Statement of Accounts 2015/16

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INTRODUCTION BY THE DIRECTION OF FINANCE & IT – Louise Mattinson

I am pleased to introduce you to the 2015/16 Statement of Accounts for Blackburn with Darwen Borough Council.

2015/16 has been a successful albeit challenging year for the Council, with significant achievements made despite the economic pressures faced from continued cuts to Local Government funding. Achievement in the face of challenge is nothing new for Blackburn with Darwen; indeed our approach, determination and successes were recognised in the national Local Government Chronicle (LGC) Awards in which the Council reached the final of "Council of the last 20 years' Award" against some very strong competition.

The extension of the Government's austerity programme has defined the financial environment within which the Council must operate. However despite the constraints, we are continuing to work closely with our residents, partners and staff to look at options for the prioritisation of resources and to identify opportunities for changing the shape, the scope and the way that we deliver services.

The financial statements demonstrate that the financial standing of the Council continues to be robust. We maintain good financial management disciplines, processes and procedures and, whilst recognising that we operate in an environment of continuous change, we continue to pursue our drive for on-going improvement in our use of resources.

For the second year running, we have faced the challenge of rising costs in our delivery of Health and Adult Social Care which has resulted in an overspend in this particular budget area. In the main this is due to the rise in costs from the increasing complexity and needs of the people we support and care for; this demographic issue has been widely reported in the national press as affecting many councils across the country. We are working hard and continually reviewing our services to ensure they are as efficient and effective as they can be so that we can continue to deliver a quality service to our residents in the face of increasing demand. This work was recognised in the year in our nomination in the "Partnership of the Year" category at the LGC Awards in respect of our joint work with performance specialist Newton Europe, to reduce the number of local long-term care admissions for older people into residential and nursing care. As a result of the work, long-term residential admissions have fallen by over 40 per cent in the borough and over fifty people have been helped to regain their independence.

Despite cost pressures, careful management of our finances has enabled us to balance out the position across the overall Council budget in 2015/16. With Council Tax levels held at the same level for the 5th consecutive year, to balance the funding gap we have managed to deliver savings of £16 million in line with our 3 year Budget Strategy and £26 million Budget Savings Programme agreed back in 2014. Alongside this, support for the regeneration of the borough has continued with the progression of our capital programme. Capital investment of over £65.5 million has been made during the year including:

- significant investment in Leisure facilities across the borough with completion of the new Blackburn Sports and Leisure Centre in April 2015
- completion of the £30 million, award winning Cathedral Quarter development in partnership with Maple Grove Developments Limited, Blackburn Cathedral and the Homes and Communities Agency, providing Grade A office accommodation, a hotel and café and leisure facilities in the town
- improvements to the Highways infrastructure and continuation of our £40 million Pennine Reach transport programme, creating a rapid bus transit system along the Accrington-Blackburn-Darwen corridor and a flagship Bus Station, as well as the development and improvement of the Clitheroe to Manchester rail-link.

The capital programme also included investment in IT solutions to improve the way we work including implementations and developments in a new Human Resources and Payroll System, in a new Adult Social Care management and recording system and a new Customer Relationship Management system within the Environment department.

Looking ahead to 2016/17 and beyond, the Council is facing further cuts to government funding of £23 million by the end of the current Parliament. When combined with the need to fund increasing costs, we

will have to find savings of £48 million across the next 4 years to bridge the funding gap. To address this, we began during 2015/16 to develop our Budget Strategy further which has now led to some very challenging and difficult decisions.

In reviewing expenditure to reduce costs, during 2015/16 the Council commenced;

- A Workforce Review Programme which will systematically review all areas of service delivery and back office support across the organisation in order to streamline services, to maximise the use of technology, to drive efficiencies through our operations and to reduce staffing costs by approximately 20%
- A review and prioritisation of the services we provide, considering frequency and level of service
- Progression of our digital approach to working smarter and in the delivery of our services
- Increased working with partners, both in the public and private sector including our work with the NHS towards establishing a more integrated approach to providing health and adult social care and in our procurement of a new strategic partner to deliver property, highways and transport services for the next 5 years.

Income generation is also a priority area:

- We have been developing our options to maximise our current sources of income, and we will identify new income streams and actively pursue all opportunities to increase the resources available to the Council
- Increasing the level of income from Council Tax and Business Rates is a key aim and working to encourage new house building and business set-up in support of the regeneration ambitions of the Council. 2015/16 saw the signing of the Local Plan which has identified new land for housing and employment across the borough.

Despite the severity of the financial position and the challenging decisions we will have to make about the services we provide in the future, we remain committed to looking for ways to reduce costs whilst ensuring service delivery and resource are directed towards the priorities of the borough.

In concluding this foreword I would like to thank you for showing an interest in the Council's finances and hope you find this report useful. We are always looking to improve the way we present our financial information as we feel it is important for you as a resident or business in the borough to understand all of the services that we provide and how your Council Tax and Business Rates are spent during the year. If you have any suggestions as to how we can improve things in the future then please do not hesitate to get in touch with us.

THE 2015/16 REVENUE BUDGET PROCESS

The Council's 2015/16 revenue budget process was influenced by the impact of continuing severe reductions in funding each year since 2010. In developing its budget strategies to respond to and manage the reductions in funding for the years 2011-13 and 2013-15, the Council took early decisions each time, in January 2011 and again in January 2013. For 2015/16, the Council followed the same methodology by approving a three year plan at Council Forum on 25th September 2014, which included £16 million of advance savings proposals in 2015/16 rising to £26 million by 2017/18 in order to meet the forecast 2015-18 budget gap.

The 2015/16 financial settlement for local government confirmed the estimated reductions included in the forecast 2015-18 budget gap and provided no further indication of future year funding on which to base the Council's medium term forecasts. There were, however, clear indications that overall public sector spending reductions would continue in 2016/17 and beyond. Since 2010, the Council has significantly restructured its activities, whether provided in-house or commissioned from external bodies, to ensure that they are both affordable within the financial constraints imposed and as acceptable to residents as

they can be. The 2015/16 budget and the 2015-18 Medium Term Financial Strategy set out in financial terms the Council's plans to continue this transformation and downsizing.

The Council's Budget Strategy, including the proposals for the Revenue Budget 2015/16 and the Medium Term Financial Strategy (MTFS) and Capital Programme for 2015-18 were agreed at Finance Council on 2nd March 2015.

Council Tax

Finance Council also agreed no increase in Council Tax for 2015/16 and to take advantage of the Council Tax Freeze Grant offered by Government. An indicative allocation of £497,800 was included within the 2015/16 Revenue Budget, with Central Government subsequently confirming a final allocation of £516,500. Lancashire Combined Fire Authority and the Police and Crime Commissioner for Lancashire increased their precepts by 1.90% and 1.99% respectively.

The aggregate Council Tax calculation in relation to Band D properties for that part of the Borough having no Parish Councils was made up as follows:

	Council Tax requirement / Precepts £m	**Band D Council Tax £**
Borough Council's Council Tax Requirement	41.873	1,266.85
Lancashire Combined Fire Authority Precept	2.144	64.86
Lancashire Police Authority Precept	5.257	159.06
Total	**49.274**	**1,490.77**

Budget Monitoring

Revenue and capital budget monitoring information is reported to the Executive Board throughout the year. In addition, Treasury Management performance is also reviewed by Treasury Management Group and reported to Audit Committee.

CAPITAL STRATEGY AND CAPITAL PROGRAMME 2015/16 TO 2017/18

In 2015/16 the approved capital programme predominantly comprised existing major commitments. These included the Cathedral Quarter and Pennine Reach. Invest to Save Initiatives were also included and have been implemented in respect of street lighting and highways and continued investment in IT services to support a digital first approach and deliver efficiencies. The Council recognises the need for good project management and effective monitoring to ensure that capital schemes are achieved, on time and within budget.

The original capital programme for 2015/16 was agreed at Finance Council on 2nd March 2015 at £55.864 million. As 2015/16 progressed, the initial plans were revised to incorporate expenditure re-profiled from the previous year, new assumptions, approvals and scheme updates, as information became available.

Financing of the original programme, was planned as follows:

Capital Financing	**£000**
Unsupported borrowing	(20,722)
Capital receipts	(11,010)
Contributions from revenue	(811)
Government grants	(20,311)
External contributions	(3,010)
Total	**(55,864)**

Investment in the regeneration of the area continued to be a high priority with significant activity to improve transport links to and through the Borough together with further development of the town centres.

TREASURY MANAGEMENT STRATEGY

The *CIPFA Code of Practice on Treasury Management in the Public Services* requires the Council to approve a Treasury Management Strategy, including various Treasury Management Indicators, before the start of each financial year. This is followed up with a mid-year Strategy Review, considered alongside the Annual Outturn Report, summarising the position for the previous financial year.

The key requirements for the Council are to maintain its two investment priorities:

- For borrowing costs – to manage affordability in relation to the Council's overall budget and optimise the long term cost of debt financing.
- For the investment of surplus funds – to invest prudently, prioritising security and liquidity of investments over their yield (or return). Limits are set as to the level and duration of investments with different counterparties.

The Prudential Code provides a framework to ensure that the capital investment plans of the Council are affordable, prudent and sustainable. The prudential indicators required by the Prudential Code are designed to support and record local decision making in a manner that is publicly accountable. The Council approves these indicators annually, together with the policy for setting a "prudent" level of debt repayment (or Minimum Revenue Provision), which much be consistent with the Council's Medium Term Financial Strategy.

FINANCIAL PERFORMANCE OF THE COUNCIL 2015/16

Revenue Outturn

The general fund revenue accounts represent the cost of meeting the annual expenses of carrying out the Council's duties and responsibilities to the community, most of which are of a statutory nature.

In 2015/16 the Council approved a revenue budget of £135.192 million. This represented approved net expenditure of £138.175 million (which includes parish precepts of £180,500) less a contribution from Council reserves of £2.983 million. The final outturn position for the year against the budget is set out in the table below by portfolio, together with the sources of funding.

	Original Estimate £000	Revised Estimate £000	Actual £000	Variation from Revised £000
Net Expenditure				
Health and adult social care	35,937	36,661	41,521	4,860
Children's services	25,129	24,851	24,849	(2)
Environment	12,923	13,547	13,711	164
Leisure, culture and young people	5,818	6,449	6,464	15
Neighbourhoods, housing and customer services	4,076	3,745	3,687	(58)
Regeneration	5,274	5,276	5,278	2
Resources	18,106	18,768	18,703	(65)
Schools and education (Non DSG)	5,585	5,388	5,199	(189)
Portfolio budgets inside cash limits	**112,848**	**114,685**	**119,412**	**4,727**
Portfolio budgets outside of cash limits				
Depreciation and other capital charges to portfolios *	12,851	12,851	53,664	40,813

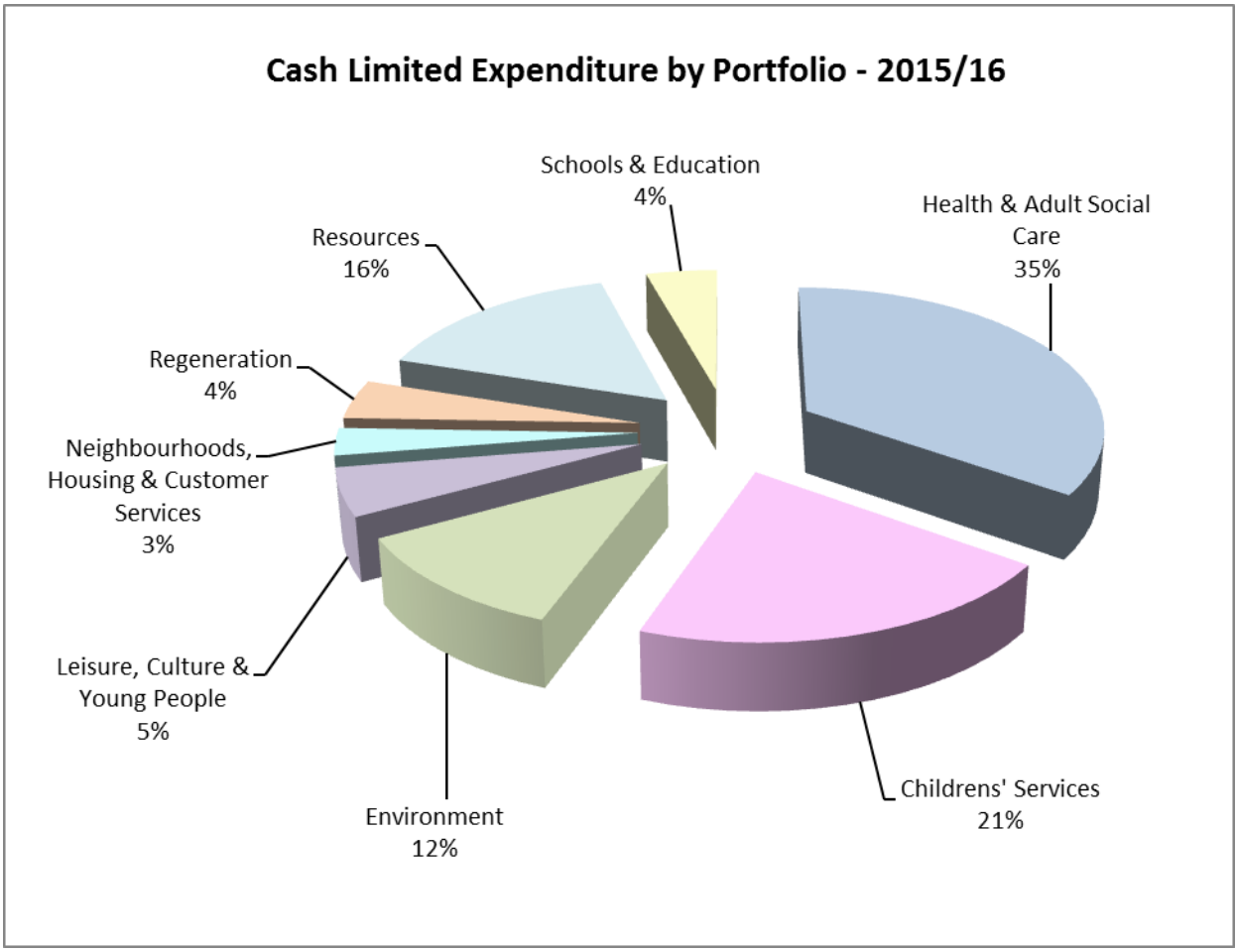
Support recharges to schools block	(641)	(641)	(2,004)	(1,363)
Net surplus on schools budgets **	0	0	(312)	(312)
Net portfolio expenditure	**125,058**	**126,895**	**170,760**	**43,865**
Contribution from schools for prudential borrowing	(650)	(650)	(650)	0
Contribution to capital expenditure	0	531	940	409
Interest and debt repayment *	11,670	8,829	(32,052)	(40,881)
Amounts to be allocated / contingencies	1,916	3,283	2,993	(290)
Parish councils	181	181	181	0
Total net expenditure	**138,175**	**139,069**	**142,172**	**3,103**
Contribution (from)/to reserves	(2,983)	(3,668)	(6,670)	(3,002)
Total net budget	**135,192**	**135,401**	**135,502**	**101**
Financed by:				
Non-ringfenced Government grants	(70,067)	(70,276)	(70,377)	(101)
Non-domestic rates	(22,773)	(22,773)	(22,773)	0
Council tax	(42,026)	(42,026)	(42,026)	0
Net deficit on Collection Fund	(326)	(326)	(326)	0
Total financing	**(135,192)**	**(135,401)**	**(135,502)**	**(101)**

* The estimate for this item relates to depreciation only, whereas the actual includes other charges resulting from year end capital accounting processes (including impairment, revaluation losses and REFCUS expenditure), which will always result in a significant variation. These capital charges are "reversed out" in the *Interest and debt repayment* line.

** The net surplus of £312,000 comprises a deficit of £3.078 million from individual schools, offset by a surplus of £3.390 million in respect of centrally retained budgets.

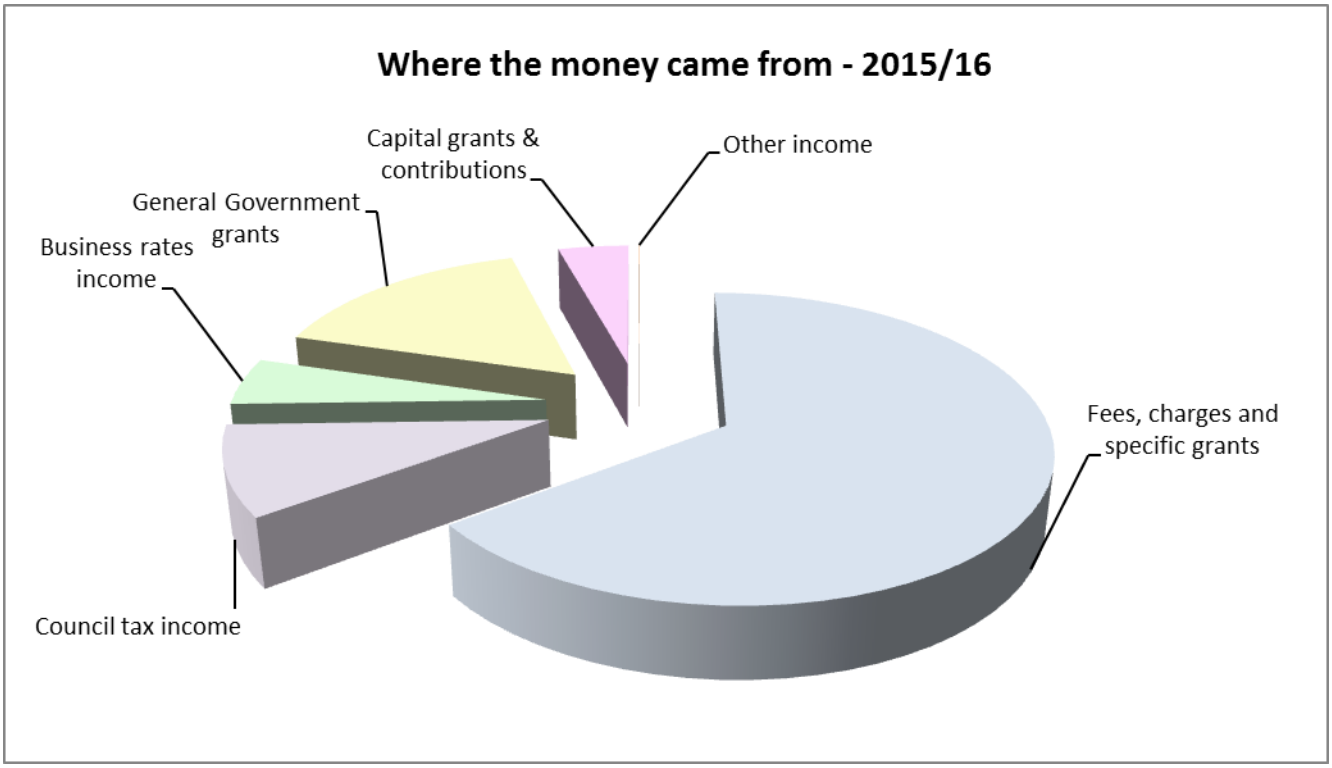
Portfolio cash limited budgets overspent by £4.727 million in total, which was largely funded by increased use of the council's reserves. The most significant variance was in relation the Health and Adult Social Care portfolio, which had reported pressures in the region of £4.5 million during the year due to an overall upward trend in demand pressures and the increasing complexity of service needs. Pressures across the commissioning budgets totalled around £6 million due to increased demand in the areas of home care, residential care, direct payments and a proportion of clients with very complex needs leading to higher costs. The portfolio mitigated pressures in the year, as much as service needs would allow, by greater use of modern technologies such as telecare, utilising new ways of working such as reablement and accelerating work with its external efficiency partner Newton Europe. However not all of the pressures could be contained and the actual position at the year-end was an overspend of £4.86 million against the cash limit. It should be noted, however, that the pressure on Adult Social Care budgets is not just a local issue; the pressures have been recognised nationally.

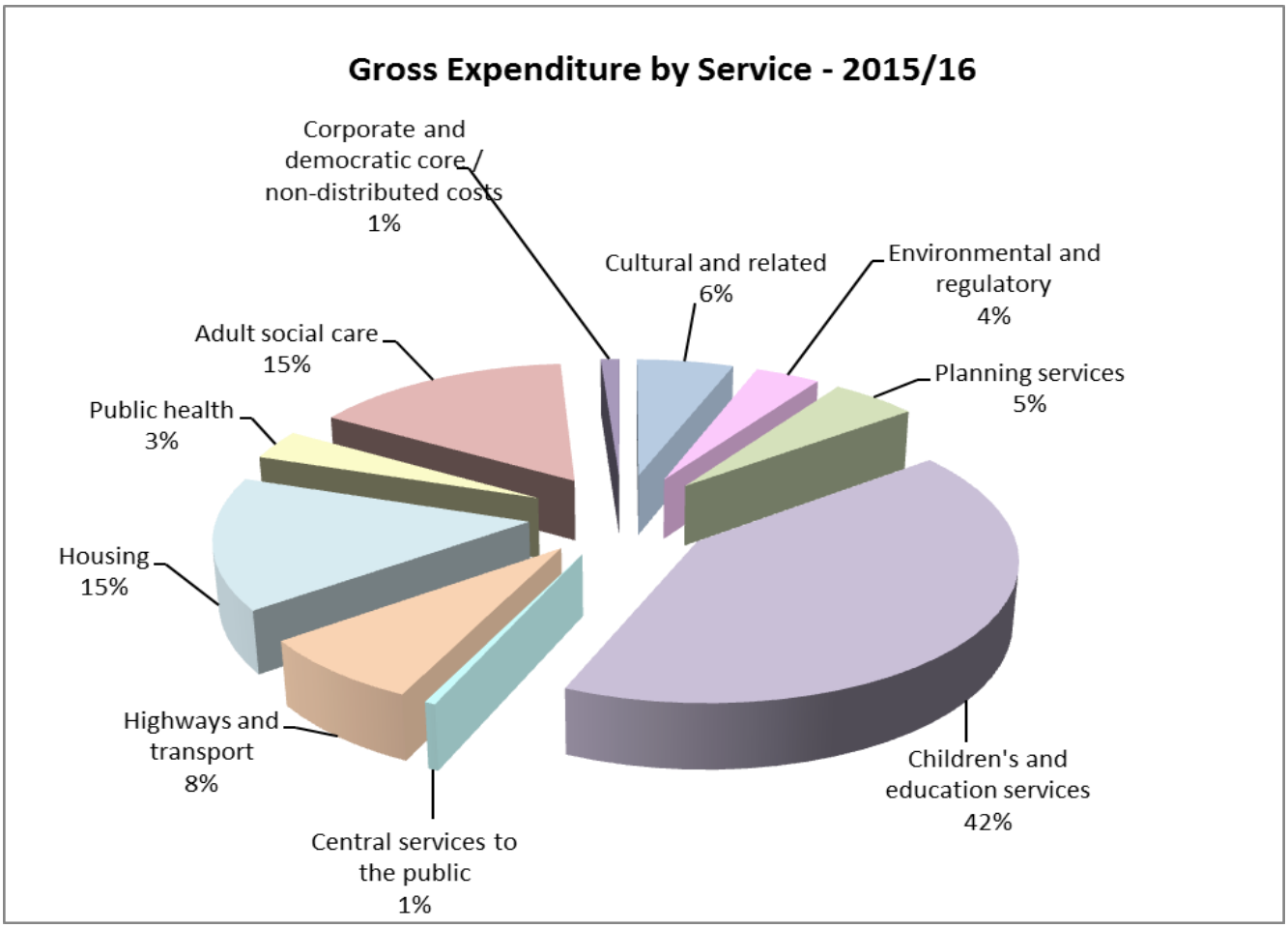
The net cash limited expenditure by portfolio is shown in the chart below.



Decisions about resource allocation are taken by the Council's Executive Board on the basis of budgets analysed across portfolios as shown above. This differs from the analysis of income and expenditure by service on the Comprehensive Income and Expenditure Statement as specified in the CIPFA Service Reporting Code of Practice (SeRCOP). The differences are explained in the Reconciliation of Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement in Note 1.

The following charts are derived from the Comprehensive Income and Expenditure Statement and show where the money came from and how it was spent.


Where the money came from - 2015/16
Capital grants & contributions
Other income
General Government grants
Business rates income
Fees, charges and specific grants
Council tax income


Gross Expenditure by Service - 2015/16
Corporate and democratic core / non-distributed costs 1%
Cultural and related 6%
Environmental and regulatory 4%
Adult social care 15%
Planning services 5%
Public health 3%
Housing 15%
Highways and transport 8%
Children's and education services 42%
Central services to the public 1%

Capital Expenditure

Capital expenditure and income result from transactions in respect of the following:

- Buying or selling land or property
- Building new property
- Purchasing plant or equipment
- Significantly enhancing the value of our existing property
- Providing grants to others for the above

The original capital programme for 2015/16 was £55.864 million, although additional approvals in year resulted in a revised programme of £72.770 million. Actual expenditure for the year was £65.548 million which is 90.1% of the revised programme.

	Approved Programme £000	Revised Programme £000	Actual £000	Variation from Revised £000
Capital Expenditure				
Health and adult social care	1,520	1,942	1,910	(32)
Children's services	500	431	255	(176)
Environment	8,322	8,783	7,345	(1,438)
Leisure, culture and young people	340	1,073	1,550	477
Neighbourhoods, housing and customer services	759	1,042	320	(722)
Regeneration	29,149	46,260	47,096	836
Resources	7,530	4,691	2,825	(1,866)
Schools and education (Non DSG)	7,744	8,593	4,247	(4,346)
Total capital expenditure	**55,864**	**72,815**	**65,548**	**(7,267)**
Resources				
Unsupported borrowing	20,722	21,440	18,458	(2,982)
Capital receipts	11,010	9,700	9,690	(10)
Contributions from revenue	811	516	940	424
Government grants and external contributions	23,321	41,159	36,460	(4,699)
Total resources	**55,864**	**72,815**	**65,548**	**(7,267)**

The total variation at outturn compared to the last report approved by Executive Board is £7.267 million, of which £4.346 million relates to slippage on the Schools capital programme. Other major capital variations include:

- Street Lighting – an underspend of £1.033 million due to less column and lantern replacement works than originally anticipated.
- Clitheroe to Manchester Rail Improvements – an overspend of £238,000 has arisen from unforeseen exploratory mining works, and delays on the scheme as a result from the Farnworth Tunnel project.
- Pennine Reach – £621,000 of expenditure was brought forward into 2015/16 due to re-profiling the scheme, together with a cost increase of £300,000.
- Slippage on the Corporate ICT programme of £1.002 million.

The major schemes in 2015/16 are listed below together with the sources of financing.

Capital Expenditure	£000
Health and adult social care	
Disabled facilities grant	1,504
Environment	
Street lighting	4,616
Highways network recovery	2,699
Leisure, culture and young people	
Witton Park athletics development	450
Blackburn leisure centre replacement	426
Regeneration	
Clitheroe to Manchester rail improvements	13,701
Cathedral Quarter development	11,922
Pennine Reach infrastructure	12,490
Local Transport Plan	5,569
Regional Growth Fund	2,937
Resources	
Corporate ICT	1,037
Freckleton Street property acquisitions	1,149
Schools and education	
Building Schools for the Future	1,023
Lower Darwen primary school	723
Roe Lee Park primary school	624
Audley junior school	452
Other schemes	4,226
Total	**65,548**

Capital Financing	£000
Unsupported borrowing	(18,458)
Capital receipts	(9,690)
Contributions from revenue	(940)
Government grants and external contributions	(36,460)
Total	**(65,548)**

Capital Commitments

At 31 March 2016 the Council had entered into numerous contracts for the construction or enhancement of property, plant and equipment in 2016/17 or future years.

Pennine Reach

The scheme includes the following contracts:

- Highways civil engineering works in the Ewood area – £272,849
- Highways civil engineering works in the Furthergate and Burnley Road area – £1.5 million
- Installation of bus lane enforcement cameras and software - £223,698
- Installation of bus Real Time Display System hardware and software to bus stations and shelters across the borough - £582,345

Other

Other contractual commitments include:

- Design, development and construction of the Newfield ASD school - £400,000
- A framework contract for road surfacing works in relation to the Highways Network Recovery scheme – estimated value £2.5 million
- Compensation payment following the total extinguishment of Heron Foods Limited due to the Blackburn Market redevelopment - £266,000
- Remaining ICT commitment for all schools within the BSF programme – £876,000
- Remodelling of former Bentley's bar into a "Fab Lab" style ides incubation centre - £550,000

In addition, the Council has commitments to compensation payments in relation to the clearance of former residential sites within the area development framework. The estimated value of these commitments is £260,000. These have been provided for in the 2016/17 capital programme.

Treasury Management

The Council's investment balances averaged around £27 million, peaking at almost £48 million and dropping to below £11 million at the end of the year. There were higher cash levels than anticipated in the autumn, after earlier than expected receipts of external finance for capital schemes. Funds were generally either kept on call, or in relatively short term investments, resulting in fairly low returns. Interest earned was around £120,000 at an average rate of 0.44%.

Excluding the nominal debt associated with schools Private Finance Initiative (PFI) schemes, the Council's long term debt fell from £141 million to £135 million, with £18.5 million in short term loans across the end of the year taking the closing total up to £154 million. Interest on financing this debt cost the Council approximately £6.4 million, with another £0.3 million interest cost on the £17 million of debt managed on the Council's behalf by Lancashire County Council.

The Council's Capital Financing Requirement (CFR), excluding the schools PFI element, (i.e. the long term borrowing need to cover capital spending not financed from other sources) increased from £216 million to £227 million. The Council's long term borrowing was £75 million below its CFR at year end. The Council has been able to use its overall cash position, and cheaper short term borrowing, to make significant savings in borrowing costs. However, it is likely that borrowing costs will increase in future years, adding to budget pressures.

SIGNIFICANT TRANSACTIONS IN 2015/16

Academy conversion

During the financial year 2015/16 one local authority maintained school, Pleckgate High School, converted to academy status, with effect from 1st February 2016. As this school previously had community status it was recognised on the Balance Sheet in 2014/15. In 2015/16, the gross carrying value and accumulated depreciation totalling £24.5 million, was removed from the Balance Sheet, with matching net charges to the other operating expenditure line of the Comprehensive Income and Expenditure Statement as a loss on

disposal. The impact on the Comprehensive Income and Expenditure Statement was negated via matching credits in the Movement in Reserves Statement and debits to the Capital Adjustment Account. There was no balance held in the Revaluation Reserve requiring transfer to the Capital Adjustment Account.

VIA Partnership

The Council has a 30% shareholding in the Via Partnership Limited, a company jointly owned with Blackpool Borough Council and Lancashire County Council. During 2015 the company was placed into administration and it is anticipated that the company will move to dissolution within the next financial year. As a consequence of this, the Council has written off its investment of £150,000 in the company. It has also reimbursed Lancashire County Council £300,000 in respect of a loan guarantee in connection with a further loan made to the company on the Council's behalf.

Pension Fund Liability

The pension fund liability at 31 March 2016 as estimated by the fund actuary was £205 million compared to £241 million at 31 March 2015. This liability represents the underlying commitments that the Council has to pay retirement benefits. The variation between years was due to changing assumptions by the actuary. The liability represents the value at a point in time, and as the fund assets are mainly invested in equities and bonds the value of these and, therefore, the pension liability can vary as market values change.

Further details on post-employment benefits are provided in Note 31.

NON FINANCIAL PERFORMANCE

Achievements

Blackburn with Darwen is undergoing a period of significant investment which is strengthening the borough's position in the North West economy, including the completion of the £30 million flagship Cathedral Quarter development. This new office and open space development represents a new chapter for the future of Blackburn. Other achievements have included:

- the opening of the new Blackburn bus station, the continuation of the network improvement project Pennie Reach and the completion of the Freckleton Street link road, which marks the completion of the Blackburn orbital route.
- completion of the £14 million package of improvement works on the Clitheroe to Manchester rail line. Backed by funding from Lancashire Enterprise Partnership Limited, the development will facilitate greater opportunity for residents to access employment opportunities in core northern cities, and support those travelling into Lancashire from Greater Manchester.
- Blackburn Market was voted as the Coach Friendly Shopping Destination of the Year at the annual Coach Tourism Awards on 16 March.
- 85% of children within the borough are attending an OFSTED rated good or better school, compared with the most recent nationally reported figure of 83% (as at end of February 2016); and a regional average of 83%.
- achievement in line with national averages at the end of both Primary and Secondary school, with achievement by age 19 above the national average.
- the gap between the performance of disadvantaged pupils and that of their peers continues to be narrower in Blackburn with Darwen than nationally.
- the highest ever number of children adopted, with the highest proportion of children leaving care through adoption nationally.

- the engagement of primary schools in supporting children through Early Help, with a school-based lead professional remains a major local strength.
- performance in the key Youth Justice Service indicator - first time entrants - is better than national, regional or similar authority averages.
- a reduction in employee sickness from 11.35 days in 2012/13 to 9.86 days in 2015/16, with a commitment to work towards an 8 day target across the organisation.
- the workforce has also been supported with greater flexibility with the access to remote working available to staff and access to the councils new MyView "self-service" HR system.

Delivering the councils strategic plan

However whilst we continue to invest within the borough through capital funding, the negative public perception of the area by both residents and visitors is still a challenge. The Council through its partners (the Local Strategic Partnership) has started to address this and in March 2016 launched a new story for Blackburn and Darwen as well its new place branding. This is a commitment made between all partners, public, voluntary and private sectors to support our 2020 "Plan for Prosperity" – an ambitious 6 year blueprint for achieving higher rates of economic growth whilst improving opportunities and the quality of life for residents. The Council's soon to be adopted Local Plan sets out the borough's framework for both commercial and housing development. In response to emerging research on future demand for business floor space the Council has identified a number of key strategic sites for development across the borough. The Council has set out 3 clear growth priorities of "industry/employment", "housing" and "town centres", overseen by a Growth Board chaired by the Leader of the Council. The aim of the Growth Programme is to implement the delivery targets in both the Prosperity Plan and the Local Plan, whilst growing Blackburn with Darwen's tax base towards becoming more self-sufficient.

Promoting health and wellbeing is another of the key priorities for the council and the local authority was pleased to launch its new three year health and wellbeing strategy. It is focussed around three themes of starting well, living well and ageing well. The strategy sees the Council aiming to integrate health, safeguarding and care services for the benefit of residents. We have also seen the completion of a new state of the art dementia facility that represents the investment the Council is undertaking to better provide for our aging population.

CONTENT OF THE STATEMENT OF ACCOUNTS

The Statement of Accounts summarises the Council's transactions for the financial year 2015/16 and its position at the year end of 31 March 2016. It has been prepared in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting which is based on International Financial Reporting Standards (IFRS).

The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, members, employees and other interested parties clear information about the Council's finances. It provides information on the following:

- The cost of the Council's services for the year
- Where the money came from
- What the Council's assets and liabilities were at the year end

CORE FINANCIAL STATEMENTS

The accounts consist of the following core financial statements supported by explanatory notes. An explanation of the purpose of each of the statements is given below.

Comprehensive Income and Expenditure Statement

This statement shows the Council's income and expenditure for the year on the basis of International Financial Reporting Standards (IFRS). This accounting cost is different from the statutory amounts charged to the General Fund balance for council tax setting purposes as it also includes transactions measuring the value of fixed assets consumed i.e. depreciation and the real projected value of retirement benefits earned by employees in the year. The taxation position is shown in the Movement in Reserves Statement.

Movement in Reserves Statement

This statement shows the movement in year on the different reserves held by the Council analysed into usable (those that can be applied to fund expenditure or reduce local taxation) and unusable reserves (those that hold unrealised gains and losses e.g. the Revaluation Reserve or those that hold timing differences e.g. the Collection Fund Adjustment Account).

The surplus or deficit on the provision of services line shows the true economic cost of providing the Council's services, as detailed in the Comprehensive Income and Expenditure Statement. A series of statutory adjustments are made as detailed in Note 2 (Adjustments between accounting bases and funding regulations), resulting in the net increase or decrease before transfers to earmarked reserves.

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities of the Council as at 31 March. The net assets (i.e. assets less liabilities) are matched by the reserves held by the Council.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows into operating, investment and financing activities.

Notes to the Financial Statements

These notes explain in more detail the individual items shown in the financial statements.

Collection Fund Statement and Notes

The Collection Fund Statement is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Accounting Policies

This section includes details of the significant accounting policies and estimation techniques used in preparing the financial statements. Where a change in accounting policy 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 applied. Where this is the case, explanations are provided in respect of any changes being made to the figures presented in the previous year's financial statements.

STATEMENT OF RESPONSIBILITIES

This statement defines the responsibilities of the Council and the Chief Financial Officer in respect of the Council's financial affairs.

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 responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance & IT.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Director of Finance & IT's responsibilities

The Director of Finance & IT is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA*)* Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Finance & IT has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the local authority Code.

The Director of Finance & IT has also:

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

Certification of Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council and its income and expenditure for the year ended 31 March 2016. . They were authorised for issue by the Director of Finance & IT on xx September 2016 and do not reflect any events occurring after this date.

L Mattinson
Director of Finance & IT
Blackburn with Darwen Borough Council
xx September 2016

Approval of Accounts

I confirm that these accounts were approved at the meeting of the Audit Committee on 20th September 2016.

S Sidat
Chair of Audit Committee
20th September 2016

INDEPENDENT AUDITORS' REPORT

This version of the Statement of Accounts is presented in advance of Audit. The published version will include the Audit Certification on these pages.

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2014/15				2015/16		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
3,641	(1,503)	2,138	Central services to the public	2,165	(993)	1,172
24,748	(8,499)	16,249	Cultural and related services	24,962	(9,252)	15,710
16,362	(4,031)	12,331	Environmental and regulatory services	16,751	(5,804)	10,947
27,251	(19,899)	7,352	Planning services	22,224	(13,169)	9,055
203,502	(148,897)	54,605	Children's and education services	182,656	(134,958)	47,698
22,428	(10,499)	11,929	Highways and transport services	34,162	(21,489)	12,673
67,697	(57,429)	10,268	Housing services	66,899	(56,119)	10,780
57,865	(15,448)	42,417	Adult social care	66,791	(26,833)	39,958
14,358	(13,334)	1,024	Public health	15,087	(14,301)	786
3,982	(455)	3,527	Corporate and democratic core	4,145	(201)	3,944
(3,477)	(8)	(3,485)	Non distributed costs	618	(6)	612
438,357	**(280,002)**	**158,355**	**Cost of Services**	**436,460**	**(283,125)**	**153,335**
		49,877	Other operating expenditure (Note 4)			28,801
		19,688	Financing and investment income and expenditure (Note 5)			19,410
		(164,729)	Taxation and non-specific grant income (Note 6)			(152,832)
		63,191	**(Surplus)/deficit on provision of services**			**48,714**
		(12,601)	(Surplus)/deficit on revaluation of non-current assets (Note 30)			(13,168)
		66,428	Remeasurement of the net defined benefit pension liability (Note 31)			(46,316)
		53,827	**Other comprehensive income and expenditure**			**(59,484)**
		117,018	**Total comprehensive income and expenditure**			**(10,770)**

MOVEMENT IN RESERVES STATEMENT

	General Fund £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves (Note 30) £000	Total Reserves £000
Balance at 31 March 2014	**(12,763)**	**(41,464)**	**0**	**(6,385)**	**(60,612)**	**(57,783)**	**(118,395)**
Movement in 2014/15							
(Surplus)/deficit on the provision of services	63,191	0	0	0	**63,191**	0	**63,191**
Other comprehensive income and expenditure	0	0	0	0	**0**	53,827	**53,827**
Total comprehensive income and expenditure	**63,191**	**0**	**0**	**0**	**63,191**	**53,827**	**117,018**
Adjustment between accounting basis and funding basis under regulation (Note 2)	(59,129)	0	0	2,968	**(56,161)**	56,161	**0**
Net (increase)/decrease before transfers to earmarked reserves	**4,062**	**0**	**0**	**2,968**	**7,030**	**109,988**	**117,018**
Transfers (to)/from earmarked reserves (Note 3)	2,050	(2,050)	0	0	**0**	0	**0**
Balance at 31 March 2015	**(6,651)**	**(43,514)**	**0**	**(3,417)**	**(53,582)**	**52,205**	**(1,377)**
Movement in 2015/16							
(Surplus)/deficit on the provision of services	48,714	0	0	0	**48,714**	0	**48,714**
Other comprehensive income and expenditure	0	0	0	0	**0**	(59,484)	**(59,484)**
Total comprehensive income and expenditure	**48,714**	**0**	**0**	**0**	**48,714**	**(59,484)**	**(59,484)**
Adjustment between accounting basis and funding basis under regulation (Note 2)	(42,044)	0	0	(5,568)	**(47,612)**	47,612	**0**
Net (increase)/decrease before transfers to earmarked reserves	**6,670**	**0**	**0**	**(5,568)**	**1,102**	**(11,872)**	**(10,770)**
Transfers (to)/from earmarked reserves (Note 3)	(5,086)	5,086	0	0	**0**	0	**0**
Balance at 31 March 2016	**(5,067)**	**(38,428)**	**0**	**(8,985)**	**(52,480)**	**40,333**	**(12,147)**

BALANCE SHEET

31 March 2015 £000		Note	31 March 2016 £000
430,018	Property, plant and equipment	13	417,295
19,335	Heritage assets	16	19,335
266	Investment properties	17	225
3,224	Intangible assets	18	2,908
953	Long term investments	19	795
28,748	Long term debtors	20	28,222
482,544	**Long term assets**		**468,780**
3,049	Short term investments	26	2,040
772	Inventories	21	353
25,566	Short term debtors	22	16,420
9,005	Cash and cash equivalents	23	12,863
38,392	**Current assets**		**31,676**
(1,618)	Bank overdraft	23	(2,812)
(28,196)	Short term borrowing	26	(38,217)
(37,422)	Short term creditors	24	(37,511)
(2,577)	Capital grants receipts in advance	7	0
(69,813)	**Current liabilities**		**(78,540)**
(3,475)	Provisions	25	(3,885)
(118,185)	Long term borrowing	26	(115,764)
(328,086)	Other long term liabilities	27	(290,120)
(449,746)	**Long term liabilities**		**(409,769)**
1,377	**Net assets**		**12,147**
(53,582)	Usable reserves	3	(52,480)
52,205	Unusable reserves	30	40,333
(1,377)	**Total reserves**		**(12,147)**

CASH FLOW STATEMENT

2014/15 £000		Note	2015/16 £000
(63,191)	Net surplus/(deficit) on the provision of services		(48,714)
84,429	Adjustments to net surplus/deficit on the provision of services for non-cash movements	32	85,148
(19,494)	Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities	32	(51,717)
1,744	**Net cash flows from operating activities**		**(15,283)**
(7,950)	Investing activities	32	12,245
1,618	Financing activities	32	5,702
(4,588)	**Net increase/(decrease) in cash or cash equivalents**		**2,664**
11,975	Cash and cash equivalents at the beginning of the reporting period		7,387
7,387	**Cash and cash equivalents at the end of the reporting period**		**10,051**

1 SEGMENT REPORTING

The reportable segments within the Comprehensive Income and Expenditure Statement are those specified by the CIPFA Service Reporting Code of Practice (SeRCOP). However, throughout the year the Council's internal management reporting to its Executive Board is based on budgets analysed across the portfolios shown in the revenue outturn report on pages 4-6. The Portfolio Income and Expenditure table overleaf provides further analysis and the following tables show the reconciliation between the Portfolio Analysis and the Comprehensive Income and Expenditure Statement, which includes the following differences in accounting treatment:

- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year
- No accrual is made for the cost of holiday entitlements (or flexi-leave or time off in lieu) earned by employees but not taken before year end which employees can carry forward to the next financial year
- No effective interest rate adjustments are made to account for the impact of services making loans for less than market rate (soft loans)
- Lease income in respect of the shopping centre is credited directly to the appropriate portfolio, rather than the principal element being used to write down the lease debtor and the finance element being credited to financing and investment income and expenditure
- Rental income from investment properties is credited directly to the appropriate portfolio, rather than being credited to financing and investment income and expenditure

In addition, expenditure on central and departmental support services is fully recharged to services, therefore, the expenditure and income in relation to support service cost centres is excluded from the Comprehensive Income and Expenditure Statement to avoid double counting.

Although total net expenditure budgets are reported throughout the year, services focus on performance against cash limited budgets. Items classified as outside cash limits include support services expenditure and income and charges made in relation to capital expenditure e.g. depreciation, amortisation, revaluation and impairment losses (in excess of the balance on the Revaluation Reserve).

Portfolio Income and Expenditure 2015/16

	Health and Adult Social Care £000	Children's Services £000	Environment £000	Leisure, Culture and Young People £000	Neighbourhoods, Housing and Customer Services £000	Regeneration £000	Resources £000	Schools and Education £000	Total £000
Fees, charges and other service income	(16,160)	(10,314)	(11,072)	(9,804)	(3,931)	(14,793)	(25,541)	(10,662)	**(102,277)**
Government grants and contributions	(26,521)	(1,921)	(68)	(751)	(3,900)	(1,582)	(57,599)	(117,751)	**(210,093)**
Total income	**(42,681)**	**(12,235)**	**(11,140)**	**(10,555)**	**(7,831)**	**(16,375)**	**(83,140)**	**(128,413)**	**(312,370)**
Employee expenses	10,816	14,711	6,569	8,574	5,472	5,631	12,288	85,737	**149,798**
Other service expenses	68,989	14,509	15,057	6,618	3,370	10,024	70,799	36,161	**225,527**
Support service recharges	7,318	11,349	4,313	4,274	2,774	7,666	5,560	10,237	**53,491**
Depreciation, amortisation and impairment	1,771	1,135	2,181	5,240	128	27,073	5,102	11,684	**54,314**
Total expenditure	**88,894**	**41,704**	**28,120**	**24,706**	**11,744**	**50,394**	**93,749**	**143,819**	**483,130**
Net expenditure	**46,213**	**29,469**	**16,980**	**14,151**	**3,913**	**34,019**	**10,609**	**15,406**	**170,760**
Inside cash limits	41,521	24,849	13,711	6,464	3,687	5,278	18,703	5,199	**119,412**
Outside cash limits	4,692	4,620	3,269	7,687	226	28,741	(8,094)	10,519	**51,660**
Schools block	0	0	0	0	0	0	0	(312)	**(312)**
Net expenditure	**46,213**	**29,469**	**16,980**	**14,151**	**3,913**	**34,019**	**10,609**	**15,406**	**170,760**

Portfolio Income and Expenditure 2014/15

	Health and Adult Social Care £000	Children's Services £000	Environment £000	Leisure, Culture and Young People £000	Neighbourhoods, Housing and Customer Services £000	Regeneration £000	Resources £000	Schools and Education £000	Total £000
Fees, charges and other service income	(12,100)	(11,546)	(14,677)	(9,194)	(4,108)	(13,948)	(26,990)	(11,108)	**(103,671)**
Government grants and contributions	(17,979)	(1,982)	(313)	(1,002)	(2,633)	(3,297)	(58,417)	(130,206)	**(215,829)**
Total income	**(30,079)**	**(13,528)**	**(14,990)**	**(10,196)**	**(6,741)**	**(17,245)**	**(85,407)**	**(141,314)**	**(319,500)**
Employee expenses	11,974	15,202	6,766	8,786	5,373	5,827	17,249	93,046	**164,223**
Other service expenses	57,054	14,573	16,951	6,802	2,810	13,437	71,192	41,692	**224,511**
Support service recharges	6,693	12,082	5,538	4,959	3,266	5,979	5,267	11,334	**55,118**
Depreciation, amortisation and impairment	4,909	714	3,473	4,660	339	16,988	3,314	20,061	**54,458**
Total expenditure	**80,630**	**42,571**	**32,728**	**25,207**	**11,788**	**42,231**	**97,022**	**166,133**	**498,310**
Net expenditure	**50,551**	**29,043**	**17,738**	**15,011**	**5,047**	**24,986**	**11,615**	**24,819**	**178,810**
Inside cash limits	42,677	24,514	13,005	7,689	4,576	7,038	21,560	6,389	**127,448**
Outside cash limits	7,874	4,529	4,733	7,322	471	17,948	(9,945)	18,872	**51,804**
Schools block	0	0	0	0	0	0	0	(442)	**(442)**
Net expenditure	**50,551**	**29,043**	**17,738**	**15,011**	**5,047**	**24,986**	**11,615**	**24,819**	**178,810**

Reconciliation of Portfolio Income and Expenditure to cost of services in the Comprehensive Income and Expenditure Statement

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

31 March 2015 £000		31 March 2016 £000
178,810	**Net expenditure in the portfolio analysis**	**170,760**
(6,949)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	(4,141)
(13,506)	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	(13,284)
158,355	**Cost of services in the Comprehensive Income and Expenditure Statement**	**153,335**

Reconciliation to subjective analysis 2015/16

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

	Portfolio Analysis £000	Amounts in CI&ES not reported to mgmt. £000	Amounts in Portfolio Analysis not in CI&ES £000	Allocation of Recharges £000	Cost of Services in the CI&ES £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(102,277)	1,439	0	51,313	**(49,525)**	0	**(49,525)**
Government grants and contributions	(210,093)	(23,507)	0	0	**(233,600)**	(88,898)	**(322,498)**
Interest receivable and similar income	0	0	0	0	**0**	(1,813)	**(1,813)**
Non-domestic rates income	0	0	0	0	**0**	(22,016)	**(22,016)**
Council tax income	0	0	0	0	**0**	(41,918)	**(41,918)**
Total income	**(312,370)**	**(22,068)**	**0**	**51,313**	**(283,125)**	**(154,645)**	**(437,770)**
Employee expenses	149,798	(255)	0	(18,565)	**130,978**	0	**130,978**
Other service expenses	225,527	(650)	(61)	(11,732)	**213,084**	0	**213,084**
Support service recharges	53,491	0	0	(18,037)	**35,454**	0	**35,454**
Depreciation, amortisation and impairment	54,314	0	0	(2,979)	**51,335**	0	**51,335**
Interest and other similar charges	0	0	0	0	**0**	13,251	**13,251**
Precepts and levies	0	0	0	0	**0**	242	**242**
Gain or loss on disposal of non-current assets	0	0	0	0	**0**	28,559	**28,559**
Pensions adjustment (IAS 19)	0	18,832	(13,223)	0	**5,609**	7,972	**13,581**
Total expenditure	**483,130**	**17,927**	**(13,284)**	**(51,313)**	**436,460**	**50,024**	**486,484**
(Surplus)/deficit on the provision of services	**170,760**	**(4,141)**	**(13,284)**	**0**	**153,335**	**(104,621)**	**48,714**

Reconciliation to subjective analysis 2014/15

	Portfolio Analysis £000	Amounts in CI&ES not reported to mgmt. £000	Amounts in Portfolio Analysis not in CI&ES £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(103,671)	1,440	0	54,180	**(48,051)**	0	**(48,051)**
Government grants and contributions	(215,829)	(16,122)	0	0	**(231,951)**	(101,781)	**(333,732)**
Interest receivable and similar income	0	0	0	0	**0**	(1,743)	**(1,743)**
Non-domestic rates income	0	0	0	0	**0**	(22,389)	**(22,389)**
Council tax income	0	0	0	0	**0**	(40,559)	**(40,559)**
Total income	**(319,500)**	**(14,682)**	**0**	**54,180**	**(280,002)**	**(166,472)**	**(446,474)**
Employee expenses	164,223	(515)	0	(20,918)	**142,790**	0	**142,790**
Other service expenses	224,511	(650)	(58)	(11,865)	**211,938**	0	**211,938**
Support service recharges	55,118	0	0	(16,877)	**38,241**	0	**38,241**
Depreciation, amortisation and impairment	54,458	0	0	(4,520)	**49,938**	0	**49,938**
Interest and other similar charges	0	0	0	0	**0**	13,862	**13,862**
Precepts and levies	0	0	0	0	**0**	240	**240**
Gain or loss on disposal of non-current assets	0	0	0	0	**0**	49,637	**49,637**
Pensions adjustment (IAS 19)	0	8,898	(13,448)	0	**(4,550)**	7,569	**3,019**
Total expenditure	**498,310**	**7,733**	**(13,506)**	**(54,180)**	**438,357**	**71,308**	**509,665**
(Surplus)/deficit on the provision of services	**178,810**	**(6,949)**	**(13,506)**	**0**	**158,355**	**(95,164)**	**63,191**

2 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments made to the comprehensive income and expenditure recognised by the Council in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

Adjustments in 2015/16	Usable Reserves			Unusable Reserves
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	£000
Depreciation, impairment and revaluation losses of non-current assets (charged to the surplus or deficit on the provision of services)	(25,139)	0	0	25,139
Movements in the fair value of investment properties	(41)	0	0	41
Amortisation of intangible assets	(1,382)	0	0	1,382
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	42,028		(7,045)	(34,983)
Revenue expenditure funded from capital under statute (REFCUS)	(27,143)	0	0	27,143
Net gain or (loss) on sale or derecognition of non-current assets	(28,559)	(9,690)	0	38,249
Statutory provision for repayment of debt	8,727	0	0	(8,727)
Capital expenditure charged to the General Fund balance	940	0	0	(940)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	9,690	0	(9,690)
Use of grants and contributions received in prior year to finance new capital expenditure	0	0	1,477	(1,477)
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash	(1)	0	0	1
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	50	0	0	(50)
Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS19) are different from the contributions due under the pension scheme regulations	(10,588)	0	0	10,588
Amount by which council tax income and non-domestic rate income included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	(1,191)	0	0	1,191
Amount by which officer remuneration calculated in accordance with the Code (i.e. including an accrual for holiday pay) is different from amounts payable in the year in accordance with relevant statutory provisions	255	0	0	(255)
Total adjustments	**(42,044)**	**0**	**(5,568)**	**47,612**

Comparative adjustments in 2014/15	Usable Reserves			Unusable Reserves
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	£000
Depreciation, impairment and revaluation losses of non-current assets (charged to the surplus or deficit on the provision of services)	(32,219)	0	0	32,219
Movements in the fair value of investment properties	(19)	0	0	19
Amortisation of intangible assets	(1,058)	0	0	1,058
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	34,965		(1,715)	(33,250)
Revenue expenditure funded from capital under statute (REFCUS)	(20,531)	0	0	20,531
Net gain or (loss) on sale or de-recognition of non-current assets	(49,637)	(536)	0	50,173
Statutory provision for repayment of debt	9,559	0	0	(9,559)
Capital expenditure charged to the General Fund balance	600	0	0	(600)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	536	0	(536)
Use of grants and contributions received in prior year to finance new capital expenditure	0	0	4,683	(4,683)
Transfer from the Capital Receipts Reserve equal to the amount payable to the Housing Capital Receipts Pool				
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash	(2)	0	0	2
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	50	0	0	(50)
Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS19) are different from the contributions due under the pension scheme regulations	(3,019)	0	0	3,019
Amount by which council tax income and non-domestic rate income included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	1,667	0	0	(1,667)
Amount by which officer remuneration calculated in accordance with the Code (i.e. including an accrual for holiday pay) is different from amounts payable in the year in accordance with relevant statutory provisions	515	0	0	(515)
Total adjustments	**(59,129)**	**0**	**2,968**	**56,161**

Further information is provided in Note 30 which details the movements on unusable reserves.

3 TRANSFERS TO/FROM USABLE RESERVES

The Council sets aside specific amounts as reserves for future policy purposes (earmarked reserves) or to cover contingencies (unallocated balances). 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 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 charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, for example the Revaluation Reserve and the Capital Adjustment Account. These and other reserves in relation to financial instruments, retirement and employment benefits do not represent usable resources for the Council.

This note sets out the amounts set aside from the General Fund in its usable reserves to provide financing for future spending plans and the amounts posted back from usable reserves to meet general fund expenditure in 2015/16.

Usable reserves

	Balance at 31 March 2014 £000	Transfers out 2014/15 £000	Transfers in 2014/15 £000	Balance at 31 March 2015 £000	Transfers out 2015/16 £000	Transfers in 2015/16 £000	Balance at 31 March 2016 £000
Earmarked reserves							
Reserves held for discretionary use by the Council							
ICT developments	**(906)**	420	(350)	**(836)**	277	0	**(559)**
Welfare, council tax and business rate reforms	**(2,367)**	369	(64)	**(2,062)**	838	(88)	**(1,312)**
Investments in assets and infrastructure	**(2,020)**	736	(808)	**(2,092)**	898	(699)	**(1,893)**
Other resources and transformation projects	**(405)**	75	0	**(330)**	0	(57)	**(387)**
Support for people services	**(3,179)**	1,985	(815)	**(2,009)**	2,139	(1,707)	**(1,577)**
Town centre, special events and economic development	**(1,658)**	429	(912)	**(2,141)**	253	0	**(1,888)**
Invest to save projects	**(717)**	304	(415)	**(828)**	415	0	**(413)**
Contingent sums to support future downsizing and transformation	**(6,532)**	2,979	(6,004)	**(9,557)**	3,258	0	**(6,299)**
Amounts carried forward in respect of unspent grants and contributions	**(2,286)**	1,512	(1,071)	**(1,845)**	1,309	(1,940)	**(2,476)**
Other amounts committed in future years budgets	**(211)**	86	0	**(125)**	25	0	**(100)**
Reserves held for specified non-discretionary purposes	**(1,385)**	411	(483)	**(1,457)**	740	(434)	**(1,151)**
Municipal Mutual Insurance	**(430)**	0	0	**(430)**	180	0	**(250)**
Total earmarked reserves for discretionary purposes	**(22,096)**	**9,306**	**(10,922)**	**(23,712)**	**10,332**	**(4,925)**	**(18,305)**
Details of other earmarked reserves							
Reserves held in respect of joint arrangements and charitable bodies	**(362)**	64	(56)	**(354)**	26	(35)	**(363)**
Reserves held in relation to schools	**(4,000)**	0	(4,065)	**(8,065)**	0	(3,390)	**(11,455)**
LMS schools balances	**(15,006)**	4,174	(551)	**(11,383)**	3,301	(223)	**(8,305)**
Total of non-discretionary reserves	**(19,368)**	**4,238**	**(4,672)**	**(19,802)**	**3,327**	**(3,648)**	**(20,123)**
Total earmarked reserves	**(41,464)**	**13,544**	**(15,594)**	**(43,514)**	**13,659**	**(8,573)**	**(38,428)**
Unallocated reserves	**(12,763)**	**8,577**	**(2,465)**	**(6.651)**	**5,598**	**(4,014)**	**(5.067)**
Capital receipts reserve	**0**	**536**	**(536)**	**0**	**9,690**	**(9,690)**	**0**
Capital grants unapplied	**(6,385)**	**4,683**	**(1,715)**	**(3,417)**	**1,477**	**(7,045)**	**(8,985)**
Total Council usable reserves	**(60,612)**	**27,340**	**(20,310)**	**(53,582)**	**30,424**	**(29,322)**	**(52,480)**

4 OTHER OPERATING EXPENDITURE

2014/15 £000		2015/16 £000
181	Parish council funding	181
59	Levies	61
0	Payments to the Government – housing capital receipts	0
49,637	(Gains)/losses on the disposal of non-current assets	28,559
49,877	**Total**	**28,801**

5 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2014/15 £000		2015/16 £000
13,850	Interest and other similar charges	13,217
7,569	Pensions net interest and administration costs	7, 972
(1,743)	Interest receivable and similar income	(1,813)
12	Income and expenditure in relation to investment properties and changes in their fair value	34
19,688	**Total**	**19,410**

6 TAXATION AND NON-SPECIFIC GRANT INCOME

The Council credited the following to the Comprehensive Income and Expenditure Statement.

2014/15 £000		2015/16 £000
(82,938)	Non-ringfenced Government grants	(70,377)
(18,843)	Capital grants and contributions	(18,521)
(101,781)	**Total non-specific grant income**	**(88,898)**
(40,559)	Council tax income	(41,918)
(22,389)	Non-domestic rates income	(22,016)
(164,729)	**Total**	**(152,832)**

The non-ringfenced Government grants and capital grants are analysed further in the following tables.

Non-ringfenced Government grants

2014/15 £000		2015/16 £000
(48,342)	Revenue support grant	(35,554)
(17,496)	Top-up grant (business rates retention scheme)	(17,831)
(1,938)	Compensation for loss of business rates income	(2,417)
(2,714)	Education services grant	(2,006)
(1,030)	New Homes Bonus grant	(1,500)

(1,116)	Benefits administration grant	(1,007)
(8,471)	Private finance initiative (PFI) revenue grant	(8,471)
(1,831)	Other	(1,591)
(82,938)	**Total**	**(70,377)**

Capital grants and contributions

2014/15 £000		2015/16 £000
(327)	Building schools for the future	(775)
(2,535)	Education capital	(6,266)
(14,284)	Transport	(8,689)
0	Energy and climate change	(2,242)
(1,270)	Other Government grants	(143)
(427)	Other contributions	(406)
(18,843)	**Total**	**(18,521)**

7 GRANT INCOME AND CONTRIBUTIONS CREDITED TO COST OF SERVICES

In addition to the non-ringfenced grants, a number of service specific or ringfenced grants were credited to the cost of services as detailed below.

2014/15 £000		2015/16 £000
(115,335)	Dedicated schools grant	(104,378)
(8,489)	Pupil premium grant	(7,429)
(1,292)	Other education grants (e.g. Universal infant free school meals, Music education)	(2,074)
(2,338)	Young people's learning agency/learning skills council	(1,206)
(13,134)	Public health grant	(14,084)
(56,209)	Rent allowances subsidy	(54,711)
(1,434)	European grants	(93)
(4,567)	Other government grants	(5,135)
(2,935)	Contributions from other local authorities	(2,874)
(5,074)	Contributions from other public sector bodies	(12,292)
(5,022)	Other contributions	(5,817)
(16,122)	Funding of REFCUS expenditure from grants and contributions	(23,507)
(231,951)	**Total**	**(233,600)**

In previous years the Council has identified a number of grants which have yet to be recognised as income as they have conditions attached to them that may require the monies to be returned to the giver. The balances at year end are as follows:

2014/15 £000		2015/16 £000
	Capital grants receipts in advance	
(877)	Building schools for the future	0
(1,700)	Regional growth fund	0
(2,577)	**Total**	**0**

Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by the Dedicated Schools Grant (DSG) provided by the Department for Education. DSG is ringfenced 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 (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2014/15 and 2015/16 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2014/15 before academy recoupment			**(137,588)**
Academy figure recouped for 2014/15			**22,253**
Total DSG after academy recoupment for 2014/15			**(115,335)**
Brought forward from 2013/14			**(4,000)**
Agreed initial budgeted distribution for 2014/15	**(24,681)**	**(94,654)**	**(119,335)**
Actual central expenditure relating to DSG	16,616	0	**16,616**
Actual ISB deployed to schools	0	94,654	**94,654**
Carry forward to 2015/16	**(8,065)**	**0**	**(8,065)**
Final DSG for 2015/16 before academy recoupment			**(142,093)**
Academy figure recouped for 2015/16			**37,715**
Total DSG after academy recoupment for 2015/16			**(104,378)**
Brought forward from 2014/15			**(8,065)**
Agreed initial budgeted distribution for 2015/16	**(27,821)**	**(84,622)**	**(112,443)**
Actual central expenditure relating to DSG	16,366	0	**16,366**
Actual ISB deployed to schools	0	84,622	**84,622**
Carry forward to 2016/17	**(11,455)**	**0**	**(11,455)**

8 OFFICERS' REMUNERATION

The Council is required to disclose remuneration for all employees earning over £50,000 with additional disclosures for senior officers.

The number of other employees whose remuneration, excluding pension contributions, exceeded £50,000 during the year is set out in the following tables. The total of 139 includes 90 teachers (121 including 82 teachers in 2014/15).

No of Employees 2014/15	Remuneration Banding	No of Employees 2015/16
52	50,000 to 54,999	50
29	55,000 to 59,999	37
22	60,000 to 64,999	24
8	65,000 to 69,999	14
3	70,000 to 74,999	4
1	75,000 to 79,999	2
1	80,000 to 84,999	1
2	85,000 to 89,999	2
1	90,000 to 94,999	0
0	95,000 to 99,999	1
2	100,000 to 104,999	2
0	105,000 to 109,999	1
1	115,000 to 119,999	1
122	**Total**	**139**

Remuneration figures in the table above are net of salary sacrifice deductions (for childcare vouchers and cycle scheme).

The following tables provide an analysis by job title of the remuneration and employer's pension scheme contributions in respect of senior officers for 2015/16 and 2014/15. These posts are in addition to those included in the previous table.

2015/16

Postholder	Note	Salary, Fees and Allowances £000	Benefits in Kind £000	Compensation for Loss of Office £000	Total Remuneration excluding Pension Contributions £000	Pension Contribution £000	Total Remuneration including Pension Contribution £000
Chief Executive – Head of Paid Service (Harry Catherall)		149	0	0	149	18	**167**
Executive Director Resources		127	0	0	127	15	**142**
Executive Director People	1	115	0	0	115	14	**129**
Executive Director Place		109	0	0	109	14	**123**
Director of Adult Services		88	0	0	88	11	**99**
Director of Public Health		109	0	0	109	16	**125**
Director of Children's Services	2	102	0	0	102	12	**114**
Director of Environment & Leisure		86	0	0	86	10	**96**
Director of Housing & Localities		91	0	0	91	11	**102**
Director of Growth & Prosperity		87	3	0	90	11	**101**
Director of Finance & IT		88	0	0	88	10	**98**
Director of HR, Legal & Corporate Services		87	3	0	90	11	**101**
Director (Regenerate Pennine Lancashire)		80	0	0	80	9	**89**

1. The Executive Director People has been seconded to a new role for Pennine Lancashire Health and Care Integration as Strategic Programme Director with effect from February 2016. The NHS have reimbursed the Council £18,400 in respect of the full costs of the post included above.

2. From February 2016, the Director of Children's Services became shared director of both Blackburn with Darwen Council and Lancashire County Council's Children Services. As the post holder will continue to be employed by Blackburn with Darwen Council and subject to its terms and conditions of employment, the full costs of this post have been included in the note above.

2014/15

Postholder	Note	Salary, Fees and Allowances £000	Benefits in Kind £000	Compensation for Loss of Office £000	Total Remuneration excluding Pension Contributions £000	Pension Contribution £000	Total Remuneration including Pension Contribution £000
Chief Executive – Head of Paid Service (Harry Catherall)		141	0	0	141	17	**158**
Executive Director Resources & Transformation		120	0	0	120	15	**135**
Executive Director People		112	0	0	112	14	**126**
Executive Director Place	1	65	0	0	65	8	**73**
Executive Director Place	1	3	0	0	3	0	**3**
Director of Commissioning & Adults		80	0	0	80	10	**90**
Director of Children's Services		97	0	0	97	12	**109**
Director of Culture, Leisure, Sport & Young People		82	0	0	82	10	**92**
Director of Environment, Housing & Neighbourhoods		90	0	0	90	11	**101**
Director of Finance	2	57	0	13	70	6	**76**
Director of Finance & IT	2	14	0	0	14	2	**16**
Director of HR, Legal & Corporate Services		86	3	0	89	11	**100**
Director of IT, Management & Governance	2	38	2	9	48	4	**52**
Director of Regeneration		86	4	0	90	11	**101**
Director of Public Health		109	0	0	109	15	**124**
Director (Regenerate Pennine Lancashire)		77	0	0	77	9	**86**

3. The Executive Director Place resigned with effect from 28 September 2014. A new post holder was appointed to the post on 23 March 2015.

4. The Director of Finance and the Director of IT, Management & Governance were made redundant on 26 September 2014 and 31 August 2014 respectively. The post of Director of Finance & IT was established in their place with the post holder starting on 2 February 2015.

Termination benefits

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

The total cost of an exit package includes:

- All relevant redundancy costs – compulsory and voluntary
- Pension contributions in respect of added years (pension strain)
- Ex gratia payments
- Other departure costs (e.g. pay in lieu of notice, outstanding holiday pay)

	No. Compulsory Redundancies		No. Other Exit Packages		Total Number		Total Cost £000	
Banding	**2014/15**	**2015/16**	**2014/15**	**2015/16**	**2014/15**	**2015/16**	**2014/15**	**2015/16**
0 to 20,000	76	62	78	70	154	132	983	615
20,001 to 40,000	3	9	17	18	20	27	490	698
40,001 to 60,000	1	0	4	3	5	3	259	294
60,001 to 80,000	0	2	3	1	3	3	205	131
80,001 to 100,000	0	1	0	0	0	1	0	188
100,001 to 150,000	1	0	1	0	2	0	247	0
Total	**81**	**74**	**103**	**92**	**184**	**166**	**2,184**	**1,926**

9 MEMBERS' ALLOWANCES

2014/15 £000		2015/16 £000
518	Allowances payable to Members	521
10	Expenses payable to Members	10
528	**Total**	**531**

10 EXTERNAL AUDIT COSTS

The Council incurred the following fees relating to external audit.

2014/15 £000		2015/16 £000
137	Fees incurred with regard to external audit services provided by Grant Thornton	103
24	Fees incurred for the certification of grant claims and returns by Grant Thornton	19
10	Fees incurred for other audit work undertaken by Grant Thornton	4
(14)	Rebate of fees from Audit Commission	0
157	**Total**	**126**

11 TRADING OPERATIONS

Trading operations included within the cost of services are the markets operations in both Blackburn and Darwen. The expenditure and income in relation to these trading operations is included within Planning Services.

2014/15 £000		2015/16 £000
(1,452)	Turnover	(1,475)
2,290	Expenditure	2,542
838	**(Surplus)/deficit**	**1,067**

12 EVENTS AFTER THE BALANCE SHEET DATE

Events may occur between the balance sheet date and the date the accounts are authorised for issue which might have a bearing upon the financial results of the past year. Such events should be reflected in the Statement of Accounts if they provide additional evidence of conditions that existed at the balance sheet date (i.e. the originating event took place prior to the year-end) and the amounts are considered material to the accounts (adjusting events).

13 PROPERTY, PLANT AND EQUIPMENT

All operational land and buildings are revalued on a 5 year rolling programme by Capita Limited, property consultants to the Council, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). All properties within the same category, e.g. industrial estates, are revalued in the same year, which ensures that valuations are consistent across the category.

The basis of valuation is set out in the accounting policies.

Movements in the property, plant and equipment valuations are detailed in the following tables:

Property, plant and equipment - movements in 2015/16

	Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total £000	PFI Assets included in property, plant and equipment £000
Cost or valuation							
At 1 April 2015	**292,169**	**25,729**	**111,435**	**7,479**	**38,541**	**475,353**	**48,188**
Additions	8,606	809	17,871	0	10,379	37,665	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	11,334	0	0	0	0	11,334	0
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(19,776)	0	0	0	0	(19,776)	178
Derecognition – disposals	(39,375)	0	0	0	0	(39,375)	(24,500)
Assets reclassified	6,376	0	6,465	0	(13,167)	(326)	0
At 31 March 2016	**259,334**	**26,538**	**135,771**	**7,479**	**35,753**	**464,875**	**23,866**
Accumulated depreciation and impairment							
At 1 April 2015	**(16,774)**	**(6,507)**	**(22,054)**	**0**	**0**	**(45,335)**	**(2,709)**
Depreciation charge	(4,533)	(3,001)	(2,322)	0	0	(9,856)	(463)
Depreciation written out to the Revaluation Reserve	2,982	0	0	0	0	2,982	0
Depreciation written out to the surplus/deficit on the provision of services	8,505	0	0	0	0	8,505	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	(1,120)	0	(28)	0	0	(1,148)	0
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	(4,011)	0	(1)	0	0	(4,012)	0
Derecognition – disposals	1,284	0	0	0	0	1,284	0
At 31 March 2016	**(13,667)**	**(9,508)**	**(24,405)**	**0**	**0**	**(47,580)**	**(3,172)**
Net book value							
At 1 April 2015	**275,395**	**19,222**	**89,381**	**7,479**	**38,541**	**430,018**	**45,479**
At 31 March 2016	**245,667**	**17,030**	**111,366**	**7,479**	**35,753**	**417,295**	**20,694**

Property, plant and equipment - comparative movements in 2014/15

	Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total £000	PFI Assets included in property, plant and equipment £000
Cost or valuation							
At 1 April 2014	**341,925**	**27,007**	**100,839**	**7,479**	**27,364**	**504,614**	**74,688**
Additions	11,515	775	10,734	0	18,898	41,922	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	9,878	0	0	0	0	9,878	0
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(25,128)	0	0	0	0	(25,128)	0
Derecognition – disposals	(52,383)	(2,304)	(138)	0	0	(54,825)	(26,500)
Assets reclassified	6,362	251	0	0	(7,721)	(1,108)	0
At 31 March 2015	**292,169**	**25,729**	**111,435**	**7,479**	**38,541**	**475,353**	**48,188**
Accumulated depreciation and impairment							
At 1 April 2014	**(19,750)**	**(6,030)**	**(19,866)**	**0**	**0**	**(45,646)**	**(2,644)**
Depreciation charge	(5,929)	(2,772)	(2,326)	0	0	(11,027)	(1,390)
Depreciation written out to the Revaluation Reserve	2,723	0	0	0	0	2,723	0
Depreciation written out to the surplus/deficit on the provision of services	3,936	0	0	0	0	3,936	0
Derecognition – disposals	2,246	2,295	138	0	0	4,679	1,325
At 31 March 2015	**(16,774)**	**(6,507)**	**(22,054)**	**0**	**0**	**(45,335)**	**(2,709)**
Net book value							
At 1 April 2014	**322,175**	**20,977**	**80,973**	**7,479**	**27,364**	**458,968**	**72,044**
At 31 March 2015	**275,395**	**19,222**	**89,381**	**7,479**	**38,541**	**430,018**	**45,479**

Property, plant and equipment revaluations

	Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infra-structure £000	Community Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	**1,818**	**26,538**	**135,474**	**7,479**	**35,753**	**207,062**
Valued at fair value at:						
31 March 2016	142,596	0	158	0	0	142,754
31 March 2015	37,794	0	0	0	0	37,794
31 March 2014	16,478	0	17	0	0	16,495
31 March 2013	42,980	0	34	0	0	43,014
31 March 2012	17,668	0	88	0	0	17,756
Total cost or valuation	**259,334**	**26,538**	**135,771**	**7,479**	**35,753**	**464,875**

Revaluation losses

For 2015/16, revaluation decreases recognised in the surplus or deficit on the provision of services include the following items that are greater than £1 million.

Property	£000
Former Waves Water Fun Centre – following demolition of this facility the building has been revalued to nil and the land asset has been revalued as a cleared development site.	1,735
Feilden Street Car Park – revaluation reflect the lease arrangements for the retail units included within the lower level of the car park.	2,048

14 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the following table together with the resources that have been used to finance it.

This statement incorporates details of the movements in the capital financing requirement (CFR). This is a measure of the capital expenditure historically incurred by the Council that has yet to be financed. This will be discharged by future charges to revenue.

31 March 2015 £000		31 March 2016 £000
273,401	**Opening capital financing requirement**	**287,787**
	Capital investment	
41,922	Property, plant and equipment	37,665
1,252	Intangible assets	740
19,790	Revenue expenditure funded from capital under statute	27,143
50	Investments	0
63,014	**Total capital investment**	**65,548**
	Sources of finance	
(536)	Capital receipts	(9,690)
(37,933)	Government grants and other contributions	(36,460)

	Sums set aside from revenue:	
(600)	Direct revenue contributions	(940)
(9,559)	Minimum revenue provision (MRP) for debt repayment	(8,727)
287,787	**Closing capital financing requirement**	**297,518**
	Explanation of movement in year	
14,386	Increase in underlying need to borrow (unsupported by Government financial assistance)	9,731
14,386	**Total movement**	**9,731**

15 ACCOUNTING FOR SCHOOLS

The accounting treatment of land and buildings in relation to schools is based on the legal framework underlying each type of school. The Council controls the management and running of community and foundation schools with the exception of those subject to private finance initiative (PFI) contracts, and therefore the land and buildings of those schools are included within property, plant and equipment on the Council's Balance Sheet.

The land and buildings of voluntary aided, voluntary controlled, foundation, academy and free schools are owned and controlled by the trustees of the schools or the foundation body and are, therefore, not shown on the Council’s Balance Sheet.

The Building Schools for Future programme included the construction and operation of four schools under PFI contracts. Initially, the buildings for all four community and foundation schools subject to PFI contracts were shown on the Council's Balance Sheet together with the related liability. Subsequently two of the schools, Witton Park and Pleckgate, have converted to academy status. The assets relating to these two schools have been removed from the Council's Balance Sheet, however, the PFI liabilities for all PFI schools remain on as the Council is the party to the contract with the PFI operator.

Capital expenditure on community schools is added to the balances for those schools as reported in the property, plant and equipment note. Capital expenditure on voluntary aided and foundation schools is treated as Revenue Expenditure Funded from Capital under Statute (REFCUS) and written off each year to the Comprehensive Income and Expenditure Statement within Children’s and Education services.

Dedicated Schools Grant (DSG) is credited to the Comprehensive Income and Expenditure Statement within taxation and non-specific grant income based on amounts due from the Department for Education. (Further details are provided in Note 7).

DSG is allocated between centrally retained Council budget and budgets delegated to individual schools. Expenditure from centrally retained budgets and delegated schools budgets is charged to the Comprehensive Income and Expenditure Statement under Children’s and education services.

Academies are funded directly from the Government, not via the local authority apart from funding for pupils with high needs. Income and expenditure in relation to academies is therefore not charged to the Comprehensive Income and Expenditure Statement.

Individual schools' balances for local authority maintained schools at 31 March 2016 are included in reserves in the Council’s Balance Sheet.

Schools on the Council's Balance Sheet

31 March 2015			31 March 2016	
Number of Schools	Value of Land and Buildings £000		Number of Schools	Value of Land and Buildings £000
20	63,617	Community schools (excluding PFI schools)	20	62,083
1	2,000	Foundation schools (excluding PFI schools)	1	2,000
3	45,479	Community and foundation schools subject to PFI contracts	2	20,697
24	**111,096**	**Total**	**23**	**84,780**

Schools off the Council's Balance Sheet

2014/15 £000		2015/16 £000
11	Academy	12
0	Foundation	0
1	Free	1
26	Voluntary aided	26
4	Voluntary controlled	4
42	**Total**	**43**

During the financial year 2015/16 one local authority maintained school, Pleckgate High School, converted to academy status. As this school had community status it was recognised on the Balance Sheet in 2014/15. The following accounting adjustments were made to derecognise the school in 2015/16.

The gross carrying value and accumulated depreciation was removed from the Balance Sheet, with matching net charges to the other operating expenditure line of the Comprehensive Income and Expenditure Statement as a loss on disposal. The impact on the Comprehensive Income and Expenditure Statement was negated via matching credits in the Movement in Reserves Statement and debits to the Capital Adjustment Account. There was no balance held in the Revaluation Reserve requiring transfer to the Capital Adjustment Account.

School	Gross Carrying Value £000	Accumulated Depreciation £000	Net Charge to the CIES £000	Revaluation Reserve Balance Transferred £000
Pleckgate High School	24,500	(2)	24,498	0

The PFI liability relating to both Pleckgate High School and Witton Park High School (which converted to academy status in the previous year) remains on the balance sheet as the obligation to pay remains with the Council. The Council receives grant funding from Central Government to cover the capital cost of the PFI liability. There is a formal agreement with the Academy Trust to cover the shortfall between the full liability and the grant. Therefore, there is no change in the nature of the existing liability and hence no adjustments were made in 2015/16. Should there be changes in Government policy or the status or viability of the Academies in the future that impact on how the existing guarantees operate, the accounting policy will be reviewed and amended if necessary. Based on current information and projections of pupil numbers no changes are likely over the short to medium term.

16 HERITAGE ASSETS

Heritage assets are those non-current assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held principally for their contribution to knowledge or culture.

	Civic Regalia and Coins £000	Art Collections (including public/street art) £000	Manuscripts and Books £000	Total Heritage Assets £000
Cost or valuation				
At 31 March 2016	**150**	**8,215**	**10,970**	**19,335**

There have been no additions or disposals during the year and the values remain unchanged from 2010/11.

17 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:

2014/15 £000		2015/16 £000
(7)	Rental income from investment property	(7)
19	Changes in the fair value of investment property	41
12	**Net (gain)/loss**	**34**

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

2014/15 £000		2015/16 £000
285	**Balance at 1 April**	**266**
(19)	Net gains/(losses) from fair value adjustments	(41)
266	**Balance at 31 March**	**225**

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

The fair value of investment property has been measured using a market approach, which takes into account existing lease terms and rentals, research into market evidence including market rentals and yields, and data and market knowledge gained in managing the Council's property portfolio. Market conditions are such that the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy. See Accounting Policies – Fair Value Measurement for further details of the fair value hierarchy.

18 INTANGIBLE ASSETS

The only type of asset that is accounted for as intangible is IT software. Where the software is an integral part of a particular piece of hardware, the two items are treated as one property, plant and equipment asset.

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

2014/15 £000		2015/16 £000
	Gross carrying amount	
3,758	Balance at 1 April	5,232
1,252	Purchases	740
368	Assets reclassified from assets under construction	326
(146)	Disposals	(1,605)
5,232	**Balance at 31 March**	**4,693**
	Accumulated amortisation	
(1,096)	Balance at 1 April	(2,008)
(1,058)	Amortisation	(1,382)
146	Disposals	1,605
(2,008)	**Balance at 31 March**	**(1,785)**
	Net carrying amount	
2,662	Balance at 1 April	3,224
3,224	**Balance at 31 March**	**2,908**

19 LONG TERM INVESTMENTS

31 March 2015 £000		31 March 2016 £000
150	Via Partnership Limited	0
753	Blackburn with Darwen and Bolton Local Education Partnership	745
50	Local Capital Finance Company	50
953	**Total**	**795**

20 LONG TERM DEBTORS

31 March 2015 £000		31 March 2016 £000
26,281	Shopping centre lease	26,280
2,022	Nursing/residential property charges	1,564
303	Loan to Lancashire County Developments Limited	317
45	Loans in respect of Cathedral Quarter development	0
3	Loans in respect of private street works	2
10	Loan to Marketing Lancashire Limited (formerly Lancashire and Blackpool Tourist Board)	10
17	Loan for house purchase or improvement	12
6	House deposit/rent	6
52	Car loans to Council employees	22
9	Cycle scheme loans to Council employees	9
28,748	**Total**	**28,222**

21 INVENTORIES

2014/15 £000		2015/16 £000
268	**Balance at 1 April**	**772**
4,707	Purchases	3,118
(4,199)	Recognised as an expense in the year	(3,534)
(4)	Written off	(3)
772	**Balance at 31 March**	**353**

22 SHORT TERM DEBTORS

31 March 2015 £000		31 March 2016 £000
1,253	Non-domestic rates	487
17,146	Central Government bodies	5,413
1,020	Other local authorities	1,855
1,316	NHS bodies	1,051
25	Public corporations	21
4,806	Other entities and individuals	7,593
25,566	**Total**	**16,420**

23 CASH AND CASH EQUIVALENTS

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

31 March 2015 £000		31 March 2016 £000
92	Cash held by the Council	81
4,359	Bank current accounts	4,182
4,510	Short term deposits with banks and building societies	8,600
44	Cash held for payroll bureau function	0
9,005	**Total**	**12,863**
(1,618)	Bank overdraft	(2,812)
7,387	**Total**	**10,051**

24 SHORT TERM CREDITORS

31 March 2015 £000		31 March 2016 £000
(10,153)	Central Government bodies	(5,987)
(7,753)	Other local authorities	(8,576)
(385)	NHS bodies	(480)
(14)	Public corporations	0
(19,117)	Other entities and individuals	(22,468)
(37,422)	**Total**	**(37,511)**

25 PROVISIONS

	Non-domestic Rates Appeals £000	Injury and Damage Compensation Claims £000	Other Provisions £000	Total £000
Balance at 1 April 2015	**(1,993)**	**(1,063)**	**(419)**	**(3,475)**
Additional provisions made	(1,333)	(466)	0	(1,799)
Amounts used	1,057	332	0	1,389
Written down	0	0	0	0
Balance at 31 March 2016	**(2,269)**	**(1,197)**	**(419)**	**(3,885)**

Further details of the individual provisions are shown overleaf.

31 March 2015 £000	Provision		31 March 2016 £000
(1,993)	Non-domestic rates appeals	The Council, as Billing Authority for the Blackburn with Darwen area, is required to make provisions for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. The total provision is calculated by the Billing Authority on behalf of the major preceptors (Lancashire Combined Fire Authority, Central Government and the Council). The amount appearing in the Balance Sheet has been adjusted to include only the Council's share of the provision.	(2,269)
Injury and damage compensation claims			
(527)	Highways insurance claims	Provision to cover the estimated cost of the Council's contribution to highways third party liability claims received up to 31 March 2016 for which settlement has not been made. The provision is based on past experience of court decisions about liability and the amount of damages payable.	(663)
(281)	Vehicle insurance claims	Provision to cover the estimated cost of vehicle insurance claims received up to 31 March 2016 for which settlement has not been made. This provision is based on a claims excess level of £25,000, an aggregate stop loss for the Council of £205,000 and an estimate of the cost of repairs using past experience.	(284)
(255)	Municipal Mutual Insurance Limited (MMI)	Provision in respect of MMI for costs due to be paid under the Scheme of Arrangement for managing the outstanding liabilities resulting from claims being made.	(250)
Other provisions			
(419)	Loan guarantee	The Council has acted as guarantor for a loan from the Architectural Heritage Fund to the Heritage Trust for the North West. A provision continues to be made to cover the value of the loan.	(419)
(3,475)	**Total**		**(3,885)**

26 FINANCIAL INSTRUMENTS

A financial instrument is a contract which creates a financial asset for one party and a financial liability for another party. Non-exchange transactions such as those relating to taxes and Government grants do not give rise to financial instruments.

Financial assets

Financial assets on the Council's Balance Sheet include:

- Loans and receivables – investments
- Cash and bank balances (treated as cash and cash equivalents)
- Trade receivables for goods and services

All the above are valued at amortised cost.

- Available for sale assets – comprising investments in Money Market Funds (these also form part of cash and cash equivalents). These are shown at fair value as investments with a quoted market price

Categories of financial instruments carried on the Balance Sheet are as follows:

31 March 2015 £000				31 March 2016 £000		
Long term	**Short term**	**Total**	**Category**	**Long term**	**Short term**	**Total**
953	3,000	**3,953**	Loans and receivables - investments (principal)	795	2,000	**2,795**
0	49	**49**	Accrued interest on the above	0	40	**40**
953	**3,049**	**4,002**	**Total investments**	**795**	**2,040**	**2,835**
0	3,034	**3,034**	Loans and receivables - cash and cash equivalents (including bank accounts and overdrafts)	0	4,509	**4,509**
0	0	**0**	Accrued interest on the above	0	1	**1**
0	4,350	**4,350**	Available for sale assets - cash and cash equivalents (Money Market Funds)	0	8,350	**8,350**
0	3	**3**	Accrued interest on the above	0	3	**3**
0	**7,387**	**7,387**	**Total cash and cash equivalents**	**0**	**12,863**	**12,863**
26,281	0	**26,281**	Shopping centre lease - long term debtor	26,280	0	**26,280**
2,154	4,951	**7,105**	Other trade receivables *	1,615	7,351	**8,966**
28,435	**4,951**	**33,386**	**Total trade receivables**	**27,895**	**7,351**	**35,246**
29,388	**15,387**	**44,775**	**Total financial assets**	**28,690**	**22,254**	**50,944**
** The other trade receivables figure stated is lower than the debtors shown on the balance sheet because it excludes the following amounts which do not meet the definition of a financial asset – receipts in advance and non-exchange transactions*						
313	*20,615*	*20,928*		*327*	*9,069*	*9,396*

Financial liabilities

Financial liabilities on the Council's Balance Sheet are all measured at amortised cost. They include:

- Loans – from the Public Works Loan Board (PWLB) and commercial lenders
- Other liabilities - arising from the Council's PFI contracts under Building Schools for the Future
- Trade payables for goods and services received

31 March 2015 £000				31 March 2016 £000		
Long term	**Short term**	**Total**	**Category**	**Long term**	**Short term**	**Total**
(118,185)	(27,300)	**(145,485)**	Principal sum borrowed	(115,611)	(37,573)	**(153,184)**
0	(480)	**(480)**	Accrued interest	0	(387)	**(387)**
0	(416)	**(416)**	Effective interest rate (EIR) adjustments **	(153)	(257)	**(410)**
(118,185)	**(28,196)**	**(146,381)**	**Total borrowing**	**(115,764)**	**(38,217)**	**(153,981)**
(70,095)	(1,441)	**(71,536)**	PFI arrangements	(68,551)	(1,544)	**(70,095)**
0	(15,084)	**(15,084)**	Trade payables #	0	(15,084)	**(15,084)**
(188,280)	**(44,721)**	**(233,001)**	**Total financial liabilities**	**(68,551)**	**(16,628)**	**(85,179)**
** EIR adjustments to market loans with "stepped" interest rates, to average out their cost over the life of the loans. The adjustments made to the carrying values each year impact on the Financial Instruments Adjustments Account (Note 30)						
# The trade payables figure stated is lower than the creditors shown on the balance sheet because it excludes the following amounts which do not meet the definition of a financial liability – payments in advance and non-exchange transactions						
0	*(20,897)*	*(20,897)*		*0*	*(18,576)*	*(18,576)*

Fair value of financial assets and liabilities

The Council discloses the "fair value" of each class of financial asset and liability so that it can be compared with the carrying amount in the Balance Sheet.

Fair values can be determined in a range of ways, and may either be reflected in the carrying values in the balance sheet, or reported separately in the notes to the financial statements. New accounting standards require the type of information used in fair value calculations (as classified in the hierarchy below) to be disclosed.

Fair Valuation Hierarchy:

Level 1	quoted prices in active markets for identical assets or bonds
Level 2	inputs other than quoted prices e.g. interest rates or yields for similar instruments
Level 3	"unobservable" inputs or non-market data e.g. estimated creditworthiness or cash flow forecasts

The carrying values for the Money Market Fund holdings included in Financial Assets are "Level 1" fair values, reflecting quoted market prices.

Elements for which no fair value adjustments have been made

For short term instruments, including trade receivables and payables, the carrying value is accepted to be a reasonable approximation of fair value. For the investment element within loans and receivables there is no material difference between the fair value and the carrying value because of either their scale or their relatively short duration to maturity.

Material fair value adjustments to carrying values are summarised in the following table. All of the adjustments are based on Fair Value Level 2 estimations, and were prepared by the Council's treasury advisers. Where no adjustments are shown, any differences are viewed as immaterial.

31 March 2015 £000				31 March 2016 £000		
Carrying Value	**Fair Value**	**Difference**		**Carrying Value**	**Fair Value**	**Difference**
			Financial Assets			
26,281	41,396	**15,115**	Shopping centre lease long term debtor	26,280	43,261	**16,981**
(116,708)	(148,069)	**(31,361)**	PWLB loans	(112,921)	(141,394)	**(28,473)**
(24,378)	(33,483)	**(9,105)**	Market loans (with call options)	(22,259)	(33,045)	**(10,786)**
(292)	(292)	**0**	Other stock	(279)	(279)	**0**
(5,003)	(5,003)	**0**	Short term borrowing	(18,522)	(18,522)	**0**
(146,381)	**(186,847)**	**(40,466)**	**Total Borrowing**	**(153,981)**	**(193,240)**	**(39,259)**
(71,536)	(124,030)	**(52,494)**	PFI liabilities	(70,095)	(115,982)	**(45,887)**

For the shopping centre lease debtor, the £26.28 million carrying value on the Balance Sheet was based on discounting the anticipated net income stream. The fair values were prepared by discounting the same income streams using the appropriate AA corporate bond yield. They are higher than the carrying values due to lower interest rates (compared to the rates for the carrying values).

Under new accounting arrangements, PWLB loan fair values are no longer based on premature repayment rates but instead on discounting cash flows at market rates reflecting local authority credit worthiness.

For market loans, fair values were prepared by discounting the contractual cash flows over the whole life of the instrument at the appropriate interest rate swap rate, plus a margin for local authority credit risk, and adding the value of the embedded options. Lender's options to propose an increase to the interest rate on the loan have been valued according to a standard commercial model. It should be noted that the carrying values in respect of a number of market loans with "stepped" (initially lower) interest rates have already been amended.

The fair values of the PFI scheme liabilities were prepared by discounting the contractual cash flows (excluding service charges) at the appropriate AA corporate bond yield.

The overall fair value of the Council's financial liabilities is higher than the carrying amount because, predominantly, the interest rates payable on them are higher than the rates that were available for comparable debt at the balance sheet date. This increases the amount that the Council would have to pay to be allowed to repay the loans early.

Income, expense, gains and losses on financial instruments

The amounts charged in the Comprehensive Income and Expenditure Statement are as follows:

2014/15					2015/16			
Financial Liabilities £000	Financial Assets – loans and receivables £000	Financial Assets – available for sale £000	Total £000		Financial Liabilities £000	Financial Assets – loans and receivables £000	Financial Assets – available for sale £000	Total £000
6,727	0	0	**6,727**	Interest on PFI payments	6,575	0	0	6,575
7,123	0	0	**7,123**	Interest on loans	6,642	0	0	6,642
13,850	**0**	**0**	**13,850**	**Total expense**	**13,217**	**0**	**0**	**13,217**
0	(1,446)	0	**(1,446)**	Shopping centre lease interest	0	(1,446)	0	**(1,446)**
0	(259)	(38)	**(297)**	Other interest	0	(317)	(50)	**(367)**
0	**(1,705)**	**(38)**	**(1,743)**	**Total income**	**0**	**(1,763)**	**(50)**	**(1,813)**
13,850	**(1,705)**	**(38)**	**12,107**	**Net (gain)/loss**	**13,217**	**(1,763)**	**(50)**	**11,404**

Risks arising from financial instruments

The Council's activities expose it to a variety of financial risks, and these are recognised in the Risk Management Programme. Treasury risks are additionally monitored by Audit Committee and by a central Treasury Management Group, working within a framework set for each year by the Treasury Management Strategy. Treasury Management Practices specify practical operational arrangements.

The main risks are:

- Credit risk – other parties may fail to pay amounts due to the Council
- Liquidity risk – the Council may not have funds available to make payments on time
- Market risk – financial loss may arise as a result of changes in financial markets, e.g. movements in interest rates

Credit risk

Investments

The Council has not suffered any loss due to default by financial institutions, and has controls in place to minimise the risk of default.

Limits are set as to the duration of loans and amounts invested, based on independently monitored credit ratings for financial institutions. This lending list is reviewed frequently in line with the latest information from the Council's treasury advisors. The categories of investment made and key limits relating to them were:

- AAA rated money market funds – instant access (upper limit £5 million per fund)
- Credit rated banks and building societies – limits in 3 bands, ranging from minimum rating A- (limits £3 million and 6 months) to minimum rating AA (limits £5 million and 364 days)
- Lower rated (minimum BBB) or unrated building societies with minimum asset size £500 million (maximum £1 million and 6 months), subject to additional credit-worthiness assessments
- Deposits with other local authorities (limits £4 million and 364 days)
- Deposits with the Government's Debt Management Office (no limit)

Limits were also applied to investments in foreign-domiciled banks, and to overall balances in the building society sector. Separate criteria applied to longer term investments (over one year), but no long term investments were made during the year.

At the end of the year the Council's investments portfolio was placed as follows:

31 March 2015 £000	Investment Portfolio	31 March 2016 £000
	Short term investments	
0	Other local authorities	0
3,000	A rated banks/building societies	1,000
0	Low rated building societies	1,000
3,000	**Total short term investments**	**2,000**
	Short term deposits with banks and building societies	
4,353	AAA rated Money Market Funds	8,350
50	AA rated bank	50
50	A rated bank	100
57	Council's own current account bank	50
4,510	**Total short term deposits**	**8,550**

The Council's maximum exposure to credit risk in relation to its investments cannot be assessed in a general way because the risk of any institution failing to repay funds owed will be specific for individual institutions. Recent experience shows that it is rare for such entities to fail to meet their commitments. There is a risk of non-recovery for all of the Council's deposits, but no evidence that this risk is likely to be realised, therefore, no separate provision for loss has been made in the accounts.

The Council has continued to limit the amount of borrowing undertaken, thereby reducing the potential credit risk arising from placing deposits.

Trade receivables

Credit risk for trade receivables is managed in various ways. Risk on lease income is mitigated by legal ownership of the assets leased, with the option to repossess in the event of debtor default.

Arrears are managed by encouraging payment by direct debit and taking recovery action in respect of arrears that do arise. The Council nonetheless recognises the risk of exposure to non-payment and makes provision accordingly, as shown in the following table:

31 March 2015 £000			31 March 2016 £000	
Value of debt	Provision		Value of debt	Provision
4,951	(1,931)	Trade receivables	7,350	(2,084)

Included in the previous table were debts past their due date for payment, broken down by age as follows:

31 March 2015 £000	Aged of Debt	31 March 2016 £000
1,083	Less than 3 months	2,709
704	3 – 12 months	949
748	1 to 2 years	575
1,132	Over 2 years	812
3,667	**Total**	**5,045**

Liquidity risk

The Council's day to day cash flows are monitored closely and projections continually updated. The Council's Investment Strategy, whilst prioritising the security of investments and seeking to optimise net interest earned, also ensures that sufficient funds are maintained on call or for short durations to allow payments to be made when necessary. The good standing of all local authorities as credit risks and the prudent management of the Council's budget as a whole ensures that the Council is in a position to borrow short term to meet day to day expenses when and if necessary.

The Council has ready access to borrowing from the PWLB and other local authorities. As a result there is no significant risk that the Council will be unable to raise funds to meet its long term financial commitments. The main longer term risk is that the Council may find itself having to replenish a significant part of its borrowings at a time of unfavourable interest rates. This risk is managed by maintaining a spread of fixed rate loans and limiting the amount of debt maturing in any one year.

The maturity analysis of principal sums borrowed is as follows:

31 March 2015 £000		31 March 2016 £000
(28,196)	Under 1 year	(38,217)
(28,196)	**Total short term borrowing**	**(38,217)**
(7,568)	Maturing in 1 to 2 years	(1,563)
(4,687)	Maturing in 3 to 5 years	(14,845)
(16,864)	Maturing in 6 to 10 years	(15,815)
(89,066)	Maturing in more than 10 years	(83,541)
(118,185)	**Total long term borrowing**	**(115,764)**
(146,381)	**Total borrowing**	**(153,981)**

The Council has £21.5 million of "Lender's Option, Borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council would then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, it is likely that these options will not be taken up, but the above table assumes they may be taken at the first call option date.

Market risk

The main market risk facing the Council is of adverse movement in interest rates. The Council has a number of strategies to manage interest rate risk, including limiting the total level of net borrowing (borrowing less investment) at variable rates and setting an upper limit for net borrowing at fixed interest rates. The Council also employs treasury advisors to assist with taking investment and borrowing decisions including on such matters as options for debt restructuring (repaying debt early and taking out replacement debt on current terms). The impact of potential changes in interest rates is considered in the setting of the annual budget and is monitored across the year to allow any adverse movements to be accommodated.

The potential impact of any changes in interest rates on the Council is complex. For example, an increase in interest rates would have the following effects:

- Borrowing at variable rates – higher interest costs charged
- Borrowing at fixed rates – the fair value of borrowing liabilities would fall
- Investment at variable rates – higher interest earned
- Investment at fixed rates – the fair value of investment assets would rise

In 2015/16, if interest rates had been 1% higher with all other variables held constant the financial effect would have been:

	2015/16 £000
Interest gained on investments	(265)
Increased cost of borrowing	133
Impact on Comprehensive Income and Expenditure Statement	**(132)**

A 1% change in interest rates would also impact on the fair value of fixed rate investments and borrowings, which can be considered by varying the discount rates used in their estimation. In the case of the fair values of investments this would remain relatively immaterial. It would be more significant for the fair value of borrowings where a 1% increase in rates would decrease the fair value by over £5 million. A decrease in rates would correspondingly increase the fair value of borrowings. This would not impact on either surplus or deficit on the provision of services or the Movement in Reserves Statement.

Over recent years, relatively low interest rates have meant that the Council has been able to take borrowing at very competitive fixed rates and has reduced its exposure to the risk of interest rate increases on borrowing.

27 OTHER LONG TERM LIABILITIES

31 March 2015 £000		**31 March 2016 £000**
(240,639)	Pension scheme liability	(204,911)
(17,352)	Council's share of debt administered by Lancashire County Council under local Government reorganisation regulations	(16,658)
(70,095)	Building schools for the future PFI liability	(68,551)
(328,086)	**Total**	**(290,120)**

28 PRIVATE FINANCE INITIATIVE (PFI)

The Building Schools for the Future programme included the construction and operation of 4 schools funded under PFI contracts. Two of those schools (Witton Park and Pleckgate) have converted to academy status, and the assets are no longer recognised in the Council's Balance Sheet, although the PFI liability continues to be reported as the obligation to pay remains with the Council. The assets used to provide services at Blackburn Central with Crosshill schools are all recognised in the Council's Balance Sheet. Movements in their value over the year are detailed in the movement on the property, plant and equipment balance in Note 13.

The Council makes an agreed annual payment which is increased by inflation each year. Payments remaining to be made under the PFI contract at 31 March 2016 are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Pleckgate school				
Payment in 2016/17	(832)	(499)	(2,673)	(4,004)
Payment within 2 to 5 years	(3,639)	(2,211)	(10,165)	(16,015)
Payment within 6 to 10 years	(4,197)	(4,635)	(11,187)	(20,019)
Payment within 11 to 15 years	(4,949)	(6,598)	(8,472)	(20,019)
Payment within 16 to 20 years	(5,220)	(10,332)	(4,467)	(20,019)
Payment within 21 to 25 years	(250)	(1,132)	(290)	(1,672)
Total Pleckgate School	**(19,087)**	**(25,407)**	**(37,254)**	**(81,748)**
Witton Park / Blackburn Central with Crosshill schools				
Payment in 2016/17	(1,428)	(1,044)	(3,559)	(6,031)
Payment within 2 to 5 years	(6,016)	(4,738)	(13,371)	(24,125)
Payment within 6 to 10 years	(7,761)	(7,869)	(14,525)	(30,155)
Payment within 11 to 15 years	(8,231)	(10,955)	(10,969)	(30,155)
Payment within 16 to 20 years	(9,220)	(14,694)	(6,241)	(30,155)
Payment within 21 to 25 years	(2,365)	(5,388)	(862)	(8,615)
Total Witton Park/Blackburn Central with Crosshill schools	**(35,021)**	**(44,688)**	**(49,527)**	**(129,236)**
Total	**(54,108)**	**(70,095)**	**(86,781)**	**(210,984)**

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 contractor for capital expenditure incurred is as follows:

	Pleckgate £000	Witton Park / Blackburn Central £000	Total
Balance outstanding at 1 April 2015	**(25,842)**	**(45,694)**	**(71,536)**
Payments during the year	435	1,006	1,441
Balance outstanding at 31 March 2016	**(25,407)**	**(44,688)**	**(70,095)**

29 LEASES

Council as Lessee

Operating Leases

The Council has entered into a number of operating leases in respect of land and buildings, vehicles, plant and equipment.

The future minimum lease payments due to non-cancellable leases in future years are:

31 March 2015 £000		31 March 2016 £000
692	Not later than one year	911
1,853	Later than one year and not later than 5 years	2,913
12,087	Later than 5 years	14,246
14,632	**Total**	**18,070**

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

31 March 2015 £000		31 March 2016 £000
1,024	Minimum lease payments	1,167
124	Contingent rents	144
1,148	**Total**	**1,311**

Council as Lessor

Finance Leases

The Council leases out land in respect of the shopping centre under a finance lease with a remaining term of 127 years.

The Council has a gross investment in the lease, made up of minimum lease payments expected to be received over the remaining term. The minimum lease payments comprise settlement of the long term debtor for the interest in the property acquired by the lessee, and finance income earned by the Council whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31 March 2015 £000		31 March 2016 £000
26,281	Finance lease debtor (net present value of minimum lease payments)	26,279
158,935	Unearned finance income	157,490
185,216	**Gross investment in the lease**	**183,769**

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

31 March 2015			31 March 2016	
Gross Investment £000	Minimum Lease Payments £000		Gross Investment £000	Minimum Lease Payments £000
1,447	2	Not later than one year	1,447	2
5,788	7	Later than one year and not later than 5 years	5,788	7
177,981	26,272	Later than 5 years	176,534	26,271
185,216	**26,281**	**Total**	**183,769**	**26,280**

Operating Leases

The Council leases out commercial properties under operating leases, including shops, industrial units, market stalls and agricultural tenancies. This activity supports the provision of local services and economic development in the Borough including the provision of affordable accommodation for businesses.

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

31 March 2015 £000		31 March 2016 £000
(2,179)	Not later than one year	(2,474)
(6,977)	Later than one year and not later than 5 years	(6,830)
(58,661)	Later than 5 years	(56,051)
(67,817)	**Total**	**(65,355)**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16 income generated from leases was £3,344,000 with £865,800 of contingent rents receivable by the Council (£3,556,000 and £1,100,000 respectively in 2014/15).

30 RESERVES

Usable reserves

Movements in the Council's usable reserves are shown in the Movement in Reserves Statement and in Notes 2 and 3.

Unusable reserves

31 March 2015 £000		31 March 2016 £000
(75,458)	Revaluation Reserve	(85,722)
(90,547)	Capital Adjustment Account	(57,314)
2,082	Financial Instruments Adjustment Account	2,032
(26,281)	Deferred Capital Receipts Reserve	(26,280)
240,639	Pensions Reserve	204,911
(1,023)	Collection Fund Adjustment Account	168
2,793	Accumulated Absences Adjustment Account	2,538
52,205	**Total**	**40,333**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment assets. The balance is reduced when such assets are:

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

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

2014/15 £000		2015/16 £000
(64,623)	**Balance at 1 April**	**(75,458)**
(9,390)	Upward revaluation of assets	(17,131)
(3,211)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	3,963
(12,601)	**(Surplus) or deficit on the revaluation of non-current assets not posted to the surplus or deficit on the provision of services**	**(13,168)**
820	Difference between fair value depreciation and historical cost depreciation	847
946	Accumulated gains on assets sold or scrapped	2,057
1,766	**Amount written off to the capital adjustment account**	**2,904**
(75,458)	**Balance at 31 March**	**(85,722)**

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 Council as finance for the costs of acquisition, construction or enhancement.

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.

2014/15 £000		2015/16 £000
(144,153)	**Balance at 1 April**	**(90,547)**
	Reversal of items relating to capital expenditure charged to the Comprehensive Income and Expenditure Statement	
11,027	Charges for depreciation and impairment of non-current assets	13,868
21,192	Revaluation losses on property, plant and equipment	11,271
1,058	Amortisation of intangible assets	1,382
20,531	Revenue expenditure funded from capital under statute	27,143
50,173	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal calculation	38,249
(1,766)	Adjusting amount written out of the Revaluation Reserve	(2,904)
102,215	**Net written out amount of the cost of non-current assets consumed in the year**	**89,009**
	Capital financing applied in the year	
(536)	Use of the capital receipts reserve to finance new capital expenditure	(9,690)
(33,250)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(34,983)
(4,683)	Application of grants to capital financing from the Capital Grants Unapplied Account	(1,477)
(9,559)	Statutory provision for the financing of capital investment charged against the General Fund	(8,727)
(600)	Capital expenditure charged against the General Fund	(940)
19	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	41
(90,547)	**Balance at 31 March**	**(57,314)**

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.

The Council uses the Financial Instruments Adjustment Account to manage premiums paid on the early redemption of loans. Premiums are initially debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund balance to the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on council tax. Similarly, further statutory provisions allow the “effective” interest rate charges in respect of soft loans and stepped interest loans to be reversed out of the General Fund balance to the Financial Instruments Adjustment Account.

2014/15 £000		2015/16 £000
2,132	**Balance at 1 April**	**2,082**
(29)	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(29)
	Effective interest rate adjustments in respect of:	
(13)	Soft loans	(14)
(8)	Stepped loan rates	(7)
(50)	**Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance cost chargeable in the year in accordance with statutory requirements**	**(50)**
2,082	**Balance at 31 March**	**2,032**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place.

2014/15 £000		2015/16 £000
(26,283)	**Balance at 1 April**	**(26,281)**
2	Transfer to the capital receipts reserve upon receipt of cash	1
(26,281)	**Balance at 31 March**	**(26,280)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for pension benefits and for funding benefits in accordance with statutory provisions. The Council accounts for pension benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the pension fund.

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 Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2014/15 £000		2015/16 £000
171,192	**Balance at 1 April**	**240,639**
66,428	Remeasurement of the net defined benefit liability	(46,316)
3,019	Amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under the pension scheme regulations.	10,588
240,639	**Balance at 31 March**	**204,911**

Collection Fund Adjustment Account

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

2014/15 £000		2015/16 £000
644	**Balance at 1 April**	**(1,023)**
(1,667)	Amount by which the council tax income and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement differs to the amount calculated in accordance with statutory requirements	1,191
(1,023)	**Balance at 31 March**	**168**

Accumulated Absences Adjustment Account

The cost of compensated absences e.g. annual leave entitlement not taken by employees during the year is charged to the Comprehensive Income and Expenditure Statement. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

2014/15 £000		2015/16 £000
3,308	**Balance at 1 April**	**2,793**
(3,308)	Settlement of cancellation of accrual made at the end of the preceding year	**(2,793)**
2,793	Amounts accrued at the end of the current year	**2,538**
(515)	**Amount by which remuneration charge to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements**	**(255)**
2,793	**Balance at 31 March**	**2,538**

31 POST-EMPLOYMENT BENEFITS

Pension Schemes accounted for as defined contribution schemes

Teachers' pension scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The Scheme provides teachers 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 technically a defined benefit scheme, however, the scheme is unfunded. The DfE uses a notional fund as the basis for calculating the employer's contribution rate paid by local authorities, and it also bears the related funding risks. 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 purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2015/16, the Council paid £5,893,020 (£5,937,705 in 2014/15) to the Teachers Pensions Agency in respect of teachers' retirement benefits, representing 15.5% (13.9% in 2014/15) of pensionable pay.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers' Scheme. These costs are accounted for on a defined benefits basis.

National Health Service (NHS) pension scheme

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 purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2015/16, the Council paid £80,606 (£91,841 in 2014/15) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.3% (14.1% in 2014/15) of pensionable pay.

Defined benefit pension schemes

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

The Council participates in the Local Government Pension Scheme (LGPS) which is administered locally by Lancashire County Council. The LGPS is a funded defined benefit pension arrangement for local authorities and related employers and is governed by statute (principally now the Local Government Pension Scheme Regulations 2013).

The Lancashire County Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees. Each employer's contributions to the Fund are calculated in accordance with the LGPS Regulations, which require an actuarial valuation to be carried out every 3 years.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme (i.e. 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 the amounts required by statute as shown in the following table.

Discretionary benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. This is an unfunded defined benefit arrangement, under which liabilities arising are recognised when the decision to make the award is made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. Transactions are accounted for using the same policies as are applied to the Local Government Pension Scheme.

Transactions in relation to post-employment benefits

The Council recognises the costs of post-employment/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 required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment 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	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Comprehensive Income and Expenditure Statement				
Cost of services				
Current service cost	12,390	15,443	0	0
Past service cost	11	0	0	0
(Gain)/loss from settlements and curtailments	(3,503)	396	0	0
Financing and Investment Income and Expenditure				
Net Interest expense and administration costs	7,248	7,724	321	248
Total post-employment benefit charged to the surplus or deficit on the provision of services	**16,146**	**23,563**	**321**	**248**
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability:				
Return on plan assets (excluding the amounts included in net interest expense)	(31,919)	(6,726)	0	0
Actuarial (gains)/losses arising on changes in demographic assumptions	0	0	0	0
Actuarial (gains)/losses arising on changes in financial assumptions	97,668	(39,341)	679	(249)
Other	0	0	0	0
Total re-measurement recognised in Other Comprehensive Income	**65,749**	**(46,067)**	**679**	**(249)**
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	**81,895**	**22,504**	**1,000**	**(1)**
Movement in Reserves Statement				
Reversal of net charges made to the surplus/deficit on the provision of services for post-employment benefits in accordance with the Code	(3,328)	(10,957)	309	369
Actual amount charged against the General Fund balance for pensions in the year				
Employers' contributions payable to the scheme	**12,818**	**12,606**		
Retirement benefits payable to pensioners			**630**	**617**

Pensions assets and liabilities recognised in the Balance Sheet

The amounts included in the Balance Sheet arising from the Council's obligations in respect of its defined benefit plans are as follows:

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities Discretionary Benefits Arrangements	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Present value of the defined benefit obligation	(674,155)	(659,067)	(7,829)	(7,211)
Fair value of plan assets	441,345	461,367	0	0
Net liability arising from defined benefit obligation	**(232,810)**	**(197,700)**	**(7,829)**	**(7,211)**

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Opening balance at 1 April	**(557,293)**	**(674,155)**	**(7,459)**	**(7,829)**
Current service cost	(12,390)	(15,443)	0	0
Interest cost	(24,663)	(22,024)	(321)	(248)
Contributions by scheme participants	(4,122)	(3,995)	0	0
Re-measurement gains and (losses):				
- Actuarial gains/(losses) arising on changes in demographic assumptions	0	0	0	0
- Actuarial gains/losses arising on changes in financial assumptions	(97,668)	39,341	(679)	249
- Other	0	0	0	0
Past service (cost)/gain	(11)	0	0	0
(Losses)/gains on curtailment	(394)	(396)	0	0
Liabilities extinguished on settlements	5,851	0	0	0
Benefits paid	16,535	17,605	630	617
Closing balance at 31 March	**(674,155)**	**(659,067)**	**(7,829)**	**(7,211)**

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Opening balance at 1 April	**393,560**	**441,345**	**0**	**0**
Interest income	17,674	14,548	0	0
Re-measurement (gains) and losses:				
- Return on plan assets (excluding the amounts included in net interest expense)	31,919	6,726	0	0
- Other	0	0	0	0
Settlements	(1,954)	0	0	0
Contributions from employer	12,818	12,606	630	617
Contributions from employees into the scheme	4,122	3,995	0	0
Benefits paid	(16,535)	(17,605)	(630)	(617)
Other	(259)	(248)	0	0
Closing balance at 31 March	**441,345**	**461,367**	**0**	**0**

Local Government Pension Scheme assets comprised:

31 March 2015 £000	Asset category	Quoted in active markets (Y/N)	31 March 2016 £000
21,382	**Cash and cash equivalents**	N	**15,866**
	Equity instruments (by industry type):		
48,792	Consumer	Y	50,120
27,157	Manufacturing	Y	25,702
6,797	Energy and utilities	Y	5,804
26,149	Financial Institutions	Y	27,984
14,995	Health and care	Y	16,741
28,020	Information Technology	Y	32,222
0	Other	Y	0
151,910	**Sub-total equity**		**158,573**
	Bonds (by sector):		
6,125	Corporate	Y	9,396
13,852	Government	Y	9,270
19,977	**Sub-total bonds**		**18,666**
	Property (by type):		
17,946	Retail	N	15,804
23,614	Commercial	N	28,545
41,560	**Sub-total property**		**44,349**
	Private equity:		
11,074	UK	N	7,525
15,686	Overseas	N	20,259
26,760	**Sub-total private equity**		**27,784**
	Other investment funds:		
24,563	Infrastructure	N	36,865
3,233	Indirect property funds	N	6,370
113,704	Credit funds	N	116,098
0	UK Pooled Equity Funds	N	0
38,256	Overseas Pooled Equity Funds	N	36,796
179,756	**Sub-total other investment funds**		**196,129**
441,345	**TOTAL ASSETS**		**461,367**

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 assessed by Mercer Human Resources Consulting Limited, an independent firm of actuaries.

Estimates for the Lancashire County Fund are based on the latest full valuation of the scheme as at 31 March 2013. The principal assumptions used by the actuary are as follows:

2014/15		2015/16
Mortality assumptions		
Longevity at 65 for current pensioners		
22.9	Male	23.0
25.4	Female	25.6
Longevity at 65 for future pensioners		
25.1	Male	25.2
27.8	Female	27.9
Financial assumptions		
2.0%	Rate of CPI inflation	2.0%
3.5%	Rate of increase in salaries	3.5%
2.0%	Rate of increase in pensions	2.0%
3.3%	Rate for discounting scheme liabilities	3.6%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the previous table. The following sensitivity analysis is based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period.

Change in assumptions at 31 March 2016	Impact on the net Defined Benefit Liability £000	Impact on the projected Service Cost for next year £000	Impact on the projected Net Interest Cost for next year £000
Longevity - 1 year increase in member life expectancy	+ 12,824	+ 314	+ 473
Rate of inflation - increase by 0.1%	+ 12,951	+ 468	+ 478
Rate of increase in salaries – increase by 0.1%	+ 2,954	0	+ 118
Rate for discounting scheme liabilities – increase by 0.1%	- 12,704	- 450	- 271

Impact on the Council's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible, whilst meeting the requirement of Regulations governing the Fund which require the contributions to be set with a view to targeting the Fund's solvency. The detailed provisions are set out in the Fund's Funding Strategy Statement.

The Regulations also require actuarial valuations to be carried out every 3 years. The most recent valuation showed a shortfall of assets against liabilities of £1.38 billion, equivalent to a funding level of 78%. The fund's employers are paying additional contributions over a period of 19 years in order to meet the shortfall. Funding levels are monitored on an annual basis, with the next triennial valuation 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 schemes to pay pensions and other benefits.

The Council anticipates paying contributions of £13.087 million to the scheme in 2016/17.

The weighted average duration of the authority's defined benefit obligation is 19 years, measured on the actuarial assumptions used for IAS19 purposes.

32 CASH FLOW STATEMENT NOTES

Operating activities

The net surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement has been subject to the following adjustments in order to arrive at the net cash flows from operating activities:

The cash flows for operating activities include the following items:

31 March 2015 £000		31 March 2016 £000
1,739	Interest received	1,822
(13,850)	Interest paid	(13,317)

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

31 March 2015 £000		31 March 2016 £000
11,028	Depreciation	9,856
21,192	Impairment and downward valuations	15,433
1,058	Amortisation	1,382
5,944	Increase/(decrease) in creditors	(302)
(7,811)	(Increase)/decrease in debtors	9,243
(504)	(Increase)/decrease in inventories	419
3,019	Movement in pension liability	10,588
50,172	Carrying amount of non-current assets, non-current assets held for sale, sold or derecognised	38,099
331	Other non-cash items charged to the surplus or deficit on the provision of services	430
84,429	**Total**	**85,148**

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

31 March 2015 £000		31 March 2016 £000
15,980	Proceeds from short term (not considered to be cash equivalents) and long term investments (includes investments in associates, joint ventures and subsidiaries)	1
(509)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(9,690)
(34,965)	Any other items for which the cash effects are investing or financing cash flows	(42,028)
(19,494)	**Total**	**(51,717)**

Investing activities

31 March 2015 £000		31 March 2016 £000
(42,460)	Purchase of property, plant and equipment, investment property and intangible assets	(38,413)
(50)	Purchase of short term and long term investments	0
(321)	Other payments for investing activities	0
511	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	9,690
27	Proceeds from short term and long term investments	1,007
34,343	Other receipts from investing activities	39,961
(7,950)	**Net cash flows from investing activities**	**12,245**

Financing activities

31 March 2015 £000		31 March 2016 £000
24,185	Cash receipts of short term and long term borrowing	42,500
0	Other receipts from financing activities	0
(1,496)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(1,441)
(22,752)	Repayment of short term and long term borrowing	(35,494)
1,681	Other payments for financing activities	137
1,618	**Net cash flows from financing activities**	**5,702**

33 RELATED PARTIES

The Council is required to disclose material transactions with related parties. 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 effective control over the general operations of the Council as it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills and housing benefits). Grant income from Government departments and grant receipts outstanding at 31 March 2016 are shown in Note 7.

Members

Members of the Council have direct control over the Council's financial and operating policies. Members are also appointed by the Council to boards or committees of various organisations to act on behalf of the Council in their official capacities.

The total of Members' allowances paid in 2015/16 is shown in Note 9.

During 2015/16, works and services to the value of £557,800 were commissioned from a company in which a member had an interest. This comprised payments to Lancashire United Buses, mostly for bus service costs, bus fares and bus pass charges. The works or services were entered into in full compliance with the Council's standing orders, financial procedure rules and procurement procedure rules. A further 5 members were either employed by or were on the governing body of Blackburn College, to whom the Council paid £318,600 towards the jointly funded town centre leisure facility and £375,000 in relation to academic fees for which the Council was liable. Also, one member is a Governor and Director of Witton Park Academy, which received £147,800 from the Council during the year in respect of Non Local Authority Schools payments.

It should be noted that details of these interests have been recorded in the Register of Members' Interests, which is open to public inspection.

Interests in companies and other entities

The Council has financial interests and related party transactions with a number of companies in which it has invested, and which are shown in Note 19.

Via Partnership Limited (formerly CX Limited)

The Council has a 30% shareholding in the Via Partnership Limited, a company jointly owned with Blackpool Borough Council and Lancashire County Council, to provide high quality information, advice and guidance to help individuals move forward in work and to support employers in developing their staff.

During 2015 the combination of continued reductions in public funding, failure to meet financial forecasts and a poor grading from OFSTED, all had a negative impact on the company's cash flow, and the company was placed into administration on 10 December 2015. On current information the administration is not likely to exceed 12 months following which it is anticipated that the company will move to dissolution. As a consequence of this the Council has written off its investment of £150,000 in the company. It has also reimbursed Lancashire county council £300,000 in respect of a guarantee in connection with a further loan made to the company on the Council's behalf.

Blackburn with Darwen and Bolton Local Education Partnership Limited

The Council has a 5% shareholding in Blackburn with Darwen and Bolton Local Education Partnership Limited, which was formed in order to deliver the capital investment elements of the Building Schools for the Future programme. The Council has also invested in Blackburn with Darwen and Bolton Phase 1 Holdings Limited, Blackburn with Darwen and Bolton Phase 1 Limited, Blackburn with Darwen and Bolton

Phase 2 Holdings Limited, Blackburn with Darwen and Bolton Phase 2 Limited, which are special purpose companies established solely to deliver the new schools at Pleckgate, Witton Park and Blackburn Central with Crosshill under the Private Finance Initiative (Note 28). Payments made in 2015/16 to the Blackburn with Darwen and Bolton Local Education Partnership Limited amounted to £13.26 million.

Blackburn with Darwen Sports Arena Limited

On 24 April 2014, the members' arrangements of the former Blackburn Rovers Sports Arena Limited were reviewed and it was agreed that the Participants' Agreement would end with the company transferring wholly to Blackburn with Darwen Borough Council. The company ceased to be active with effect from 10 March 2016 and is no longer registered at Companies House.

Marketing Lancashire Limited (formerly Lancashire and Blackpool Tourist Board Limited)

The Council held 14% voting rights in Lancashire and Blackpool Tourist Board Limited, a company owned jointly by Lancashire County Council, Blackpool Council and Blackburn with Darwen Council. The company, which was incorporated in December 2004 in order to promote the development and promotion of tourism in Lancashire, changed its name to Marketing Lancashire Limited on 4 May 2012. In August 2012, joint ownership of the company ceased and Lancashire County Council became the sole member.

In 2008 the Council provided an interest-free loan to the company for £10,000 which is due to be repaid on 16 May 2018.

Twin Valley Homes

The Council has one sixth representation on the Board of Twin Valley Homes (TVH), which is a not for profit community entity. Under the terms of the large scale voluntary transfer of council dwellings that resulted in the creation of TVH in 2001, the Council, together with several neighbouring local authorities and housing associations, has certain rights to make nominations into dwellings which are vacant and available for letting. The Council made payments to TVH of £428,700 during the year to fund schemes providing temporary accommodation for single homeless people/families and sheltered accommodation. In addition the Council made payments of housing benefit to TVH in its role as a social landlord. The Council has also paid over capital grant of £29,900 from the Department for Communities and Local Government (Clusters of Empty Homes funding) to allow TVH to bring empty properties back into use.

Regenerate Pennine Lancashire Limited

The Council is one of 6 local authorities with an interest in Regenerate Pennine Lancashire Limited, an economic development company designed to help increase prosperity and life choices for people living and working in Pennine Lancashire. By working alongside businesses to boost Lancashire's economy, the company is able to create new job opportunities and access local funds, Government grants and European funding. In 2015/16 the company paid out £3.1 million in grants and assistance to local industries. In addition to this, the company also assisted other organisation to pay out £1.9 million in grants to companies. The company is limited by guarantee. Lancashire County Council is the accountable body, providing the company secretary and audit services at no cost. Blackburn with Darwen Borough Council acts as the employing body for staff and provides finance, IT and related support, for which a charge of £27,900 was made to the company in 2015/16.

Officers

Officers are appointed by the Council to boards or committees of various organisations to act on behalf of the Council in their official capacities. All officers are also required to declare any relevant interests in a departmental register of interest, gifts and hospitality. In 2015/16 one senior officer declared a family relationship with a senior officer in one of our major precepting authorities. Although there are significant transactions between the two parties in relation to business rates and council tax, the administration of these is strictly defined by a statutory framework. There were no other significant transactions with organisations in which Council officers had declared interests.

Other public bodies (subject to common control by Central Government)

The main transactions with other public bodies are in relation to precepts paid to Lancashire Police Authority and the Lancashire Combined Fire Authority, details of which are shown in the Collection Fund Income and Expenditure Statement.

The Council continues to work closely with its major Health partner through the Blackburn with Darwen Clinical Commissioning Group (BwD CCG) formed on 1 April 2013 to jointly deliver integrated health and adult social care services under an NHS Section 256 agreement and under strategic direction of the local Health and Wellbeing Board. This includes joint strategic needs assessments and a joint health and wellbeing strategy to increase and improve integrated health and social care for residents of the Borough.

The Council and the Clinical Commissioning Group (CCG) received £10.586 million revenue ring fenced grant in 2015/16 towards the Better Care Fund (BCF). The BCF brings together NHS and Local Government resources, and operates as a pooled budget (Section 75 agreement) with Blackburn with Darwen Council identified as the pooled budget host. The BCF provides an opportunity through pooled budget arrangements to transform local services so that people are provided with better integrated care and support. The Fund provides a real opportunity to create a shared plan for the totality of health and social care activity, to improve services and value for money, and protecting and improving social care services by shifting resources from acute services into community and preventive settings.

The Council received £14.084 million of Public Health Grant in 2015/16 for the delivery of Public Health services aimed at improving health outcomes for all ages and removing health inequalities across the borough population. The Public Health Grant is allocated to the authority as a ring fenced grant. Transfer of the commissioning of 0-5 Children's public health services from NHS England was effective from 1st October 2015. This is the final part of the transfer of public health responsibilities to local government.

Additional transfer of funds and contributions from Blackburn with Darwen CCG in 2015/16 totalled £622k.

The Council hosts a joint building control service with Burnley Borough Council. Under a service level agreement both authorities contribute towards the net running cost of the service, with Burnley contributing 35.5% (£89,971) and Blackburn with Darwen contributing 64.5% (£163,468) in 2015/16.

Entities controlled or significantly influenced by the Council

The Council has a 15 year contract with Capita Business Services Limited and Capita Limited, which is due to finish at the end of June 2016, although some services transferred back to the Council in January 2016. Payments made to the companies during 2015/16 amounted to £9.760 million. Whilst the Council has no direct control over the companies, and the value of the contract is not significant in terms of the size of the Capita Group, it is likely that the operation of the local Blackburn Business Centre is dependent to some extent on the continuation or otherwise of this contract.

The Council made contributions totalling £280,759 to 3 organisations (Families, Health & Wellbeing Consortium, Tobacco Free Futures and Darwen Music Live) during the year where the amounts concerned provided a significant proportion of those organisations' income. In these cases, there is a presumption

that there is substantial reliance upon such contributions for the future continuation or otherwise of the organisations concerned.

34 CONTINGENT LIABILITIES

As at 31 March 2016 the Council had 3 contingent liabilities:

Following the liquidation of Municipal Mutual Insurance (MMI) in 1992/93 there are a number of claims outstanding which may not be resolved for many years. The "Scheme of Arrangement" between local authorities and the administrators of MMI was invoked in 2012/13 and the Council has a liability both in relation to the former Blackburn Borough Council and Lancashire County Council (in relation to transferred services). The total potential liability in relation to the former Blackburn Borough Council as at 31 March 2016 remains uncertain. A Levy Notice was issued on 1st January 2014 by the Scheme Administrator at a rate of 15% on established scheme liabilities. The Scheme Administrator has reviewed the position during the year and increased the levy rate to 25% - amounting to a total of £499,000 for the Council. In considering the most likely remaining financial impact, the Council has set aside a provision of £250,000, with a further £250,000 being held in an earmarked reserve. However, there is a risk that the Council's financial liability could increase from this level.

There are a number of closed landfill sites within the Borough for which the Council has responsibility for aftercare costs. A number of sites have been assessed as posing no ongoing threat, whilst other sites are being actively monitored. A small number of sites require ongoing remediation works and the Council is currently contracting a consultant to carry out improved monitoring on site, in order to evaluate the effectiveness of in-situ remediation measures and potential future liabilities for the Council.

The Council is facing potential litigation in relation to an Empty Homes programme for which Rossendale Borough Council acted as the Accountable Body. The Council is defending its position and is firmly denying any responsibility or liability associated with the financial loss and/or scheme.

35 TRUST FUNDS

The Council acts as a sole or custodian trustee for 2 trust funds, and as one of several trustees for a further 2 funds. The funds do not represent assets of the Council and they have not been included in the Council's Balance Sheet. The Council also administers a fund on behalf of third parties.

The third party funds are made up of savings and property of residents in the Council's care.

Trust funds 2015/16

	Income £	Expenditure £	Assets £	Liabilities £
Funds/bequests for which Blackburn with Darwen Borough Council acts as sole trustee:				
Garstang Lecture Fund	(448)	0	(35,780)	0
Henrietta Kenyon Bequest	(223)	0	(14,752)	0
Funds/bequests for which Blackburn with Darwen Borough Council acts as joint trustee:				
Borough of Blackburn Common Good Trust	(149)	0	(23,644)	0
Poors Land Charity	(1)	0	(3,337)	0
Funds/bequests which Blackburn with Darwen Borough Council administers:				
Harriet Holt	(36)	0	(7,718)	0
Total	**(857)**	**0**	**(85,231)**	**0**

Trust funds 2014/15

	Income £	Expenditure £	Assets £	Liabilities £
Funds/bequests for which Blackburn with Darwen Borough Council acts as sole trustee:				
Garstang Lecture Fund	(429)	0	(35,695)	0
Henrietta Kenyon Bequest	(289)	0	(14,819)	0
Funds/bequests for which Blackburn with Darwen Borough Council acts as joint trustee:				
Borough of Blackburn Common Good Trust	(159)	0	(23,496)	0
Poors Land Charity	(32)	0	(3,335)	0
Funds/bequests which Blackburn with Darwen Borough Council administers:				
Harriet Holt	(31)	0	(7,682)	0
Total	**(940)**	**0**	**(85,027)**	**0**

Other third party funds

31 March 2015 £		31 March 2016 £
(14,000)	Monies received from the Criminal Injuries Compensation Board for minors under the Council's care	(3,037)
(26,394)	Monies held in relation to Equity House	(26,394)
(27,266)	Savings and property of residents in the Council's care	(27,266)
(67,660)	**Net interest**	**(56,697)**

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

2014/15 £000				2015/16 £000		
Non-domestic rates	Council tax	Total		Non-domestic rates	Council tax	Total
			Income			
	(48,906)	(48,906)	Council tax receivable (net of benefits, discounts for prompt payment and transitional relief)		(50,550)	(50,550)
(50,013)	0	(50,013)	Non-domestic rates receivable (net of discretionary and mandatory reliefs	(48,672)	0	(48,672)
			Contribution towards previous year's Collection Fund deficit			
(976)	0	(976)	- Central Government	(672)	0	(672)
(956)	20	(936)	- Blackburn with Darwen Borough Council	(658)	984	326
0	4	4	- Police & Crime Commissioner for Lancashire	0	121	121
(20)	1	(19)	- Lancashire Combined Fire Authority	(14)	49	35
(1,952)	**25**	**(1,927)**	**Total contribution to previous year's Collection Fund deficit**	**(1,344)**	**1,154**	**(190)**
(51,965)	**(48,881)**	**(100,846)**	**Total income**	**(50,016)**	**(49,396)**	**(99,412)**
			Expenditure			
			Precepts and demands from major preceptors and the Council (Council tax)			
0	39,927	39,927	- Blackburn with Darwen Borough Council	0	42,026	42,026
0	4,897	4,897	- Lancashire Police Authority	0	5,257	5,257
0	1,998	1,998	- Lancashire Combined Fire Authority	0	2,144	2,144
0	**46,822**	**46,822**	**Total council tax precepts**	**0**	**49,427**	**49,427**
			Shares of non-domestic rating income to major preceptors and the Council (billing authority)			
22,291	0	22,291	- Blackburn with Darwen Borough Council	22,773	0	22,773
455	0	455	- Lancashire Combined Fire Authority	465	0	465
22,746	**0**	**22,746**	**Total non-domestic rates precepts**	**23,238**	**0**	**23,238**
22,746	0	22,746	Payment with respect to central share (including allowable deductions) of the non-domestic rating income to be paid to Central Government	23,238	0	23,238
954	0	954	Transitional Protection Payments receivable	148	0	148
3,115	1,339	4,454	Impairment of debt/appeals	3,341	1,253	4,594
251	0	251	Charge to General Fund for allowable collection costs	253	0	253
49,812	**48,161**	**97,973**	**Total expenditure**	**50,218**	**50,680**	**100,898**
(2,153)	**(720)**	**(2,873)**	**Movement on fund balance**	**202**	**1,284**	**1,486**
2,418	(635)	1,783	Fund balance brought forward	265	(1,355)	(1,090)
265	(1,355)	(1,090)	Fund balance carried forward	467	(71)	396

Allocation of Collection Fund balance

31 March 2015			31 March 2016	
Non-domestic rates £000	Council tax £000	(Surplus)/deficit carried forward	Non-domestic rates £000	Council tax £000
		Allocated to:		
130	(1,155)	Blackburn with Darwen Borough Council	229	(60)
0	(142)	Police & Crime Commissioner for Lancashire	0	(8)
3	(58)	Lancashire Combined Fire Authority	5	(3)
132	0	Central Government	233	0
265	**(1,355)**	**Total**	**467**	**(71)**

Non-domestic rates

The Council collects non-domestic rates for its area which are based on local rateable values (set by the Valuation Office) multiplied by a uniform business rate set by Central Government. There are 2 multipliers- the small business non-domestic rating multiplier, which is applicable to those that qualify for small business rate relief, and the non-domestic rating multiplier, which includes the supplement to pay for the small business rates relief scheme.

For 2015/16 the non-domestic rating multiplier was 49.3p (48.2p for 2014/15), which was made up of a small business rating multiplier of 48p plus a supplement of 1.3p. The total non-domestic rateable value at 31 March 2016 was £128,665,279 (£128,278,805 at 31 March 2015).

Calculation of the council tax base

The council tax base is the number of chargeable dwellings in each valuation band (A to H), adjusted for dwellings where exemptions or discounts apply, and converted to an equivalent number of band D dwellings.

In 2015/16 the calculation of the tax base for council tax setting purposes was based on a total of 60,685 residential properties (taken from a list prepared by the Government's Valuation Office). After taking account of discounts, exemptions and disabled relief these equate to 42,204 chargeable dwellings or 33,900 band D equivalent properties, as analysed in the table below.

Valuation Band	Total equivalent number of dwellings after discounts, exemptions and disabled relief	Chargeable Band D Equivalents
A	21,044	14,024
B	7,353	5,719
C	6,918	6,147
D	3,800	3,800
E	1,802	2,203
F	705	1,018
G	529	882
H	53	107
Total	**42,204**	**33,900**

ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

A number of new and revised standards have been issued but not yet adopted in the 2015/16 Code. These include amendments to:

- *Annual Improvements to IFRSs 2010-2012 Cycle and 2012-2014 Cycle*
- *IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)*
- *IAS 16 Property, Plant and Equipment* and *IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)*
- *IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)*
- *IAS 1 Presentation of Financial Statements (Disclosure Initiative)*
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.

It is not anticipated that the above amendments will have a material impact on the information provided in the Council's financial statements for 2016/17 i.e. there is unlikely to be a change to the reported net cost of services or the Surplus or Deficit on the Provision of Services.

However, changes in respect of *IAS 1 Presentation of Financial Statements (Disclosure Initiative)* will impact on the format and reporting requirements of the financial statements in 2016/17, including some comparator 2015/16 amounts. The *Telling the Story* review of the presentation of local authority financial statements together with the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out on the following pages the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the statement of accounts are:

Funding

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

Market lease

The Council considers that the terms of the lease agreement in respect of Blackburn Market within the shopping centre does not transfer substantially all the risks and rewards incidental to ownership of the property, plant and equipment. The lease has, therefore, been treated as an operating lease and rentals paid under the terms of the lease are charged to the Comprehensive Income and Expenditure Statement.

Accounting for schools

In assessing the most appropriate accounting treatment for balances and transactions in relation to schools, the Council has considered the circumstances of each of the categories of school, such as ownership, control and access to economic benefits and service potential. Further details are included in Note 15.

ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

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

Assumptions	Degree of uncertainty
Property, plant and equipment – valuation	
The Code prescribes the detailed bases for measuring the different classes of property, plant and equipment (PPE). Valuations are performed by Capita Symonds, property consultants to the Council, using qualified valuers, using recognised measurement techniques and based on professional guidance. The Council commissions a rolling programme of valuations, which meets the Code requirements to revalue assets every 5 years as a minimum. Assets on which material capital work has been completed in year are also revalued, and an annual review is carried out to consider impairment of properties and to ensure that property valuations are not materially different to the carrying amount in the Balance Sheet.	Since valuations are compiled by an expert using recognised measurement techniques and based on professional guidance, the underlying data is considered to be reliable and the scope to use judgement and change assumptions limited. As such, the degree of estimation uncertainty is not considered to be high.
Property, plant and equipment/intangible assets – depreciation/amortisation	
Depreciation/amortisation is the systematic allocation of the cost/fair value of an asset, less its residual value, over its useful life. The calculation of amounts for the year are generated by the Council's asset register software system, although the residual value and useful life are estimates. For property assets, residual values are unlikely to be material. Useful lives are estimated by the Council's property consultants based on professional guidance and are reviewed on revaluation of the asset. For non-property assets, only the residual value and useful life are estimates because the assets are held at cost. The Council seeks advice from the supplier on useful lives and requires asset managers to estimate the remaining useful life of assets as part of the annual asset verification arrangements.	Whilst total depreciation/amortisation for 2015/16 was material at £11.2 million there were no material depreciation charges for individual assets with the highest depreciation charge being £469,000. For property assets, since useful lives are estimated by an expert based on professional guidance, the scope to use judgement and change assumptions is limited. Also, given that property assets have relatively long asset lives, the estimates are less sensitive to changes in assumptions. For non-property assets, the estimated remaining useful lives are reviewed as part of the annual asset verification arrangements, which mitigates the risk of the sensitivity to changes in assumptions, given the relatively short asset lives. The risk of misstatement is unlikely to be material.

Private finance initiative (PFI) schemes

The Council's Building Schools for the Future (BSF) project included a number of schools funded under a PFI arrangement. The PFI contract is considered to be a service concession as defined in IFRIC 12, with the Council having control of the services provided through the use of the schools throughout the period of the contract.

The Council pays the operator for the specified services over the life of the arrangement. The contract includes performance standards. It also sets the initial prices to be levied by the operator and regulates price revisions over the term of the arrangement.

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.

As the PFI model uses recognised measurement techniques and the Council has engaged professional advisors, the underlying data is considered to be reliable and the scope to use judgement and change assumptions limited. The degree of estimation uncertainty is, therefore, considered to be acceptable.

Impairment of debtors

In this context, the concept of "impairment" involves the assessment of the likelihood of a debt being recovered. Where it is considered likely that a debt will not be paid then the carrying amount will be adjusted to the probable recoverable amount of zero.

The Council carries out a regular assessment of aged debt information from the sundry debtors system. In general, 100% provision is made for debts over two years old, and 50% provision for debts over one year old. In addition, individual debts over £10,000 are considered separately.

For council tax and business rates debts, a review is made of collectability in line with current debt recovery performance data.

Although the provision for likely bad debts (£11.5 million) is material in relation to sundry debtors (£27.9 million), the year on year assessments based on aged debt analysis have not highlighted the need for any significant in year movements and the assumptions appear reasonable in the light of subsequent events.

As such, the degree of estimation uncertainty is not considered to be high.

Provisions

There are 5 provisions included within the Council's Balance Sheet, 3 of which are in respect of potential damage or injury claims being made against the Council. A further provision relates to a loan guarantee made by the Council.

Since the introduction of the Business Rates Retention Scheme from 1 April 2013, billing authorities are required to make provisions for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. The total provision is calculated by the Council (as billing authority) on behalf of the major preceptor (Lancashire Combined Fire Authority), central government and itself. The amount appearing in the Council's balance sheet has been adjusted to include only its share (49%) of the provision.

The main cause of estimation uncertainty relates to the timing and outcome of claims made against the Council. In order to mitigate this level of uncertainty:

- detailed monitoring of outstanding/potential highways third party claims is carried out throughout the year.
- the Council's future estimated liability under the MMI Scheme of arrangement is based on expert information provided by the scheme administrator.
- the potential refunds to business ratepayers has been calculated using the Valuation Office (VOA) ratings list of appeals and the analysis of successful appeals to date.

The total value of provisions is not considered to be material (£3.885 million at 31 March 2016 and £3.475 million at 31 March 2015), therefore the degree of estimation uncertainty is considered to be low.

Pensions liability	
Estimation of the liability to pay pensions within the Local Government Pension Scheme depends on a number of complex judgements relating to: the rate for discounting scheme liabilities; the rate at which salaries are projected to increase; changes in retirement ages and mortality rates; and expected returns on pension fund assets. A firm of actuaries is engaged by the Lancashire County Pension Fund to provide all the authorities within that fund with expert advice about the assumptions to be applied in calculating the IAS19 figures for accounting purposes.	Regulations governing pension funds ensure the solvency of the fund is protected. A full actuarial valuation is required to be carried out every 3 years, with a projected deficit on the fund being made good by increased contributions from scheme members. Although the net pension liability has a significant impact on the Council's Balance Sheet, the regulatory arrangements for funding the deficit mitigates any risk to the financial position of the Council.
Fair values estimated for financial Instruments	
The Code requires that fair values for financial instruments are estimated and, where appropriate, reported. Such estimates require technical calculations and knowledge of market conditions prevailing at the valuation dates. The Council uses its professional treasury advisers, Arlingclose, to support this process, and to undertake most of the calculations.	The work done by Arlingclose uses expert understanding of market conditions, and recognised measurement techniques, so the estimates reflected in the financial statements and the underlying data used to calculate them are both considered to be reliable and the scope to use judgement and change assumptions limited. As such, the degree of estimation uncertainty is not considered to be high.

GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the financial year 2015/16 and its position at the year-end of 31 March 2016. The Accounts and Audit (England) Regulations 2015 require the Council to produce an Annual Statement of Accounts, prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice for Local Authorities 2015/16 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The accounts are prepared on a going concern basis and the accounting convention adopted is principally historical cost modified for the valuation of certain categories of non-current assets and financial instruments.

The Code of Practice specifies the principles and practices of accounting required to prepare a Statement of Accounts which provides a true and fair view of the financial position and transactions of the Council and is based on approved international accounting standards, except where these might conflict with specific statutory accounting requirements.

In accordance with the Code, the Council has selected a number of accounting policies which it feels are the most suitable to its particular circumstances for the purpose of providing a true and fair view of the financial position and transactions of the Council. Policies are reviewed regularly to ensure their appropriateness and are changed as necessary to maintain this position.

The concepts that the Council has regard to in selecting and applying these policies are:

Qualitative characteristics of financial information:	Revenue accounting concepts:
• Understandability • Relevance • Reliability • Comparability	• Accruals • Going concern • Primacy of legislative requirements

ACCOUNTING POLICIES

Accounting policies can be defined as the principles, bases, conventions, rules and practices applied that specify how the transactions and other events are to be reflected in the financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves.

ACCRUALS OF EXPENDITURE AND INCOME

The expenditure and income of the Council is accounted for in the financial year in which the activity it relates to takes place, regardless of when cash payments are made or received. Where expenditure and income have been recognised but cash has not been paid or received a creditor or debtor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of the debtor is written down and a charge made to revenue for the income that might not be collected.

Supplies and services are recorded as expenditure when they are received. When they are held for future use they are carried as inventories on the Balance Sheet. Fees, charges and other amounts due are recorded as income when goods are sold or services delivered.

Interest receivable on investments, or payable on borrowing, is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Council tax and non-domestic rates are accrued for in the same way as other Council income, and are recognised in the Taxation and Non-specific Grant Income line within the Comprehensive Income and Expenditure Statement when it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority, and the amount of the revenue can be measured reliably. As a billing authority the difference between the council tax and non-domestic rates income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement. Each major preceptor's share of the accrued council tax and non-domestic rates income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

CARBON REDUCTION COMMITMENT SCHEME

The Council is required to participate in the Carbon Reduction Commitment (CRC) energy efficiency scheme and is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions, i.e. carbon dioxide, produced as energy is used. Phase 1 ran from April 2010 until the end of March 2014. The second phase runs from 1 April 2014 to 31 March 2019.

As carbon dioxide is emitted, 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 is apportioned to services on the basis of energy consumption.

CASH AND CASH EQUIVALENTS

Cash consists of cash in hand and deposits with financial institutions repayable without penalty on demand i.e. current and instant access accounts. Cash equivalents are investments that are readily convertible to cash with up to one month's notice, with insignificant risk of change in value, for example constant net asset value Money Market Funds.

Fixed term investments are viewed as investments rather than cash equivalents, even if the outstanding period falls below one month at the date of the accounts, because of the uncertainty over the degree to which they may be readily convertible to cash.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. Instead it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (Minimum Revenue Provision). This is achieved by means of an adjustment between the General Fund balance and the Capital Adjustment Account in the Movement in Reserves Statement.

EMPLOYEE BENEFITS

Benefits payable during employment

Employee benefits including salaries, paid annual leave, paid sick leave and non-monetary benefits (for example the value of lease cars) are charged to the surplus or deficit on the provision of services. An accrual is made for the cost of holiday entitlements (including flexi leave or time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the year in which the employee takes the benefit. The accrual is charged to the relevant service revenue account in the Comprehensive Income and Expenditure Statement but then reversed out through the Accumulated Absences Adjustment Account in the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. The liability for termination benefits is recognised at the point when the Council can no longer withdraw the offer of benefits or when the Council recognises costs for a restructuring that involves the payment of termination benefits. The charge is made to the relevant service line in the Comprehensive Income and Expenditure Statement.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the 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.

Post-employment benefits

Employees of the Council are members of 3 separate pension schemes:

- Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- The NHS Pension scheme, administered by EA Finance NHS Pensions
- The Local Government Pension Scheme (LGPS), administered by Lancashire County Council

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.
However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as if they are a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pension Scheme in the year. The Public Health line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

The Lancashire County Pension Scheme is accounted for as a defined benefits scheme.

The liabilities of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of future earnings for current employees.

Liabilities are discounted to their value at current prices using a discount rate of 4.5% (based on the market yields at the reporting date on high quality corporate bonds).

The assets of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet at their fair value.

The change in the net pension's liability is analysed into the following components:

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year. This is allocated in the Comprehensive Income and Expenditure Statement to the 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. These are charged to the surplus or deficit on the provision of services in Comprehensive Income and Expenditure Statement as part of non-distributed costs.
- Any gain or loss on settlement – arising when the Council enters into a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan.

Net interest on the net defined benefit liability comprising:

- The change during the period of the net defined benefit liability that arises from the passage of time. This is charged to the Comprehensive Income and Expenditure Statement within the financing and investment income and expenditure line.

Re-measurement of the net defined benefit liability comprising:

- The return on plan assets, excluding amounts included in net interest on the net defined benefit liability.
- Actuarial gains and losses - changes in the present value of the defined benefit obligation resulting from: a) experience adjustments (the effects of differences between the previous actuarial adjustments and what has actually occurred) and b) the effects of changes in actuarial assumptions.

Contributions by scheme participants

- The increase in scheme liabilities and assets due to payments made into the scheme by employees. (where increased contribution increases pensions due to employees in the future).

Contributions by the employer

- The increase in scheme assets due to payments made into the scheme by the employer.

Benefits paid

- Payments to discharge liabilities directly to pensioners.

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. This is achieved by transfers between the pensions fund and the general fund to remove the notional debits and credits for retirement benefits and replace them with amounts actually paid to the pension fund and pensioners and amounts accrued at the year end. The negative balance 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 earned by employees.

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities arising 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.

FAIR VALUE MEASUREMENT

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

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

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

The Council uses external Valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

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

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

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

Level 3 – unobservable inputs for the asset or liability.

FINANCIAL INSTRUMENTS

Financial instruments arise when contracts create financial assets and liabilities, and these are recognised on the Council's Balance Sheet. Typical financial assets include bank deposits, investments and loans by the Council and amounts receivable whilst financial liabilities include amounts borrowed by the Council and amounts payable.

Financial assets

Financial assets are classified into 2 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 in the Balance Sheet when the Council becomes a party to the relevant contractual provisions and are initially measured at fair value, then subsequently measured at amortised cost.

For most of the Council's loans and receivables the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has a share in "soft loans", charging less than market rates. If there is a material difference, a charge is made to the Comprehensive Income and Expenditure Statement (debited to the appropriate service), reflecting the present value of the interest foregone over the life of the instrument and the amortised value of the loan on the Balance Sheet is correspondingly reduced. Over the life of the loan, interest is then credited to the Comprehensive Income and Expenditure Statement at a higher effective rate of interest than the rate receivable on the soft loan, with the difference serving to increase the amortised value of the loan back towards its nominal value at redemption.

However, statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable in the financial year – in this case nil.

Available for sale assets

The Council recognises its holdings in Money Market Funds as available for sale assets. These are initially recognised at fair value (the price paid for the holding) and as the holdings are all at constant net asset value, there are no subsequent adjustments to value required and no Assets for Sale Reserve.

Impairment of financial assets

If assets are identified as impaired because of a likelihood arising from a past event that payments due will not be made, the asset is written down and a charge made to the relevant service or to 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 derecognition of an asset are credited or debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement. For all financial instruments any differences between charges made to the Comprehensive Income and Expenditure Statement and those required to be met from the General Fund balance are managed by transfers to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. This includes adjustments in respect of stepped interest rate loans, and regulatory requirements in respect of certain debt restructuring and soft loans.

Financial liabilities

Financial liabilities are initially measured at fair value and are subsequently carried at their amortised cost.

For most of the Council's borrowings, this means that the amount on 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.

However, the Council has taken some market loans subject to "stepped" interest rates, where the initial rates payable were lower than over the rest of the loan. Interest charges for these loans are averaged out over the life of each loan and effective interest rates are used to calculate their amortised cost for the Balance Sheet. As the loans were taken before 9 November 2007, however, this impacts on the Financial Instruments Adjustment Account and does not fall on General Fund balances.

Gains or losses on the repurchase or early settlement of borrowings are shown (on the Financing and Investment Income and Expenditure line) in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, if the loan portfolio is restructured with a modification or exchange of existing instruments any premium/discount is included in the amortised cost of the new/modified loan and the impact on the Comprehensive Income and Expenditure Statement is spread over the life of the loan.

Regulations allow the cost of premiums to be spread over the remaining life of the loan repaid or over the life of any replacement loan whichever is longer. Discounts must be spread over the remaining life of the loan repaid or 10 years, whichever is shorter. In these circumstances, the Council spreads the cost of the premium over the remaining life of the replacement debt, whilst discounts are written back over 10 years.

GOVERNMENT GRANTS AND OTHER CONTRIBUTIONS

Government grants and other contributions or donations are recognised in the accounts when the conditions for their receipt have been complied with.

Grants and contributions for which conditions have not been satisfied are included in the Balance Sheet within the relevant grants receipts in advance account. When conditions are satisfied, the grant or contribution is credited to the relevant service line 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 used to fund capital expenditure, it is posted to the Capital Adjustment Account.

HERITAGE ASSETS

Heritage assets are non-current assets held principally for their contribution to knowledge and culture. In particular such assets increase the understanding and appreciation of the Council's history and that of the local area. They are recognised and measured in accordance with the Council's accounting policies on property, plant and equipment though individual heritage assets are recognised subject to the higher threshold of £25,000. Where cost or value is not available and the cost of obtaining the information outweighs the benefit to the users of the financial statements, the Code does not require that the asset is recognised on the balance sheet. The Council has identified four categories of heritage assets as outlined below.

Civic regalia and coins

Insurance valuations are available for these items. However, the majority are valued at less than £25,000, with only two items above the threshold and, therefore, recognised in the Council's Balance Sheet as Heritage Assets. These items are measured at insurance valuation, which is based on market values.

Art collections, manuscripts and books

These are mainly held in the Council's Museum. Items with a value of £25,000 or over are recognised in the Balance Sheet at the insurance valuation, which is based on market values.

The schedule of items held within this category is reviewed each year and adjusted for additions and deletions or impairments. Formal valuations are reviewed and updated when items are being loaned out to other organisations or where it is considered that there has been a material change to the condition of an asset.

Public/street art, monuments and statues

These items are included in the Balance Sheet at historic cost where such information is available. Heritage assets such as Darwen Jubilee Tower, the War Memorial and various statues have not been recognised in the Balance Sheet as recent information on cost is not available.

Historic buildings

Those buildings that have been identified as having heritage characteristics are all used by the Council for operational purposes and are accounted for within the Council's Balance Sheet as property, plant and equipment. Examples include Blackburn Town Hall, King George's Hall, Blackburn Museum, Lewis Textile Museum, Corporation Park conservatory and Turton Tower.

INTANGIBLE ASSETS

Expenditure on assets that do not have physical substance, for example software licences which are purchased separately from the purchase of hardware, is capitalised when it will bring economic benefits to the Council for more than one year. This category of asset is shown separately on the Balance Sheet. Intangible assets are measured initially at cost which is amortised over the economic life to reflect the pattern of consumption. The charge is made to the relevant service line in the Comprehensive Income and Expenditure Statement. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible assets held by the Council meet this criterion.

Regular impairment reviews are carried out and any losses recognised are posted to 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 reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve for any sale proceeds over £10,000.

The only type of asset that is accounted for as intangible is IT software. Where the software is an integral part of a particular piece of hardware, the two items are treated as one property, plant and equipment asset.

All software is given a finite useful life of between 3 and 5 years, based on assessments of the period that the software is expected to be of use to the Council and amortised on a straight-line basis.

The amortisation is charged to a support services cost centre and then absorbed as an overhead across all 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.

INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council has some associate company and joint venture interests, which could require the preparation of group accounts. It is considered, however, that the amount of the Council's share of the operating results, assets and liabilities of these entities are not considered to be material to the understanding of the financial position of the Council and group financial statements have not therefore been produced.

The companies are:

- The Via Partnership Limited – associate company
- Blackburn with Darwen and Bolton Local Education Partnership Limited (LEP) – joint venture

The Via Partnership was placed into administration on 10 December 2015. On current information the administration is not likely to exceed 12 months following which it is anticipated that the company will move to dissolution.

A Long term investment is included within the Council's Balance Sheet in respect of the LEP.

INVENTORIES

The Council's inventories are valued on a variety of bases depending on the nature of the items involved. These bases include cost, average cost and first in first out.

The Code requires inventories to be included in the Balance Sheet at the lower of cost and net realisable value. The different treatment of stocks is not considered to be material.

INVESTMENT PROPERTY

Investment properties are those that are used solely 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 services or production of goods or is held for sale. Industrial and commercial properties held by the Council are not considered to be held solely to earn rentals and/or for capital appreciation. Rather, they are held for regeneration, planning reasons and estate management and, therefore, have been classified as property, plant and equipment.

Investment properties are measured at cost and subsequently fair value. Properties are not depreciated but are revalued annually according to market conditions at year end. Gains and losses on revaluation or disposal are posted to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

Rentals received in relation to investment properties are credited to the financing and investment income and expenditure 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.

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 elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as lessee

Finance leases

Assets held under a finance lease are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council 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 finance charge, debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement and the principal element, applied to write down the lease liability.

Assets recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where the ownership of the asset does not transfer to the Council 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 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 asset. Charges are made on a straight line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as lessor

Finance leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal and charged to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. The Council's net investment in the lease is credited to the same line matched by a long term debtor in the Balance Sheet. Lease rentals receivable are apportioned between finance income credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement and the principal element applied to write down the long term debtor.

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 an 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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

Operating leases

Where the 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. 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 of rental income.

OVERHEADS AND SUPPORT SERVICES

The cost of support services and overheads are allocated to services in proportion to the benefit received in accordance with the CIPFA Service Reporting Code of Practice (SERCOP), with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – including the cost of discretionary benefits awarded to employees retiring early.

The bases of allocation used for the main support service costs are outlined in the following table:

Support Service	Basis of Allocation
Finance	Time
Legal	Time
HR	Number of employees
Administrative buildings	Floor area
IT	Number of computers/laptops

PRIVATE FINANCE INITIATIVES (PFI)

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 in its Balance Sheet as part of property, plant and equipment.

The original recognition of these assets at fair value will be 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 will be 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 5 elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding balance sheet liability, debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement
- 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
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- Lifecycle replacement costs – a 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

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.

Where a change in accounting policy 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 applied.

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

PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance, that 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 it exceeds the de minimis threshold of £10,000 and provides economic benefits to the Council for a period of more than one year.

Expenditure that maintains but does not enhance the asset or add to its potential to deliver future economic benefits or service potential is charged as an expense when it is incurred (i.e. repairs and maintenance).

Measurement

An asset is initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council 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 Council). In the case of an asset being acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain would be held in a Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement.

Assets are then held on the balance sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction - depreciated historical cost
- surplus assets – fair value, determined by the measurement of the highest and best use value of the asset.
- all other operational assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

Land and buildings 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 5 years. Valuations are undertaken by qualified valuers, with current experience and knowledge of the state of the market, in accordance with latest appraisal and valuation standards set by the Royal Institution of Chartered Surveyors (RICS).

When an asset is revalued, any accumulated depreciation and impairment at the date of valuation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

A decrease in value will be charged firstly against any balance held in the Revaluation Reserve. If this is insufficient or non-existent, the charge is made to 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 have been consolidated into the Capital Adjustment Account.

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. Infrastructure assets, community assets, and assets under construction are measured at historic cost.

Impairment

Assets are reviewed annually for impairment. Impairment losses are charged against revaluation gains held in the Revaluation Reserve. If these are inadequate then the loss is charged to the relevant line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, 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 calculated on the following bases:

- Buildings - straight line allocation over the useful life of the property (up to 60 years) as estimated by the valuer
- Vehicles, plant, furniture and equipment – straight line allocation over 1-20 years, as advised by a suitably qualified officer
- Infrastructure – straight line allocation over 2-40 years

An exception is made for assets without a determinable useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use for example assets under construction.

The standard approach is that newly acquired assets are not depreciated in the year of acquisition, and assets in the course of construction are not depreciated until they are brought into use. An exception to this is in respect of vehicles purchased outright when this represents better value for money than leasing. Depreciation is also charged on PFI schemes in the year the asset is recognised on the Balance Sheet, in order to be consistent with the minimum revenue provision (MRP) calculation. In these cases a full year's depreciation is charged in the initial year.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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 charged 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 a sale transaction rather than through its continuing use (i.e. it is being "actively marketed"), it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line of 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 subsequently fail to meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at their original value adjusted for depreciation, amortisation or revaluations that would have applied.

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 of 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 as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account.

Amounts received for disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to former housing disposals (75% 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 usable 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).

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 in the Movement in Reserves Statement.

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

A provision is made when 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 but where the timing is uncertain. For example, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate line of the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation.

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

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

Contingent assets

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

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

Contingent liabilities

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

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

RESERVES

The Council sets aside specific amounts as reserves for future policy purposes (earmarked reserves) or to cover contingencies (unallocated balances). 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 so that it is included in 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 (Revaluation Reserve and Capital Adjustment Account), financial instruments, retirement and employment benefits and do not represent usable resources for the Council.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that 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. Such expenditure generally relates to grants issued by the Council or expenditure on property not owned by the Council. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer is made to the Movement in Reserves Statement from the Capital Adjustment Account, which reverses out the amounts charged so that there is no impact on the level of council tax.

VALUE ADDED TAX (VAT)

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

Foreword by the Executive Director Resources – Chair of the Primary Assurance Group

Blackburn with Darwen Borough Council recognises that there always will be risks that it must manage effectively. Whilst it recognises that due diligence will not always ensure that it gets things right first time, it continues to put in place assurance frameworks and enhance existing arrangements that are intended to ensure that its system of governance is fit for purpose and has flexibility to meet the challenges that the change agenda brings.

The Resources Directorate has continued to promote the Council's strategic approach to governance and assurance. The developments in governance in 2015/16 included:

- The approval of a new Counter Fraud Policy Statement and Strategy, which includes the delivery of an e-learning fraud awareness package for all staff and the ongoing participation in the National Fraud Initiative.
- Continuing embedding of information security awareness through an e-learning toolkit, training for staff, the publication of guidance via the intranet and acceptance of the Information Technology (IT) Acceptable Usage Policy.
- Ongoing work to implement the information governance strategy and related policies and procedures.
- Continuing embedding of risk management arrangements through the revision of the Risk Management Strategy and Framework, the supporting Toolkit and associated refresher training.
- Completion of director assurance statements, which closely reflect the six principles of good governance in support of the Annual Governance Statement.
- Continuing review and amendments to the Council's Constitution.
- Revision of the Medium Term Financial Plan and Capital Programme, which included a senior management structure review and amendments to the roles and responsibilities of chief officers.
- Development and scrutiny of the Workforce Review programme by the Workforce Programme Board.
- Completion of the Audit Committee self-assessment to evaluate their effectiveness.
- Production of the second Audit Committee annual report.

SCOPE OF RESPONSIBILITY

Blackburn with Darwen Borough Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically and effectively. It 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, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Audit Committee fulfils the core functions of an audit committee, as identified in CIPFA's *Audit Committees - Practical Guidance for Local Authorities and Police (2013 Edition).* It monitors and responds to the work of internal and external audit and has overall responsibility for reviewing the framework of corporate governance.

ANNUAL GOVERNANCE STATEMENT

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2012 Edition).* A copy of the code is on our website at www.blackburn.gov.uk; it is contained within the Constitution. This statement explains how Blackburn with Darwen Borough Council has complied with the code and it meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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 it can therefore only provide reasonable, and not absolute, assurance of effectiveness. It is based on a continuous process that is designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of both those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Blackburn with Darwen Borough Council for the year ended 31 March 2016 and up to the date of approval of the annual statement of accounts.

THE GOVERNANCE FRAMEWORK

The Council has had robust corporate governance and management arrangements in place for many years which have led to good financial management, the delivery of efficiencies and planned investment in priorities. The Council is already implementing improvements to these business systems and processes.

Some of the key features of the governance framework are set out in the following paragraphs.

1. **Identify and communicate the vision and intended outcomes for citizens and service users.**
   After extensive consultation with citizens and service users, the Council produced its Corporate Plan in 2012. This was developed using the latest information about the needs of people of Blackburn with Darwen, the challenges and opportunities it faces as an organisation and borough and also responds to what residents have identified, focusing on what is needed to achieve and the priorities over the period of the plan. The plan is published on the Council website.

   Corporate Plan targets are monitored at departmental management team meetings, programme area meetings (PAM) and dedicated performance 1-1s between Executive Directors and their Directors, with briefings being held for Executive Members quarterly at the Executive Board. An integrated performance challenge framework continues to be implemented which, in addition to Corporate Plan performance metrics, sees key issues from Resources (Finance, Human Resources and issues escalated from the Management Accountabilities Framework (MAF)) being challenged quarterly in the same session. This allows for any cross cutting issues to be identified, with the implications being fully discussed and remedial actions being agreed. The Medium Term Financial Strategy is reviewed at Finance Council, and builds upon the priorities agreed at Policy Council and identified within the Corporate Plan. The Corporate Plan update for 2016/2019 was approved by Policy Council in December 2015. Whilst the corporate priorities have remained the same, a new list

of pledges has been developed for each Portfolio. A Corporate Plan Technical Appendix 2016/19 is presently being developed to include measures and targets for the next 3 years.

2. **Review the vision and its implications for the authority's governance arrangements.**
The Council's vision is guided and influenced by the longer term community vision, which is owned by the Local Strategic Partnership (LSP) and is currently encapsulated within the 2030 vision statement.

In addition the LSP has developed and launched a medium term plan: "Plan for Prosperity 2014-20" which was endorsed by the Local Government Association Health and Wellbeing Board peer review team.

The Council reviews its vision, which is focused on short to medium term ambitions, as and when required, for example when new priorities emerge or if there is a change of leadership. Changes to the vision and ambitions are generally consulted upon with executive members, chief officers and overview and scrutiny chairs, prior to annual Policy Council, which discusses and ratifies the vision.

The Council will achieve good governance by working with the LSP to provide the vision for its communities and leading by example in its decision-making processes and its service delivery.

3. **Translate the vision into objectives for the authority and its partnerships.**
The Council plays a key role within the Blackburn with Darwen LSP, which is the borough's largest and most influential partnership body. It is an overarching body, made up of representatives from the public sector, local business and the voluntary, community and faith sectors. The aim of the partnership is to help make the borough the best it can possibly be, and all members of the LSP Board are committed to delivering improvements for the borough, which are outlined in the Plan for Prosperity.

The priorities are:
- Infrastructure and housing
- Business investment and innovation
- Employability
- Quality of life
- Image and marketing

The Council continues to place these at the heart of everything that it does, and all of our delivery priorities outlined within the Corporate Plan help us contribute to delivering on the vision.

At the same time as consulting on the vision and ambition, the Council's Corporate Policy and Performance Team work with officers to identify what will be done to deliver the ambition and how progress against this delivery will be measured. This is currently encapsulated within the Technical Appendix that accompanies the Corporate Plan.

The Corporate Policy and Performance Team also work with service departments to ensure that appropriate responsibilities for delivery are built into departmental business plans. The agreed performance measures and activities are then monitored through the Performance Management Framework.

4. **Measure the quality of services for users.**
The Council regularly undertakes a Residents Survey. The results from the 2014 Residents Survey for the question "Overall, how satisfied or dissatisfied are you with the delivery of council services". More than seven out of ten (70%) of respondents were either very or fairly satisfied overall with the delivery of council services.

Customer/resident satisfaction with the services they receive, for the council tax that they pay, has always been a key priority for the Council, and as such residents perceptions of value for money features as a key measure within the current Corporate Plan.

The Corporate Plan also outlines that a principle that underpins our delivery of the priorities, is that of providing high quality services, and the plan contains a number of indicators that operate as a proxy for quality of service, these include:

- Residents perception of value for money.
- Percentage of residents who think the Council keeps its residents informed about services.
- Percentage of residents who feel that they can influence decisions affecting their local area.
- Number of instances where service user views have been sought and/or influenced service delivery and design (children and young people).
- Length of time taken to process benefit claims and change in circumstances.
- Percentage of schools rating overall service provision as good or outstanding (in relation to the services provided to them by the Council).

Customer service is an embedded principal in all council work and specific arrangements exist within statutory services around adults and children social care.

5. Define and document the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements.

The Council Constitution was updated at Full Council on 23 April 2015 to reflect the resolutions/decisions made at Full Council since April 2014. This included changes in organisational structure previously noted and agreed, statutory changes, changes to the delegations and recommendations from the Planning and Highways Committee and the Standards Committee during 2014/15.

The revised Constitution also incorporates the changes introduced by the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 which were issued on 25 March 2015 and come into force on 11 May 2015. These regulations introduce new provisions as regards the dismissal of the head of the authority's paid service, the authority's monitoring officer and the chief finance officer. Under the Regulations any proposed disciplinary action against one of those officers, requires the Council to appoint a Panel consisting of independent persons (who have been appointed for the purposes of the members' conduct regime under section 28[7] of the Localism Act 2011) to form an independent panel who will then advise, and make recommendations to the full Council as regards any such dismissal.

The annual update also reviewed Executive Member portfolio responsibilities and the Council's strategic objectives. Amendments are made as necessary during the course of the year to reflect changes in the law and others changes which would require full Council approval. The Constitution is due to be further reviewed and updated this year.

The Council has adopted the 'strong leader model'. The Council's Constitution sets out the relative roles and responsibilities of Executive and Non Members, Officers and Committees. It defines, through the procedure rules, how day-to-day activities must be undertaken and it allocates statutory responsibilities to named individuals. The decision-making processes are also defined by the Constitution and Executive Member or key decisions may only be taken after both the Finance and Legal departments have been consulted.

The respective roles of the Section 151 Officer, Monitoring Officer and Senior Information Risk Officer (SIRO) ensure legality, financial prudence and transparency in transactions in accordance with legislative requirements.

The Constitution was subsequently updated in July 2015 to reflect the senior management changes and changes in legislation. The Council is legally and constitutionally obliged to maintain and keep up to date its constitution.

The Council is proactive in supporting the development of partnership bodies both with other public sector agencies, like health and police, and with representation from the business and community sectors. This is principally through the development of the LSP and its range of sub groups but it also involves other significant partnership projects. Governance arrangements are set out in the Constitution.

During 2014/15 the Council introduced a procedure for recording and publishing decisions made by officers, in line with the Government's transparency agenda and the Access to Information Procedure Rules in the Constitution. Such decisions are subject to the scrutiny arrangements outlined in the Constitution. Staff training and workshops had been held to introduce these new arrangements

6. **Develop, communicate and embed the codes of conduct and define the standards of behaviour for members and staff.**
The Council Constitution contains codes of conduct for Members. New Members accept their code of conduct as part of their Acceptance of Office declaration. They are also provided training on the Code of Conduct as part of their induction. All Members need to complete and submit a 'General Notice of Registrable Interests' form, which includes information relating to gifts, hospitality and pecuniary interests. These are published on the Council website. New staff appointees sign the staff Code of Conduct as part of their induction. In addition, each Department maintains a register of gifts and hospitality and of interests. The latter are reviewed at least annually. The Employee Code of Conduct was updated in October 2013 and reflected in the Constitution.

7. **Review the effectiveness of the decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality.**
The Constitution provides the framework for decisions to be made, for decision makers to be held to account through the scrutiny arrangements, and for the involvement of citizens in the decision making process. The decision making process is set out in Article 13 of the Constitution and responsibilities are identified in Part 3. The Monitoring Officer also holds and maintains a recorded of sub-delegations by each Chief Officer.

Despite formal monitoring of the Council's data quality arrangements no longer being required by external audit, previous monitoring arrangements have continued to be operated. Council processes have been reassessed in light of the requirements of the Single Data List published by the Department for Communities and Local Government. Training and awareness raising sessions continue to be delivered, alongside formal checks on performance indicator files and monitoring/recording processes. The Data Quality Policy (Performance Data) was refreshed in 2012/13 to reflect the changed national reporting arrangements and implementation of new local arrangements (such as electronic file management). The policy was endorsed by Audit Committee in January 2013. Work is continually underway to assess the Council's compliance with the Government's new Code of Practice on Transparency, and any areas recommended for improvement will be addressed and monitored through our existing data quality arrangements.

Over the course of the year the Council has continued to carry out equality analysis and impact assessments prior to key decisions taken at the annual Finance Council. The Council has, again,

revised its Equality Impact Assessment (EIA) Toolkit and reviewed its decision-making processes to embed a robust and mandatory process which helps demonstrate due regard of the impact of service reviews on protected groups, staff and local residents, whilst ensuring a level of bureaucratic balance with the introduction of a new 'screening' element to the EIA process. In line with legislative requirements, Senior Management Teams and Elected Members within respective service areas were engaged in understanding the outcomes of consultations and the impacts of decisions as part of the organisational transformation and downsizing.

The annual Audit and Assurance Plan sets out the internal audit resources and skills required to deliver an effective internal audit service. The staff resources are considered adequate for the Council's current needs to ensure that it meets the requirements of the Accounts and Audit Regulations. The resources are prioritised to evaluate and improve the effectiveness of the Council's risk management, control, and governance processes in the annual Audit and Assurance Plan. Reviews of these areas are required to provide an annual internal audit opinion which contributes to the Annual Governance Statement.

8. Review the effectiveness of the framework for identifying and managing risks and demonstrate clear accountability.

Overarching responsibility for risk management lies with the Management Board, with the corporate risks being owned by members of the Executive Team or Management Board. These are monitored on a regular basis by the Corporate Risk and Resilience Forum (CRRF) which is led by the Director of Finance and IT. The Corporate Risk Management Strategy and Framework 2015/20 sets out the structure of the risk management groups and the revised roles and responsibilities along with the terms of reference for the groups and includes risk management guidance for decision makers and self-challenge questions for report writers. The Risk Management Toolkit and risk register ensure a consistent approach to risk management across the Council. Each department has its own risk registers and risk champion and is required to consider risk at each departmental management meeting. The Management Board reporting formats have been developed to include a risk paragraph in them, Management Accountability Framework (MAF) returns also contain a risk section. Risk management reports are also presented at each Audit Committee meeting.

Directors are required quarterly to undertake a self-assessment of the effectiveness of controls within their own areas of responsibility and to identify any areas of concern and what they are doing to tackle them. This is reported to the Chief Executive through the MAF.

The reports cover the effectiveness of the governance arrangements in Departments (performance, budget management, the management of priorities, risk management, health and safety and the application of fundamental controls), identifying weaknesses and remedies. MAF is an evolving process and refinements and extensions to its coverage will continue.

The Primary Assurance Group (PAG) draws together the sources of assurance, including those provided through MAF, and having challenged them produces the Annual Governance Statement for the Audit Committee's and the Chief Executive's consideration. The PAG is chaired by the Deputy Chief Executive and it also has the Monitoring Officer, SIRO and Section 151 Officer as members. The Chair of the Audit Committee also attends the meeting to oversee the annual governance process.

The Council produces integrated financial monitoring reports covering both revenue and capital expenditure. The improvements made in the co-ordination of the preparation of the statement of accounts and working papers continues to be maintained.

The Corporate Business Continuity (BC) Plan has been reviewed to reflect the design of the Corporate Generic Emergency Response Plan and is now awaiting final approval from Management Board and Risk and Resilience Forum. This sits under the Business Continuity Strategy which begins to align the Council under ISO22301, from BS25999. Departmental Business Continuity Plans will be

reviewed again in light of the recent restructures across the departments and the substantial service and staffing reviews.

At the same time of reviewing the departmental BC plans the BIA (Business Impact Analysis) documents will be reviewed for each service within the departments, to ensure that the critical functions are still relevant and receive priority attention.

The Civil Contingencies team are working with Audit and Procurement services to ensure that the contracts in place for key/critical services are checked with a Business Continuity perspective to ensure resilience. To this end a short workshop will be hosted to include procurement staff and business continuity staff to understand the need for BC awareness when contracting and commissioning services in order to protect the council. Recommendations and outcomes are still being implemented from the Corporate BC exercise 2015.

All employees have responsibility for their own and other people's health and safety. The overall responsibility for health and safety management lies with the Chief Executive. The Corporate Health and Safety policy, which has been revised in November 2015, (due to be reviewed November 2017), and system of safety procedural documents (which are currently under review) outlines the arrangements in place to meet the Council's statutory duties.

New corporate training courses for employees are currently being developed, in a bite sized format and these will be delivered throughout 2016/17, these will be a mixture of workshop and e-learning packages.

A rolling programme of announced and unannounced audits are in place for the Council and Schools, this will complement the newly developed Health and Safety compliance checks that were rolled out in April 2016.

The trend in employee accidents through 2015/16 has remained at a similar level to 2014/15, however the accidents reported to the Health and Safety Executive under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) has increased, this exceeds the target set for the year of 8. However upon investigation the RIDDORS have not highlighted any cause for concern areas and all actions highlighted from the investigations have been implemented by the departments.

Near miss reporting has decreased across all areas, a new Health and Safety system has been purchased to support ease of reporting and new poster information will be available by June 16. The new system, timely reporting of accidents and Near Miss reporting will be delivered via short workshops in June/July prior to the launch of the system and will include members from the Health & Safety Task Groups and Health and HSCC's as part of the launch.

9. Ensure effective counter-fraud and anti-corruption arrangements are developed and maintained.

The Counter Fraud Team within Audit and Assurance, on behalf of the Council, takes part in the National Fraud Initiative and monitors the completion of the fraud awareness e learning package by staff. It also monitors the whistle-blowing calls and carries out investigations into potential non-compliance or financial irregularities.

The Council's Counter Fraud Policy Statement and Strategy 2016/2021 was approved in March 2016. The Statement and Strategy have been prepared in accordance with the CIPFA Code of Practice on managing the risk of fraud and corruption for public service organisations (2014). It sets out the Council's approach to the management of fraud risks and defines responsibilities for action.

Having considered all the principles, the organisation has adopted a satisfactory response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

10. **Ensure effective management of change and transformation.**
The Council is continuing with a series of transformational projects which will generate efficiencies during 2016/17 and in future years. A Workforce Review Programme commenced during the year. The aim of this is to determine the best and most efficient shape and range of roles required to deliver effective services taking account of available technologies and new ways of working. The delivery of the Programme is overseen by the Workforce Review Programme Board, which will drive and monitor the individual reviews that are being undertaken to closely manage the achievement of savings required as set out in the Medium Term Financial Strategy and ensure that the organisation has the flexibility and agility within the workforce to continue to respond to the emerging priorities during 2016/17 and future years.

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

12. **Ensure the assurance arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit* (2010).**
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). The Statement identifies that the Head of Internal Audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by:

    i. championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and

    ii. giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

    To perform this role the Head of Internal Audit:

    iii. must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee;

    iv. must lead and direct an internal audit service that is resourced to be fit for purpose; and

    v. must be professionally qualified and suitably experienced.

13. **Ensure effective arrangements are in place for the discharge of the monitoring officer function.**
The functions of the Monitoring Officer are set out in the Council's Constitution. The role of Monitoring Officer forms part of the specific responsibilities of the Director of HR, Legal and Corporate Services.

14. **Ensure effective arrangements are in place for the discharge of the head of paid service function.**
As Head of the Paid Service, the Chief Executive is responsible for ensuring that Directors and Members both understand the need for sound internal controls and apply them in practice.

15. Undertake the core functions of an audit committee.

The Audit Committee provides independent assurance of the adequacy of the risk management framework, overall governance and the associated control environment. It oversees the integrity of financial reporting and also provides independent scrutiny of the Council's financial and non-financial performance to the extent that it affects its exposure to risk and weakens the control environment.

The Audit Committee is responsible overall for monitoring compliance with policies and procedures and for setting defined standards, where need be; this includes responding to reports from the Council's external auditor.

In 2014/15 the Audit Committee undertook a self-assessment exercise to assess its effectiveness against the criteria outlined in the CIPFA's Audit Committees - Practical Guidance for Local Authorities and Police (2013 Edition). This resulted in a number of improvements being implemented in 2015/16 including a revision to the Audit Committee's terms of reference. The Audit Committee has also completed the CIPFA assessment tool to evaluate its effectiveness.

16. Ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

Directors are responsible for ensuring that, within their areas of responsibility; they establish and maintain effective systems of internal control, complying with legislation, grant rules, the Council's own rules, etc. This includes both responding to recommendations by Inspectorates and working with partner organisations.

A key element of assurance available to the Council and the Audit Committee is the suite of assurance statements made by each of the directors that support the Annual Governance Statement. These require each director to take personal responsibility for the operation of adequate and effective governance and internal control systems, which include compliance with applicable laws and regulations. The director's assurance statements closely reflect the CIPFA/SOLACE six principles of good governance and the Council's Local Code of Corporate Governance.

The NHS Information Governance Toolkit –V13 was submitted by BWD Information Governance and has been accepted as successful by Health and Social Care Information Centre (HSCIC) assessors. Certification for 2016/2017 has been issued. This enables the Council to exchange data with NHS bodies.

The Acceptable Use Policy (AUP) is currently under review to incorporate new policies (including the new HR Social Media Policy) and changes in ways of working. Once the changes have been reviewed, this will be pushed out for wider ITM&G Departmental Management Team approval before being submitted to Local Joint Negotiating and Consultative Committee (LJNCC) and Workforce Management Group for consideration. If approved, this will then be issued to all staff via Metacompliance to enable an electronic auditable trail of acceptance of the new Policy.

Information Asset Registers are in the process of being updated by Departments in order to comply with Public Services Network (PSN) and NHS Information Government Toolkit requirements. The National Archive (TNA) Information Asset Owner training is available to BWD. Approval to schedule TNA training is to be sought to enable publication of the Accountability Framework and progress with allocating data owner responsibilities across the Council. The BWD Information Governance Accountability Framework has been redrafted in Q4 2015/16. This document details corporate responsibilities and aligns the Information Asset Ownership to the intended structure for 2016/2017. The Senior Information Risk Owner (SIRO) is to review this framework and agree in order to take this structure forward and develop the training required to implement.

The Data share website has been operational for 1 full year. Datasets have been uploaded where required. £500 monthly spend is routinely updated every month by Information Governance (IG). Frequently requested Freedom Of Information (FOI) requests continue to be monitored and IG are actively encouraging departments to consider routine upload to the Transparency pages in order to reduce the burden of repeat FOI requests.

Changes are due to be made to the Data Protection Act with the introduction of the new General Data Protection Regulations (GDPR). There will also be legislative updates that will fall out of the FOI Commission and the Consultation on Data Sharing. This will mean that IG will need to ensure that any potential resource issues as a result of any upcoming changes are made clear when finalising resource models under the workforce review. BWD will not understand the impact that increased mandatory responsibilities will have on resource until at least Q3 2016/17.

The IG team continue to provide advice, guidance and assistance in the relevant areas of legislation, are qualified to ISEB level in Data Protection and Freedom of Information and will engage with professional training providers over the course of the next 12 months to stay up to date with upcoming legislative changes and the introduction of the new GDPR.

Audit and Assurance produces an internal audit charter and annual plan which are approved by the Audit Committee. The annual plan examines the Council's systems of risk management, control, and governance. It reports to individual managers on the outcomes of its audit reviews, agreeing management actions with them. It also reports to the Audit Committee on progress and outcomes of its planned work. Throughout the year, it reviews and reports to the Chief Executive on matters arising from the MAF reports. At the year end, it produces a statutory opinion report which is part of the Annual Governance Statement process. Routinely, each quarter, Audit and Assurance reports to the Chief Executive and Audit Committee on governance matters of particular importance through its independent reviews of MAF reports.

17. Whistleblowing and for receiving and investigating complaints from the public.

The Council's Whistle-blowing Policy and the Corporate Complaints Policy are available on the Internet. Both define what steps will be taken in investigating complaints from staff or members of the public.

18. Identify the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

The Council remains committed to elected member training and development, and is already assessing the development needs of newly elected members. There will also be a robust induction programme for newly elected members to the Council and portfolio areas. The Council will also be maximising the development opportunities offered by North West Employers Organisation.

As the organisation continues to downsize and makes changes to the Council's Constitution by devolving decision making; then any development needs are identified as part of this process. There has continued to be an investment in development for Heads of service with the introduction of bite size sessions on relevant topics. Where senior managers take on new responsibilities, a training plan is in place e.g. business continuity, emergency planning.

19. Establish clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

The hard copy of The Shuttle has now been replaced by an online version, each issue, contains information on achievement. Financial and performance information are both available on the Council's website and the annual financial leaflet is sent to all households. Decisions of the Council are available on the Internet.

A key commitment of the Corporate Plan is "Your Call", where the Council are committed to working together with residents; businesses and partners, to develop local solution to local problems. This approach is predominantly delivered through the Your Call campaign, which encourages local residents to come forward with ideas to improve their streets, neighbourhoods and towns, and they are supported by the Council to implement their ideas.

The Council website provides access to Council papers, including Committee agendas, minutes, relevant reports and decisions.

The Council has undertaken an extensive programme of consultation and engagement when developing its Local Council Tax support scheme. The public consultation took place over a period of 12 weeks. The Council used all of the channels open to it including direct communications, a survey, roadshows and bespoke briefing sessions for key stakeholders.

The Council has taken the views of all the groups into account when preparing its budgets. In advance of final decisions on the budgets the potential impact on individuals, services and the voluntary and community sector is considered. As each service is reviewed and final recommendations are made EIAs are undertaken

20. Enhance the accountability for service delivery and effectiveness of other public service providers.

The Council is proactive in supporting the development of partnership bodies both with other public sector agencies, like health and police, and with representation from the business and community sectors.

The LSP Board is the overarching and strategic management body that has responsibility for the direction and overall corporate governance of the LSP. The Board is responsible for monitoring the plan for prosperity.

Blackburn with Darwen was one of the first in the country to set up the new Health and Wellbeing Boards as part of government changes to the NHS. The board, run by Blackburn with Darwen Council, leads on improving the strategic co-ordination of planning and buying local health services, social care for both children and adults and public health services to promote more local control over those services. All organisations working in those areas will, through the board, develop a shared understanding of local need and agree the best strategy to meet that with the funding and resources available.

The Blackburn with Darwen Community Safety Partnership (CSP) has merged with the CSP's of Burnley and Rossendale following agreement by members and the Police and Crime Commissioner of Lancashire. Blackburn with Darwen administers the new Pennine Lancashire Community Safety Board and retains its duty as a Local Authority alongside the Police, Fire Service, Clinical Commissioning Groups, National Probation Service and Community Rehabilitation Company to work together to reduce crime and anti-social behaviour.

The Partnership has grown in size and strength and now includes a wide range of partners from both the statutory and voluntary sector from across the Sub Region. Collectively it is achieving excellent results, keeping crime levels low and tackling anti-social behaviour by supporting individuals, families and communities

21. Incorporate good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.

The Council continues to undertake sound governance arrangements with its partners. Significant partnerships have continued to be identified and assessed since 2012 via the refreshed toolkit which

was updated in 2014 following an audit review. The Significant Partnerships Register was updated in October 2015 and was signed off at Audit Committee in January 2016. Compliance is monitored by the Corporate Risk and Resilience Forum with targeted sampling through the internal audit plan. The wider partnership structure and constitution have now been assimilated into corporate processes following the acquisition of new partnerships via community safety and health and wellbeing.

REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review of effectiveness is informed by the work of the members of the Council's Management Board who sign an annual assurance certificate regarding the effectiveness of the governance arrangements in place, the Head of Audit & Assurance's annual opinion report, and also by comments made by the external auditors and other inspection agencies.

The Council regularly reviews its Constitution and has delegated to the Audit Committee responsibility for reviewing the effectiveness of the governance framework and for reporting to the Executive Board where it thinks that there are issues that must be considered by the Executive.

The Scrutiny Committees set their own annual work plans and report to the Council both quarterly and annually. These Committees continue to monitor the performance and delivery of the Executive, engaging and challenging through a variety of scrutiny review methodologies, traditional reviews, appreciative and collaborative inquiries. Where apposite, Members will utilise Task and Finish Groups outside of Committee to scrutinise and work with Officers on a wide range of issues. Overview and Scrutiny arrangements have been reviewed by Members and revised in order to remain fit for purpose at Annual Council and the arrangements continue to be well received.

The Audit Committee, in addition to having responsibility for reviewing the Corporate Governance Framework, also has responsibility for reviewing the effectiveness of risk management arrangements. The Committee receives an annual risk management report from the CRRF. The 2015/16 report concluded that "the Council continues to maintain robust and effective risk management processes".

The Standards Committee promotes and maintains high standards of Member conduct and monitors the operation of the Code of Conduct. The Committee also assesses and determines member complaints. The Localism Act 2011 has brought changes to the standards regime. A new Member's Code of Conduct was approved by Council on 30 August 2012 to comply with the aforementioned legislation. This includes new arrangements for dealing with member complaints. The committee also examines the training needs of members relating to the code of conduct and issues that arise which may result in a change to the Council's protocols and procedures or the issuing of guidance to members of the borough council town council and parish councils in the borough. The Standards Committee reviews the member code of conduct and complaints procedures on an annual basis and the latest versions were included as part of the Constitutional update in July 2015.

External inspection and assurance by External Audit during the year:

The Council's external auditors noted, in the Annual Audit Letter for 2014-15, that:

- They issued an unqualified opinion on the Council's 2014/15 financial statements.
- Their opinion confirmed that the financial statements gave a true and fair view of the Council's financial position.
- They issued an unqualified Value for Money conclusion for 2014/15.

- They were satisfied that in all significant aspects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- The consolidation pack that the Council prepared to support the Whole of Government Accounts was consistent with the audited financial statements.

In their update report to Audit Committee in April 2016 the external auditors were able to state for the year ended 31 March 2016 that: "Based on our completed work to date, we have not identified any issues that we need to bring to the attention of Members".

We have been advised of the result of the review of the effectiveness of the governance framework by the Audit Committee / PAG and that the 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

A key element of the annual governance review process is also to identify any significant internal control issues. The Council has adopted the approach recommended by CIPFA which has identified what may be considered generally as a significant issue. These criteria are:

1. The issue has seriously prejudiced or prevented achievement of a principal objective;
2. The issue has resulted in a need to seek additional funding to allow it to be resolved;
3. The issue has resulted in significant diversion of resources from another aspect of the business;
4. The issue has led to a material impact on the accounts;
5. The issue, or its impact, has attracted significant interest or seriously damaged the reputation of the Council;
6. The issue has resulted in formal action being taken by the Section 151 Officer and/ or the Monitoring Officer;
7. The audit committee, or equivalent, has advised that it should be considered significant for this purpose, or
8. The Head of Internal Audit has reported on it as significant in the annual opinion on the internal control environment

Significant governance issues identified during 2015-16 are outlined in the following table:

Title	CIPFA Criteria	Issue / Actions being taken	Responsible officer(s)
1. Procurement (Brought forward from 2013-14)	1.	The Work Force Review of Commissioning, Procurement and Contracts is underway. Upon its completion procurement processes will be strengthened and also address the absence of a low value construction framework.	Director of Finance and IT
2. Payroll (Brought forward from 2013-14)	1, 8.	Following the implementation of the new HR & Payroll system to further strengthen processes to ensure that it delivers the efficiency savings and associated control improvements in 2016/17.	Director of HR, Legal and Corporate Services
3. Partnership Arrangements (Brought forward from 2014-15)	1, 3.	Further development of alternative partnership arrangements (as required by central government) including the implementation and delivery of the new five-year contact with the Council's technical services partner in 2016/17.	Executive Director Resources.
4. Adult Services Financial Position (Brought forward from 2014-15)	1, 3, 4.	The implementation of provisions within the Care Act 2014 has placed greater demands for services (which have been recognised nationally) together with the growing complexity of service user needs and delays in the delivery of efficiency programmes has resulted in a budget overspend of over £2m. The challenge of managing the budget within these pressures, whilst developing effective partnerships with the NHS will continue in 2016/17.	Director of Adult Services
5. Growth Programme	1, 3, 5.	The delivery of the Pennine Reach programme (bus station element) did not progress in accordance with expectations. Careful management of the Growth Programme will be required to ensure that expectations, particularly in relation to the Council's medium term financial strategy are met.	Growth Programme Director

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:

Councillor M Khan
Leader of the Council
Blackburn with Darwen Borough Council

H Catherall
Chief Executive
Blackburn with Darwen Borough Council

G L O S S A R Y

Accounting policies

Those principles, bases, conventions, rules and practices applied by the Council, which define the process by which 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 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 concept

The concept that income is recorded when it is earned rather than when it is received and expenditure is recorded when goods or services are received rather than when payment is made.

Actuarial gains and losses

For a defined benefit pension scheme, these are the changes in actuarial deficits or surpluses that arise because either events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or the actuarial assumptions have changed.

Associate company

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

Approved budget

The planned expenditure and income, for the financial year in the case of revenue, and over the life of the project in the case of a capital scheme.

CIPFA

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.

Capital charges

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

Capital expenditure

Expenditure on the acquisition of a non-current asset or expenditure which adds to (and not merely maintains) the value of an existing non-current asset.

Capital receipts

Income received from the sale of land or other capital assets, which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003. Capital receipts cannot be used to fund revenue services.

Collection Fund

The Collection Fund is administered by the Council to record the receipts from council tax and non-domestic rates and payments to the General Fund and other preceptors including Central Government.

Contingent asset

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 Council's control.

Contingent liability

Either 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 Council's control or 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

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.

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 pension scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Defined benefit scheme

A pension or other retirement benefits scheme where 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).

Depreciation

The measure of the cost, or revalued amount, of the benefits consumed during the accounting period relating to the non-current asset. Consumption includes the wearing out, using up or other reduction in the useful life of a non-current asset whether arising from use, passage of time or obsolescence through technological or other changes.

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.

Fair Value

The price at which an asset could be exchanged in an arms-length transaction less, where applicable, any grants receivable towards the purchase cost of the asset

Finance lease

A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.

Financial asset

A right to future economic benefits controlled by the Council that is represented by cash, an equity instrument of another entity, a contractual right to receive cash (or other financial asset) from another entity or a contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the Council.

Financial liability

An obligation to transfer economic benefits controlled by the Council that is represented by a contractual obligation to deliver cash (or other financial asset) to another entity or a contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the Council.

General fund

The main revenue fund of a local authority, which includes the net cost of all services financed by local tax payers and Government grants.

International accounting standards

These accounting standards prescribe the methods by which all published accounts should be prepared and presented, and will over time replace UK accounting standards. Includes International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

Impairment

A reduction in the value of a non-current asset below its carrying amount in the Balance Sheet.

Infrastructure assets

Non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Interest costs (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.

Joint venture

This is an entity which the Council has an interest in and is jointly controlled by the Council under a contractual arrangement.

Minimum Revenue Provision

The minimum amount which must be charged to the Council's revenue account each year and set aside as provision for repayment of debt, as required by the Local Government and Housing Act 1989.

Net book value

The amount at which non current assets are included in the Balance Sheet, i.e. their 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 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 expenditure

The cost of providing a service after the deduction of any income.

Net realisable value

The open market value of the asset in its existing use (or market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Operating lease

This is a type of lease, usually vehicles or equipment where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Council.

Operational assets

Non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the Council.

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.

Post-employment benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of the employment. Includes pensions but not termination benefits payable as a result of redundancy/voluntary redundancy, because these are not given in exchange for services rendered by employees.

Precept

A method by which local parishes, Lancashire Police Authority and Lancashire Combined Fire Authority obtain the income they require by Blackburn with Darwen Borough Council adding the precept to its own council tax and paying over the appropriate cash collected.

Property, plant and equipment

Tangible assets (i.e. assets with physical substance) held by the Council for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used for more than one period.

Provision

An amount set aside by the Council for any liability of uncertain timing or amount that has been incurred.

Public Works Loan Board (PWLB)

A Central Government agency which provides long and short term loans to local authorities at interest rates slightly higher than those at which the government itself can borrow. Local authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

Related parties

Two or more parties are related when at any time during the financial period one party has direct or indirect control of the other party, the parties are subject to common control by the same source or where one party has influence over the financial and operational policies of the other, or both parties are subject to the influence from the same source, to an extent that they might be inhibited from pursuing their own separate interests.

Related party transactions

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party irrespective of whether a charge is made. The materiality of related party transactions should be judged not only in terms of their significance to the Council, but also in relation to its related party.

Remuneration

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 the employer are excluded.

Reserve

Amounts set aside for purposes falling outside the definition of a provision are considered as reserves.

Revenue expenditure funded from capital under statute

Expenditure that legislation allows to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset, e.g. private sector housing improvement grants.

Revenue support grant

A Government grant in aid of local authority services generally. It is based on the Government's assessment of how much the Council needs to spend in order to provide a standard level of service.

Termination benefits

Amounts payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits.

The Code

Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (Based on International Financial Reporting Standards).