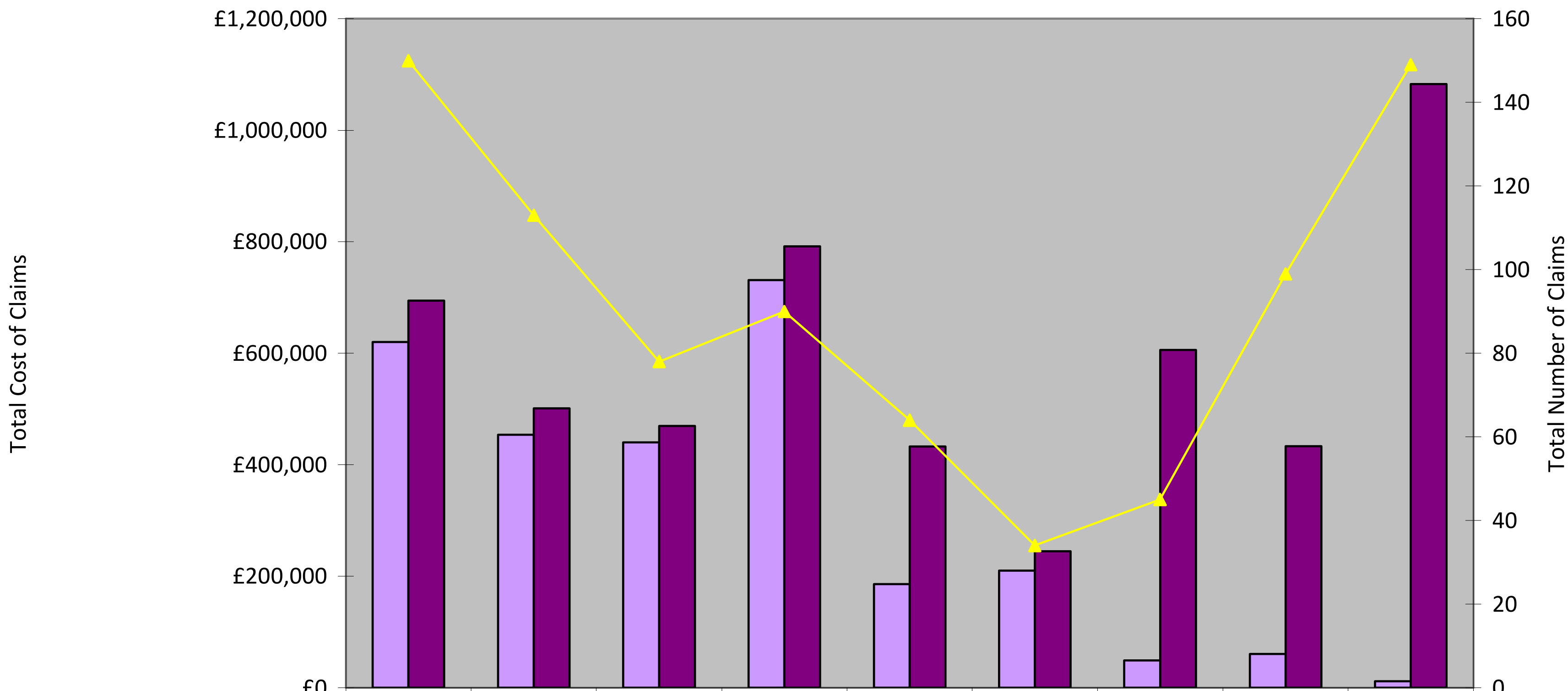
Total Number and Cost of EL Claims (Paid and Outstanding) as at 30.06.2014



	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2014
Claims Settled	£169,316	£276,584	£225,897	£497,482	£108,792	£154,499	£64,640	£25,951	£9,133
Total Cost of Claims	£169,316	£276,584	£225,897	£556,983	£108,792	£179,053	£227,991	£382,860	£311,851
Total Number of Claims	23	15	15	21	9	21	15	14	29

Risk Services Quarter One Report – 2014/2015

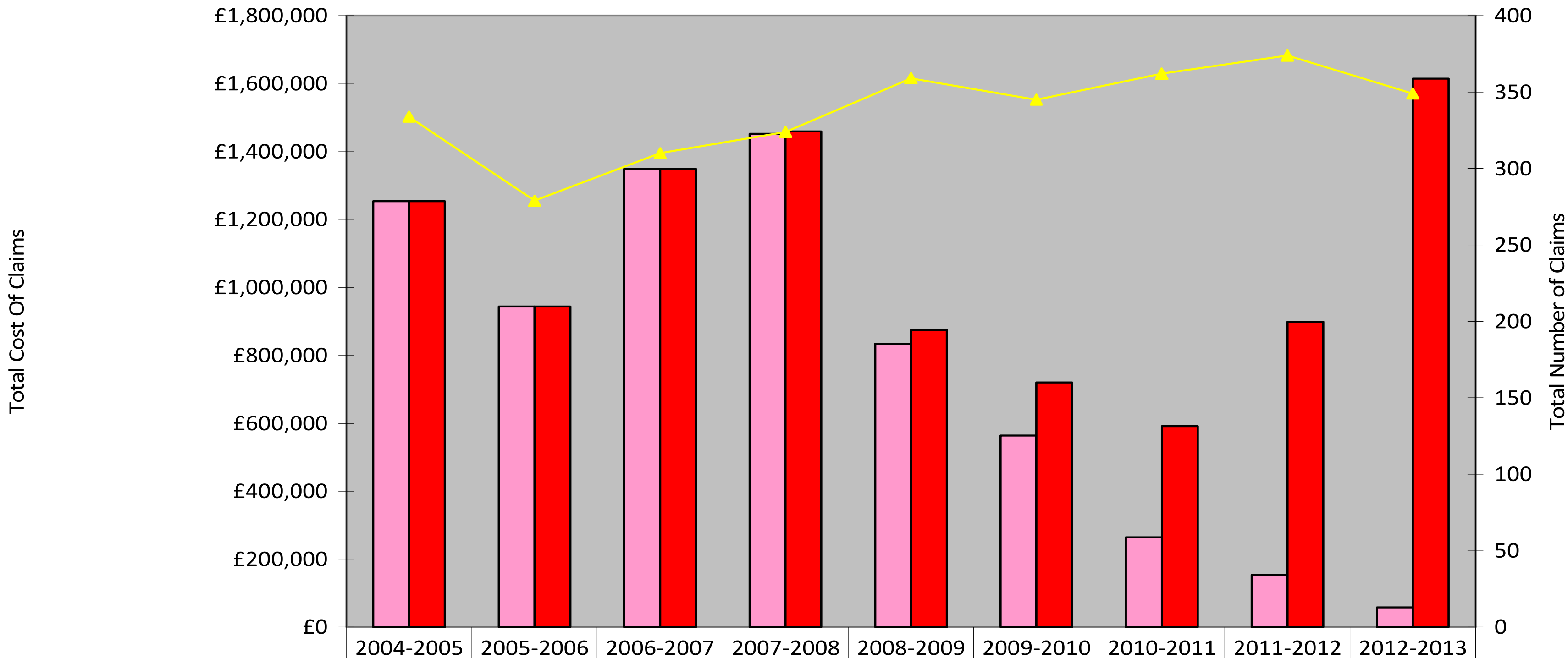
Total Number and Cost of PL Claims (Paid and Outstanding) as at 30.06.14



	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-14
Claims Settled	£620,109	£454,016	£439,836	£731,374	£185,789	£209,898	£48,639	£60,623	£11,754
Total Cost of Claims	£694,599	£501,051	£469,866	£791,274	£432,665	£244,883	£605,691	£433,038	£1,082,848
Total Number of Claims	150	113	78	90	64	34	45	99	149

Risk Services Quarter One Report – 2014/2015

Total Number and Cost of PLH Claims (Paid and Outstanding) as at 30.06.2014



	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Claims Settled	£1,253,825	£943,994	£1,348,498	£1,451,738	£834,485	£563,795	£264,316	£154,171	£57,963
Total Cost of Claims	£1,253,825	£943,994	£1,348,498	£1,459,239	£874,517	£720,088	£591,878	£898,765	£1,614,483
Total Number of Claims	334	279	310	324	359	345	362	374	349

Report to:	**FINANCE AND AUDIT COMMITTEE**
Relevant Officer:	Steve Thompson, Director of Resources
Date of Meeting	18th September 2014

EXTERNAL AUDITOR'S REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) AND STATEMENT OF ACCOUNTS 2013-2014

1.0 Purpose of the report:

1.1 To consider KPMG's Governance Report and the audited Statement of Accounts for 2013-2014.

2.0 Recommendation(s):

2.1 To consider the External Auditor's Report to those charged with Governance (ISA 260) for 2013–2014.

2.2 To approve the audited Statement of Accounts for 2013-2014.

3.0 Reasons for recommendation(s):

3.1 To enable the Committee to approve the Statement of Accounts by the 30th September to ensure compliance with the Accounts and Audit (England) Regulations 2011.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

None, as the Committee is required to approve the Statement of Accounts.

4.0 Council Priority:

4.1 The relevant Council Priority is:

Deliver quality services through a professional, well-rewarded and motivated workforce

5.0 Background Information

5.1 The *Accounts and Audit (England) Regulations 2011* require that "the responsible financial officer of a larger relevant body must, no later than 30th June immediately following the end of a year, sign and date the statement of accounts" with the final audited version approved by Members by 30th September.

5.2 The draft Statement of Accounts 2013-2014 were signed off by the Council's statutory finance officer, the Director of Resources, on 27th June.

5.3 The audit is now complete and the final Statement of Accounts 2013-2014 is attached at Appendix 5(a). The External Auditor's Report to those charged with Governance (ISA 260) for 2013-2014 is attached at Appendix 5(b). It is anticipated That an unqualified opinion on the 2013-2014 accounts will be issued.

5.4 Once the governance report has been considered and the letter of representation signed by the Director of Resources, it is expected that the Auditor will finalise his statements in order that the final audited accounts can be published.

Does the information submitted include any exempt information? No

List of Appendices:

Appendix 5(a): Statement of Accounts 2013-2014
Appendix 5(b): External Auditor's Report

6.0 Legal considerations:

6.1 None

7.0 Human Resources considerations:

7.1 None

8.0 Equalities considerations:

8.1 None

9.0 Financial considerations:

9.1 None

10.0 Risk management considerations:

10.1 None

11.0 Ethical considerations:

11.1 None

12.0 Internal/ External Consultation undertaken:

12.1 None

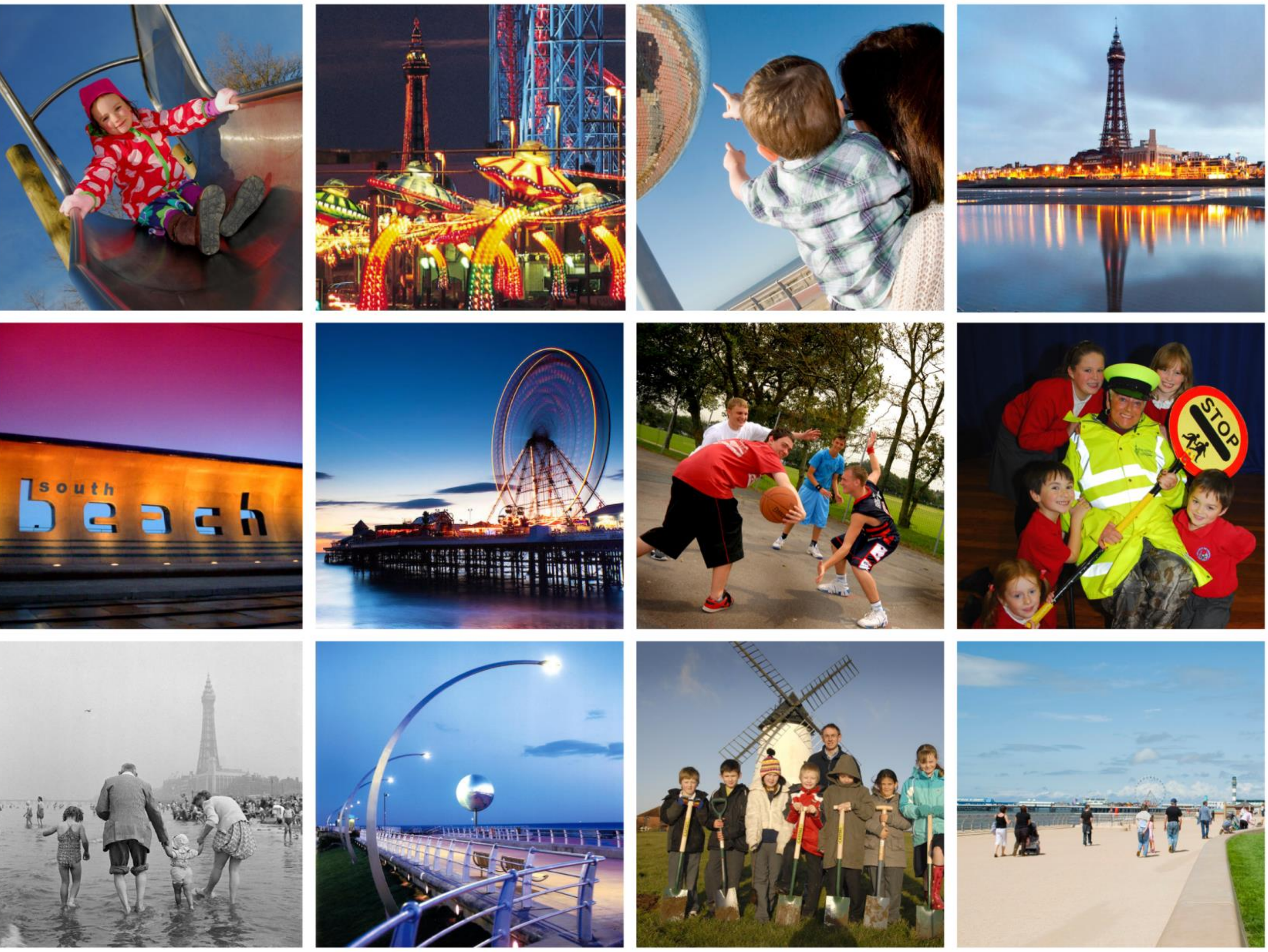
13.0 Background papers:

13.1 None

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2014

Blackpool Council



STATEMENT OF ACCOUNTS

2013/2014
CONTENTS

EXPLANATORY FOREWORD

INTRODUCTION

The Statement of Accounts summarises the financial performance of the Council for the year ended 31st March 2014. The foreword gives a brief summary of the Council's overall financial results for 2013/2014, the type of expenditure incurred and the funds used to pay for it. It also highlights the main influences affecting the accounts and assists in the interpretation of the main accounting statements.

These accounts have been prepared in accordance with the Accounts and Audit (England) Regulations 2011 and the current *Code of Practice on Local Authority Accounting In the United Kingdom,* based on International Financial Reporting Standards.

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 Treasurer 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 31st March 2014. It shows the reserves and balances of the Council, its long–term indebtedness and the value of fixed 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.

SUMMARY OF THE FINANCIAL YEAR

REVENUE SUMMARY

The budget for 2013/2014 was set by the Council on 26th February 2013 in the sum of £150.314m. There was a small decrease in Council Tax at Band D to £1,306.00 (£1,306.09 in 2012/2013) for services which are the responsibility of the Council to deliver or a small increase £1,522.57 (£1,519.67 in 2012/2013) 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	46.855
Non-Domestic Rate Baseline	23.756
Non-Domestic Rate Top-Up	18.444
Council Tax Support Funding	15.081
Council Tax Freeze Grant	2.101
Collection Fund Deficit	-0.907
Council Tax	44.984
	150.314

The provisional revenue outturn for 2013/2014 (before allowing for changes to working balances) is £150,120,000 compared with the approved budget of £150,254,000 – a net underspend of £134,000.

The year-end variance position for each department is summarised as follows:-

Department	2013/2014 Variance £000
Chief Executive	(95)
Human Resources, Communication and Engagement	(1)
Democratic Services	(48)
Treasurer Services	(314)
Built Environment	(6)
Regeneration, Tourism and Culture	280
Strategic Leisure Assets	2,765
Leisure and Operational Services	(4)
Adult Services	81
Children's Services	1,420
Public Health	0
Sub-total	**4,078**
Area Forum and Ward Budgets	(639)
Total	**3,439**

The main reasons for this net service overspend are:-

Service	**Reasons**	**£000**
Regeneration, Tourism and Culture – Strategic Leisure Assets	A cumulative adverse variance of £2,765k exists as a result of poorer trading conditions than originally expected. There are a number of facets to the variance, including vacant units at the Golden Mile. Financial performance is currently ahead of that anticipated in the Strategic Leisure Assets Recovery plan.	2,765
Children's Services	Children's Social Care over spent by £2.8m due to the higher than expected numbers and associated cost of Looked After Children (LAC). One-off savings relating to staffing vacancies and flexible use of grant funding reduced this to £1.42m.	1,420
Regeneration, Tourism and Culture	The adverse variance relates to Marketing Blackpool; a recovery plan is in place to address this position.	280
Adult Services	A shortfall of £2.5m against the 2013/2014 Priority Led Budgeting target was identified early in the financial year, however, this was offset by the introduction of Adult Social Care deferred payment scheme of £1.3m, the brought forward underspend from 2012/2013 of £0.7m and staffing vacancies of £0.5m.	81
Chief Executive / Human Resources, Communication and Engagement / Democratic Services / Treasurer Services / Built Environment / Leisure and Operational Services	The majority of these underspends relate to staff savings, increased efficiency savings and good housekeeping.	(468)
Area Forum and Ward Budgets	Scheme commitments of £264k are being carried forward to 2014/2015 which reduces the true surplus on budget to £375k.	(639)
Total		**3,439**

The 2013/2014 figures include overspendings of £214,000 brought forward from the previous financial year. After allowing for these sums, the provisional outturn shows that departmental budgets overspent in-year by £3,225,000.

The financial outturn for budgets outside the cash limit shows an aggregate underspending of £971,000. The main reasons for this are:-

Service	**Reasons**	**£000**
Parking Services	The closure of a significant number of car parks due to large scale redevelopment schemes across the town, coupled with the extremely challenging income target faced by the service have led to this overspend.	966
Concessionary Fares	This overspend is due to the popularity of the new improved tram services, and a large uptake by those eligible for concessionary fares.	956
Investment Portfolio	The majority of the overspend relates to a delay in the demolition of the former Syndicate nightclub due to legal issues. Costs have continued to be incurred and forecast parking income has not been realised.	95
Council Tax and NNDR Cost of Collection	Reduction in costs recovered.	30
Housing Benefits	-	(5)
Land Charges	-	(12)
Grants, Donations and Subscriptions	Reduction in Local Government Association Subscription	(15)
Subsidiary Companies	Primarily the good performance of the Blackpool Operating Company, which manages and operates the Sandcastle Waterpark, has led to a reduced subsidy requirement.	(146)
Treasury Management	The use of temporary borrowing and internal financing in lieu of long-term borrowing and the passporting of reduced interest by Lancashire County Council on the Local Government Reorganisation debt achieved significant savings in interest payable. Higher cash balances during the year resulted in increased temporary investment income, albeit at continuing low interest rates.	(2,840)
Total		**(971)**

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 provides 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 Treasurer and arising from events outside the control of the service, are added to the Council's general working balances.

Having considered the Provisional Revenue Outturn 2013/2014 in detail and the financial outlook, it is recommended that:-

- the planned overspending of £2,765,000 on the Strategic Leisure Assets, in accordance with the original decision for this scheme of the Executive on 7th February 2011, is carried forward to 2014/2015 in full;

- the following service overspending is to be written off:

Department	**£000**
Children's Services	1,420.0

This will allow Children's Services to enter the new financial year in a balanced position and give the Department a realistic chance in meeting its budget savings targets for that year.

- the underspending of £639,000 on Area Forum and Ward Budgets is carried forward to 2014/2015 in full;

- the following service underspendings are carried forward at 100% and covered by earmarked reserves in order not to adversely impact upon working balances if and when spent;

Department	**£000**
Chief Executive	95.0
Human Resources, Communication and Engagement	1.0
Democratic Services	48.0
Treasurer Services	314.0
Built Environment	6.0
Leisure and Operational Services	4.0
Total	**468.0**

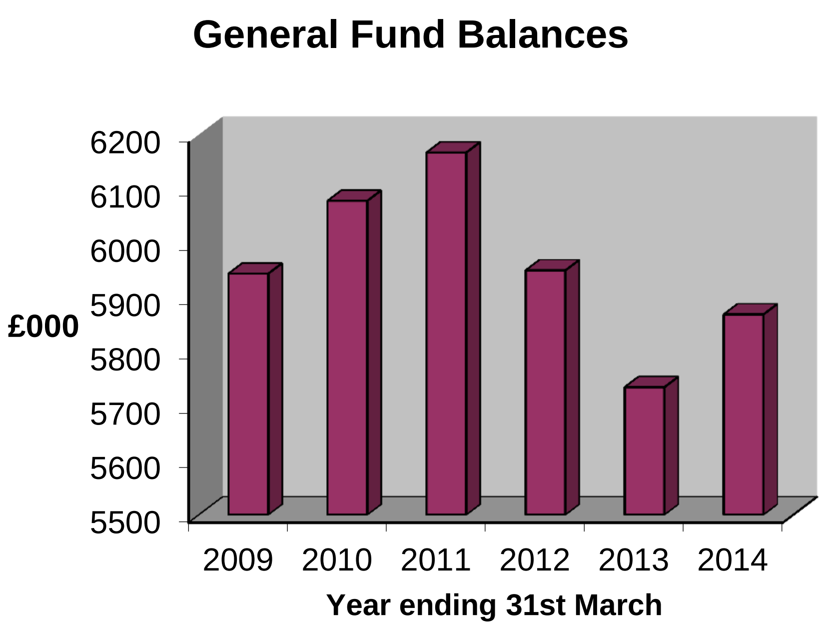
- the following service overspendings are to be carried forward to 2014/2015 in full:

Department	£000
Regeneration, Tourism and Culture	280.0
Adult Services	81.0
Total	**361.0**

GENERAL FUND WORKING BALANCES

In setting the Council's original budget for 2013/2014 the target General Fund working balances as at 31st March 2014 were approximately £6m. However the outturn position means that the actual General Fund working balances as at 31st March 2014 were £5,869,000.

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



CAPITAL SUMMARY

The total of the Council's capital spending in 2013/2014 was £82.4m, which is a 16% increase from the previous year. The main reason for the increase in capital spending is that many of the larger schemes are nearing completion e.g. Project 30 and the Central Business District. The net book value of the Council's fixed assets as at 31st March 2014 was £832.3m.

The main areas of capital spending during the year were:

	2013/2014 £m	2012/2013 £m
Children's Services	18.0	20.3
Leisure and Operational Services	2.5	1.5
Transport	16.0	16.7
Housing - Private Sector Housing	4.5	4.8
Housing - HRA	11.3	11.9
Regeneration, Tourism and Culture	1.9	1.9
Adult Services	2.7	0.6
Human Resources and IT	2.4	1.8
Treasurer Services	23.1	11.1
Total	**82.4**	**70.6**

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

	2013/2014 £m	2012/2013 £m
Capital receipts	0.3	1.4
Grants	33.7	33.1
Borrowing	39.7	19.9
Other	8.7	16.2
Total	**82.4**	**70.6**

As at 31st March 2014 the Council held a balance of usable capital receipts amounting to £3.4m. Most of these capital receipts are committed towards 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.

- The £220m Talbot Gateway Central Business District Scheme is expected to be completed by Summer 2014. This has created a new retail, commercial and community space for Blackpool in addition to town centre parking and transport links.

- Project 30 commenced in 2011/2012 and continued into 2013/2014. This is an investment of £30m over 4 years to update the road network and infrastructure to a level considered adequate for a town of Blackpool's stature. The investment made will provide significant long-term benefits for the town's infrastructure.

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 £4.187m at 31 March 2014.

ACCOUNTING PRACTICE COMPLIANCE

These accounts have been prepared in accordance with the Accounts and Audit Regulations 2011 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 1st April 2013, 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 Section 5.

COMPLIANCE WITH STATUTORY CONTROLS & TARGETS

In 2013/2014 the Council did not apply any supported capital expenditure (SCE) approvals in order to borrow for capital purposes. It is government policy to gradually replace SCEs with Capital Grant. In addition the Council also has authority to prudentially borrow to fund schemes. The costs of this borrowing must be met from the service revenue budget over the useful life of the asset and it is the Council's policy that the cost of the capital scheme using prudential borrowing must have a nil effect on the council tax. Therefore, increased income/savings must be achievable before the scheme can go ahead.

The Council set aside a minimum revenue provision (MRP) of £7.022m representing 4% of the capital financing requirement, as adjusted in respect of the commutation of certain Government housing grants. In addition to the statutory minimum of 4%, £1.974m has been set aside to repay debt relating to shorter life assets that have been funded by prudential borrowing.

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

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:

Treasurer
Blackpool Council
P O Box 4
Town Hall
Blackpool
FY1 1NA

Public Inspection of Accounts

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. This inspection will take place from 7th July to 1st August 2014 for the 2013/2014 Statement of Accounts. The availability of the accounts for inspection was advertised in the local press in June 2014.

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 Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

Chair – Finance and Audit Committee
Date – 18th September 2014

2. THE DIRECTOR OF RESOURCE'S RESPONSIBILITIES

The Treasurer 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 Treasurer 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. THE DIRECTOR OF RESOURCE'S CERTIFICATE

The Statement of Accounts represents fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2014.

S Thompson
Director of Resources
18th September 2014

SECTION 3

INDEPENDENT AUDITOR'S REPORT

This page will be completed following receipt of the audit opinion.

SECTION 4

CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the authority, analysed into `usable reserves' (i.e those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

2013/2014

	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
Balance as at 31st March 2013	**(11,183)**	**(43,980)**	**(3,388)**	**(2,734)**	**-**	**(6,599)**	**(67,884)**	**(336,874)**	**(404,758)**
Movements in Reserves in 2013/2014									
(Surplus) or Deficit on the provision of services	65,881	-	(65)	-	-	-	**65,816**	-	**65,816**
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	(57,801)	**(57,801)**
Total Comprehensive Income and Expenditure	**65,881**	**-**	**(65)**	**-**	**-**	**-**	**65,816**	**(57,801)**	**8,015**
Adjustments between accounting basis and funding basis under regulations (Note 7)	(69,500)	-	(2,820)	(249)	4,219	-	**(68,350)**	68,350	-
Net (Increase) or Decrease before Transfer to Earmarked Reserves	**(3,619)**	**-**	**(2,885)**	**(249)**	**4,219**	**-**	**(2,534)**	**10,549**	**8,015**
Transfer to/(from) Earmarked Reserves (Note 8)	4,724	(5,991)	2,086	(425)	(4,219)	(394)	**(4,219)**	4,219	-
(Increase)/Decrease in 2013/2014	**1,105**	**(5,991)**	**(799)**	**(674)**	**-**	**(394)**	**(6,753)**	**14,768**	**8,015**
Balance as at 31st March 2014	**(10,078)**	**(49,971)**	**(4,187)**	**(3,408)**	**-**	**(6,993)**	**(74,637)**	**(322,106)**	**(396,743)**

2012/2013

	General Fund Balance £000	Earmarked General Fund Reserves £000	HRA £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance as at 31st March 2012	**(11,980)**	**(35,328)**	**(2,305)**	**(2,563)**	**-**	**(5,948)**	**(58,124)**	**(393,645)**	**(451,769)**
Movements in Reserves in 2012/2013									
(Surplus) or Deficit on the provision of services	28,568	-	6,433	-	-	-	**35,001**	-	**35,001**
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	**-**	12,010	**12,010**
Total Comprehensive Income and Expenditure	**28,568**	**-**	**6,433**	**-**	**-**	**-**	**35,001**	**12,010**	**47,011**
Adjustments between accounting basis and funding basis under regulations (Note 7)	(34,723)	-	(9,816)	(222)	4,486	-	**(40,275)**	40,275	**-**
Net (Increase) or Decrease before Transfer to Earmarked Reserves	**(6,155)**	**-**	**(3,383)**	**(222)**	**4,486**	**-**	**(5,274)**	**52,285**	**47,011**
Transfer to/(from) Earmarked Reserves	6,952	(8,652)	2,300	51	(4,486)	(651)	**(4,486)**	4,486	**-**
(Increase)/Decrease in 2012/2013	**797**	**(8,652)**	**(1,083)**	**(171)**	**-**	**(651)**	**(9,760)**	**56,771**	**47,011**
Balance as at 31st March 2013	**(11,183)**	**(43,980)**	**(3,388)**	**(2,734)**	**-**	**(6,599)**	**(67,884)**	**(336,874)**	**(404,758)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31ST MARCH 2014

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.

2012/2013				2013/2014		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
16,820	(15,935)	885	Central Services to the Public	32,334	(11,415)	20,919
23,635	(10,159)	13,476	Cultural and Related Services	25,094	(9,065)	16,029
29,719	(4,258)	25,461	Environment and Regulatory Services	35,267	(10,477)	24,790
24,041	(16,328)	7,713	Planning Services	273	(937)	(664)
154,556	(118,852)	35,704	Childrens and Education Services	158,964	(110,347)	48,617
33,575	(15,080)	18,495	Highways and Transport Services	37,391	(12,366)	25,025
23,502	(18,005)	5,497	Local Authority Housing (HRA)	17,067	(18,034)	(967)
94,824	(93,257)	1,567	Other Housing Services	95,942	(92,102)	3,840
69,720	(23,609)	46,111	Adult Social Care	68,680	(19,492)	49,188
-	-	-	Public Health	15,120	(17,622)	(2,502)
3,277	(3,878)	(601)	Corporate and Democratic Core	3,395	(3,362)	33
(1,506)	(2,060)	(3,566)	Non-Distributed Cost	(38)	3,357	3,319
472,163	**(321,421)**	**150,742**	**Cost of Services**	**489,489**	**(301,862)**	**187,627**
		33,338	Other Operating Expenditure (Note 9)			40,776
		18,142	Financing & Investment Income & Expenditure - Other (Note 10)			5,543
		123	Income & Expenditure in relation to Investment Properties and changes in their fair value (Notes 14)			8,740
		(167,344)	Taxation and Non-Specific Grant Income - Other (Note 11)			(176,870)
		35,001	**(Surplus) or Deficit on Provision of Services**			**65,816**
		(31,030)	Surplus or Deficit on revaluation of Property, Plant and Equipment assets			(14,609)
		6,000	Impairment losses on non-current assets charged to Revalution Reserve			5,701
		700	Surplus or deficit on revaluation of available for sale financial assets			400
		19	Movement on financial instruments adjustment account			18
		35,095	Actuarial gains / losses on pension assets / liabilities			(48,936)
		1,226	Other Movements			(375)
		12,010	**Other Comprehensive Income and Expenditure**			**(57,801)**
		47,011	**Total Comprehensive Income and Expenditure**			**8,015**

From 1st April 2013 the responsibility for providing Public Health services transferred to the Council from the NHS.

BALANCE SHEET FOR THE YEAR ENDED 31ST MARCH 2014

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 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 2013		Notes	31st March 2014
£000			£000
838,345	Property, Plant and Equipment	12	810,448
7,764	Heritage Assets	13	7,764
11,685	Investment Property	14	13,450
162	Intangible Assets	15	129
3,350	Assets Held for Sale	16	482
9,500	Long Term Investments	18	9,900
9,176	Long Term Debtors	19	10,561
879,982	**Long Term Assets**		**852,734**
550	Short Term Assets Held for Sale		550
750	Inventories	20	607
38,496	Short Term Debtors	21	38,790
3,186	Payments in Advance	22	711
4,552	Cash and Cash Equivalents	23	6,854
47,534	**Current Assets**		**47,512**
(19,000)	Short Term Borrowing		(45,348)
(48,035)	Short Term Creditors	25	(51,940)
(16,221)	Receipts in Advance	24	(13,662)
(9,990)	Short Term Provisions	26	(14,042)
(93,246)	**Current Liabilities**		**(124,992)**
(76,339)	Long Term Creditors	25	(81,061)
(94,320)	Long term Borrowing	50	(94,586)
-	Long Term Provisions		-
(241,271)	Other Long Term Liabilities		(192,012)
(17,582)	Capital Grants in Advance	41	(10,852)
(429,512)	**Long Term Liabilities**		**(378,511)**
404,758	**Net Assets**		**396,743**
(67,884)	Usable Reserves	27	(74,637)
(336,874)	Unusable Reserves	28	(322,106)
(404,758)	**Total Reserves**		**(396,743)**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2014

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.

2012/13 £000		**Notes**	**2013/14 £000**
35,001	Net (surplus) or deficit on the provision of services		65,816
(76,554)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	29	(64,001)
(9,619)	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	29	(31,765)
(51,172)	**Net cash flows from Operating Activities**		**(29,950)**
50,585	Investing Activities	30	35,314
(13,753)	Financing Activities	31	(28,602)
(14,340)	**Net (increase) or decrease in cash and cash equivalents**		**(23,238)**
(89,934)	Cash and cash equivalents at the beginning of the reporting period		(104,274)
(104,274)	**Cash and cash equivalents at the end of the reporting period**	32	**(127,512)**

SECTION 5

NOTES TO THE ACCOUNTS

CONTENTS FOR NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2013/2014 financial year and its position at the year-end 31st March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2013/2014* (the 'Code')and the *Service Reporting Code of Practice 2013/2014* (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 (bad debt provision).

iii. ACQUIRED AND DISCONTINUED OPERATIONS

All operations acquired 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. 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 two 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.

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

However, the arrangements for the teachers' scheme 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 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 4.12% (4.2% in 2012/2013) (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.

viii. 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.

ix. 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 Lancashire and Blackpool Tourist Board 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

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).

x. 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 31st March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xi. 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.

xii. 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.

xiii. 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.

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 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 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.

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.

xiv. 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.

xv. 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 Leisure and Operational Service Department, the Illuminations Division (production of new features) and the Central Print Unit. It is valued at cost including an allocation of overheads.

xvi. 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. 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.

xvii. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xviii. 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.

xix. 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 2013/2014 (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: -

Percentage Time –	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

Floor Area - Administrative Buildings

Actual Time Allocation – Property Services, Legal Services, Highways, Transportation, Streetscene and Capital Projects Division

xx. 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.

xxi. 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.

Waste Disposal PFI

Blackpool Council has entered into a Joint Working Agreement with Lancashire County Council to co-operate in the provision of certain waste disposal functions. The Council has authorised Lancashire County Council to enter into a PFI contract with Global Renewables Lancashire Limited and administer all matters under that contract on behalf of Blackpool Council. This arrangement is a continuing commitment until March 2037.

Street Lighting & Signals PFI

The project commenced on 4th January 2010 and is for 25 years. The total value of the project is £129m and includes the replacement of approximate 16,000 streetlights and signals. The service provider is Community Lighting Partnership.

xxii. 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.

xxiii. 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 last year of its introductory phase which ends on 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, 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.

xxiv. 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.

xxv. 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.

xxvi. 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

The Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code) has introduced several changes to accounting policies which will be required from 1 April 2014. The following changes are not considered to have a significant impact on the Statement of Accounts as demonstrated below:

- IAS 32 Financial Instruments Presentation – The code references to amended application guidance when offsetting a financial asset and financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.
- IAS 1 Presentation of Financial Statements – The changes clarify the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on the Statement of Accounts.
- IFRS 13 – Fair Value Measurement – The adoption of this standard has been deferred into the 2014/2015 Code.

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.

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 31st March 2014 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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £430,000 for every year that useful lives had to be reduced.
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 pensions liability of changes in individual assumptions can be measured although the assumptions interact in complex ways. During 2013/2014 the Council's actuaries advised that the net pension liability has decreased by £48.936m.
Arrears	At 31/3/14 the Authority had a balance of sundry debtors of £6.2m. £2.8m of this balance was expected to be paid in full. A review of the remaining £3.4m suggested that an impairment of doubtful debts of 39% 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 £1.3m to be set aside as an allowance.
Business Rates	Since the introduction of the Business Rates Retention Scheme effective from 1st April 2013, local authorities are liable for 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 31st March 2014. 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 31st March 2014.	If the level of appeals were to increase a 1% increase would require an additional £410,000 to be set aside.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

The Council has transferred land and buildings for the following 5 schools moving to Academy status during the year. The value of the land and buildings which are no longer on the Council's balance sheet are:

	2013/2014 £000
Anchorsholme Primary School	5,377
Devonshire Primary School	7,382
Palatine High School	6,197
Park Special School	2,518
Unity College	15,548
Total	**37,022**

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Treasurer on 27th June 2014. 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 31st March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. 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 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 paid and out of which all liabilities of the Authority are 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 HRA services.

Housing Revenue Account

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.

2013/2014	Usable Reserves: General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Reserves £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non current assets	(65,110)	(2,820)				67,930
Capital grants and contributions applied	23,977					(23,977)
Revenue expenditure funded from capital under statute	(2,159)					2,159
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	(40,050)					40,050
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of investment						-
Capital expenditure charged against the General Fund and HRA balances	8,996					(8,996)
Adjustments involving the Capital Receipts Reserve:						
Contribution from Capital Reserves			(249)			249
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA						-
Use of the Major Repairs Reserve to finance new capital expenditure				4,219		(4,219)
Adjustments involving the Financial Instruments Adjustment Account:						
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.	18					(18)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	8,475					(8,475)
Employer's pensions contributions and direct payments to pensioners payable in the year	(7,550)					7,550
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax and non domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rating income calculated for the year in accordance with statutory requirements	2,660					(2,660)
Adjustment involving the Available for Sale Reserve						
Gain/loss on revaluation of investments	400					(400)
Adjustment involving the Accumulating Compensated Absences Adjustment Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	843					(843)
Total Adjustments	**(69,500)**	**(2,820)**	**(249)**	**4,219**	**-**	**68,350**

	Usable Reserves					
2012/2013	**General Fund Balance £000**	**Housing Revenue Account £000**	**Capital Receipts Reserve £000**	**Major Repairs Reserve £000**	**Capital Reserves £000**	**Movement in Unusable Reserves £000**
Adjustments involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non current assets	(33,683)	(9,816)				43,499
Capital grants and contributions applied	25,453					(25,453)
Revenue expenditure funded from capital under statute	(2,622)					2,622
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	(32,575)					32,575
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of investment	8,849					(8,849)
Capital expenditure charged against the General Fund and HRA balances	1,483					(1,483)
Adjustments involving the Capital Receipts Reserve:						
Contribution from Capital Reserves			(222)			222
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA				4,486		(4,486)
Use of the Major Repairs Reserve to finance new capital expenditure						-
Adjustments involving the Financial Instruments Adjustment Account:						
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.	19					(19)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(14,687)					14,687
Employer's pensions contributions and direct payments to pensioners payable in the year	12,680					(12,680)
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(2,029)					2,029
Adjustment involving the Available for Sale Reserve						
Gain/loss on revaluation of investments	700					(700)
Adjustment involving the Accumulating Compensated Absences Adjustment Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,689					(1,689)
Total Adjustments	**(34,723)**	**(9,816)**	**(222)**	**4,486**	**-**	**40,275**

8. 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 2013/2014.

	Balance at 1st April 2012 £000	Transfers Out 2012/2013 £000	Transfers In 2012/2013 £000	Balance at 31st March 2013 £000	Transfers Out 2013/2014 £000	Transfers In 2013/2014 £000	Balance at 31st March 2014 £000
General Fund:							
Balances held by schools under scheme of delegation (1)	(5,994)	1,902	(1,356)	(5,448)	2,283	(1,044)	(4,209)
Unallocated Reserves	(5,987)	252	-	(5,735)	-	(134)	(5,869)
Total General Fund	**(11,981)**	**2,154**	**(1,356)**	**(11,183)**	**2,283**	**(1,178)**	**(10,078)**
Earmarked Reserves							
Potential Pay Liabilities	(8,410)	1,872	(1,872)	(8,410)	2,208	(699)	(6,901)
Public/Private Partnership Reserve	(10,219)	856	(2,727)	(12,090)	-	(3,338)	(15,428)
Council Tax & Non-Domestic Rates Deficits	(2,861)	122	(4,232)	(6,971)	2,220	(4,971)	(9,722)
Service Underspends	(2,821)	-	-	(2,821)	200	-	(2,621)
Specific Settlements in Dispute	(2,452)	950	(80)	(1,582)	-	(25)	(1,607)
Budget 2013/2014	(1,466)	348	-	(1,118)	-	-	(1,118)
Strategic Investments	(1,287)	567	-	(720)	100	-	(620)
Financial systems upgrade, renewals & replacements	(544)	77	-	(467)	110	-	(357)
Financial Instruments	(547)	-	-	(547)	-	-	(547)
Treasury Management - Prudential borrowing	-	-	(1,669)	(1,669)	-	(203)	(1,872)
Insurances	-	-	(1,506)	(1,506)	1,506	-	-
Other	(4,720)	1,534	(2,893)	(6,079)	2,453	(5,552)	(9,178)
Total Earmarked Reserves	**(35,327)**	**6,326**	**(14,979)**	**(43,980)**	**8,797**	**(14,788)**	**(49,971)**
HRA							
Housing Revenue Account	**(2,305)**	**-**	**(1,083)**	**(3,388)**	**-**	**(799)**	**(4,187)**

1. Such balances are committed to be spent on the Education Service.
2. All reserves with balances over £500,000 are shown separately.

9. OTHER OPERATING EXPENDITURE

2012/2013 £000		2013/2014 £000
73	Flood Defence Levy	65
222	Payments to the Government Housing Capital Receipts Pool	249
33,043	Gains/losses on the disposal of non-current assets	40,462
33,338	**Total**	**40,776**

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2012/2013 £000		2013/2014 £000
8,033	Interest payable and similar charges	6,764
5,900	Net interest on the net defined benefit liability (asset)	(4,872)
(611)	Interest receivable and similar income	(507)
0	Dividend - Blackpool Transport Services	(500)
4,820	Waste PFI Financing Charges	4,658
18,142	**Total**	**5,543**

11. TAXATION AND NON SPECIFIC GRANT INCOMES

2012/2013 £000		2013/2014 £000
(57,898)	Council Tax Income	(46,736)
(80,925)	Non-Domestic Rates contribution from Pool	0
0	Retained Business Rates	(23,682)
0	Business Rates Top Up	(18,444)
(3,068)	Non-ringfenced government grants	(64,030)
(25,453)	Capital Grants & contributions	(23,978)
(167,344)	**Total Taxation and Non-Specific Grant Income**	**(176,870)**

12. PROPERTY PLANT AND EQUIPMENT (PPE)

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

	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*
Cost or Valuation								
Balance as at 1 April 2013	**94,526**	**375,908**	**31,073**	**430,937**	**66**	**30,032**	**962,542**	*82,341*
Additions	11,337	27,849	4,768	23,970	-	18,607	**86,531**	*6,600*
Revaluation increases/decreases to Revaluation Reserve	-	(6,092)	-	699	-	-	**(5,393)**	
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(6,440)	(38,175)	-	-	-	-	**(44,615)**	*700*
Derecognition - Disposals	(878)	(40,849)	-	-	-	(5,330)	**(47,057)**	-
Transfer	-	53,903	-	(21,114)	-	(32,678)	**111**	-
Balance as at 31 March 2014	**98,545**	**372,544**	**35,841**	**434,492**	**66**	**10,631**	**952,119**	*89,641*
Depreciation and Impairment								
Balance as at 1 April 2013	**(2,185)**	**(13,374)**	**(22,976)**	**(85,662)**	**-**	**-**	**(124,197)**	*(1,350)*
Depreciation Charge	(2,133)	(11,335)	(2,664)	(15,293)	-	-	**(31,425)**	*(1,670)*
Depreciation written out on Revaluation Reserve	-	4,006	-	-	-	-	**4,006**	-
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	2,185	4,568	-	-	-	-	6,753	-
Derecognition - Disposals	-	3,192	-	-	-	-	**3,192**	-
Derecognition - Other							**-**	-
Balance as at 31 March 2014	**(2,133)**	**(12,943)**	**(25,640)**	**(100,955)**	**-**	**-**	**(141,671)**	*(3,020)*
Net Book Value								
Balance as at 31 March 2014	**96,412**	**359,601**	**10,201**	**333,537**	**66**	**10,631**	**810,448**	*86,621*
Balance as at 31 March 2013	**92,341**	**362,534**	**8,097**	**345,275**	**66**	**30,032**	**838,345**	*80,991*

COMPARATIVE MOVEMENTS 2012/2013

	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*
Cost or Valuation								
Balance as at 1 April 2012	**97,387**	**337,100**	**30,264**	**405,925**	**29**	**14,433**	**885,138**	*17,444*
Additions	11,925	78,816	1,509	24,600	37	15,599	**132,486**	*64,485*
Revaluation increases/decreases to Revaluation Reserve	-	2,040	-	412	-	-	**2,452**	*412*
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(13,995)	(6,898)	-	-	-	-	**(20,893)**	-
Derecognition - Disposals	(791)	(35,150)	-	-	-	-	**(35,941)**	-
Derecognition - Other	-	-	(700)	-	-	-	**(700)**	-
Balance as at 31 March 2013	**94,526**	**375,908**	**31,073**	**430,937**	**66**	**30,032**	**962,542**	*82,341*
Depreciation and Impairment								
Balance as at 1 April 2012	**(3,463)**	**(8,336)**	**(20,020)**	**(71,284)**	**-**	**-**	**(103,103)**	*(652)*
Depreciation Charge	(2,185)	(10,264)	(2,956)	(14,378)	-	-	**(29,783)**	*(698)*
Depreciation written out on Revaluation Reserve	-	1,013	-	-	-	-	**1,013**	-
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	3,463	1,008	-	-	-	-	4,471	-
Derecognition - Disposals	-	2,575	-	-	-	-	**2,575**	-
Derecognition - Other	-	630	-	-	-	-	**630**	-
Balance as at 31 March 2013	**(2,185)**	**(13,374)**	**(22,976)**	**(85,662)**	**-**	**-**	**(124,197)**	*(1,350)*
Net Book Value								
Balance as at 31 March 2013	**92,341**	**362,534**	**8,097**	**345,275**	**66**	**30,032**	**838,345**	*80,991*
Balance as at 31 March 2012	**93,924**	**328,764**	**10,244**	**334,641**	**29**	**14,433**	**782,035**	*16,792*

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 31st March 2014, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/2015 and future years budgeted to cost £8m. Similar commitments at 31st March 2013 were £10m. The major commitment 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 2013/2014. 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:-

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Surplus Assets £000	Total £000
Carried at Historic Cost			35,841	482	36,323
Valued at fair value as at:					
31/03/2014	94,783	149,803			244,586
31/03/2013		50,137			50,137
31/03/2012		165,825			165,825
31/03/2011					-
Total Cost or Valuation	**94,783**	**365,765**	**35,841**	**482**	**496,871**

Component Accounting

Council Dwellings

Within the Net Book Value of Assets – Council Dwellings (Note 12) 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	16,985	3,484	26,437	**46,906**
Flats	21,826	7,163	18,082	**47,071**
Total	**38,811**	**10,647**	**44,519**	**93,977**

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, the items valued in 2013/2014 and are now included on a component basis are shown below. The total value of assets within land and buildings that have been valued on a component basis is £131.1m and this represents 36% of the total land and buildings.

Asset	**Land £000**	**Building £000**	**Machinery / Equipment £000**	**Roofs / Fenestration £000**	**Total £000**
Layton Primary	200	2,895	1,740	1,155	**5,990**
Boundary Primary	370	1,940	1,160	780	**4,250**
Highfield Humanities	950	9,742	6,495	5,413	**22,600**
Colleigate High	1,140	3,312	2,208	1,840	**8,500**
St Mary's College	1,680	10,140	6,080	4,060	**21,960**
Woodlands School	160	975	590	385	**2,110**
Starr Gate Tram	470	7,610	5,330	2,280	**15,690**
Bickerstaffe Square	1,000	7,350	4,410	2,930	**15,690**
9-19 Birley Street	432	454	302	252	**1,440**
Talbot Rd Multi Storey	706	2,858	1,906	1,588	**7,058**
Blackpool Tower	2,580	10,449	6,966	5,805	**25,800**
Total	**9,688**	**57,725**	**37,187**	**26,488**	**131,088**
Depreciation rates	Nil	2%	8%	4%	

13. 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 2013	5,000	591	120	900	500	653	**7,764**
Revaluations	-		-	-		-	**-**
Balance 31st March 2014	**5,000**	**591**	**120**	**900**	**500**	**653**	**7,764**

	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 2012	5,000	591	120	900	500	653	**7,764**
Revaluations	-	-	-	-	-	-	**-**
Balance 31st March 2013	**5,000**	**591**	**120**	**900**	**500**	**653**	**7,764**

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 31st 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 Historical Collection

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

Illuminations

These assets have been valued by the Illuminations Manager as at 31st March 2012

Statues

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

14. 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.

2012/2013 £000		2013/2014 £000
(963)	Rental income from investment property	(925)
2,415	Direct operating expenses arising from investment property	2,447
(1,329)	Net gains/(losses) from fair value adjustments	7,218
123	**Net (gain)/loss**	**8,740**

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.

2012/2013 £000		2013/2014 £000
12,137	Balance at start of the year	11,685
	Additions:	
0	- Purchases	338
95	- Subsequent expenditure	0
0	Disposals	(431)
1,329	Net gains/(losses) from fair value adjustments	(122)
(1,876)	Other Changes	1,980
11,685	**Balance at end of the year**	**13,450**

15. 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 use of 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 straight line basis. The amortisation of £32,000 charged to revenue in 2013/2014 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:

2012/2013 £000		2013/2014 £000
0	**Balance at start of year**	**162**
0	Amortisation for period	33
162	Additions	0
162	**Net carrying amount at end of year**	**129**
	Comprisng:	
162	Gross carrying amounts	162
0	Accumulated amortisation	(33)

16. ASSETS HELD FOR SALE

2012/2013 £000		2013/2014 £000
3,104	**Balance outstanding at start of year**	**3,350**
390	Revaluation gains/(losses)	(308)
(144)	Impairment losses	(160)
	Assets declassified as held for sale:	
0	Property, plant and equipment	(2,400)
3,350	**Balance outstanding at end of year**	**482**

17. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long Term		Current	
	31st March 2014 £000	**31st March 2013 £000**	**31st March 2014 £000**	**31st March 2013 £000**
Investments				
Loans and receivables	2,500	2,500	2,578	4,300
Unquoted equity investment at cost*	9,900	9,500	-	-
Total Investments	**12,400**	**12,000**	**2,578**	**4,300**
Debtors				
Financial assets carried at contract amounts	-	-	39,501	41,682
Total included in Debtors	**-**	**-**	**39,501**	**41,682**
Borrowings				
Financial liabilities at amortised cost	(98,434)	(93,926)	(41,500)	(19,395)
Total included in borrowings	**(98,434)**	**(93,926)**	**(41,500)**	**(19,395)**
Creditors				
Financial liabilities carried at contract amount	(81,061)	(76,339)	(65,602)	(64,256)
Total creditors	**(81,061)**	**(76,339)**	**(65,602)**	**(64,256)**

*= shares in Blackpool Transport Services

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 2013/2014 was £340,459 (£325,000 in 2012/2013).

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 22 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 5.5%.

	2013/2014 £000	2012/2013 £000
Balance at start of year	**91**	**122**
New loans granted in year	6	35
Loans repaid	(49)	(66)
Balance at end of year	**48**	**91**

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 2014 is £9.2m.

	2013/2014				2012/2013			
	Financial Liabilities measured at amortised cost £'000	Financial Assets - loans & receivables £'000	Financial Assets - Available for Sale £'000	Total £'000	Financial Liabilities measured at amortised cost £'000	Financial Assets - loans & receivables £'000	Financial Assets - Available for Sale £'000	Total £'000
Interest expense	6,749	-	-	**6,749**	5,159	-	-	**5,159**
Losses on derecognition	-	-	-	**-**	-	-	-	**-**
Total expense in Surplus or Deficit on the Provision of Services	**6,749**	**-**	**-**	**6,749**	**5,159**	**-**	**-**	**5,159**
Interest income	-	(507)	-	**(507)**	-	(75)	-	**(75)**
Total income in Surplus or Deficit on the Provision of Services	**-**	**(507)**	**-**	**(507)**	**-**	**(75)**	**-**	**(75)**
Gains on revaluation	-	-	400	400	-	-	700	700
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**400**	**400**	**-**	**-**	**700**	**700**
Net gain/(loss) for the year	**6,749**	**(507)**	**400**	**6,642**	**5,159**	**(75)**	**700**	**5,784**

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 31st March 2014 of 0.34% to 3.39% for loans from the PWLB and 0.9% to 3.38% 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 2014		31st March 2013	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities	139,934	162,388	113,321	124,925
Long term creditors	110,325	110,325	105,919	105,919

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 2014) arising from a commitment to pay interest to lenders above current market rates.

	31st March 2014		31st March 2013	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	8,550	8,550	6,800	6,800
Long term debtors	10,942	10,561	9,572	9,176
Short term debtors	39,501	39,501	41,682	41,682

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 2014) 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.

18. LONG-TERM INVESTMENTS

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 and as landlord is obliged to maintain the tramway and attend to exterior repairs to the depot and offices. The company is wholly owned by the Council.

31st March 2013 £000		31st March 2014 £000
	Ordinary Shares (£1 per share) in:-	
8,800	Blackpool Transport Services Ltd	9,200
700	5% Share in Blackpool Airport	700
9,500	**Total**	**9,900**

The quoted market share prices, similar comparative companies and 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 2013/2014 there was an increase in value of £400,000. All profit and losses on revaluation are credited or charged to the Available for Sale Reserve via the Movement in Reserves Statement.

BLACKPOOL AIRPORT

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

BLACKPOOL OPERATING COMPANY LTD (SANDCASTLE WATERPARK)

The Council purchased the operation of the centre from a private company on 20th 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.

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

19. LONG-TERM DEBTORS

Long-term debtors relate to amounts that are due to be repaid in over twelve months time. These include a share in land held for use under the Lancashire Waste Private Finance Initiative, care and repair loans and staff car loans.

31st March 2013 £000		31st March 2014 £000
552	Waste PFI	552
221	Care & Repair Loans	221
82	Car Loans	34
40	Lancashire & Blackpool Tourist Board	40
325	Lancashire County Developments	340
339	Business Loans	268
5,000	Blackpool Pleasure Beach	5,000
88	HRA - Loan	88
29	Council Mortgages - (Right to Buy)	24
2,500	Local Authority Mortgage Scheme	2,500
0	VIA	300
0	Adult Social Care Deferred Payments	1,194
9,176	**Total**	**10,561**

Waste PFI

The total value of land held under the PFI contract at current market value is estimated at £4.415m. Under the terms of the Joint Working Agreement, Blackpool Council will be due a 12.5% share of this at the end of the PFI contract.

Care and Repair Loans

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

Car Loans

The number of outstanding long-term car loans at 31st March 2014 was 14 (24 as at 31 March 2013). See note 17 for breakdown.

Lancashire and Blackpool Tourist Board

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

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 2013/2014 was £340,000 (£325,000 in 2012/2013). The movement in fair value of £15,000 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.

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

Business Loans

In 2009/2010 the Council set up a £3m fund for businesses to safeguard and create jobs and help Blackpool get through the recession. 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.

There were no new loans issued in 2013/2014.

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.

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.

VIA Loan

The loan to VIA was issued on 30th 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.

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.

20. INVENTORIES

2013/2014	Consumables £000	Materials £000	Work in Progress £000	Total £000
Balance outstanding at start of the year	**214**	**351**	**185**	**750**
Purchases	68	1,692	1	**1,761**
Recognised as an expense in the year	(68)	(1,744)	(92)	**(1,904)**
Balance outstanding at year end	**214**	**299**	**94**	**607**

2012/2013	Consumables £000	Materials £000	Work in Progress £000	Total £000
Balance outstanding at start of the year	**181**	**378**	**178**	**737**
Purchases	290	1,295	61	**1,646**
Recognised as an expense in the year	(257)	(1,322)	(54)	**(1,633)**
Balance outstanding at year end	**214**	**351**	**185**	**750**

21. DEBTORS

31st March 2013 £000		31st March 2014 £000
11,392	Central government bodies	6,691
7,841	Other local authorities	2,759
152	NHS bodies	486
29,965	Other entities and individuals	41,739
(10,854)	Total impairment	(12,885)
38,496	**Net Value of Debtors**	**38,790**

22. PAYMENTS IN ADVANCE

31st March 2013 £000		31st March 2014 £000
1,309	Adult Services	137
42	Built Environment	2
1,609	Children's Services	363
73	Democratic Services	1
-	Human Resources, Communication & Engagement	9
17	Leisure & Operational Services	59
136	Regeneration, Tourism & Culture	140
3,186	**Total Payments in Advance**	**711**

23. CASH AND CASH EQUIVALENTS

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

31st March 2013 £000		31st March 2014 £000
201	Cash held by the Authority	197
(4)	Bank current accounts	4,053
4,355	Short term deposits with institutions	2,604
4,552	**Total**	**6,854**

24. RECEIPTS IN ADVANCE

31st March 2013 £000		31st March 2014 £000
(2,802)	Adult Services	(2,106)
(3,959)	Built Environment	(1,302)
(3,224)	Children's Services	(3,779)
-	Democratic Services	(4)
(34)	Human Resources, Communication & Engagement	(918)
(867)	Leisure & Operational Services	(653)
(100)	Organisation, Property & IT	-
(678)	Regeneration, Tourism & Culture	(947)
(458)	Treasurer Services	(280)
(204)	Housing Revenue Account	(630)
(3,336)	Capital	(2,251)
(549)	Collection Fund	(768)
(10)	Other	(24)
(16,221)	**Total Receipts in Advance**	**(13,662)**

25. CREDITORS

	Long term creditors		Short term creditors	
	31st March 2014 £000	31st March 2013 £000	31st March 2014 £000	31st March 2013 £000
Central Government Bodies	-	-	(7,094)	(3,493)
Other Local Authorities	-	-	(7,899)	(5,844)
NHS Bodies	-	-	(659)	(333)
Other Entities and Individuals	(81,061)	(76,339)	(36,288)	(38,365)
Total	**(81,061)**	**(76,339)**	**(51,940)**	**(48,035)**

26. PROVISIONS

	Injury and Damage Compensation Claims £000	Other Provisions £000	Total £000
Balance at 1 April 2013	**(569)**	**(9,421)**	**(9,990)**
Additional Provisions Made in 2013/2014	(2,179)	(5,503)	**(7,682)**
Amounts Used in 2013/2014	-	2,130	**2,130**
Unused Amounts Reversed in 2013/2014	-	1,500	**1,500**
Balance at 31 March 2014	**(2,748)**	**(11,294)**	**(14,042)**

	Injury and Damage Compensation Claims £000	Other Provisions £000	Total £000
Balance at 1 April 2012	**(1,949)**	**(5,236)**	**(7,185)**
Additional Provisions Made in 2012/13	(1,905)	(6,468)	**(8,373)**
Amounts Used in 2012/13	3,285	2,283	**5,568**
Unused Amounts Reversed in 2012/13	0	0	**0**
Balance at 31 March 2013	**(569)**	**(9,421)**	**(9,990)**

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 2014/2015. 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.

27. USABLE RESERVES

31st March 2013 £000		31st March 2014 £000
(5,448)	Schools Reserves	(4,209)
(5,735)	Unallocated General Fund Reserves	(5,869)
(3,388)	Housing Revenue Account	(4,187)
(43,980)	Earmarked Revenue Reserves	(49,971)
(2,734)	Capital Receipts Reserve	(3,408)
-	Major Repairs Reserve	-
(6,599)	Capital Reserves	(6,993)
(67,884)	**Total Usable Reserves**	**(74,637)**

28. UNUSABLE RESERVES

31st March 2013 £000		31st March 2014 £000
(85,353)	Revaluation Reserve	(71,640)
(6,711)	Available for Sale Financial Instrument Reserve	(7,111)
(461,941)	Capital Adjustment Account	(410,350)
873	Financial Instruments Adjustment Account	891
211,666	Pensions Reserve	162,730
1,663	Collection Fund Adjustment Account	1,288
2,929	Accumulated Absences Account	2,086
(336,874)	**Total Unusable Reserves**	**(322,106)**

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.

2012/2013 £000		2013/2014 £000
(89,583)	**Balance at 1st April**	**(85,353)**
(2,841)	Upward revaluation of assets	-
6,000	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	5,701
(1,013)	Difference between fair value depreciation and historical cost depreciation	(4,006)
650	Accumulated gains on assets sold or scrapped	3,679
1,434	Amount written off to the Capital Adjustment Account	8,339
(85,353)	**Balance at 31st March**	**(71,640)**

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

2012/2013 £000		2013/2014 £000
(6,011)	**Balance at 1st April**	**(6,711)**
(700)	Upward revaluation of investments	(400)
(6,711)	**Balance at 31st March**	**(7,111)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the 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 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2012/2013 £000		2013/2014 £000
(478,522)	**Balance at 1st April**	**(461,941)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
37,557	- Charges for depreciation and impairment of non-current assets	53,511
(7,505)	- Revaluation losses on PPE	(1,230)
227	- Revenue expenditure funded from capital under statute	369
32,818	Adjusting amounts written out of the Revaluation Reserve	40,928
63,097	Net written out amount of the cost of non-current assets consumed in year	93,578
	Capital financing applied in year:	
(1,364)	- Use of the Capital Receipts Reserve to finance new capital expenditure	(304)
(4,486)	- Use of the Major Repairs Reserve to finance new capital expenditure	(4,219)
-	- Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to HRA Self Financing	
(31,285)	- Application of grants to capital financing from the Capital Grants Unapplied Account	(30,815)
(9,381)	- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(6,649)
(461,941)	**Balance at 31st March**	**(410,350)**

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.

2012/2013 £000		2013/2014 £000
854	**Balance at 1st April**	**873**
19	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	18
873	**Balance at 31st March**	**891**

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.

2012/2013 £000		2013/2014 £000
174,564	**Balance at 1st April**	**211,666**
35,095	Remeasurement of net defined liability	(56,486)
(2,007)	Reversal of items relating to retirement benefits debited or credited to the Suplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(7,550)
4,014	Employer's penison contributions and direct payments to pensioners payable in the year	15,100
211,666	**Balance at 31st March**	**162,730**

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.

2012/2013 £000		2013/2014 £000
435	**Balance at 1st April**	**1,663**
1,228	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	(375)
1,663	**Balance at 31st March**	**1,288**

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.

2012/2013 £000		2013/2014 £000
4,618	**Balance at 1st April**	**2,929**
(4,618)	Settlement or cancellation of accrual made at the end of the preceding year	(2,929)
2,929	Amounts accrued at the end of the current year	2,086
2,929	**Balance at 31st March**	**2,086**

29. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2012/2013 £000		2013/2014 £000
(611)	Interest Received	(507)
8,034	Interest Paid	6,764
-	Dividend Received	(500)

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

2012/2013 £000		2013/2014 £000
(43,504)	Depreciation/Impairment charges to CIES	(72,691)
(2,007)	Pension Liability	925
8,849	Minimum Revenue Provision	8,996
10,338	Contributions to/from reserves	9,145
405	Increase/(decrease) in Payments in Advance	(2,475)
3,762	Increase/(decrease) in Debtors	294
13	Increase/(decrease) in Inventories	(143)
(2,805)	(Increase)/decrease in Provisions	(4,052)
7,240	(Increase)/decrease in Creditors	(3,905)
(63,631)	(Increase)/decrease in Creditors over 1 year	(4,722)
937	(Increase)/decrease in Receipts in Advance	9,289
3,849	Other non-cash items charged to the net surplus or deficit on the provision of services	(4,662)
(76,554)	**Total**	**(64,001)**

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

2012/2013 £000		2013/2014 £000
25,453	Capital grants credited to the surplus or deficit on the provisions of services	23,977
(35,150)	Proceeds from the sale of property, plant and equipment investment property and intangible assets	(34,720)
78	Biiling Authorities - Collection Fund adjustments	(21,022)
(9,619)	**Total**	**(31,765)**

30. CASH FLOW STATEMENT - INVESTING ACTIVITIES

31st March 2013 £000		31st March 2014 £000
109,990	Purchase of property, plant & equipment, investment property and intangible assets	68,266
2,622	Other payments for investing activities	20,767
(1,365)	Proceeds from sale of property, plant and equipment, investment property and intangible assets	(303)
(33,065)	Capital Grants received	(33,762)
(27,597)	Other receipts from investing activities	(19,654)
50,585	**Net cash flows from investing activities**	**35,314**

31. CASH FLOW STATEMENT – FINANCING ACTIVITIES

31st March 2013 £000		31st March 2014 £000
(22,500)	Cash receipts of short and long term borrowing	(127,067)
(2,631)	Other receipts from financing activities	(1,722)
10,895	Repayments of short and long term borrowing	100,453
483	Other payments for financing activities	(266)
(13,753)	**Net cash flows from financing activities**	**(28,602)**

32. CASH FLOW STATEMENT – CASH & CASH EQUIVALENTS

	31st March 2014 £000	31st March 2013 £000	Movement £000
Cash in Hand & at Bank	197	201	(4)
Bank overdrawn	4,052	(4)	4,056
Short term borrowing	(41,500)	(19,000)	(22,500)
Short term investments	2,578	4,300	(1,722)
Long term borrowing	(98,433)	(95,165)	(3,268)
Loan to BID	26	55	(29)
Business loans	5,568	5,339	229
Balance at 31 March 2014	**(127,512)**	**(104,274)**	**(23,238)**

33. AMOUNTS REPORTED FOR RESOURCES ALLOCATION DECISIONS

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

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to directorates.

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

Income & Expenditure 2013/2014	Chief Executive £000	HR, Comm & Engagement £000	Democratic Services £000	Treasurer Services £000	Built Environment £000	Regeneration, Tourism & Culture £000	Leisure & Operational £000	Public Health £000	Adult Services £000	Children's Services £000	Budgets Outside Cash limit £000	Total £000
Fees, charges & other income	13	1,644	678	4,360	7,031	5,265	14,510	17,665	19,323	10,730	11,604	**92,823**
Government grants	0	35	0	4,948	403	193	2,635	0	255	92,447	89,767	**190,683**
Recharges to services	0	7,357	0	15,703	1,841	0	6,325	0	90	3,056	3,385	**37,757**
Total Income	**13**	**9,036**	**678**	**25,011**	**9,275**	**5,458**	**23,470**	**17,665**	**19,668**	**106,233**	**104,756**	**321,263**
Employee expenses	336	5,039	1,667	11,880	12,059	4,759	9,948	1,191	20,314	83,290	854	**151,337**
Other expenses	26	3,503	1,369	13,420	22,518	12,040	36,269	16,168	45,242	50,690	117,864	**319,109**
Support services recharges	53	601	667	3,525	1,974	684	2,185	343	3,102	14,669	4,434	**32,237**
Total Expenditure	**415**	**9,143**	**3,703**	**28,825**	**36,551**	**17,483**	**48,402**	**17,702**	**68,658**	**148,649**	**123,152**	**502,683**
Net Expenditure	**402**	**107**	**3,025**	**3,814**	**27,276**	**12,025**	**24,932**	**37**	**48,990**	**42,416**	**18,396**	**181,420**

Income & Expenditure 2012/2013	Chief Executive £000	HR, Comm & Engagement £000	Democratic Services £000	Treasurer Services £000	Built Environment £000	Organisation, Property & ICT £000	Regeneration, Tourism & Culture £000	Leisure & Operational £000	Adult Services £000	Children's Services £000	Budgets Outside Cash limit £000	Total £000
Fees, charges & other income	13	977	551	1,645	6,520	3,082	5,440	13,275	18,417	10,730	7,058	**67,708**
Government grants	0	35	0	758	1,243	1,742	334	2,819	4,893	105,074	111,504	**228,402**
Recharges to services	0	4,399	0	11,042	2,132	7,844	0	9,677	445	145	3,316	**39,000**
Total Income	**13**	**5,411**	**551**	**13,445**	**9,895**	**12,668**	**5,774**	**25,771**	**23,755**	**115,949**	**121,878**	**335,110**
Employee expenses	273	3,507	1,197	9,494	11,417	2,998	4,396	10,278	19,794	90,197	841	**154,392**
Other expenses	38	1,415	1,366	2,352	22,354	12,029	12,161	35,942	44,089	54,293	136,724	**322,763**
Support services recharges	41	587	806	2,899	3,327	1,262	808	3,181	4,226	6,510	4,070	**27,717**
Total Expenditure	**352**	**5,509**	**3,369**	**14,745**	**37,098**	**16,289**	**17,365**	**49,401**	**68,109**	**151,000**	**141,635**	**504,872**
Net Expenditure	**339**	**98**	**2,818**	**1,300**	**27,203**	**3,621**	**11,591**	**23,630**	**44,354**	**35,051**	**19,757**	**169,762**

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

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

31st March 2013 £000		31st March 2014 £000
169,762	Net expenditure in the department analysis	181,420
7,641	Net expenditure of services and support services not included in the analysis	(894)
(26,661)	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	7,101
150,742	**Cost of Service in Comprehensive Income and Expenditure Statement**	**187,627**

Reconciliation to the Subjective Analysis

This reconciliation shows how the figures in the analysis of department income and expenditure relate to a subjective analysis of Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2013/2014	Department Analysis	Services and Support services not in Analysis	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Income						
Fees, charges & Other Income	92,823	1,254	6,580	100,657	-	**100,657**
Government Grants	190,682	-	-	190,682	106,453	**297,135**
Interest and investment income	-	-	(862)	(862)	1,007	**145**
Internal Recharges	37,758	-	-	37,758	-	**37,758**
Income from Council Tax	-	2,426	-	2,426	70,418	**72,844**
Total Income	**321,263**	**3,680**	**5,718**	**330,661**	**177,878**	**508,539**
Expenditure						
Employee expenses	151,337	242	-	151,579	-	**151,579**
Other Service Expenditure	319,110	2,544	(15,642)	306,012	13,376	**319,388**
Depreciation, amortisation and impairment	-	-	34,591	34,591	-	**34,591**
Interest Payable	-	-	(6,130)	(6,130)	6,764	**634**
Internal Recharges	32,236	-	-	32,236	-	**32,236**
Precepts & Levies	-	-	-	-	65	**65**
Payments to Housing Capital Receipts Pool	-	-	-	-	249	**249**
Gain / Loss on disposal of Non-Current Assets	-	-	-	-	40,485	**40,485**
Pension Interest Cost and return on assets	-	-	-	-	(4,872)	**(4,872)**
Total Expenditure	**502,683**	**2,786**	**12,819**	**518,288**	**56,067**	**574,355**
Net	**181,420**	**(894)**	**7,101**	**187,627**	**(121,811)**	**65,816**

2012/2013	Department Analysis	Services and Support services not in Analysis	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Income						
Fees, charges & Other Income	67,708	18,494	(7,951)	78,251	-	**78,251**
Government Grants	228,402	392	-	228,794	109,446	**338,240**
Interest and investment income	-	-	(418)	(418)	611	**193**
Internal Recharges	39,000	-	-	39,000	-	**39,000**
Income from Council Tax	-	-	-	-	57,898	**57,898**
Total Income	**335,110**	**18,886**	**(8,369)**	**345,627**	**167,955**	**513,582**
Expenditure						
Employee expenses	154,392	-	-	154,392	-	**154,392**
Other Service Expenditure	322,763	26,509	(22,432)	326,840	6,271	**333,111**
Depreciation, amortisation and impairment	-	-	(1,293)	(1,293)	(1,329)	**(2,622)**
Interest Payable	-	-	(7,373)	(7,373)	8,034	**661**
Internal Recharges	27,717	18	-	27,735	-	**27,735**
Precepts & Levies	-	-	-	-	73	**73**
Payments to Housing Capital Receipts Pool	-	-	-	-	222	**222**
Gain / Loss on disposal of Non-Current Assets	-	-	-	-	33,043	**33,043**
Pension Interest Cost and return on assets	-	-	(3,932)	(3,932)	5,900	**1,968**
Total Expenditure	**504,872**	**26,527**	**(35,030)**	**496,369**	**52,214**	**548,583**
Net	**169,762**	**7,641**	**(26,661)**	**150,742**	**(115,741)**	**35,001**

34. TRADING OPERATIONS

The Authority has 3 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations.

	2013/2014 £000	2012/2013 £000
Building Maintenance		
Expenditure	1,453	2,698
Income	(1,174)	(2,638)
Net Expenditure	**279**	**60**
Vehicle Maintenance		
Expenditure	1,187	1,173
Income	(1,182)	(1,180)
Net Expenditure	**5**	**(7)**
Building Cleaning		
Expenditure	816	943
Income	(935)	(1,143)
Net Expenditure	**(119)**	**(200)**

Building Maintenance

Building Maintenance is the preferred contractor for the Council and Blackpool schools for the day to day maintenance of Council buildings and project work. The service maintains the Council's building stock through planned maintenance work and reactive repairs.

The section also competes with the private sector for work. Their private sector client base is increasing and currently includes Blackpool Zoo. From November 2013 the service was contracted to provide all building work under the value of £5,000 as well as all flooring, ground works and decorating.

Vehicle Maintenance

The Central Vehicle Maintenance Unit, as well as completing the routine servicing and maintaining of the Council's fleet of 350 items of vehicles and plant, also conducts the routine and ad hoc testing of Blackpool's taxi fleet.

The service operates in a limited internal market where users are free to decide the quantity and type of work to be done based on prices quoted.

Building Cleaning

Building Cleaning are the sole cleaning provider for the Council's buildings and also compete for work in Blackpool schools.

The service is split into two areas: building cleaning and office porterage. The service also offers training through its in-house training centre and additional services of floor sanding and re-sealing.

The building cleaning service also has a number of private clients, the main one being Fylde Housing where the service works across various locations in Fylde and Wyre.

35. ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000

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.

2012/2013 £000		2013/2014 £000
(1,472)	On-street parking operation surplus	**(1,437)**
	Utilised to Fund:	
6,335	Public Transport	6,199
301	Traffic Management & Road Safety	553
6,636	**Total Qualifying Expenditure**	**6,752**

36. AGENCY SERVICES

The Authority provides payroll services for Chorley Borough Council, Fylde Borough Council, High Peak Community Housing, Blackpool Coastal Housing, Baines School, Claremont First Step Centre, Blackpool Grand Theatre, Blackpool Operating Company and 11 Academies. These organisations pay a management fee to the Council for the service. The total management fee received by the Council in 2013/2014 was £129,788 (2012/2013 £100,005). The management fee is based on the number of employees paid.

37. MEMBERS' ALLOWANCES

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

2012/2013 £000		2013/2014 £000
460	Allowances	464
71	Expenses	40
531	**Total**	**504**

38. 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 2013/2014	Number in 2012/2013
£50,000 - £54,999	36	42
£55,000 - £59,999	32	27
£60,000 - £64,999	20	16
£65,000 - £69,999	14	18
£70,000 - £74,999	5	4
£75,000 - £79,999	9	6
£80,000 - £84,999	1	3
£85,000 - £89,999	4	3
£90,000 - £94,999	-	1
£95,000 - £99,999	3	2
£100,000 - £104,999	1	1
£105,000 - £109,999	2	1
TOTAL	**127**	**124**
Officers	78	61
Teachers	49	63

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

Employees in Post 2013/2014

Post Holder Information	Salary £	Expense Allowance £	Compensation for loss of Office £	Benefits in Kind £	Total Excluding Pensions £	Employer Pension Contributions £	Total Including Pensions £
Chief Executive	99,012	1,507	-	227	100,746	17,590	118,336
Assistant Chief Executive - Treasurer Services	84,418	-	-	1,268	85,686	14,917	100,603
Assistant Chief Executive - HR, Communication & Engagement	76,171	963	-	994	78,128	13,512	91,640
Assistant Chief Executive - Regen, Tourism & Culture	76,469	963	-	1,091	78,523	13,512	92,035
Assistant Chief Executive - Organisation, Property & IT - *to 30/9/13 (Note)*	43,798	482	-	188	44,468	10,391	54,859
Assistant Chief Executive - Leisure & Operational	76,469	963	-	556	77,988	13,512	91,500
Assistant Chief Executive - Built Environment	87,596	-	-	375	87,971	15,479	103,450
Assistant Chief Executive - Children's Services	96,405	963	-	415	97,783	17,035	114,818
Assistant Chief Executive - Adult Services	96,857	793	-	684	98,334	13,706	112,040
Monitoring Officer	64,732	408	-	107	65,247	11,438	76,685
Director of Public Health	100,193	4,841	-	848	105,882	14,022	119,904
TOTAL	**902,120**	**11,883**	**-**	**6,753**	**920,756**	**155,114**	**1,075,870**

Salaries of Leavers 2012/2013

Post Holder Information	Salary £	Expense Allowance £	Compensation for loss of Office £	Benefits in Kind £	Total Excluding Pensions £	Employer Pension Contributions £	Total Including Pensions £
Director of Children, Families & Adults - Left 31/8/12 - *(Note E)*	51,912	401	52,038	-	104,351	178,867	283,218
Director of Blackpool Services - Left 17/4/12 *Note (F)*	4,289	-	39,172	43	43,504	136,696	180,200

Employees in Post 2012/2013

Post Holder Information	Salary £	Expense Allowance £	Compensation for loss of Office £	Benefits in Kind £	Total Excluding Pensions £	Employer Pension Contributions £	Total Including Pensions £
Chief Executive	99,717	6,404	-	92	106,213	16,993	123,206
Assistant Chief Executive Treasurer Services	80,240	-	-	1,088	81,328	13,770	95,098
Assistant Chief Executive HR,Communication & Engagment	73,376	210	-	1,087	74,673	12,642	87,315
Assistant Chief Executive Regen, Tourism & Culture	73,847	963	-	661	75,471	12,674	88,145
Assistant Chief Executive Organisation, Property & ICT	84,157	963	-	765	85,885	14,444	100,329
Assistant Chief Executive Leisure & Operational Services	73,571	963	-	365	74,899	12,627	87,526
Assistant Chief Executive Built Environment	84,418	-	-	-	84,418	14,488	98,906
Assistant Chief Executive Children's Services	93,577	963	-	1,071	95,611	16,060	111,671
Assistant Chief Executive Adult Services - *(Note M)*	96,002	-	-	-	96,002	16,704	112,706
Monitoring Officer	63,723	4,081	-	307	68,111	10,846	78,957
TOTAL	**822,628**	**14,547**	**-**	**5,436**	**842,611**	**141,248**	**983,859**

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 postholder.

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 4 days unpaid leave which commenced in April 2011

2012/2013

E – The post of Director of Children's, Families and Adults was disestablished on 31/8/12. Their contracted salary was £126,525.

F – The post of Director of Blackpool Services was disestablished on 17/4/12. Their contracted salary was £90,820.

G - In addition to the Employer's Pension Contributions shown above the employees contribute 7.2% - 7.5% of superannuable pay.

2013/2014

H – Following a restructure the post of Assistant Chief Executive Organisation, Property and IT was disestablished on 30th September 2013. Their contracted salary was £87,596.

I – From 1st April 2013 the Council took over the responsibility for Public Health Services.

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	
	2013/2014	**2012/2013**	**2013/2014 £000**	**2012/2013 £000**
£0 - £20,000	259	97	1,982	411
£20,001 - £40,000	32	17	890	475
£40,001 - £60,000	7	4	343	189
£60,001 - £80,000	3	1	214	65
£80,001 - £100,000	2	1	184	87
£100,001 - £150,000	1	-	127	-
£150,001 - £200,000	-	2	-	338
£200,001 - £250,000	-	1	-	222
Total	**304**	**123**	**3,740**	**1,787**

39. 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:

	2013/14 £000	2012/13 £000
Fees payable to auditors with regard to external audit services carried out by the appointed auditor	128	219
Fees payable to auditors in respect of statutory inspections	8	14
Fees payable to auditors for the certification of grant claims and returns	47	81
Total	**183**	**314**

40. 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 2013/2014 are as follows:

	CENTRAL EXPENDITURE £000	ISB £000	TOTAL £000
DSG figure as issued by the Department in July 2013 (This does not include the Early Years January 2014 adjustment)			104,260
Academy figure recouped for 2013/14			24,959
Total DSG after Academy recoupment for 2013/14			79,301
B/F from 2012/13			1,368
C/F to 2014/15 agreed in advance			1,368
Agreed initial budget distribution in 2013/14	18,369	60,932	79,301
In year adjustments			0
Final budgeted distribution for 2013/14	18,369	60,932	79,301
Less Actual Central Expenditure	16,335		
Less Actual ISB deployed to Schools		60,945	
Plus Local authority contribution for 2013/14	0	0	0
C/F to 2014/15	2,034	-13	2,021

41. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/2014.

	2013/2014 £000	2012/2013 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	63,432	1,569
Council Tax Freeze Grant	598	1,500
Non Domestic Rates from Pool	-	80,925
Non-Domestic Rates Retained	23,682	-
Non-Domestic Rates Top Up	18,444	-
Capital Grants - Other	23,978	25,453
Total	**130,134**	**109,447**
Credited to Services		
Dedicated Schools Grant	79,301	87,425
Pupil Premium Grant	5,908	4,716
Housing & Council Tax Benefit Administration Subsidy	1,819	1,937
Rent Allowance Subsidy	76,253	76,460
Council Tax Benefit Subsidy	-	19,804
Rent Rebates	13,496	13,979
Early Intervention Grant	-	8,870
Learning Disability & Health Reform Grant	-	4,753
Public Health Grant	17,457	-
Other Grants and Contributions	21,436	25,247
Total	**215,670**	**243,191**

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 will require the monies or property to be returned to the provider. The balances at year end are as follows:

Capital Grants Received in Advance	2013/14 £000	2012/13 £000
Primary Capital Programme	-	588
BSF Funding	-	5,686
HCA	-	695
Tramway	-	(4)
Environment Agency grants	4,708	214
NHS Grants	7	804
Local Transport Plan	1,123	2,507
Empty Homes	1,313	808
Other Grants & Contributions	3,701	6,284
Total	**10,852**	**17,582**

42. RELATED PARTIES

In accordance with IAS 24 the Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

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 the subjective analysis note 33 on reporting for resource allocation decisions. Grant receipts outstanding at 31st March 2014 are shown on Note 41.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2013/2014 is shown in Note 37.

Two Members of the Council have a private interest in a local taxi firm. The Council made payments to this organisation amounting to £188,108 in 2013/2014 to meet the Council's transport requirements.

A Member of the Council has a private interest in a housing association. The Council made payments to this charity amounting to £247,675 in 2013/2014 to meet the Council's homelessness requirements.

Two Members of the Council have a private interest in a local college of further education. The Council made payments to the organisation amounting to £482,683 to meet the Council's education 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.

Shared Service

On 1st April 2008 the Council entered into a shared service arrangement with Fylde Borough Council for the provision of a Benefits and Revenues Service. The full cost of the service in 2012/2013 was £3.91m of which £2.96m related to Blackpool.

Chief Officers

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

43. 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.

	2013/2014 £000	2012/2013 £000
Capital Financing Requirement		
Opening Capital Financing Requirement	**255,542**	**204,957**
Capital Investment		
Property, Plant & Equipment	67,924	94,287
Investment Properties	338	104
Assets under Construction	18,607	15,599
Revenue Expenditure funded from Capital under Statute	2,159	2,622
Sources of Finance		
Capital Receipts	(303)	(1,365)
Government Grants & Other Contributions	(33,762)	(33,065)
Sums set aside from Revenue	(19,654)	(27,597)
Closing Capital Financing Requirement	**290,851**	**255,542**
Explanations of Movements in Year		
Increase in underlying need to borrow(supported by Government Financial Assistance)	(10,970)	(33,851)
Increase in underlying need to borrow(unsupported by Government Financial Assistance)	39,684	19,951
Assets acquired under PFI contracts	6,600	64,485
Increase/(decrease) in Capital Financing Requirement	**35,314**	**50,585**

44. LEASES

Authority as Lessee

Finance Leases

The Council has acquired a number of vehicles, plant and equipment under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	2013/2014 £000	2012/2013 £000
Vehicles, Plant & Equipment	-	1,431

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:

	2013/2014 £000	2012/2013 £000
Finance lease liabilities (net present value of minimum lease payments)		
- current	276	386
- non-current	253	498
Finance lease costs payable in future years	70	185
Minimum lease payments	**599**	**1,069**

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

	Minimum Lease Payments	
	31st March 2014 £000	31st March 2013 £000
Not later than one year	305	431
Later than one year and not later than five years	294	638
Later than five years	-	-
Total	**599**	**1,069**

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:

	Operating Lease Payments	
	31st March 2014 £000	31st March 2013 £000
Not later than one year	12	9
Later than one year and not later than five years	-	-
Later than five years	-	-
Total	**12**	**9**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2013/2014 £000	2012/2013 £000
Minimum Lease Payments	12	13
Contingent Rents	-	-
Sub lease payments receivable	-	-
Total	**12**	**13**

The Authority as Lessor

The Council has granted various property leases including the lease of the Sandcastle to Blackpool Operating Company. The rentals received in 2013/2014 amounted to £662,000 (2012/2013 £662,000).

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

	Minimum Lease Payments	
	31st March 2014 £000	31st March 2013 £000
Not later than one year	1,148	1,108
Later than one year and not later than five years	3,940	3,822
Later than five years	8,788	9,174
Total	**13,876**	**14,104**

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

45. PRIVATE FINANCE INITIATIVE (PFI)

Highfield Humanities College PFI

The Highfield Humanities College 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 PSI 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.

The assets relating to the PFI are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on Property, Plant and Equipment balance.

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 31st March 2014 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Service £000	Repayment Liability £000	Interest £000	Total Payment Due £000
Payable 2014/15	948	547	2,199	3,694
Payable in two to five years	4,433	2,329	8,201	14,963
Payable in six to ten years	7,009	2,930	8,946	18,885
Payable in eleven to fifteen years	8,539	3,850	7,336	19,725
Payable in sixteen to twenty years	10,217	5,625	5,147	20,989
Payable in twenty one to twenty five years	6,820	6,839	1,591	15,250
Total	**37,966**	**22,120**	**33,420**	**93,506**

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:

2012/2013 £000		2013/2014 £000
-	Balance outstanding at start of year	(22,572)
28	Payments during the year	451
(22,600)	Capital expenditure incurred in year	-
(22,572)	**Total**	**(22,121)**

Waste Disposal PFI

The Council has entered into a Joint Working Agreement with Lancashire County Council (LCC) to co-operate in the provision of certain waste disposal functions. The Council has authorised Lancashire County Council to enter into a PFI contract with Global Renewables Lancashire Ltd and administer all matters under that contract on behalf of Blackpool Council.

The County Council signed a PFI (Private Finance Initiative) contract with Global Renewables Lancashire (GRL) Limited in March 2007. The contract covers the delivery of contract waste, treatment and diversion from landfill at the Farringdon and Thornton sites as well as subsequent disposal of waste from those sites. The waste handled and processed is household waste, commercial waste and green waste, but not industrial waste.

The contract runs until March 2037. A unitary payment is made to GRL which consists of a fixed and variable element, both of which are subject to inflation. This payment is reduced if the contractor fails to make targets. Under the terms of the Joint Working Arrangement, Blackpool Council contributes 12.5% towards all costs of the contract and has a 12.5% share of the total value of the asset. The Council's share of capital costs is £35.126m and this has been reflected in the valuation of the asset in the 2013/2014 Balance Sheet.

Payments remaining to be made under the PFI contract at 31st March 2014(excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Service £000	Repayment Liability £000	Interest £000	Total Payment Due £000
Payable 2014/15	3,336	457	3,580	7,373
Payable in two to five years	14,894	2,094	13,825	30,813
Payable in six to ten years	22,116	4,059	15,600	41,775
Payable in eleven to fifteen years	26,179	6,881	12,889	45,949
Payable in sixteen to twenty years	30,668	12,037	8,044	50,749
Payable in twenty one to twenty five years	18,567	8,674	4,083	31,324
Total	**115,760**	**34,202**	**58,021**	**207,983**

At the end of the concession period LCC may retender the provision of the services. At this point the Council would either continue to have a 12.5% share in any retendered contract, or continue under a new arrangement. If the Council decided that it no longer wished to continue with the contract then LCC would have to pay Blackpool the relevant rental value for its share of the assets. If LCC decides to dispose of the asset then the Council would receive a relevant percentage of the proceeds of the sale.

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 Light and Signals across the town. The contract was awarded to Community Lighting Partnership. The project commenced on 4th 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 £129m, 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 31st March 2014 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Service £000	Repayment Liability £000	Interest £000	Total Payment Due £000
Payable 2014/15	2,030	679	1,360	4,069
Payable in two to five years	8,793	3,012	5,187	16,992
Payable in six to ten years	7,895	5,018	5,976	18,889
Payable in eleven to fifteen years	6,256	6,879	6,258	19,393
Payable in sixteen to twenty years	15,007	7,909	5,738	28,654
Payable in twenty one to twenty five years	2,649	9,750	3,803	16,202
Payable more than 25 years	-	10,294	3,028	13,322
Total	**42,630**	**43,541**	**31,350**	**117,521**

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:

2012/2013 £000		2013/2014 £000
(6,586)	Balance outstanding at start of	(22,338)
586	Payments during the year	734
(6,759)	Capital expenditure incurred in year	(6,600)
(9,579)	Other movements	-
(22,338)	**Total**	**(28,204)**

46. IMPAIRMENT LOSSES

During 2013/2014, the Authority has recognised an impairment loss of £38,143,235 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

47. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2013/2014 incurring liabilities of £3.7m.

48. 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 2013/2014 the Council paid £4,148,027 (2012/13 £5,002,219) to the Department for Education in respect of teachers retirement benefits, representing 14.10% (2012/2013 14.10%) 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 £3,088,776.

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 49.

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

NHS Staff Pension Scheme

From 1st 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 2013/2014, the Council paid £104,672 to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14% of pensionable pay. There were no contributions remaining payable at the year end.

49. 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	
	2013/14 £000	**2012/13 £000**	**2013/14 £000**	**2012/13 £000**
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Service Cost comprising				
- current service cost	16,376	13,299	0	0
- past service costs	277	912	152	12
- (gain)/loss from settlements	(5,301)	(4,856)	0	0
Financing & Investment Income and Expenditure				
Net interest expense	23,905	23,814	104	115
Total Post-employment Benefits charged to the Surplus/Deficit on the Provision of Services	**35,257**	**33,169**	**256**	**127**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
- Return on plan assets (excluding the amount included in the net interest expense)	(15,534)	(15,815)	0	0
- Actuarial gains and losses arising on changes in demographic assumptions	2,570	5,723	70	36
- Actuarial gains and losses arising on changes in financial assumptions	(58,926)	59,573	(244)	305
- Other	(147)	(33,336)	191	0
Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement	**(72,037)**	**16,145**	**17**	**341**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	49,058	(36,768)	(122)	(334)
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	12,278	12,546		
Retirement benefits payable to pensioners			151	134

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	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
Present value of the defined benefit obligation	544,661	579,571	3,015	2,893
Fair value of plan assets	(384,946)	(370,798)	0	0
Net liability arising from defined benefit obligation	**159,715**	**208,773**	**3,015**	**2,893**

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

	Local Government Pension		Discretionary Benefits	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
Opening fair value of scheme assets	370,798	323,625	0	0
Interest Income	15,534	15,815	0	0
Remeasurement gain/(loss):				
- The return on plan assets , excluding the amount included in the net interest expense - Other	603	33,336	0	0
The effect of changes in foreign exchange rates	(262)	(268)	0	0
Contributions from employer	12,278	12,546	151	134
Contributions from employees into the scheme	4,188	4,283	0	0
Benefits paid	(17,498)	(16,726)	(151)	(134)
Other	(695)	(1,813)	0	0
Closing fair value of scheme assets	**384,946**	**370,798**	**0**	**0**

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits Arrangements	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
Opening balance at 1 April	579,571	495,630	2,893	2,559
Current service cost	16,114	13,031	0	0
Interest cost	23,905	23,814	104	115
Contributions from scheme participants	4,188	4,283	0	0
Remeasurement (gains) and losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	2,570	5,723	70	36
- Actuarial gains/losses arising from changes in financial assumptions	(58,926)	59,573	(244)	305
- Other	456	0	191	0
Past service cost	0	127	152	0
Losses/(gains) on curtailment (where relevant)	277	785	0	12
Benefits paid	(17,498)	(16,726)	(151)	(134)
Liabilities extinguished on settlements (where relevant)	(5,996)	(6,669)	0	0
Closing balance at 31 March	**544,661**	**579,571**	**3,015**	**2,893**

Local Government Pension Scheme assets comprised:

	Fair Value of Scheme Assets	
	2013/14 £000	2012/13 £000
Cash & cash equivalents	6,684	12,950
Equity Instruments:		
- Consumer	49,513	45,232
- Manufacturing, materials & miscellaneous	31,678	21,666
- Energy & Utilities	11,337	6,832
- Financial Institutions	28,383	18,329
- Health & care	17,355	14,504
- Information technology & telecoms	29,811	24,017
Sub total equity	168,077	130,580
Bonds:		
- Corporate	35,447	40,961
- Government	11,793	34,371
Sub total bonds	47,240	75,332
Property:		
-Retail	14,471	14,410
- Commercial	17,006	18,052
Sub total property	31,477	32,462
Private Equity:		
UK	9,785	21,395
Overseas	44,171	39,156
Sub total private equity	53,956	60,551
Other investment funds:		
- Credit Funds	54,638	30,755
- Emerging Markets	0	16,134
- Infrastructure	20,941	11,527
- Property	1,933	561
Sub total other investment funds	77,512	58,977
Total assets	**384,946**	**370,852**

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 2013.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
Long term expected rate of return on assets in the scheme:				
Equity investments	7.0%	7.0%		
Government Bonds	3.4%	2.8%		
Other Bonds	4.3%	3.9%		
Property	6.2%	5.7%		
Cash	5.0%	5.0%		
Mortality assumptions: Men/Women	100%/98%	103%/96%	100%/98%	103%/96%
Longevity at 65 for current pensioners:				
- Men	22.8yrs	22.1yrs	22.8yrs	22.1yrs
- Women	25.3yrs	24.8yrs	25.3yrs	24.8yrs
Longevity at 65 for future pensioners:				
- Men	25.0yrs	23.9yrs		
- Women	27.7yrs	26.7yrs		
Rate of inflation	2.4%	2.4%	2.4%	2.4%
Rate of increase in salaries	3.9%	4.4%	0.0%	0.0%
Rate of increase in pensions	2.4%	2.4%	2.4%	2.4%
Rate for discounting scheme liabilities	4.5%	4.2%	4.3%	3.7%

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 2012/2013.

	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	1.94%	10,574
Rate of Inflation - increase by 1%	1.92%	10,487
Rate of increase in salaries - increase by 1%	0.46%	2,494
1% increase in real discount rate	(1.89%)	(10,290)

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 19 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

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 to certain public servants.

The Authority anticipated to pay £12.3m expected contributions to the scheme in 2013/2014.

The weighted average duration of the defined benefit obligation for scheme members is 19 years, 2013/2014 (16 years 2012/2013).

50. 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 £8.6m 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 31st March 2014 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 2014 £000	**Historical experience of default %**	**Historical experience adjusted for market conditions at 31st March 2014 %**	**Estimated maximum exposure to default and uncollectability At 31st March 2014 £000**	**Estimated maximum exposure at 31st March 2013 £000**
Deposits with banks and financial institutions	5,078	0	0	0	0
Customers	39,501	35%	0	13,825	14,589

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 £2.550m of the £39.5m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31st March 2014 £000	31st March 2013 £000
Up to 3 months	484	1,228
Three to six months	827	1,527
Six months to one year	521	294
1-2 years	313	215
2-3 years	108	149
Over 3 years	297	255
Total	**2,550**	**3,668**

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:

	31st March 2014 £000	31st March 2013 £000
Less than one year	45,743	20,283
Between one and two years	6,315	4,243
Between two and five years	11,894	11,183
Between five and ten years	13,638	11,862
Between ten and fifteen years	5,033	8,585
Between fifteen and twenty years	14,696	14,696
More than twenty years	43,313	43,313
Total	**140,632**	**114,165**

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 £9,900,002 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 £9.90m 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 £495,000 gain or loss being recognised in the Other Comprehensive Income and Expenditure for 2013/2014.

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.

51. CONTINGENT LIABILITIES / ASSETS

Blackpool Airport

Upon the sale of Blackpool Airport from City Hopper Airports to Balfour Beatty in May 2008 the agreement provides for a payment of £250,000 to the Council which will be received dependent upon passenger numbers.

Local Land Charges

A number of Property Research Companies are seeking to claim refunds of fees paid to local authorities to access land charges data. They have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour.

Proceedings have not yet been issued and it is therefore not clear what the value of any such claims would be against the Council.

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 31st March 2014 the Council had no material contingent assets to disclose.

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

52. HERITAGE ASSETS: FIVE YEAR SUMMARY OF TRANSACTIONS

Information on Illuminations and Civic Regalia is not available before 1st 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.

	2009/2010 £000	2010/2011 £000	2011/2012 £000	2012/2013 £000	2013/2014 £000
Balance b/fwd					
Cenotaph	450	440	120	120	120
Civic Regalia	-	381	381	591	591
Illuminations	-	250	250	500	500
Art Collection	-	500	500	500	500
Tower Collection	-	5,000	5,000	5,000	5,000
Local Familty History Collection	-	400	400	400	400
Stanley Park Statues	-	653	653	653	653
Total Balance B/fwd	**450**	**7,624**	**7,304**	**7,764**	**7,764**
Additions					
Cenotaph	-	2	-	-	-
Civic Regalia	-	-	-	-	-
Illuminations	-	-	-	-	-
Art Collection	-	-	-	-	-
Tower Collection	-	-	-	-	-
Local Familty History Collection	-	-	-	-	-
Stanley Park Statues	-	-	-	-	-
Total Additions	**-**	**2**	**-**	**-**	**-**
Impairment/Revaluation					
Cenotaph	(10)	(322)	-	-	-
Civic Regalia	-	-	210	-	-
Illuminations	-	-	250	-	-
Art Collection	-	-	-	-	-
Tower Collection	-	-	-	-	-
Local Familty History Collection	-	-	-	-	-
Stanley Park Statues	-	-	-	-	-
Total Impairment/Revaluation	**(10)**	**(322)**	**460**	**-**	**-**
Balance c/fwd					
Cenotaph	440	120	120	120	120
Civic Regalia	-	381	591	591	591
Illuminations	-	250	500	500	500
Art Collection	-	500	500	500	500
Tower Collection	-	5,000	5,000	5,000	5,000
Local Familty History Collection	-	400	400	400	400
Stanley Park Statues	-	653	653	653	653
Total Balance C/fwd	**440**	**7,304**	**7,764**	**7,764**	**7,764**

53. 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

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31ST MARCH 2014

2012/2013		2013/2014	
£000		£000	£000
	Expenditure		
4,771	Repairs and maintenance	4,370	
5,142	Supervision and management	5,701	
242	Rent, rates , taxes and other charges	407	
13,133	Depreciation and impairment of non-current assets	6,140	
68	Debt management costs	64	
146	Movement in the allowance for bad debts	385	
23,502	**Total Expenditure**		**17,067**
	Income		
(15,998)	Dwelling rents	(16,125)	
(209)	Non-dwelling rents	(174)	
(1,692)	Charges for services and facilities	(1,469)	
(125)	Contributions towards expenditure	(266)	
19	HRA Subsidy receivable (including MRA)	-	
(18,005)	**Total Income**		**(18,034)**
5,497	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Account**		**(967)**
	HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
468	Gain/or Loss on sale of HRA non-currents assets	413	
661	Interest payable and similar charges	634	
(193)	Interest and investment income	(145)	
-	Capital grants and contributuons receivable	-	**902**
6,433	**Surplus or (deficit) for the year on HRA services**		**(65)**

HOUSING REVENUE ACCOUNT
MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDING 31ST MARCH 2014

	2013/2014 £000	2012/2013 £000
Balance on HRA Reserve at 31st March	**(3,388)**	**(2,305)**
Surplus/Deficit for the year on HRA Income and Expenditure Statement	(65)	6,433
Adjustments between accounting basis and funding basis under statute	(2,820)	(9,816)
Net increase or decrease before transfers to/from reserves	(2,885)	(3,383)
Transfers to/from reserves	2,086	2,300
Balance on HRA Reserve at 31st March	**(4,187)**	**(3,388)**

NOTES TO THE HRA STATEMENT

1. HOUSING REVENUE ACCOUNT STOCK

The Council owned 5,059 dwellings at 31st March 2014 which are analysed below:-

	2013/2014 £000	2012/2013 £000
Low rise flats	2,214	2,317
Medium rise flats	789	851
High rise flats	255	383
Houses and bungalows	1,758	1,714
Multi occupied dwellings	43	41
Total	**5,059**	**5,306**

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

	2013/2014 £000	2012/2013 £000
Stock at 1st April	**5,306**	**5,325**
Less: Sales to tenants	16	10
Disposal to Housing Associations	176	-
Propert Conversion	114	30
Add: Right to Buy Backs	-	1
Property Conversion	59	15
Transferred from General Fund	-	5
Stock at 31st March	**5,059**	**5,306**

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

	2013/2014 £000	2012/2013 £000
Operational assets:		
Council dwellings	94,783	90,560
Other HRA	1,629	1,781
Stock at 31st March	**96,412**	**92,341**

2. DWELLING RENTS

This is the total rent due for the year after allowance is made for voids etc. During the year 9.4% of lettable properties, including hostels, were vacant (2012/13: 8.2%). The predominant reason for the increase is due to the proactive policy of holding properties vacant pending the future re-development of the Queens Park estate and other sites. The element for "development site" properties that were vacant was 31.93%, whereas the share for "non development site" properties was 6.99%.

The average rent (excluding Affordable Rent properties) was £65.87 a week in 2013/14, an increase of 4.91% over the previous year.

	2013/2014 £000	2012/2013 £000
Vacant possession value of properties	269,313	257,306

The vacant possession value of dwellings held on 31st March 2014 was £269,312,525. The difference between this and the Existing Use Value (Social Housing) valuation of £94,783,448 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:

	2013/2014 £000	2012/2013 £000
Balance at 1st April	-	-
Transferred to MRR during the year	2,133	2,186
Transfer between MRR and HRA during the year	2,086	2,300
Debits to MRR during the financial year in respect of capital expenditure:		
Houses held within HRA	(4,219)	(4,486)
Balance at 31st March	-	-

4. HOUSING REPAIRS ACCOUNT

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

	2013/2014 £000	2012/2013 £000
Balance at 1st April	-	-
Add: Revenue contribution	4,370	4,771
Less: Expenditure in year		
Responsive repairs	(1,967)	(2,147)
Planned maintenance	(2,403)	(2,624)
Balance at 31st March	-	-

5. CAPITAL EXPENDITURE WITHIN HOUSING REVENUE ACCOUNT

	2013/2014 £000	2012/2013 £000
Total capital expenditure within the Housing Revenue Account on land, housing & other property	**11,337**	**11,925**
Sources of funding for the above Capital Expenditure:		
- Decent Homes Funding	5,000	5,000
- Usable Capital Receipts	221	107
- Revenue contrbutions (as defined in Local Government & Housing Act 1989)	59	1,600
- Major Repairs Reserve	4,220	4,486
- Grants and other funding	1,837	732
Total capital expenditure within the HRA	**11,337**	**11,925**

Usable capital receipts totalling £221,419 were received during the year.

6. DEPRECIATION CHARGE WITHIN THE HRA

	2013/2014 £000	2012/2013 £000
Depreciation charges for:		
- Operational assets, comprising dwellings and other land and buildings	2,074	2,124
- Non-Operational assets	59	62
Total	**2,133**	**2,186**

7. IMPAIRMENT

	2013/2014 £000	2012/2013 £000
Impairment charges in respect of land, houses and other property within the HRA	4,007	10,947

The basis of valuation of the housing stock within the HRA is Existing Use Value – Social Housing. This is calculated by applying a prescribed discount factor to the Existing Use Value – Vacant Possession. The impairment charge can be mainly accounted for as a result of the adjustment for properties earmarked for future demolition and redevelopment.

8. GOVERNMENT RULES

The Localism Act 2011 resulted in the cessation of the Housing Subsidy System on 31st March 2012 and the introduction of the HRA self-financing system on 1st 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 2013/2014 amounted to £560,000 compared to £577,000 in the previous year. During the year 2013/2014 rent arrears as a proportion of gross collectable rent (including service charges) were 3.22% (2012/2013 3.6%).

Amounts written off during the year amounted to £135,000 (2012/2013 £137,000). The total provision for bad and doubtful rental debts in the Housing Revenue Account at 31st March 2014 is £498,000 (£516,000 at 31st March 2013). This provision has been calculated in accordance with the Housing Revenue Account (Arrears of Rents and Charges) Directions 1990.

COLLECTION FUND 2013/2014

COLLECTION FUND STATEMENT 2013/2014

2012/2013 £000		2013/2014 £000 Council Tax	2013/2014 £000 NNDR	2013/2014 £000 Total
	INCOME			
51,203	Council Tax Receivable	55,187		55,187
47,346	Business Rates Receivable		50,046	50,046
	Transfers from General Fund:			
19,846	- Council Tax Benefits	-		-
118,395	**TOTAL INCOME**	**55,187**	**50,046**	**105,233**
	EXPENDITURE			
	Apportionment of previous year's surplus/deficit			
	Central Government			-
549	Blackpool Council	(907)		(907)
27	Lancashire Fire Authority	(44)		(44)
61	Police & Crime Commissioner for Lancashire	(104)		(104)
	Precepts, Demands and Shares			
	Central Government		24,165	24,165
60,243	Blackpool Council	44,983	23,682	68,665
2,936	Lancashire Fire Authority	2,192	483	2,675
6,915	Police & Crime Commissioner for Lancashire	5,267		5,267
47,197	Business Rates - Payments to National Pool		-	-
	Charges to Collection Fund			
1,222	less: Write offs of uncollectable amounts	(145)	1,116	971
42	less: Increase/Decrease in BDP	841	1,595	2,436
	less:Increase/Decrease in Provision for Appeals		4,105	4,105
278	less:Cost of Collection		280	280
	less: Transitional Protection Payments		(97)	(97)
119,470	**TOTAL EXPENDITURE**	**52,083**	**55,329**	**107,412**
	COLLECTION FUND BALANCE			
1,075	**(SURPLUS)/DEFICIT FOR THE YEAR**	**(3,104)**	**5,283**	**2,179**
507	Fund balance at 1st April (Surplus)/Deficit	1,582	-	1,582
1,582	**DEFICIT/(SURPLUS) AS AT 31ST MARCH**	**(1,522)**	**5,283**	**3,761**
	Allocated to:			
1,359	- Blackpool Council	(1,301)	2,588	1,287
66	- Lancashire Fire Authority	(64)	53	(11)
157	-Police & Crime Commissioner for Lancashire	(157)		(157)
-	- Central Government		2,642	2,642
1,582	**TOTAL**	**(1,522)**	**5,283**	**3,761**

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 1st 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 31st 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 2013/2014 was 34,444 (46,125 in 2012/2013). This reduction 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. From 1st April 2013 Council Tax Benefit Subsidy is no longer paid to the Council by Central Government and has been replaced by the Council Tax Reduction Scheme which is administered by each authority.

The tax base for 2013/2014 was calculated as follows:

Band	Chargeable Dwellings	Proportion of Band D Tax	Equivalent Band D Dwellings
A Reduced	43	5/9	24
A	15,149	6/9	10,099
B	13,902	7/9	10,812
C	8,446	8/9	7,507
D	3,734	1	3,734
E	1,544	11/9	1,887
F	468	13/9	676
G	221	15/9	368
H	20	18/9	40
Less allowances for non collection			(703)
Tax Base for the Calculation of Council Tax			**34,444**

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 2013/2014 were estimated before the start of the financial year as £24.165m to Central Government, £0.483m to Lancashire Fire Authority and £23.682m to Blackpool Council. Theses sums have been paid in 2013/2014 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 2013/2014 to the value of £18.444m.

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 2013/2014 has been calculated at £4.105m.

For 2013/2014, the total non-domestic rateable value at the year- end is £62m. The national multiplier for 2013/2014 was 46.2p (45.0p in 2012/2013) for qualifying small businesses and the standard multiplier being 47.1p (45.8p in 2012/2013) for all other businesses.

4. Allocation of Closing Balances

The allocation of the closing balances for 2013/2014 between the preceptors is as follows:

	CENTRAL GOVERNMENT £000	BLACKPOOL COUNCIL £000	LANCASHIRE FIRE AUTHORITY £000	POLICE AUTHORITY £000	TOTAL £000
COUNCIL TAX					
Arrears at 31st March 2014		8,980	438	1,051	10,469
Receipts in Advance		(578)	(28)	(68)	(674)
Bad Debt Provision		(3,527)	(172)	(413)	(4,112)
Surplus/Deficit		(1,301)	(64)	(157)	(1,522)
BUSINESS RATES					
Arrears at 31st March 2014	2,342	2,295	47		4,684
Receipts in Advance	(195)	(191)	(4)		(390)
Bad Debt Provision	(798)	(782)	(15)		(1,595)
Appeals	(2,053)	(2,011)	(41)		(4,105)
Surplus/Deficit	2,641	2,589	53		5,283

SECTION 7

GROUP ACCOUNTS 2013/2014

7.0 INTRODUCTION

The Group Accounts show the combined overall financial position of the Council, it's subsidiary companies and it's 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 and The Via Partnership are 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 20th 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 15th January 2007. The company's principal activities are to manage and maintain the housing stock of the Council.

Marketing Blackpool Limited

On 1st April 2013 the Council's tourism section became a limited company called Marketing Blackpool. The company was 100% wholly owned by the Council. However at 10th January 2014 Marketing Blackpool ceased to trade and became a Council service again. All costs and income relating to Marketing Blackpool are included in the Council's single entity accounts.

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.

The Via Partnership

The Via Partnership (previously known as CX Limited) is limited by guarantee and therefore has no share capital. The Council has 30% of the voting rights. CXL supplies outsourced careers and personal development services to young people and adults and provides workforce training and development.

CORE FINANCIAL STATEMENTS – GROUP

GROUP MOVEMENT IN RESERVES STATEMENT

2013/2014

	General Fund Balance £000	Earmarked General Fund Reserves £000	HRA £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Group Reserves £000	Total Reserves £000
Balance as at 31st March 2013	**(11,183)**	**(43,980)**	**(3,388)**	**(2,734)**	**-**	**(6,599)**	**(67,884)**	**(336,874)**	**(404,758)**	**(1,550)**	**(406,308)**
Movements in Reserves in 2013/2014											
Surplus or Deficit on the provision of services	65,881	-	(65)	-	-	-	**65,816**	-	**65,816**	1,318	**67,134**
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	(57,801)	**(57,801)**	(1,849)	**(59,650)**
Total Comprehensive Income and Expenditure	**65,881**	**-**	**(65)**	**-**	**-**	**-**	**65,816**	**(57,801)**	**8,015**	**(531)**	**7,484**
Adjustments between accounting basis and funding basis under regulations	(69,500)	-	(2,820)	(249)	4,219	-	**(68,350)**	68,350	**-**	-	**-**
Net increase or Decrease before Transfer to Earmarked Reserves	**(3,619)**	**-**	**(2,885)**	**(249)**	**4,219**	**-**	**(2,534)**	**10,549**	**8,015**	**(531)**	**7,484**
Transfer to/from Earmarked Reserves	4,724	(5,991)	2,086	(425)	(4,219)	(394)	**(4,219)**	4,219	**-**	-	**-**
Increase/Decrease in 2013/2014	**1,105**	**(5,991)**	**(799)**	**(674)**	**-**	**(394)**	**(6,753)**	**14,768**	**8,015**	**(531)**	**7,484**
Balance as at 31st March 2014	**(10,078)**	**(49,971)**	**(4,187)**	**(3,408)**	**-**	**(6,993)**	**(74,637)**	**(322,106)**	**(396,743)**	**(2,081)**	**(398,824)**

2012/2013

	General Fund Balance £000	Earmarked General Fund Reserves £000	HRA £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Group Reserves £000	Total Reserves £000
Balance as at 31st March 2012	**(11,980)**	**(35,328)**	**(2,305)**	**(2,563)**	**-**	**(5,948)**	**(58,124)**	**(393,645)**	**(451,769)**	**(5,090)**	**(456,859)**
Movements in Reserves in 2012/2013											
Surplus or Deficit on the provision of services	28,568	-	6,433	-	-	-	**35,001**		**35,001**	**(1,040)**	**33,961**
Other Comprehensive Income & Expenditure	-	-		-	-	-	-	12,010	**12,010**	**4,580**	**16,590**
Total Comprehensive Income and Expenditure	**28,568**	**-**	**6,433**	**-**	**-**	**-**	**35,001**	**12,010**	**47,011**	**3,540**	**50,551**
Adjustments between accounting basis and funding basis under regulations	(34,723)	-	(9,816)	(222)	4,486	-	**(40,275)**	40,275	-	-	-
Net increase or Decrease before Transfer to Earmarked Reserves	**(6,155)**	**-**	**(3,383)**	**(222)**	**4,486**	**-**	**(5,274)**	**52,285**	**47,011**	**3,540**	**50,551**
Transfer to/from Earmarked Reserves	6,952	(8,652)	2,300	51	(4,486)	(651)	**(4,486)**	4,486	-	-	-
Increase/Decrease in 2012/2013	**797**	**(8,652)**	**(1,083)**	**(171)**	**-**	**(651)**	**(9,760)**	**56,771**	**47,011**	**3,540**	**50,551**
Balance as at 31st March 2013	**(11,183)**	**(43,980)**	**(3,388)**	**(2,734)**	**-**	**(6,599)**	**(67,884)**	**(336,874)**	**(404,758)**	**(1,550)**	**(406,308)**

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2012/2013				2013/2014		
Gross Expenditure £000	Gross Income £000	Net Expenditure		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
16,820	(15,935)	885	Central Services to the Public	32,334	(11,415)	20,919
27,203	(13,898)	13,305	Cultural and Related Services	28,749	(12,915)	15,834
29,719	(4,258)	25,461	Environment and Regulatory Services	35,267	(10,477)	24,790
24,041	(16,328)	7,713	Planning Services	273	(937)	(664)
154,556	(118,852)	35,704	Childrens and Education Services	158,964	(110,347)	48,617
54,710	(36,675)	18,035	Highways and Transport Services	58,894	(34,817)	24,077
23,502	(18,005)	5,497	Local Authority Housing (HRA)	17,067	(18,034)	(967)
95,060	(93,689)	1,371	Other Housing Services	99,841	(93,829)	6,012
69,720	(23,609)	46,111	Adult Social Care	68,680	(19,492)	49,188
3,277	(3,878)	(601)	Corporate and Democratic Core	3,395	(3,362)	33
-	-	-	Public Health	15,120	(17,622)	(2,502)
(1,506)	(2,060)	(3,566)	Non-Distributed Cost	(38)	3,357	3,319
497,102	**(347,187)**	**149,915**	**Cost of Services**	**518,546**	**(329,890)**	**188,656**
		33,338	Other Operating Expenditure			40,776
		17,980	Financing & Investment Income & Expenditure - Other			5,733
		123	Income & Expenditure in relation to Investment Properties and changes in their fair value			8,740
		(167,344)	Taxation and Non-Specific Grant Income - Other			(176,870)
		34,012	**(Surplus) or Deficit on Provision of Services**			**67,035**
		(103)	Share of (Surplus)/Deficit on the Provision of Services by Associates			40
		49	Tax of Subsidiaries (Note G3)			59
		3	Tax of Associates			-
		33,961	**Group (Surplus)/Deficit**			**67,134**
		(26,450)	Surplus or Deficit on revaluation of non-current assets			(13,998)
		6,000	Impairment losses on non-current assets charged to Revalution Reserve			5,701
		700	Surplus or deficit on revaluation of available for sale financial assets			400
		19	Movement on financial instruments adjustment account			18
		35,095	Actuarial gains / losses on pension assets / liabilities			(51,396)
		1,226	Other Movements			(375)
		16,590	**Other Comprehensive Income and Expenditure**			**(59,650)**
		50,551	**Total Comprehensive Income and Expenditure**			**7,484**

GROUP BALANCE SHEET

31st March 2013 £000		Notes	31st March 2014 £000
847,920	Property, Plant and Equipment	G4	819,507
7,764	Heritage Assets		7,764
11,685	Investment Property		13,450
162	Intangible Assets		129
113	Net share of Associates		247
3,350	Assets Held for Sale		482
6,711	Long Term Investments		7,111
9,176	Long Term Debtors		10,561
886,881	**Long Term Assets**		**859,251**
550	Short Term Assets Held for Sale		550
1,247	Inventories		1,123
39,836	Short Term Debtors	G6	38,594
3,186	Payments in Advance		711
9,891	Cash and Cash Equivalents	G5	11,507
54,710	**Current Assets**		**52,485**
(19,000)	Short Term Borrowing		(45,348)
(51,813)	Short Term Creditors	G7	(54,828)
(16,221)	Receipts in Advance		(13,662)
(11,653)	Provisions		(14,242)
(98,687)	**Current Liabilities**		**(128,080)**
(76,886)	Long Term Creditors		(81,351)
(94,320)	Long term Borrowing		(94,586)
(247,808)	Other Long Term Liabilities		(198,043)
(17,582)	Capital Grants in Advance		(10,852)
(436,596)	**Long Term Liabilities**		**(384,832)**
406,308	**Net Assets**		**398,824**
(67,884)	Usable Reserves		(76,718)
(338,424)	Unusable Reservers		(322,106)
(406,308)	**Total Reserves**		**(398,824)**

GROUP CASH FLOW STATEMENT

2012/2013 £000		2013/14 £000
33,961	**Net (surplus) or deficit on the provision of services**	**67,134**
(55,557)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(63,576)
(26,491)	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	(36,790)
(48,087)	**Net cash flows from Operating Activities**	**(33,232)**
51,087	Investing Activities	35,314
(13,702)	Financing Activities	(28,602)
(10,702)	**Net (increase) or decrease in cash and cash equivalents**	**(26,520)**
(83,878)	Cash and cash equivalents at the beginning of the reporting period	(93,735)
(94,580)	**Cash and cash equivalents at the end of the reporting period**	**(120,255)**

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) An amount of £1,909,918 representing amounts outstanding between the Council and Blackpool Transport has been taken out of debtors and creditors.

iii) An amount of £746,830 representing amounts outstanding between the Council and Blackpool Operating Company has been taken out of debtors and creditors

G3. TAX OF SUBSIDIARIES

This figure represents the Council's share of the Corporation Tax due by its subsidiary Blackpool Operating Company, £59,000.

G4. PROPERTY, PLANT AND EQUIPMENT

	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
Single Entity Net Book Value at 31st March 2014	96,412	359,601	10,201	333,537	66	10,631	**810,448**
Balance at 1st April 2013							
- Blackpool Transport Services		1,258	7,877				**9,135**
- Blackpool Operating Company			697				**697**
- Blackpool Coastal Housing			801				**801**
Additions							
- Blackpool Transport Services			355				**355**
- Blackpool Operating Company			722				**722**
- Blackpool Coastal Housing			19				**19**
Disposals							
- Blackpool Transport Services			(742)				**(742)**
Accumulated Depreciation							
- Blackpool Transport Services			(1,148)				**(1,148)**
- Blackpool Operating Company			(292)				**(292)**
- Blackpool Coastal Housing			(735)				**(735)**
Net share of associates assets			247				**247**
Group Net Book Value as at 31 March 2014	**96,412**	**360,859**	**18,002**	**333,537**	**66**	**10,631**	**819,507**

G5. CASH AND CASH EQUIVALENTS

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

	2013/14 £000	2012/13 £000
Cash and cash equivalents held by the Council	6,854	4,552
Cash and cash equivalents held by;-		
- Blackpool Transport Services	2,368	1,971
- Blackpool Operating Company	137	298
- Blackpool Coastal Housing	2,148	3,070
Total	**11,507**	**9,891**

G6. SHORT-TERM DEBTORS

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

	2013/14 £000	2012/13 £000
Debtors - single entity accounts	38,790	38,496
Debtors held by;-		
- Blackpool Transport Services	1,315	1,421
- Blackpool Operating Company	244	367
- Blackpool Coastal Housing	902	545
Removal of intra group debtors	(2,657)	(993)
Total	**38,594**	**39,836**

G7. SHORT-TERM CREDITORS

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

	2013/14 £000	2012/13 £000
Creditors - single entity accounts	(51,940)	(48,035)
Creditors held by;-		
- Blackpool Transport Services	(1,650)	(1,991)
- Blackpool Operating Company	(1,497)	(1,528)
- Blackpool Coastal Housing	(2,398)	(1,252)
Removal of intra group creditors	2,657	993
Total	**(54,828)**	**(51,813)**

G8. SERVICE ANALYSIS

Income and expenditure recorded against directorates based on the figures disclosed in the Council's Outturn report for the year is shown within Note 33.

Reconciliation of Directorate net expenditure to Cost of Services in the Group Comprehensive Income and Expenditure Statement

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

31st March 2013 £000		31st March 2014 £000
169,762	Net expenditure in the department analysis	181,420
7,641	Net expenditure of services and support services not included in the analysis	135
(26,661)	Amounts included in the analysis not included in the Comprehensive Income & Expenditure Statement	7,101
150,742	**Cost of Service in Comprehensive Income and Expenditure Statement**	**188,656**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Directorates net expenditure relate to a subjective analysis of the surplus or deficit on the provision of services included in the Group Comprehensive Income and Expenditure Statement.

2013/2014	Department Analysis	Services and Support services not in Analysis	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total	Group Companies	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Income								
Fees, charges & Other Income	92,823	1,254	6,580	100,657	-	**100,657**	-	**100,657**
Government Grants	190,682	-	-	190,682	106,453	**297,135**	-	**297,135**
Interest and investment income	-	-	(862)	(862)	1,007	**145**	-	**145**
Internal Recharges	37,758	-	-	37,758	-	**37,758**	-	**37,758**
Income from Council Tax	-	2,426	-	2,426	70,418	**72,844**	-	**72,844**
Total Income	**321,263**	**3,680**	**5,718**	**330,661**	**177,878**	**508,539**	**-**	**508,539**
Expenditure								
Employee expenses	151,337	242	-	151,579	-	**151,579**	-	**151,579**
Other Service Expenditure	319,110	3,573	(15,642)	307,041	14,376	**321,417**	9,289	**330,706**
Depreciation, amortisation and impairment	-	-	34,591	34,591	-	**34,591**	-	**34,591**
Interest Payable	-	-	(6,130)	(6,130)	6,764	**634**	-	**634**
Internal Recharges	32,236	-	-	32,236	-	**32,236**	-	**32,236**
Precepts & Levies	-	-	-	-	65	**65**	-	**65**
Payments to Housing Capital Receipts Pool	-	-	-	-	249	**249**	-	**249**
Gain / Loss on disposal of Non-Current Assets	-	-	-	-	30,485	**30,485**	-	**30,485**
Pension Interest Cost and return on assets	-	-	-	-	(4,872)	**(4,872)**	-	**(4,872)**
Total Expenditure	**502,683**	**3,815**	**12,819**	**519,317**	**47,067**	**566,384**	**9,289**	**575,673**
Net	**181,420**	**135**	**7,101**	**188,656**	**(130,811)**	**57,845**	**9,289**	**67,134**

2012/2013	Department Analysis	Services and Support services not in Analysis	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total	Group Companies	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Income								
Fees, charges & Other Income	67,708	18,494	(7,951)	78,251	-	**78,251**	36,391	**114,642**
Government Grants	228,402	392	-	228,794	109,446	**338,240**	-	**338,240**
Interest and investment income	-	-	(418)	(418)	611	**193**	19	**212**
Internal Recharges	39,000	-	-	39,000	-	**39,000**	-	**39,000**
Income from Council Tax	-	-	-	-	57,898	**57,898**	-	**57,898**
Total Income	**335,110**	**18,886**	**(8,369)**	**345,627**	**167,955**	**513,582**	**36,410**	**549,992**
Expenditure								
Employee expenses	154,392	-	-	154,392	-	**154,392**	18,147	**172,539**
Other Service Expenditure	322,763	26,509	(22,432)	326,840	6,271	**333,111**	17,366	**350,477**
Depreciation, amortisation and impairment	-	-	(1,293)	(1,293)	(1,329)	**(2,622)**	-	**(2,622)**
Interest Payable	-	-	(7,373)	(7,373)	8,034	**661**	95	**756**
Internal Recharges	27,717	18	-	27,735	-	**27,735**	-	**27,735**
Precepts & Levies	-	-	-	-	73	**73**	-	**73**
Payments to Housing Capital Receipts Pool	-	-	-	-	222	**222**	-	**222**
Gain / Loss on disposal of Non-Current Assets	-	-	-	-	33,043	**33,043**	-	**33,043**
Pension Interest Cost and return on assets	-	-	(3,932)	(3,932)	5,900	**1,968**	(238)	**1,730**
Total Expenditure	**504,872**	**26,527**	**(35,030)**	**496,369**	**52,214**	**548,583**	**35,370**	**583,953**
Net	**169,762**	**7,641**	**(26,661)**	**150,742**	**(115,741)**	**35,001**	**(1,040)**	**33,961**

SECTION 8

ANNUAL GOVERNANCE STATEMENT

Blackpool Council
Annual Governance Statement – 2013/2014

Scope of responsibility

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

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

Blackpool Council strives to operate in a manner consistent with the principles of the CIPFA / SOLACE *Framework Delivering Good Governance in Local Government*. This statement explains how Blackpool Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4 (3), which requires all relevant bodies to prepare an Annual Governance Statement.

The purpose of the governance framework

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

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

The governance framework has been in place at Blackpool Council for the year ended 31st March 2014 and up to the date of the approval of the statement of accounts for that year.

The governance framework

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

The Council's Vision, Values and Priorities

The Council Plan describes our priorities, values and ambitions for 2013-15 and explains clearly what the Council will do to help improve the lives of local people and how the Council will measure our progress. The extract of these from the Council Plan is shown in the following boxes:

Our vision and priorities

Our vision sets out an image of the future in Blackpool that the Council wishes to create over the long term:

We will build a Blackpool where aspiration and ambition are encouraged and supported. We will seek to narrow the gap between the richest members of our society and the poorest and deliver a sustainable and fairer community, of which our communities will be proud.

We believe that it is by working together that we make a difference to the lives and prospects of people who live, work and learn in Blackpool. The Council has nine priorities for how we will focus our efforts and resources to make a positive difference to the borough of Blackpool. Eight of these concentrate on the needs of our community and fit under three main themes:

1. We will raise aspiration by:
    - Tackling child poverty, raising aspirations and improving educational achievement
    - Safeguarding and protecting the most vulnerable
2. We will become a more prosperous town by:
    - Expanding and promoting our tourism, arts, heritage and cultural offer
    - Attracting sustainable investment and creating quality jobs
    - Encouraging responsible entrepreneurship for the benefit of our communities
3. *We will create healthy communities by:*
    - Improving health and wellbeing especially for the most disadvantaged
    - Improving housing standards and the environment we live in by using housing investment to create stable communities
    - Creating safer communities and reducing crime and anti-social behaviour

Our ninth priority - to deliver quality services through a professional, well-rewarded and motivated workforce - ensures we have staff who are capable of delivering these priorities. Blackpool Council's vision and values set out a high level vision of how the Council will address the nine priorities of the Council.

Blackpool Councils Value's are:

- We are accountable for delivering on the promises we make and take responsibility for our actions and the outcomes achieved
- We are committed to being fair to people and treat everyone we meet with dignity and respect
- We take pride in delivering quality services that are community focused and are based on listening carefully to what people need
- We act with integrity and we are trustworthy in all our dealings with people and we are open about the decisions we make and the services we offer
- We are compassionate, caring, hard-working and committed to delivering the best services that we can with a positive and collaborative attitude

The Council Plan seeks to address the big issues and policy drivers facing local government. The Council priorities feed into departmental business plans and are a key tool for managers to use when developing business plans for the coming year. The strong golden thread from community aspirations continues through to individual performance appraisals as they are developed based on Council's vision, values and priorities.

Performance Management

There has been a reduced inspection regime on some Council services due to changes in Central Government. To help mitigate the risk of the impact of the reduced inspection regime the Council is starting to participate in more peer reviews drawing on experience from other Local Authorities and the private sector.

The Council has a performance management system in place with high level performance issues being reported to the Scrutiny Committee and local performance indicators being managed through the business planning framework.

Performance has been reported against the Council's nine priorities throughout 2013/14 on a quarterly basis. These reports have included progress made against actions, performance indicators, contextual information and progress against issues raised at Scrutiny Committee in the previous quarter.

The performance management framework will be strengthened in 2014/2015 by introducing an annual programme of business plan challenge sessions. These meetings will be chaired by the Leader of the Council and the Chief Executive and will seek to undertake a progress review of the business plans from each department on a rolling programme throughout the year. The lead officer and Cabinet Member for each department will be invited to attend the meeting to answer questions or provide further information for the review.

The purpose of the review process is to establish whether:

- Actions are linked to the Council's themes and priorities and key actions from the Council Plan are reflected in departmental business plans;
- Progress against business plan actions is monitored and areas of concern are addressed;
- The impact of business plan actions is evaluated and understood;
- Performance is managed effectively and priorities for improvement are identified; and
- There is evidence of cross departmental working to achieve priorities.

Roles and Responsibilities

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

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 part of the Individual Performance Appraisal process.

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 and they also identify arrangements for working with partnerships.

Behaviour and Conduct

An elected member/ officer protocol is incorporated in the Council's Constitution and there is also a Planning Committee protocol. Training is provided to officers and members to enable them to better understand the roles of each other.

There are registers of interests and hospitality for both elected members and officers. Members must register and declare interests on appropriate occasions, supported by appropriate professional advice at any time, where this is required.

The Council's Standards Framework has specific regard to probity and high standards of ethical conduct. This is supported by the Monitoring Officer and Deputy Monitoring Officer and together with 3 independent persons appointed by Council, deal as appropriate, with any complaints referred, as part of the process.

Any development needs in terms of conduct are identified through officer Individual Performance Appraisal or member self-assessment as appropriate, a regular programme of training is also provided.

Employees abide by the terms of the Council's officer Code of Conduct. Where appropriate staff are expected to comply with the Constitution and Financial Regulations, these are both updated regularly and appropriate training offered on changes.

Decision Making Framework

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.

All Executive decisions contain all relevant policy implications including financial, risk management, human resource issues including equality analysis and legal considerations. Records of decisions and supporting materials are maintained, with public disclosure of decisions on the Council's internet site. 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.

The Constitution is reviewed and updated on an ongoing basis.

Risk Management

The Corporate Risk Management Group meets quarterly to co-ordinate and promote risk management activity, and the Council Leader is provided with all papers relating to the agenda and minutes. It is supported by departmental and thematic risk management groups. All departments have nominated risk champions to promote best practice in their areas and risk registers are maintained for major projects and partnerships.

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

Counter Fraud and Anti-Corruption Arrangements

The Council has an Anti-Fraud and Corruption Statement in place and this is approved by the Finance and Audit Committee on an annual basis. Any suspected instances of fraud and corruption are reported to the Chief Internal Auditor so that an appropriate investigation into the matter can be undertaken.

An Investigations Team is in place which investigates instances of welfare benefit fraud in line with the relevant legislation and guidance.

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 is monitored on a regular basis.

Management of Change and Transformation

The Council is committed to ensuring that it delivers value for money. Significant changes have been made to the Council structure and working practices to ensure the delivery of significant budget cuts as a result of the Comprehensive Spending Review. The Council continually considers ways in which further efficiency can be made to reduce costs whilst maintaining the delivery of a quality service and also considers how to effectively manage change.

Financial Management Arrangements

The Council has a designated Chief Financial Officer who holds Section 151 responsibilities with appropriate qualifications and experience 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 are assessed as satisfactory by the Council's external auditors.

Monthly financial reporting summaries are made available to the Corporate Leadership Team, the Executive and the Finance and Audit 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 (2010).

The 2012/2013 ISA260 report provided by external audit has not identified any significant issues in the Council's financial management arrangements.

Assurance Arrangements

The Council prepares an annual Audit Plan which is approved by the Corporate Leadership Team and the Finance and Audit Committee each year. This includes a balance of risk and compliance work. The assurance statement for each audit is reported quarterly to the Finance and Audit Committee and contributes to the Chief Internal Auditor's annual opinion. The opinion of the Chief Internal Auditor was presented to Finance and Audit Committee on the 26th June 2014.

An element of contingency is built into the Audit Plan to enable the Internal Audit Team to proactively respond to any issues which may arise throughout the year.

The Council's assurance arrangements broadly conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and this is reviewed annually.

Monitoring Officer

The Council has designated a Monitoring Officer with appropriate qualifications and experience and a deputy has also been appointed. 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.

Head of Paid Service

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

Finance and Audit Committee

The Council has a Finance and Audit Committee which meets on a regular basis. This is independent of the scrutiny framework, and as a full committee of the Council is able to discharge all the core functions of a Finance and Audit Committee identified in *CIPFA's Audit Committee: Practical Guidance for Local Authorities* including approval of the annual Statement of Accounts.

An ongoing programme of training on finance, audit and corporate governance topics is in place to ensure members have all the skills required to undertake their role.

Compliance with Laws, Regulations, Internal Policies and Procedures

The Council has an internal control framework in place which helps ensure compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.

All managers are expected to adhere to the Council's Constitution and Financial Regulations. Non-compliance with such procedures may result in disciplinary action.

An internal audit function is in place to provide assurance that controls are being adhered to. The Finance and Audit Committee receives copies of all audit assurance statements and has the ability to challenge officers where issues of non-compliance have been identified.

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.

Whistleblowing and Complaints

A whistleblowing procedure is in place. All complaints received under this procedure are investigated by appropriate officers. A corporate complaints procedure also operated during the period to ensure that any issues raised by members of the public were fully investigated. A pilot process has been implemented to deal with complaints which reach Stage Three of the complaints process where an independent panel of officers review and investigate the complaint before a response is provided to the complainant. This is chaired by the Deputy Chief Executive and attended by the Monitoring Officer, Chief Internal Auditor and Chief Accountant.

Training and Development

A Member Development Programme is in place which helps deliver training to elected members to help them fulfil their role.

Elected members have personal development plans in place which are used to help identify training needs and the members training budget comprises of a core budget and a further budget that is split proportionally between the political groups, to ensure that appropriate training can be delivered to all members.

A recent skills audit was undertaken, completed by 39 out of 42 councillors and where appropriate this has been shared with the Group Leaders to assist in identifying development needs. A range of training and development opportunities are available for officers and this is informed through the Individual Performance Appraisal process which is mandatory for all officers across the Council.

A training programme is in place for senior officers to help enhance leadership skills.

Consultation

The Council consults and engages with a diverse cross-section of the community to help ensure that their views are considered, such as Area Forums.

Public speaking is available at many meetings such as Executive, Scrutiny and the full Council meeting.

The Council produces a quarterly newsletter *Your Blackpool* which is distributed to every household in the Borough. Blackpool Council has recently invested in updating its website to help improve access to information and uses social media daily to engage with residents and visitors alike.

The Blackpool Fairness Commission was launched in September 2012 as an independent body of people from across the Public, Private, Voluntary and Community Sectors.

In the last year, the Fairness Commission has appointed 120 Fairness Commissioners, a Steering Panel of 16 people from across the Public, Private, Voluntary and Community Sectors, held a number of Steering Group Meetings and Open Public Meetings, and formed five task and finish groups around issues such as child poverty, welfare reform, the night time economy, consultation and engagement, and early action.

The Fairness Commission has now reached a level of maturity. Widely recognised across sectors, with a steering group in place, it is passionate about and committed to making Blackpool a fairer place to live, work and learn.

Partnerships and Joint Working

The Council has reviewed the governance arrangements with its wholly owned companies and has now a Companies Governance Code of Practice in place. This has led to the Articles of Association for each company being reviewed and the development of a Memorandum of Understanding between the Council and each company, to help define working arrangements.

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 review of effectiveness is informed by the work of executive managers within Blackpool Council, who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

A number of steps have been taken to review the effectiveness of governance arrangements in 2013/2014 and these include:

- Risk Champions have completed a control self-assessment on the internal control framework within their departments.
- A governance workshop was held with selected elected members representing the Standards, Scrutiny and Finance and Audit Committees and the Deputy Leader of the Council, to assess the Council's performance against the key principles of the CIPFA / SOLACE governance framework.
- Key officers, charged with governance responsibilities, including the Monitoring Officer, Deputy Monitoring Officer, Section 151 Officer, Chief Internal Auditor and Head of Corporate Development, Engagement and Communication were involved in the review.
- The Corporate Leadership Team has had the opportunity to comment on the governance framework and statement.

The implications of the results of the effectiveness of the governance framework have been identified by the Finance and Audit Committee and these state that arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Significant Governance Issues

As part of the review of significant governance issues highlighted in 2012/2013 it has been deemed appropriate to remove some of the actions as these have now been effectively addressed included in this are:

Governance Issues Addressed in 2013/2014		
Issues	**Action to be taken**	**Responsible Officer**
Collection Fund	Monitoring and management of the Collection Fund to assess the impact of the introduction of the Localisation of Business Rates and the Council Tax Reduction Scheme.	Treasurer
Member Involvement	A skills audit to be undertaken with elected members.	Head of Democratic Services
Risk Management	The Property Risk Management Group's terms of reference and representation should be reviewed to ensure that it is working effectively.	Treasurer
Welfare Reform	Manage the transition to Universal Credit. Ensure that the Council has the resource available to investigate corporate fraud after the introduction of the Single Fraud Investigation Service.	Treasurer
Member Protocols / Decision Making	Ensure that officers are aware of the decision making process and that this is adhered to.	Head of Democratic Services
Complaints and requests for information.	Deliver the new corporate complaints process across the Council. Ensure that Freedom of Information, Subject Access and Environmental Information requests are dealt with in a timely manner.	Deputy Chief Executive

There are a number of governance issues which it would be prudent to carry forward as further work is required to fully address the issues. Additional actions have been identified as part of the 2013/2014 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.

Governance Issues to be Addressed in 2014/2015		
Issues	**Action to be taken**	**Responsible Officer**
Delivery of corporate savings programme combined with significant demand pressures.	Departments to adhere to agreed savings targets, identifying alternative savings or income generation where pressures develop. Progress on achieving savings monitored from month 0. Delivery of core services including appraisal of internal controls within available resource.	Chief Executive
Project management	Undertake an advisory role to ensure effective project management leads to successful project outcomes across all Council projects. Ensure effective project management leads to successful project outcomes within sphere of influence. Ensure adequate project management resource is available to deliver key projects.	Chief Executive
Facilities management	Deliver Council’s accommodation strategy and reduce desk footprint by delivery of the Central Business District project. Ensure that the Council’s property estate is operated to maximise rental income or disposal values as appropriate. Improve asset management planning, including business continuity arrangements.	Treasurer
Procurement	Ensure all services comply with Contract Procedure Rules. Completion of e-procurement and e-invoicing rollout.	Treasurer

	Ensure adequate time is committed to procurement activity. Development of integrated commissioning frameworks with economies of scale. Delivery of Personalisation agenda.	 Assistant Chief Executive Children's Services / Assistant Chief Executive Adult Services
Staff development	Ensure that all staff complete mandatory training requirements. Ensure that senior managers complete the Working with Members training programme. Ensure that staff appraisals are carried out across the Council and that these are uploaded to the Vision HR system. Ensure that effective workforce development planning is in place. Ensure that all Individual Performance Appraisals are completed.	Deputy Chief Executive
Protect vulnerable adults and children.	Ensure that adequate controls are put in place to safeguard vulnerable adults and children. Ensure that steps are taken to address the control failings identified in the recent inspection reports.	Assistant Chief Executive Adults Assistant Chief Executive Children's Services
Risk management	Ensure that all services have in place up-to-date and fit-for-purpose business continuity plans which have been tested. Ensure that all departments have in place an effective Departmental Risk Management Group.	Treasurer

	Look at the potential of delivering mandatory fraud awareness training.	
Performance management	A review of the revised performance monitoring arrangements should be undertaken to ensure that it is effective. Strengthen the integrity of reporting performance data to residents. Review how the Council consults with the community to ensure that it is transparent and robust. A piece of work should be undertaken to identify the Council's core business going forward.	Deputy Chief Executive Corporate Leadership Team / Executive
Scrutiny	Deliver a module based training programme to members of the Scrutiny Committee. Review examples of effective scrutiny reviews to assess how recommendations could be strengthened. Officers should ensure that they respond to members enquires on a timely basis.	Head of Democratic Services

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that 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 1st 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.

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 1st April through to the following 31st 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 ringfenced 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 1st 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.

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KPMG

cutting through complexity™

Report to those charged with governance (ISA 260) 2013/14

Blackpool Council

Page 203

September 2014

Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, the appointed engagement lead to the Authority, who will try to resolve your complaint. Trevor is also the national contact partner for all of KPMG's work with the Audit Commission. if you are dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 03034448330.

Introduction

This document summarises:

- **the key issues identified during our audit of the financial statements for the year ended 31 March 2014 for the Authority; and**
- **our assessment of the Authority's arrangements to secure value for money.**

Page 205

Scope of this report

This report summarises the key findings arising from:

- Our audit work at Blackpool Council in relation to the Authority's 2013/14 financial statements; and
- the work to support our 2013/14 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2013/14*, presented to you in February 2014, set out the four stages of our financial statements audit process.

We previously reported on our work on the first two stages in our *Interim Audit Report 2013/14* issued in April 2014.

This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place in August 2014.

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM conclusion

Our *External Audit Plan 2013/14* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have completed our work to support our 2013/14 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion; and
- considering the results of any relevant work by the Authority, the Audit Commission, other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2013/14 financial statements of the Authority.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior recommendations and this is detailed in Appendix 2.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Headlines

This table summarises the headline messages. Sections three and four of this report provide further details on each area.

Page 206

Proposed audit opinion	Our overall audit approach is unchanged from last year. Our work is carried out in four stages and the timings for these, and specifically our on site work, have been agreed with the Chief Financial Officer. We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2014. We will also report that the wording of your Annual Governance Statement accords with our understanding.
Audit adjustments	To comply with auditing standards, we are required to report uncorrected audit differences to the Finance and Audit Committee. We are pleased to report there are no uncorrected audit differences. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities. Our audit has identified one audit adjustment with a value of £5.3 million. The impact of this adjustment is to: ■ increase the deficit on provision of services for the year by £5.3 million; and ■ decrease the net worth of the Authority as at 31 March 2014 by £5.3 million. This adjustment was made by the Authority, but has had no impact on the balance on the general fund account as at 31 March 2014. We have included the adjustment at Appendix 3. We have also raised a recommendation in relation to the matter highlighted above, which is summarised in Appendix 1. We also identified a number of presentation and disclosure errors which have been amended by management in the revised version of the financial statements.
Key financial statements audit risks	We have worked with officers and performed work in relation to the key areas of focus identified during the planning phase of our audit. We are satisfied that the Authority has appropriate arrangements in place to address the risks and issues that we have identified. See Appendix 1 for details of our findings.
Accounts production and audit process	We have noted an improvement in the quality of the accounts and the supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. The Authority has implemented all of the recommendations in our *ISA 260 Report 2012/13* relating to the financial statements.

Headlines

This table summarises the headline messages. Sections three and four of this report provide further details on each area.

Page 207

Completion	At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas: ▪ Completion of Whole of Government Accounts review. ▪ Review of final subsidiary accounts. ▪ A review of any post balance sheet events up to the date of signing our audit report. Before we can issue our opinion we require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.
VFM conclusion and risk areas	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2014.

Proposed opinion and audit differences

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2014.

Our audit has identified a £5.3 million audit adjustment.

This adjustment has had no impact on the balance on the general fund account as at 31 March 2014.

The wording of your Annual Governance Statement accords with our understanding of the Authority.

Page 208

Proposed audit opinion

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion by 30 September 2014.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

Our audit identified one significant audit difference with a value of £5.3 million, which we have set out in Appendix 3. It is our understanding that this has been adjusted in the final version of the financial statements.

The tables on the right illustrate the total impact of audit differences on the Authority's movements on the General Fund for the year and balance sheet as at 31 March 2014.

The audit adjustment has had no impact on the General Fund accounts as at 31 March 2014.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2013/14 ('the Code')*. We understand that the Authority will be addressing these where significant.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

We have made a number of comments in respect of its format and content which the Authority has agreed to amend where significant.

Movements on the General Fund 2013/14

£m	Pre-audit	Post-audit	Ref (App.3)
Deficit on the provision of services	60,551	65,881	1
Adjustments between accounting basis & funding basis under Regulations	(64,170)	(69,500)	*1*
Transfers to earmarked reserves	4,724	4,724	-
Decrease in General Fund	**1,105**	**1,105**	

Balance Sheet as at 31 March 2014

£m	Pre-audit	Post-audit	Ref (App.3)
Property, plant and equipment	815,778	810,448	*1*
Other long term assets	42,286	42,286	-
Current assets	47,512	47,512	-
Current liabilities	(124,992)	(124,992)	-
Long term liabilities	(378,511)	(378,511)	-
Net worth	**402,073**	**396,743**	
General Fund	(10,078)	(10,078)	-
Other reserves	(391,995)	(386,665)	*1*
Total reserves	**(402,073)**	**(396,743)**	

Key financial statements audit risks

We have worked with officers throughout the year to discuss specific areas of audit focus. The Authority addressed the issues appropriately.

Page 209

In our *External Audit Plan 2013/14*, presented to you in February, we identified three areas of audit focus. We have now completed our testing of these areas and set out our evaluation following our substantive work.

The table below sets out our detailed findings for each of the risks that are specific to the Authority.

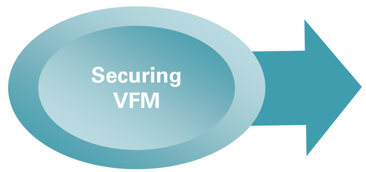
Additionally, we considered the risk of management override of controls, which is a standard risk for all organisations.

Our controls testing and substantive procedures, covering journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual, did not identify any issues.

Key audit risk	Issue	Findings
	As at month 8 2013, the Authority is forecasting a net overspend £630,000, which is to be met from working balances. The main areas of overspend are strategic leisure assets and children's services. The Authority has plans in place to address this overspend by the end of the financial year. The 2013/14 budget includes a full year's savings programme totalling £14.1 million. The Authority reports that £10.1 million (72%) of these savings have been delivered to date. The Authority currently estimates that another £15.8 million in savings will need to be achieved during 2014/15 and a total of £19.8 million in 2015/16 to address the further reductions to local authority funding. Against a backdrop of continued demand pressures in strategic leisure assets and children's services it is becoming more difficult to deliver these savings in a way that secures longer term financial and operational sustainability.	The final outturn for 2013/14 represented an under-spend of £134,000 against the budget, which was reported to Executive Committee in January 2013. During the year, the Authority has achieved its savings targets in order to manage the reductions in Local Government funding. In total, efficiencies and savings of approximately £14.1 million have been achieved across all service areas. However, savings of £15.8 million will be required in 2014/15 to bridge the Authority's budget gap. The Authority forecasts that these savings will be delivered before the year end. The Council has established and implemented a savings plan to achieve the required savings over the next three years. The updated £15.8 million savings target has been factored into the 2014/15 budget. Savings will be primarily made through a combination of staff savings, commissioning reviews and service restructures. Savings will be achieved mainly within Adult Services (£1.5 million), Children's Services (£1.1 million) and Community and Environmental (£2.5 million). As at 30 June 2014, 64% of the 2014/15 savings target has already been delivered. The remaining savings will be achieved across all service areas. Our detailed budgetary control testing found the Authority has robust procedures in place to monitor budget variances and implement remedial action as necessary. We will continue to monitor the Authority's financial position going forward to ensure that savings targets are being achieved and performance is in line with expectations and budget.

Key financial statements audit risks (continued)

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

Key audit risk	Issue	Findings
	Secondary education in Blackpool has recently been assessed by OFSTED because of concerns that standards of secondary achievement are well below national averages. The inspection found that the Authority has failed to provide sufficient challenge to secondary schools to raise standards. Furthermore, the Authority's published improvement strategy was found to “lack quantitative targets and qualitative indicators to which school leaders can subscribe and be held to account”. A re-inspection is scheduled to take place in the next nine to twelve months and we understand that the Authority has agreed additional capacity in the form of additional posts, to address the problem. Given this result, and continuing budget pressures, it is imperative that the Council allocates resources appropriately without compromising the quality of service delivery across the Council. A robust action plan, to address the identified weakness, needs to be developed and implemented. Additionally, appropriate monitoring systems need to be implemented to ensure that the poor service delivery is monitored and value for money is being delivered on resources employed.	The arrangements in place for identifying, implementing and monitoring savings and efficiency reviews were sufficient to ensure the Authority achieved its financial budget in 2013/14. Following the outcome of the school inspection in July 2012, the Authority has implemented the following measures to improve the service: ▪ A restructure of Children’s Social Care including an investment in an additional 15 new social workers and new ‘Getting it right team’ focussing on early support for families in Blackpool. ▪ Establishment of an Improvement Board as an external scrutiniser of the Authority and its partners work on Safeguarding. The Board reports directly to the Minister on the Authority’s performance. ▪ Development of a pertinent Improvement Plan. The Department for Education (DfE) has completed a review of Blackpool’s improvement progress and reported their findings to the Minister. DfE highlighted that the improvement plan was delivering much of the structural organisations and process reform required. A further OFSTED inspection took place in July 2014. Although the official report is yet to be published, management anticipate that the overall findings will be positive. Children’s services reported an overspend of £1.4 million in 2013/14. Despite the improvements in Social Care, the number of Looked After Children (LAC) remained high. Internal recovery plans have been produced which address the issue over the medium term. This targets a reduction to 420 by the end of 2014/15 and 400 by the end of 2015/16. It also seeks to make use of less costly placements. The plan has been integrated in the social care budget approved by Executive. The above demonstrates the Authority has appropriate plans in place to address the financial issues whilst ensuring that service quality is maintained.

Key financial statements audit risks (continued)

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

Key audit risk	Issue	Findings
LGPS Triennial Valuation	During the year, the Local Government Pension Scheme for Lancashire (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2013 in line with the Local Government Pension Scheme (Administration) Regulations 2008. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation. The IAS 19 numbers to be included in the financial statements for 2013/14 will be based on the output of the triennial valuation rolled forward to 31 March 2014. For 2014/15 and 2015/16 the actuary will then roll forward the valuation for accounting purposes based on more limited data. There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Lancashire County Council who administer the Pension Fund.	During 2013/14, the Authority's pension deficit has decreased by £48.9 million as a result of the following movements in pension assets and liabilities: ■ The current valuation of pension liabilities has decreased from £582.5 million at 31 March 2013 to £547.7 million at 31 March 2014. ■ This has been supported by an increase in the asset value of £14.1million. ■ There has been an actuarial gain of £56.5 million in relation to the changes in actuarial assumptions used to value the Scheme's liabilities. As part of our audit, we have reviewed the Authority's IAS 19 assumptions as at 31 March 2014 against KPMG's acceptable range and consider these to fall within our acceptable range. In addition, we have agreed the data provided by the Authority to the actuary back to the systems and reports from which it was derived, to ensure the accuracy of this data. Throughout the audit process, we have liaised with Grant Thornton, who are the auditors of the Pension Fund, to gain assurance over accuracy and completeness of source data provided by the Pension Fund to the scheme actuary. We have also reviewed the accounts to ensure they include appropriate disclosures and have reviewed the accounting treatment for annual pension charges included in the Income and Expenditure account.

Accounts production and audit process

We have noted an improvement in the quality of the accounts and the supporting working papers.

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

The Authority has implemented all of the recommendations in our *ISA 260 Report 2012/13.*

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has appropriate financial reporting processes in place to assist the preparation of the financial statements. There is scope to improve this further by implementing the capital related recommendations detailed in Appendix 1, which will improve the effectiveness of the Authority's control environment.
Completeness of draft accounts	We received a complete set of draft accounts on 30 June 2014, which was in line with our expectations. The accounts were signed by the Treasurer before the 30 June deadline.
Quality of supporting working papers	Our '*Prepared by Client List*' set out our working paper requirements for the audit. The working papers provided were of a good quality and generally met our requirements. During 2013/14, the Authority has provided all working papers in an electronic format. These working papers have been easy to follow and were referenced to our prepared by client list making them easy to follow.
Response to audit queries	Officers resolved the majority of audit queries in a reasonable time.
Group audit	To gain assurance over the Authority's group accounts, we placed reliance on work completed by Baker Tilly on the financial statements of Blackpool Coastal Housing. We also placed reliance on work completed by KPMG colleagues in our Preston office on the financial statements of Blackpool Transport Services. There are no specific matters to report pertaining to the group audit.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last year's ISA 260 report.

The Authority has implemented all of the recommendations in our *ISA 260 Report 2012/13*. Appendix 2 provides further details.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Blackpool Council for the year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and Blackpool Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Responsible Finance Officer for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2013/14 financial statements.

VFM conclusion

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Page 214

Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

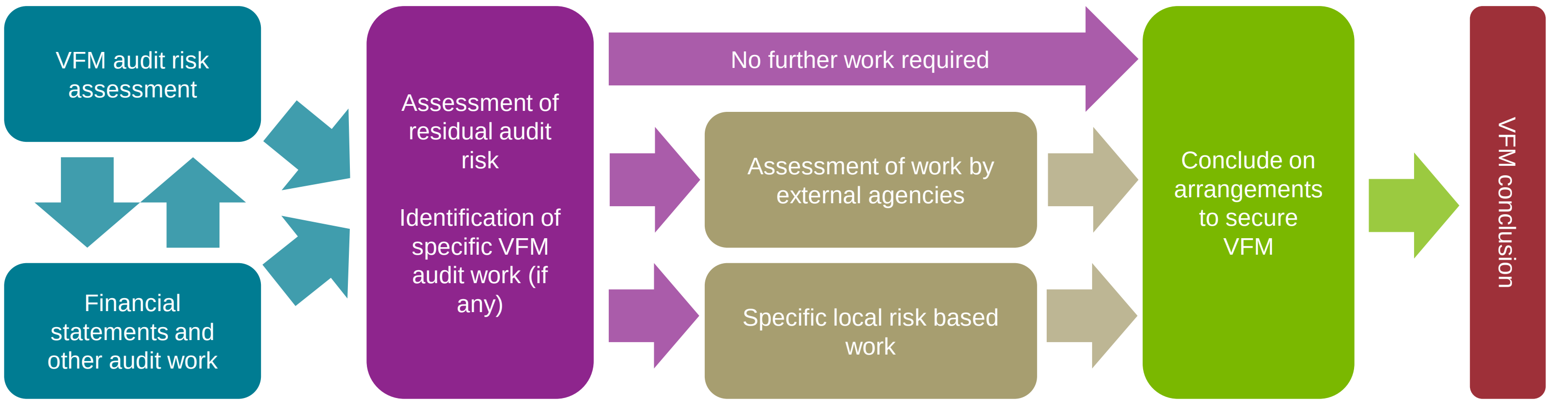
- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Work completed

We performed a risk assessment earlier in the year and have reviewed this throughout the year.



We have not identified any significant risks to our VFM conclusion and therefore have not completed any additional work.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓

Specific VFM risks

We have identified a number of specific VFM risks.

In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

Page 215

Work completed

In line with the risk-based approach set out on the previous page, and in our *External Audit Plan* we have:

- assessed the Authority's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;
- considered the results of relevant work by the Authority, inspectorates and review agencies in relation to these risk areas

Below we set out the findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion. We have reported our findings in relation to securing VFM in section 3.

We concluded that we did not need to carry out additional work for these risks as there was sufficient relevant work that had completed by the Authority, inspectorates and review agencies in relation to these risk areas.

Key VFM risk	Risk description and link to VFM conclusion	Assessment
Financial Resilience	The systems and processes used by the Authority to manage effectively financial risks and opportunities, and the ability of the Authority to secure a stable financial position that enables it to continue to operate for the foreseeable future. The Authority is currently in the process of establishing and implementing a savings plan to achieve the required savings for both the 2014/15 and 2015/16 financial years. Across the two years this equates to over £30.0 million savings target which has been factored into the MTFS.	Throughout the year we have reviewed the Authority's budget and financial plans to ensure they accurately reflect the Authority's financial position. The Authority has robust budgetary control procedures in place and key variances are reviewed by senior management and reported to the Executive Committee. Once again, the Authority has had to make significant savings during the year as a result of Local Government funding cuts. The Authority has over performed on its savings target, achieving £14.1 million of efficiencies and savings during 2013/14, however additional savings of £15.8 million will be required in 2014/15 and £19.8 million in 2015/16. At the start of the year, progress against savings targets is reviewed by the Corporate Leadership Team. This forms part of the financial performance report which is reviewed by the Executive at the end of quarter 1. Individual services are required to identify new savings for future years, all of which is fed into the Medium Term Financial Strategy review in September. The Authority achieved a £134,000 under-spend against its revised budget for the year ended 31 March 2014 demonstrating it is able to secure a stable financial position that enables it to continue to operate for the foreseeable future.

Appendix 1: Key issues and recommendations

We have given the recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

Page 216

Priority rating for recommendations		
❶ ***Priority one***: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷ ***Priority two***: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸ ***Priority three***: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	❷	**Disposing of new build Academies** It was identified through our testing of Property, Plant and Equipment (PPE), that a new build Academy opened during the year was incorrectly classified as an Asset under Construction. The Academy should no longer be categorised on the balance sheet and should be treated as a fixed asset disposal in the Comprehensive Income and Expenditure Account (CIES). Although the Authority has a process to ensure new Academies are recognised and appropriately disposed of on the balance sheet, this Academy was overlooked due to being a new build as opposed to a converted school. **Recommendation** The Authority need to ensure existing controls around the disposal of converted Academies incorporate the disposal of new build Academies.	The Authority accepts this recommendation and will amend the year end disposal procedures to include new build Academies. **Responsible officer** - David Fish **Due date –** 31st March 2015

Appendix 2: Follow up of prior year recommendations

The Authority has implemented all of the recommendations in our *ISA 260 Report 2012/13.*

This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2012/13* and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	4
Implemented in year or superseded	4
Remain outstanding (re-iterated below)	0

No.	Risk	Issue and recommendation	Follow up in 2013/14
1	❶	**Accounting for impairment of Property, Plant and Equipment** Through our testing of impairment of Property, Plant and Equipment (PPE), we identified that the impairment charge for assets which have a corresponding revaluation reserve balance has been incorrectly included in the impairment charge to the Comprehensive Income and Expenditure Account (CIES). The charge was also taken to the revaluation reserve, which is the correct treatment. Thus the impairment charge to the CIES was overstated by £1.2 million. Additionally, the Fixed Asset Register (FAR) used to calculate the impairment charge was not the final version that was used to populate the Fixed Asset note. This meant that the impairment charge was calculated using incorrect figures resulting in an overstatement of the charge. The Authority needs to include validation checks within the FAR to accurately identify the impairment amount to be charged to the CIES and Revaluation Reserve. Also, version control needs to be maintained to ensure the correct version of the fixed asset register is used when producing the statement of accounts.	Our testing of PPE identified that the Authority has implemented checks to ensure the correct figures were used and there was no issue over version control. As such, We did not identify the same errors in the current year. **Status:** Implemented

Appendix 2: Follow up of prior year recommendations

The Authority has implemented all of the recommendations in our *ISA 260 Report 2012/13.*

Page 218

No.	Risk	Issue and recommendation	Follow up in 2013/14
2	1	**Fixed Asset Register accuracy and completeness** The Authority's Layton Road asset was revalued in year, however this revaluation was not recognised in the FAR. As a result, the impairment arising from the revaluation was not charged to the CIES, therefore the impairment charge was understated by £1.2 million The Authority needs to ensure that all revaluations that take place during the year are accurately reflected in the fixed asset register.	As part of out 2013/14 testing we confirmed that all assets that require revaluation have been revalued in year and that they had been adequately reflected in the FAR. **Status:** Implemented
3	2	**Investment Property revaluation gains/losses** The *Code of Practice on Local Authority Accounting in the United Kingdom 2012/13* requires movements on Investment Property revaluations to be taken to the CIES as 'Finance and Investment Income'. However, through our testing of Investment Properties, we identified that upward gains of £1,328,000 and impairments of £1,330,000 have been incorrectly taken to the revaluation reserve. The Authority needs to ensure that all movements in Investment Properties are recognised in accordance with the latest Code of Practice.	Our testing in the current year confirmed that all revaluations on Investment Properties were recognised in accordance with the latest code of practice. **Status:** Implemented

Appendix 2: Follow up of prior year recommendations

The Authority has implemented all of the recommendations in our *ISA 260 Report 2012/13.*

No.	Risk	Issue and recommendation	Follow up in 2013/14
4	2	**Loss on disposal calculation** During the year several of the Authority's schools converted to academy status. As the Authority no longer retains ownership of the schools, they have been effectively disposed of with zero proceeds. The schools had a combined Net Book Value (NBV) of £32.5m at the time of disposal, however the loss on disposal has been calculated using their gross cost of £35m. Therefore the loss on disposal, which is recognised as Other Operating Expenditure with the CIES, was overstated by £2.5m Gains/losses arising from the disposal of fixed assets should be calculated using the assets NBV as opposed to its gross cost.	Gains and losses on disposal of fixed assets are calculated using the NBV in the current year as required. **Status:** Implemented

Appendix 3: Audit differences

This appendix sets out the significant audit differences.

It is our understanding that this has been adjusted.

Page 220

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Finance and Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities. We are pleased to report that there are no uncorrected audit differences.

Corrected audit differences

The following table sets out the significant audit differences identified by our audit of Blackpool Council's financial statements for the year ended 31 March 2014. It is our understanding that this has been adjusted.

	Impact					
No.	Income and Expenditure Statement £'000s	Movement in Reserves Statement £'000s	Assets £'000s	Liabilities £'000s	Reserves £'000s	Basis of audit difference
1	Dr Gains and Losses on disposal 5,330	Cr Adjustments between accounting basis and funding basis under regulations (5,330)	Cr PPE Assets - Asset Under Construction (5,330)	-	Dr Capital Adjustment Account 5,330	Incorrect treatment of Academy disposal. See issue 1 in Appendix 1 for details.
	Dr 5,330	**Cr 5,330**	**Cr 5330**	**-**	**Dr 5,330**	**Total impact of adjustments**

Appendix 4: Declaration of independence and objectivity

The *Code of Audit Practice* requires us to exercise our professional judgement and act independently of both the Commission and the Authority.

Page 221

Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the 'Code') which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission's *Standing Guidance for Local Government Auditors* ('Audit Commission Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 Communication of *Audit Matters with Those Charged with Governance*' that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee].

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Appendix 4: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Blackpool Council for the financial year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and Blackpool Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

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Report to:	FINANCE AND AUDIT COMMITTEE
Relevant Officer:	Steve Thompson, Director of Resources
Date of Meeting	18th September 2014

ENGAGEMENT OF CONSULTANTS MONITORING REPORT

1.0 Purpose of the report:

1.1 The Committee to consider the appointment of consultants exceeding £25,000 for the period 1st May 2014 to 31st July 2014.

2.0 Recommendation(s):

2.1 To note the report and make any recommendations as considered appropriate.

3.0 Reasons for recommendation(s):

3.1 To enable Members to monitor the appointment of consultants exceeding £25,000 for the period 1st May 2014 to 31st July 2014 and make recommendations if appropriate.

3.2a	Is the recommendation contrary to a plan or strategy adopted or approved by the Council?	No
3.2b	Is the recommendation in accordance with the Council's approved budget?	Yes

3.3 Other alternative options to be considered:

To not receive the report but this would prevent the Committee from effective monitoring of the appointment of consultants in excess of £25,000.

4.0 Council Priority:

4.1 The relevant Council Priority is:

- Deliver quality services through a professional, well-rewarded and motivated workforce

5.0 Background Information

5.1 Following a review by the Finance and Audit Committee of the Council's arrangements for the appointment and use of consultants, the Executive at its meeting on 23rd June 2010 approved a number of recommendations which are intended to improve the control and monitoring of the use of external consultants and to help the Council to achieve a number of goals outlined in the Community Strategy, including the achievement of value for money.

5.2 The Finance and Audit Committee has requested regular reports in order to monitor all consultancy commissions for compliance with these recommendations:

- all proposed appointments of consultants exceeding £25,000 be reported to the Cabinet Member by the Assistant Chief Executive detailing the nature and business case relating to the appointment in line with corporate priorities.

- in the case of 'long term' projects, progress reports to be submitted to the Finance and Audit Committee at six monthly intervals by the relevant Assistant Chief Executive for monitoring against corporate priorities and business cases and to enable post project evaluation.

- The Head of Procurement and Development to co-ordinate the submission of reports based upon information provided by the relevant officers.

5.3 **Report**

The Committee is asked to note that all Service Directors have been contacted for information. Children's Learning and Schools and Built Environment have both submitted returns for the appointment of consultants during the period of 1st May 2014 to 31st July 2014 and these returns have been attached at Appendix 6(a). At the time of writing the report all other departments that have responded have reported a nil return.

5.4 The previous report to the Committee did not identify any 'long-term appointments' so there is nothing to report for monitoring in this respect.

5.5 A further report will be submitted to the Committee (only if any appointments have been made) on 29th January 2014 to include a list of any appointments (if applicable) made between 1st August 2014 and 31st October 2014.

5.4 Does the information submitted include any exempt information? No

5.5 **List of Appendices:**

Appendix 6(a): Appointment of Consultants over £25,000.

6.0 Legal considerations:

6.1 None.

7.0 Human Resources considerations:

7.1 None.

8.0 Equalities considerations:

8.1 None.

9.0 Financial considerations:

9.1 As outlined in the Report.

10.0 Risk management considerations:

10.1 None.

11.0 Ethical considerations:

11.1 None.

12.0 Internal/External Consultation undertaken:

12.1 None

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Appendix 6(a)

Appointment of Consultants over £25k

Item	**Directorate/Heads of Service**	**Consultant**	**Outline of work**	**Value (£,000)**	**Cabinet Member approved Y/N**	**Long Term - future reports needed Y/N**
1	Built Environment, Transportation – Peter Cross	Halcrow (C2MHill)	Design support for Yeadon Way	£75k	Y	N
2	Learning & Schools	Education London	School Improvement, SEN consultancy and English Consultancy	£120k	Y	N Procured via Chest and Monitored

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Report to:	**FINANCE AND AUDIT COMMITTEE**
Relevant Officer:	Steve Thompson, Director of Resources
Date of Meeting	18th September 2014

FINANCIAL MONITORING AS AT MONTH 3 2014-2015

1.0 Purpose of the report:

1.1 The level of spending against the Council's Revenue and Capital budgets for the first 3 months to June 2014.

2.0 Recommendation(s):

2.1 To note the recommendations to the Executive meeting on the 8th September 2014 namely:

1. To note the report and require the respective Directors and Director of Resources to continue to closely monitor and manage financial and operational performances, particularly in Children's Services, Adult Services, Parking Services and Community and Environmental Services.

2. To recommend to Council that the in-year budget gap explained at paragraph 4.2 be met by transferring £852,000 from the Earmarked Reserve for Potential Pay Liabilities and the balance of £164,000 from Contingencies.

3. To reconsider the previous Executive decision of 16th June 2014 that underspending services in 2013/2014 could carry forward their budget surpluses into 2014/2015 and accept the Director of Resources' recommendation that these underspends (with the exception of Area Forum and Ward Budgets) totalling £462,000 be redirected to bolster working balances.

3.0 Reasons for recommendation(s):

3.1 Members' information and comment.

3.2a	Is the recommendation contrary to a plan or strategy adopted or approved by the Council?	No
3.2b	Is the recommendation in accordance with the Council's approved budget?	Yes

3.3 Other alternative options to be considered:

None

4.0 Council Priority:

4.1 The relevant Council Priority is

> "Deliver quality services through a professional, well-rewarded and motivated workforce"

5.0 Background Information

5.1 See reports and appendices circulated to Members under separate cover.

5.2 Does the information submitted include any exempt information? No

5.3 **List of Appendices:**

6.0 Legal considerations:

6.1 None

7.0 Human Resources considerations:

7.1 None

8.0 Equalities considerations:

8.1 An Equalities Impact Assessment was produced as a part of the budget setting process and remains relevant.

9.0 Financial considerations:

9.1 See reports and appendices circulated to Members under separate cover.

10.0 Risk management considerations:

10.1 Impact of financial performance on Council balances.

11.0 Ethical considerations:

11.1 None

12.0 Internal/ External Consultation undertaken:

12.1 None

13.0 Background papers:

13.1 None

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