Blackburn with Darwen Council Statement of Accounts 2021/22

(subject to audit)

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NARRATIVE REPORT 2021/22

INTRODUCTION BY THE DIRECTOR OF FINANCE – Dean Langton

I am very pleased to introduce you to Blackburn with Darwen's Statement of Accounts for the financial year 2021/22. It is intended that these accounts provide a useful source of financial and related information for the community, stakeholders, Council Members and other interested parties.

It has been another challenging year for the Council with the impact of Covid-19 continuing to have a significant effect on the Borough's residents and businesses. In turn, the Council has had to focus considerable resources on its response to the Pandemic whilst at the same time dealing with the direct impact on the Council's own operations. As a consequence, the financial impact of the Pandemic has been significant and whilst the Government has provided substantial financial support to the Council, businesses and individuals, the longer term financial impact remains difficult to estimate at this stage.

Despite this, the Council has continued to work hard to deliver services of a high standard and which are generally well regarded. This Narrative Report provides information about the Council's objectives as set out in the Corporate Plan and what progress has been made against those objectives. This is supported by information on a range of performance indicators. Given the environment in which the Council has been operating during 2021/22, the Council has performed incredibly well which is a testament to the hard work and dedication of the Council's staff.

Looking ahead, the medium term financial outlook for the Council remains highly uncertain. Whilst the Government undertook a Comprehensive Spending Review in 2021, setting out Departmental Spending Plans up to 2025, Local Government again received a one-year only funding settlement for 2022/23 with none of the proposed changes in funding distribution methodology previously discussed considered. Plans for a 2-year funding settlement from 2023/24 and the completion of the Fair Funding Review were announced by the Secretary of State for the Department of Levelling Up, Housing and Communities in July 2022 but with changes in Government since, it is not clear whether these plans will be delivered. Indeed, with the escalating 'cost of living' crisis adding to existing pressures such as increasing demand for both Adult and Children's Social Care, the challenges facing local government remain significant. Nevertheless, this Statement of Accounts show that the Council's is well placed to meet these challenges.

I do hope that you find this Statement of Accounts helpful and informative. Whilst the presentation of the Statement of Accounts is largely determined by statute, should you have any suggestions about how we can improve this document, please let us know.

Dean Langton, CPFA
Director of Finance

THE BOROUGH OF BLACKBURN WITH DARWEN

Introduction

Blackburn with Darwen is a growing semi-rural unitary borough located in the east of Lancashire. It has compact urban areas predominately but not exclusively located around the towns of Blackburn and Darwen. The area is surrounded by countryside and features a number of small rural villages and hamlets. Blackburn with Darwen borders Bury and Bolton in the south, Chorley in the west, Hyndburn and Rossendale in the east and Ribble Valley in the north. The borough is well located with good transport and infrastructure links to the rest of Lancashire, Greater Manchester and beyond.

With circa 5,000 businesses, the borough contributes about 9% of the Lancashire business base and is home to the largest number of businesses of the Pennine Lancashire authorities. A range of sectors operate in the borough, including the large public sector local government and health sector employers, Blackburn College and a number of large private sector businesses.

Over two thirds of jobs in the borough are found in the main sectors of; health, manufacturing, education, retail, business administration and support services and professional, scientific and technical services.

Despite a national decline the borough still retains a higher than average level of employment in the manufacturing sector. Although the majority of employee jobs in the borough are found in the private sector, employment within the public sector is above regional and national averages. The borough has an entrepreneurial culture, with a business start-up rate higher than Lancashire as a whole and a greater proportion of higher turnover business than the Lancashire average.

Demographic profile

The first results from the 2021 Census report a population estimate for Blackburn with Darwen in 2021 was 154,800, making it the largest borough in Lancashire. The majority of the borough's residents live in the towns of Blackburn and Darwen with the remaining residents living in the rural villages and hamlets (Hoddlesden, Edgworth, Belmont, Chapel Town and Tockholes) that surround the two major urban centres.

In 2021, there were 1,130 residents per square kilometre in Blackburn with Darwen (compared with 434 per square kilometre nationally). According to the 2021 Census, there is an estimated 58,800 households with at least one usual resident in Blackburn with Darwen. This is 2.4% higher than the estimate of 57,400 in 2011.

The borough still has a younger than average age profile. In 2021, 28.4% of the population were aged 0-19 years (23.1% England) and 14.5% were aged 65 years or over (18.4% England).

As a multicultural borough, the area is home to many people with diverse ethnicities and identities.

The profile of the population is an important determinant of the demand for services provided by the Council, such as the need for adults and children's social care.

Political structure

Blackburn with Darwen Council is split into 17 wards each represented by 3 councillors (51 councillors in total), with one third standing for election three years in four. Following the local elections held in May 2022, the political make-up of the Council is as follows:

Party	Number of councillors
Labour	36
Conservative	13
Liberal Democrat	1
Independent	1
Total	51

Local councillors are elected by the community to decide how the council should carry out its various activities. All councillors meet together as the Council, where they decide the Council's overall policies and set the budget each year.

The Council operates a 'strong leader' model of governance with the Leader appointed by the Council for a four year term of office. The Executive is the part of the Council which is responsible for taking decisions within the budget and policy framework set by the Council. The Leader of the Council appoints members to the Executive Board and determines the allocation of portfolios to Executive Members. The Leader also determines the allocation of any seats on the Executive Board to the opposition parties.

The Executive Board has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must usually be referred to the Council as a whole, except in cases of emergency.

When major decisions are to be discussed or made, these are published in the Executive's forward plan in so far as they can be anticipated. Meetings are open to the public except in instances where confidential or exempt information (as defined in the Local Government Act 1972) is being discussed.

Departmental and Chief Officer Structure

Supporting the work of the Councillors is the Corporate Leadership Team which is led by the Chief Executive and statutory Head of Paid Service, Denise Park. Towards the end of 2021/22, the Council's departmental structure was amended slightly following the resignation and retirement of a number of senior officers. The Departmental Structure aligns responsibilities within a number of larger departments bringing complementary services together, led by Strategic Directors supported by Directors and/or Deputy Directors.

The make-up and responsibilities of the Corporate Leadership Team is as follows:

CHIEF EXECUTIVE

(Head of paid service)

STRATEGIC DIRECTOR CHILDREN & EDUCATION (DCS)	STRATEGIC DIRECTOR ADULTS & HEALTH (DASS)		STRATEGIC DIRECTOR RESOURCES	STRATEGIC DIRECTOR ENVIRONMENT & OPERATIONS	STRATEGIC DIRECTOR GROWTH & DEVELOPMENT
Deputy Director Children's Social Care	**Director Public Health (DPH)**		**Director Finance (s151)**		**Growth Programme Director**
Deputy Director Education & Schools	**Deputy Director Adult Social Care**	**Assistant Director Chief Exec's**	**Deputy Director Legal & Governance (Monitoring Officer)**		
• Children's Social Care • Child Protection & Safeguarding • Permanence, Fostering & Adoption • Education & SEND • Schools • Post-16 • Early Years • Early Help • Young People's Services • Children in Our Care and Care Leavers	• Adult Social Care • Strategic Commissioning • Public Health • Wellbeing • Prevention Services • Health Interface • Community Protection • Housing Needs • Neighbourhoods & Learning • Social Integration & Inequalities	• HR & Payroll • Health & Safety • Workforce & Organisational Development • Communications & Engagement • Policy • Civil Contingencies • COVID response • Trade Union relations	• Finance • Audit & Risk • Procurement & Contracts • Digital & IT • Legal, Governance & Democratic Services • Elections • Information Governance • Revenues & Benefits • Customer Services • Registrars • Transformation & Change • Business Operations • Data & Performance	• Environmental and Waste Services • Highways & Transport • Parks and Green Spaces • Cemeteries and Crematorium • Public Protection • Commercial Services, Leisure, Markets and Parking • Libraries & Culture • Building Maintenance	• Growth Programme • Employment & Skills • Economic Development and External Investment • Planning & Development Management • Building Control • Strategic Transport Planning • Land and Property Management • Carbon Sustainability Town Centres
PEOPLE		RESOURCES		PLACE	

Staffing

The Council is supported by administrative, professional, technical and operational employees whose role it is to advise the Council on all aspects of its functions and to put into effect decisions which are taken in order to provide services to the public.

The Council employs around 2,245 people in full time and part time roles with around another 2,457 people employed in schools.

Corporate Plan 2019-2023

The Corporate Plan 2019-2023 was agreed by elected members in March 2019 and sets out the Council's eight priorities over a period of four years. We believe that if it is delivered our Corporate Plan will enable all of our residents to achieve a good quality of life in a vibrant and thriving place, with strong community values and an inclusive society.

The plan is for everyone – councillors, staff, partners, residents, businesses – who can support the council in being the best it can possibly be. It has eight strategic priorities:

PEOPLE	PLACE	ECONOMY	COUNCIL
Supporting young people and raising aspirations	Connected communities	Strong economy to enable social mobility	Transparent and effective organisation
Safeguarding and supporting the most vulnerable people	Safe and clean environment	Supporting our town centres and businesses	
Reducing health inequalities and improving health outcomes			

The plan is informed by several key pieces of work and activity including Joint Strategic Needs Assessment (JSNA), a Local Government Association (LGA) Peer Review held in December 2018, a partnership summit, the 2018 residents' survey and independent economic analysis.

The plan reflects what the Council wants to achieve for residents and businesses and will help inform policy and budget decisions, as well as supporting bids for external funding. A performance framework has been developed to measure how the council is performing against its eight priorities.

Priority 1. Supporting young people and raising aspirations

Our young people are the future of our Borough and we are committed to support them from birth and through their journey to becoming adults.

We will:

- work with parents and carers to enable them to access good quality early years education and learning so that our children are ready for a strong start at school.
- work with our schools, communities and partners to continue to nurture well rounded independent young people.
- work with all of the schools, colleges and partners to support young people in achieving their full potential.
- work with partners to ensure young people have access to clear careers advice and guidance and are equipped with the skills and qualities to access jobs.

Priority 2. Safeguarding and supporting the most vulnerable people

We have a duty to safeguard people of all ages to be safe from harm and live a life free from abuse, neglect and unfair treatment, and support those who choose to live independently.

We will:

- provide support locally and at the earliest opportunity to ensure people are safeguarded and protected.

- work with partners to guarantee that people in need of support and protection continue to receive it from the right agencies at the right time for as long as they need it.
- support our safeguarding partnerships arrangements to ensure that local agencies co-ordinate their work to safeguard vulnerable people of all ages and are effective.

Priority 3. Reducing health inequalities and improving health outcomes

We are committed to increasing life chances for our residents by improving health and wellbeing; creating healthy places and giving all people the opportunity to Start Well, Live Well and Age Well.

We will:

- work with people earlier to prevent ill health and poor wellbeing, promoting self-care and supporting independence to enable people to live well at home.
- work with our partners to make sure that our residents have access to good quality sporting and leisure facilities across the Borough and can access wellbeing activity in their local neighbourhoods.
- work with the NHS, third sector, public sector partners and business to improve people's mental health and wellbeing through advice, support and activities.
- consider the impact on health and wellbeing in all of our services.
- work with local NHS services to reform, integrate and improve the health and social care system and to extend the investment in prevention for all of our residents.

Priority 4. Connected communities

Communities bring a sense of belonging for many people, breaking through social isolation and building personal resilience. We remain committed to strengthening resilient communities and groups.

We will:

- ensure that residents have access to a broad range of good quality festivals and events across the Borough to bring neighbourhoods and communities together.
- make volunteering easier and work with partners and residents to direct volunteer support where it's needed the most.
- support communities and community groups to access funding and other resources.
- work with communities to become digitally enabled.
- recognise the achievements of our communities and the valuable contribution of residents.
- support activity to enable people from different backgrounds or beliefs to integrate.

Priority 5. Safe and clean environment

We want the Borough to be a safe and clean place to live and visit, promoting pride in the area and environment.

We will:

- work with our residents, schools and businesses to raise awareness of the positive environmental and financial impacts of recycling
- work with communities, environmental organisations and groups to help keep neighbourhoods clean and tidy.
- continue to invest in our roads and pavements to make sure they are safer.
- work with our citizens and businesses to promote behaviours, using enforcement action where necessary and in the best interest of public protection.

Priority 6. Strong, growing economy to enable social mobility

We are committed to making sure that everyone of working age is able to access jobs, career progression and make a positive contribution to the economy, irrespective of their social circumstances and background.

We will:

- work with our partners to improve productivity through skills, innovation, sector and trade programmes.
- develop and deliver a strategic pipeline of growth programmes attracting investment and generating new economic, housing and infrastructure growth opportunities.
- deliver sustained growth and higher value employment for all our residents as an enabler to social mobility.
- provide a broad and good quality house choice for all our residents, transforming old housing stock, building new homes and working with private and social landlords to improve the rental market.
- work with partners and investors to secure the Borough regionally and nationally as an investment priority.

Priority 7. Supporting our town centres and businesses

Thriving town centres and businesses are crucial to the success of the Borough and its residents. We are committed to creating the right environment and support to maximise growth and increase investment.

We will:

- work with partners to strengthen the economic and cultural offers of Blackburn and Darwen town centres.
- promote and encourage local procurement to support local businesses.
- work with the Hive Ambassadors Network to establish a powerful business network to promote Blackburn with Darwen and support wider engagement with new investors to the Borough.
- encourage entrepreneurship and new business growth drawing on our young, culturally rich and dynamic population.

Priority 8. Transparent and effective organisation

Residents and businesses must have confidence in the Council and we remain committed to being the best we can possibly be.

We will:

- ensure that all our services are delivered in a cost effective and efficient way supported by technology and in collaboration with our partners and citizens.
- make best use of our available resources and assets providing value for money for residents and businesses.
- be open and transparent in our leadership and governance.
- maximise external funding and be commercially active bringing greater resilience to our finances.
- take active steps across all council departments to reduce our carbon footprint and be even more environmentally and ecologically aware.

Corporate Plan Performance Summary

To help the Council measure its performance against the eight corporate priorities outlined in the previous section, a performance framework is in place which measure performance based on 70 key performance indicators (KPIs). Of the 70 measures, assessment was made as follows as at the end of 2021/22:

- 54% (38 actual) have been forecast as “green” or on track.
- 26% (18 actual) have been forecast as “amber” where delivery is on track and is currently being managed.
- 9% (6 actual) have been forecast as “red” where performance is, or is likely to be, off track.
- 11% (8 actual) of the measures do not have data or a RAG rating available.

The number of instances where it has not been possible to report data has reduced slightly from the previous year, and continues to be due to Council resources being diverted to respond to the Coronavirus pandemic.

Guidelines provided to assist departments in allocating a RAG rating to their targets, are as follows:

RED	• The measure is likely to fail or perform poorly in the future • The measure falls below a set national target / statutory required performance. • The measure may also be below a minimum requirement for the particular service as agreed by the department • The lead department perceives there could be a potential serious risk to the Council
AMBER	• The measure is at risk of failure, but the lead department feels this is currently being managed • Actions are or need to be in place to ensure that the end of year position is achieved
GREEN	• The measure is on target/ over performing / over achieving (if departmental target has been set) • The lead department perceives there is currently no risk to the council in relation to this measure.

The table below shows a breakdown of the measures across priorities:

Priority		Total	Red	Amber	Green	Data is currently unavailable
People (27) A good quality of life for all of our residents	P1 – Supporting young people and raising aspirations	**4**	0	1	3	0
	P2 – Safeguarding and supporting the most vulnerable people	**9**	0	5	4	0
	P3 – Reducing health inequalities and improving health outcomes	**16**	0	4	9	3
Place (12) Community pride in a vibrant place to live and visit	P4 – Connected communities	**8**	3	0	5	0
	P5 – Safe and clean environment	**5**	0	1	4	0
Economy (14) A strong and inclusive economy with continued growth	P6 – Strong, growing economy to enable social mobility	**9**	1	1	6	1
	P7 – Supporting our town centres and businesses	**4**	0	1	3	0

Council (16) Delivered by a strong and resilient council	**P8 – Transparent and effective organisation**	**15**	2	5	4	4
Total		**70**	**6**	**18**	**38**	**8**
Overall percentage		**100%**	**9%**	**26%**	**54%**	**11%**

Whilst the performance for the year across the Council was predominantly positive, challenges persist; those areas where progress has not been made as anticipated, or where targets were not achieved (and therefore performance has been rated Red) relate to the following measures:

P4 – Connected communities	**Performance Measure: No. 31** Number of individuals engaged in activity across the Our Community Our Future Programme **Performance Measure: No. 32** Number of community groups engaged in activity across the Our Community Our Future Programme	**Target:** 1,000 individuals **Performance 2021/22:** 638 individuals **Target:** 80 groups **Performance 2021/22:** 53 groups
	Performance Measure: No. 33 Library and Information Service – number of digital loans	**Target:** 54,000 **Baseline:** 53,241 **Performance 2021/22:** 36,488
P6 – Strong, growing economy to enable social mobility	**Performance Measure: No. 44** Number of people supported into employment or learning	**Target:** 1,235 **Baseline:** 845 **Performance 2021/22:** 879
P8 – Transparent and effective organisation	**Performance Measure: No. 63** Undisputed and valid supplier invoices paid within 30 days.	**Target:** 95% (good performance is higher) **Baseline:** 94% (2020/21) **Performance 2021/22:** 91%

A report on the Council's progress against the Corporate Plan during 2021/22 was included on the agenda for the Executive Board meeting held on 9th June 2022. Appendix Two to the report outlines the reason for the performance, what the likely impact of continued performance at this level would be and what activities have been, or are being, put in place to address these issues. The report can be found on the Council's website.

FINANCIAL PERFORMANCE OF THE COUNCIL 2021/22

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.

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The Council's proposals for the Revenue Budget 2021/22 and the Medium Term Financial Strategy (MTFS) for 2021-24 were agreed at Finance Council on 1st March 2021. The purpose of the MTFS is to set the financial framework for the Council for the medium term to ensure delivery of the Council's strategic objectives and major projects. As for the previous year, the Government only issued details of a one year local government finance settlement for 2021/22, and gave no indication of their proposed changes to the mechanisms for Business Rates Retention nor their intended approach for redistributing resources through future local government finance settlements. As a result, it was not possible to plan for funding arrangements beyond 2021/22 with any certainty. In preparing the 2021-24 MTFS, the Council therefore made assumptions based on the best information available at the time. Within this financial context, the MTFS was drafted to ensure that the Council's strategy remains to help support those in hardship whilst encouraging the growth of jobs and businesses.

At Finance Council on 1st March, the Council approved a revenue budget of £107.741 million. This represented approved net expenditure of £112.151 million (including parish precepts of £0.190 million) less contributions from Council reserves of £4.410 million.

The summary of the outturn revenue position is as follows:

	Original Estimate £000	Revised Estimate (Qtr 4) £000	Actual Outturn £000	Variation from Revised £000
Net Expenditure				
Adult services and prevention	53,747	55,519	53,092	(2,427)
Public health and wellbeing	2,239	2,913	3,311	398
Children, young people and education	32,194	32,369	34,107	1,738
Environmental services	9,172	9,701	9,883	182
Growth and development	8,076	6,365	6,521	156
Digital and customer services	5,771	6,514	6,447	(67)
Finance and governance	9,691	9,165	8,964	(201)
Schools and education (DSG)	(941)	(941)	(667)	274
Net portfolio controllable expenditure	**119,949**	**121,605**	**121,658**	**53**
Contribution from schools for prudential borrowing	(416)	(416)	(416)	0
Contribution to capital expenditure	3,381	2,020	2,020	0
Interest and debt repayment	18,286	17,540	17,817	277
Amounts to be allocated / contingencies	8,251	831	831	0
Other Non-Ringfenced Grants	(37,490)	(42,144)	(42,144)	0
Town and Parish councils	190	190	190	0
Total net expenditure	**112,151**	**99,626**	**99,956**	**330**
Contribution (from)/to reserves	(4,463)	8,715	8,440	(275)
General Fund working balance	53	(600)	(655)	(55)
Total net budget	**107,741**	**107,741**	**107,741**	**0**
Financed by:				
Business rates Top-up grant	(24,275)	(24,275)	(24,275)	0
Retained business rates	(20,545)	(20,545)	(20,545)	0
Revenue Support Grant	(13,597)	(13,597)	(13,597)	0
Council tax income	(57,207)	(57,207)	(57,207)	0
Net surplus / (deficit) on Collection Fund	7,883	7,883	7,883	0
Total financing	**(107,741)**	**(107,741)**	**(107,741)**	**0**

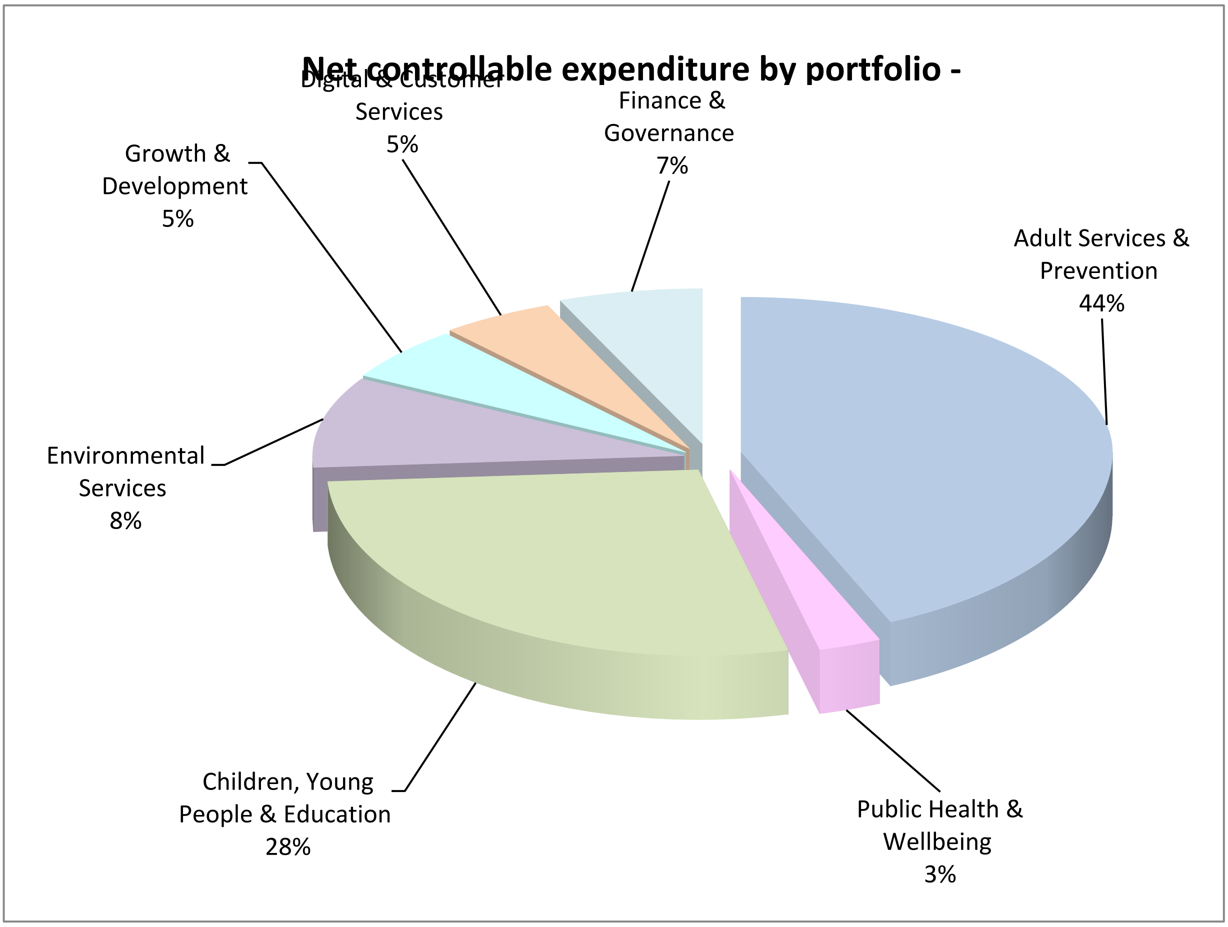
Revenue and capital budget monitoring information is reported to the Executive Board on a quarterly basis throughout the year, with the actual outturn position being reported in the Quarter 4 report. In addition, Treasury Management performance is reviewed by the Treasury Management Group and reported to the Audit and Governance Committee.

Decisions about resource allocation are taken by the Council's Executive Board on the basis of budgets analysed across portfolios as shown above. Portfolio controllable budgets are monitored and revised throughout the year and actual expenditure and income (revenue outturn) is measured against this revised budget at the financial year end.

The main variations in portfolio revenue outturn are as follows:

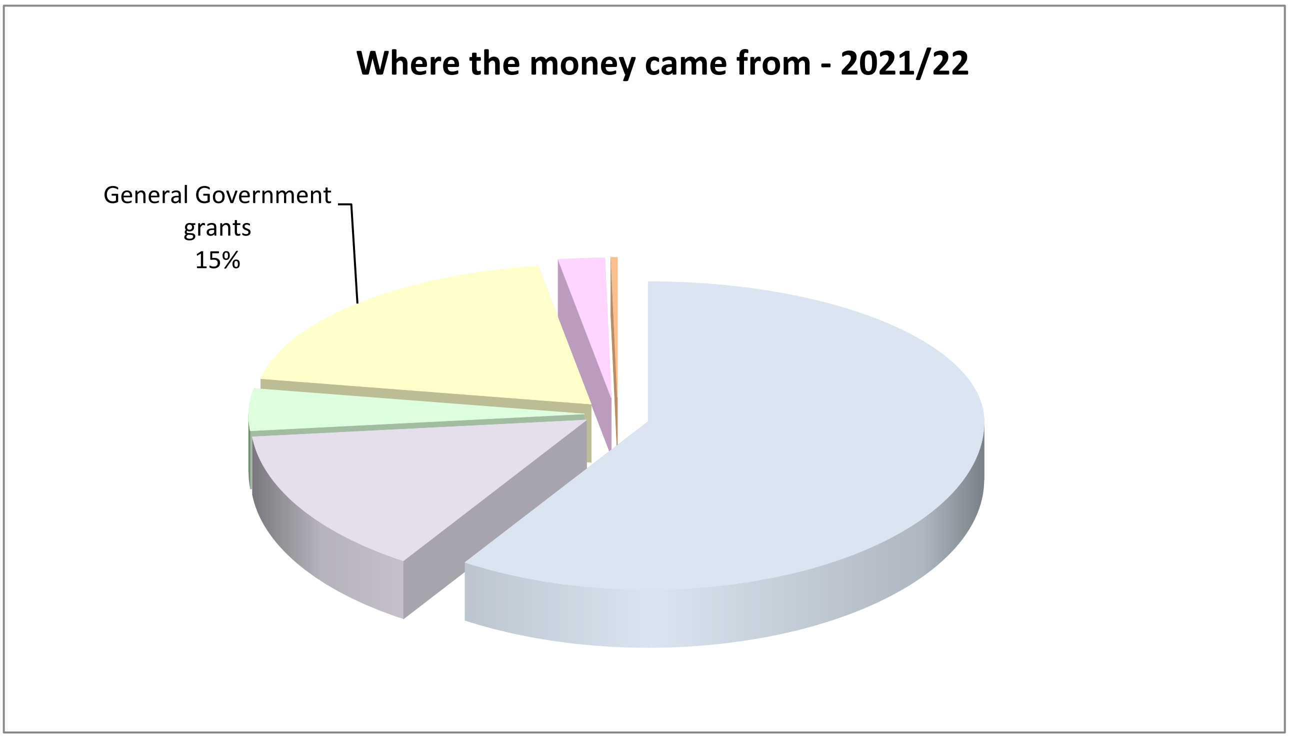
- **Adult Services & Prevention** (£2.427 million underspend) – Despite underlying pressures within the commissioning budget due to the additional demand and cost of care, there was a significant underspend resulting from the application of one off Covid-related funding. A net underspend on non-commissioning budget areas was predominantly a result of staffing vacancies for essential posts due to continuing difficulties in social care recruitment exacerbated with realignment of duties to meet Covid-19 priorities.
- **Children, Young People & Education** (£1.738 million overspend) – Budget pressures related to the areas of Placement Services, specifically Special Guardianship Orders, Commissioned Placements and Foster Care, and also in respect of the Home to School and SEN Transport budgets.

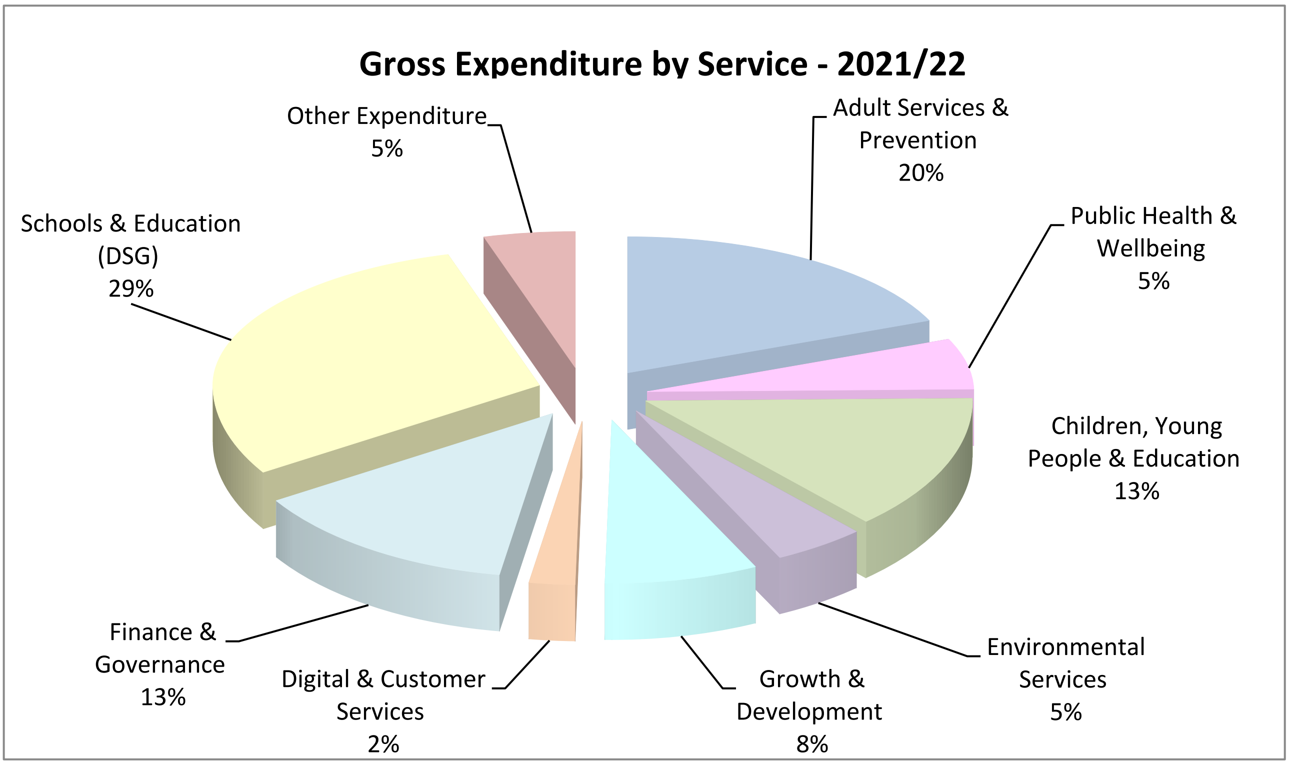
The net controllable expenditure by portfolio (excluding *Schools and education (DSG)*) for 2021/22 is shown in the chart below:



Analysis of income and expenditure by service in the Comprehensive Income and Expenditure Statement is presented on the basis of how the Council is structured and how it monitors and manages its financial performance i.e. by reference to portfolio controllable budgets. The Expenditure and Funding Analysis (Note 1) explains the differences between the revenue outturn figures above and financial performance reported on the basis of proper accounting practices within the Comprehensive Income and Expenditure Statement.

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





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 loans and / or grants to others for the above
- Service and commercial investments made for their contribution toward service delivery objectives

The Council's Capital Programme for the period 2021-2024 was agreed at Finance Council on 1st March 2021. The approved portfolio capital programme for 2021/22 was £25.493 million although additional approvals and re-profiling of capital schemes in year resulted in a revised programme of £26.299 million. Actual expenditure was £17.273 million which is 65.5% of the revised programme.

	Approved Programme £000	Revised Programme (Qtr 4) £000	Actual £000	Variation before slippage £000	Slippage £000	Total Variation £000
Capital Expenditure						
Adult services and prevention	2,594	2,424	2,237	(187)	(283)	96
Public health and wellbeing	0	304	266	(38)	0	(38)
Children, young people and education	5,800	6,346	1,504	(4,842)	(4,842)	0
Environmental services	333	53	(4)	(57)	(34)	(23)
Growth and development	6,133	11,258	8,732	(2,526)	(2,765)	239
Digital and customer services	1,254	1,804	1,414	(390)	(382)	(8)
Finance and governance	2,347	3,558	2,845	(713)	(686)	(27)
Portfolios total	**18,461**	**25,747**	**16,994**	**(8,753)**	**(8,992)**	**239**
Earmarked Schemes	5,532	552	279	(273)	(308)	35
Contingent Schemes	1,500	0	0	0	0	0
Total capital expenditure	**25,493**	**26,299**	**17,273**	**(9,026)**	**(9,300)**	**274**
Financing						
Unsupported borrowing	(13,307)	(3,118)	(2,414)	704	665	39
Contributions from revenue	(3,381)	(2,739)	(2,020)	719	991	(272)
Government grants	(8,574)	(17,016)	(9,399)	7,617	7,658	(41)
External contributions	(231)	(3,426)	(3,440)	(14)	(14)	0
Total resources	**(25,493)**	**(26,299)**	**(17,273)**	**9,026**	**9,300**	**(274)**

The total variation at outturn was made up of:

- budget increases and other scheme variations made to reflect the approval of schemes during the fourth quarter of the year (an increase of £0.274 million); and
- slippage and re-profiling of budgets during the final quarter of the year (£9.300 million).

The other main points to note are as follows:

- **Children, young people and education** - unallocated schools capital grant allocations have been retained in an overarching Capital Allocation Fund within the capital programme until bids against this have been approved. As such, a balance remains unallocated at the year-end of £3.823 million for carry forward and utilisation in 2022/23. Further slippage on schemes within the schools capital programme totalled £0.748 million.
- **Growth and development** – slippage on schemes included Local Transport Plan (£1.561 million), Drainage (£0.412 million) and Darwen Towns Fund (£0.598 million).

The major capital schemes in 2021/22 are listed below.

Capital Expenditure	£000
Adults and prevention services	
Disabled facilities grants	1,569
Telecare project	160
Safer Streets Fund	308
CCTV Hub Upgrade	200
Public health and wellbeing	
Replacement Gym Equipment	252
Children, young people and education	
Disabled facilities grants	225
Blackburn Central High School/Crosshill Special Educational Needs (SEN)	674
Lammack School Extension	341
Environmental services	
Vehicle Purchases	279
Growth and development	
Local Transport Plan	4,633
Neighbourhood Intervention Fund	553
Blakey Moor	179
Milking Lane SPV	250
Assistance to Industry	117
Darwen Towns Fund	885
Darwen Tower	227
Development Investment Fund	227
Thwaites SPV	1,213
Acquisition of former Fleece Inn	200
Digital and customer services	
Corporate ICT Schemes	1,414
Finance and governance	
Corporate Accommodation Strategy Phase 2	742
Darwen Town Hall Roof	267
Public Sector Decarbonisation	1,688
Other schemes	669
Total	**17,272**

Treasury Management

During 2021/22, the Council's investment balances have continued to be unusually high, due to the enhanced level of funds received from central government. These included funds for distribution as grants to businesses and to cover the additional costs of the ongoing response to the COVID-19 pandemic. Investment balances averaged around £61 million, ranging between £35 million and £84 million. Investments were generally either kept on call, or for relatively short durations, resulting in low returns. The Bank of England Bank Rate started the year at a historical low of 0.10%, but started to rise towards the end of 2022, increasing by 0.15% in December 2021 and further two 0.25% rises in February and March 2022, reaching a year end rate of 0.75%. The interest rates on investments largely followed the movements on the Bank of England Bank Rate, remaining at exceptionally low rates for the majority of the year, with increases in the final quarter. Interest earned was around £50,000, at an average rate of 0.08%.

Excluding the nominal debt associated with schools Private Finance Initiative (PFI) schemes, the Council's long term debt fell from £146 million to £142 million, with a further £20 million in short-term loans at the end of the year (decreased from £78 million a year ago) taking the closing total to £162 million. Interest on financing this debt cost the Council approximately £5.7 million (down from £6.3 million in 2020/21), with another £0.2 million interest cost on the £13.0 million of debt managed on the Council's behalf by Lancashire County Council.

Excluding the schools PFI element, the Council's Capital Financing Requirement (CFR) - the long-term borrowing need to cover capital spending not financed from other sources – fell from £229 million to £220 million. The Council has continued to use its overall cash position, and cheaper short-term borrowing, to make significant savings in borrowing costs. Interest costs have started to increase and are forecast to increase further in the short term, which is expected to add to budget pressures.

In 2021/22, following recommendations from the Council's External Auditors from the audit process for 2020/21, the Council reviewed its MRP (Minimum Revenue Provision) Policy, which determines how it will make a prudent charge for debt repayment in the accounts. The change was to amend the annuity rate used in the calculation of the MRP charge for capital expenditure financed by debt arising up to 2007/08 and all new Government-supported borrowing arising from 2007/08 and thereafter as well as historic debt that was entered into prior to unitary authority status which is managed by Lancashire County Council. As a result, the MRP charge to revenue will be higher than in the previous year, so the Capital Financing Requirement will be lower than it would otherwise be (and total interest costs higher). The net increase in the MRP charge in 2021/22 was £0.38 million.

Pension Fund Liability

The pension fund liability at 31 March 2022 as estimated by the fund actuary was £228.7 million compared to £325.2 million at 31 March 2021. 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 30.

CONTENT OF THE STATEMENT OF ACCOUNTS

The Statement of Accounts summarises the Council's transactions for the financial year 2021/22 and its position at the year end of 31 March 2022. It has been prepared in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting (the Code) 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 and the accounting policies applied by the Council in preparing and presenting those financial statements. An explanation of the purpose of each of the statements is given below.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Local authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and the Expenditure and Funding Analysis (Note 1).

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other "unusable reserves". It also shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The *Net (increase) / decrease* line shows the true statutory General Fund Balance movements in the year following those adjustments.

Balance Sheet

The Balance Sheet shows the value as at 31 March of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories:

- **Usable reserves** – those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- **Unusable reserves** – these are not able to be used to provide services and include reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line *Adjustments between accounting basis and funding basis under regulations.*

Cash Flow Statement

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

- The amount of net cash flows arising from **operating activities** is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.
- **Investing activities** represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

- Cash flows arising from **financing activities** are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Notes to the Financial Statements

These notes are fundamentally important in the presentation of a true and fair view, and have three significant roles:

- presenting information about the **basis of preparation** of financial statements and the **specific accounting policies** used
- disclosing the **information required by the Code** that is not presented elsewhere in the financial statements – most commonly this will entail notes breaking down lines presented on the face of the financial statements into their significant components (e.g. sub-classifications of property, plant and equipment)
- providing **information that is relevant to an understanding of the financial statements in general** – this will apply to information that is material in a qualitative sense but not material enough in a quantitative sense to justify disclosure on the face of any of the statements (e.g. transactions with related parties).

SUPPLEMENTARY FINANCIAL STATEMENTS

Collection Fund Statement and Notes

The Collection Fund Statement reflects the statutory requirement contained in Section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates (NDR).

There is no requirement for a separate Collection Fund Balance Sheet. Instead, Collection Fund balances are distributed across the Balance Sheets of the billing authority, the government and precepting authorities according to the provisions of the Code.

ACCOUNTING POLICIES

Accounting policies are the specific principles, conventions, rule and practices applied by the Council in preparing and presenting its financial statements. Accounting policies should focus on recognition, measurement and presentation in line with the requirements of the Code, as follows:

- Recognition – the process for recording a transaction in the Balance Sheet or the Comprehensive Income and Expenditure Statement.
- Measurement – the quantification in monetary terms of the amounts at which assets, liabilities, income, expenditure and reserves are reported.
- Presentation – the process for effectively communicating information on assets, liabilities, income, expenditure and reserves in the financial statements and the disclosures.

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.
- 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's responsibilities

The Director of Financed 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 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 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 2022.

D Langton
Director of Finance
Blackburn with Darwen Borough Council
1st September 2022

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

2020/21				2021/22		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
78,157	(24,927)	53,230	Adult services and prevention	82,806	(25,933)	56,873
21,186	(21,658)	(472)	Public health and wellbeing	20,390	(21,240)	(850)
47,649	(7,694)	39,955	Children, young people and education	62,851	(9,060)	53,791
18,516	(6,409)	12,107	Environmental services	17,278	(6,310)	10,968
31,974	(14,616)	17,358	Growth and development	35,184	(12,994)	22,190
7,811	(581)	7,230	Digital and customer services	9,601	(751)	8,850
60,623	(43,700)	16,923	Finance and governance	57,392	(47,176)	10,216
110,905	(120,018)	(9,113)	Schools and education (DSG)	120,338	(122,455)	(2,117)
376,821	**(239,603)**	**137,218**	**Cost of Services**	**405,840**	**(245,919)**	**159,921**
		1,568	Other operating expenditure (Note 4)			3,632
		17,595	Financing and investment income and expenditure (Note 5)			18,860
		(173,449)	Taxation and non-specific grant income (Note 6)			(165,608)
		(17,068)	**(Surplus)/deficit on provision of services**			**16,805**
		(3,791)	(Surplus)/deficit on revaluation of non-current assets (Note 29)			(23,707)
		82,611	Re-measurement of the net defined benefit pension liability (Note 29)			(133,876)
		78,820	**Other comprehensive income and expenditure**			**(157,583)**
		61,752	**Total comprehensive income and expenditure**			**(140,778)**

MOVEMENT IN RESERVES STATEMENT

	General Fund (b) £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves (Note 29) £000	Unusable Reserves (restated) (Note 29) £000	Total Reserves £000
Balance at 31 March 2020	**(35,804)**	**0**	**(5,843)**	**(41,647)**	**102,525**	**60,878**
Total comprehensive income and expenditure (a)	(17,068)	0	0	(17,068)	78,820	61,752
Adjustments between accounting basis and funding basis under regulations (Note 3)	(16,244)	0	(6,847)	(23,091)	23,091	**0**
Net (increase)/decrease in year	**(33,312)**	**0**	**(6,847)**	**(40,159)**	**101,911**	**61,752**
Balance at 31 March 2021	**(69,116)**	**0**	**(12,690)**	**(81,806)**	**204,436**	**122,630**
Total comprehensive income and expenditure (a)	16,805	0	0	16,805	(157,583)	(140,778)
Adjustments between accounting basis and funding basis under regulations (Note 3)	(26,011)	(164)	(645)	(26,820)	26,820	**0**
Net (increase)/decrease in year	**(9,206)**	**(164)**	**(645)**	**(10,015)**	**(130,763)**	**(140,778)**
Balance at 31 March 2022	**(78,322)**	**(164)**	**(13,335)**	**(91,821)**	**73,673**	**(18,148)**

a) Total Comprehensive Income and Expenditure from the Comprehensive Income and Expenditure Statement.
b) The General Fund column amalgamates the Council’s Earmarked and Unallocated reserves (Note 29).

BALANCE SHEET

31 March 2021 £000		Note	31 March 2022 £000
422,337	Property, plant and equipment	13	424,613
37,089	Heritage assets	16	39,332
49	Investment properties	17	15
926	Intangible assets	18	2,271
575	Long term investments	19	2,040
1,451	Long term debtors	20	1,241
462,427	**Long term assets**		**469,512**
34,018	Short term investments	25	10,040
326	Inventories		384
33,412	Short term debtors	21	27,323
32,167	Cash and cash equivalents	22	38,916
99,923	**Current assets**		**76,663**
(7,656)	Bank overdraft	22	(3,020)
(82,507)	Short term borrowing	25	(24,022)
(48,131)	Short term creditors	23	(55,015)
(3,152)	Grants received in advance		(3,678)
(141,446)	**Current liabilities**		**(85,735)**
(2,875)	Provisions	24	(4,386)
(142,148)	Long term borrowing	25	(138,592)
(398,511)	Other long term liabilities	26	(299,314)
(543,534)	**Long term liabilities**		**(442,292)**
(122,630)	**Net assets**		**18,148**
(81,806)	Usable reserves	29	(91,821)
204,436	Unusable reserves	29	73,673
122,630	**Total reserves**		**(18,148)**

CASH FLOW STATEMENT

2020/21 £000		Note	2021/22 £000
17,068	Net surplus/(deficit) on the provision of services		(16,805)
7,116	Adjustments to net surplus/deficit on the provision of services for non-cash movements	31	77,914
(23,603)	Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities	31	(18,766)
581	**Net cash flows from operating activities**		**42,343**
12,569	Investing activities	31	29,541
(13,839)	Financing activities	31	(60,499)
(689)	**Net increase/(decrease) in cash or cash equivalents**		**11,385**
25,200	Cash and cash equivalents at the beginning of the reporting period		24,511
24,511	**Cash and cash equivalents at the end of the reporting period**		**35,896**

1 EXPENDITURE AND FUNDING ANALYSIS

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

2020/21				2021/22		
Net Expenditure Chargeable to the General Fund Balance £000	Adjustments between the Funding and Accounting Basis (Analysis below) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General Fund Balance £000	Adjustments between the Funding and Accounting Basis (Analysis below) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
49,795	3,435	53,230	Adult services and prevention	53,092	3,781	56,873
2,486	(2,958)	(472)	Public health and wellbeing	3,311	(4,161)	(850)
30,813	9,142	39,955	Children, young people and education	34,107	19,684	53,791
9,922	2,185	12,107	Environmental services	9,883	1,085	10,968
7,737	9,621	17,358	Growth and development	6,521	15,669	22,190
5,330	1,900	7,230	Digital and customer services	6,447	2,403	8,850
12,517	4,406	16,923	Finance and governance	7,543	2,673	10,216
(4,562)	(4,551)	(9,113)	Schools and education (DSG)	(667)	(1,450)	(2,117)
114,038	**23,180**	**137,218**	**Cost of Services**	**120,237**	**39,684**	**159,921**
(147,350)	(6,936)	(154,286)	Other income and expenditure	(129,443)	(13,673)	(143,116)
(33,312)	**16,244**	**(17,068)**	**(Surplus)/deficit**	**(9,206)**	**26,011**	**16,805**

(35,804)			**Opening General Fund Balance at 1 April**	**(69,116)**		
(33,312)			**(Surplus)/deficit**	(9,206)		
(69,116)			**Closing General Fund Balance at 31 March**	**(78,322)**		

2021/22 Adjustments between the Funding and Accounting Basis	Adjustments for Capital Purposes (Note 1a) £000	Net change for the Pensions adjustments (Note 1 b) £000	Other Differences (Note 1 c) £000	**Total Adjustments £000**
Adult services and prevention	110	2,707	964	3,781
Public health and wellbeing	(1,519)	979	(3,620)	(4,160)
Children, young people and education	9,912	3,413	6,358	19,683
Environmental services	(1,467)	1,257	1,294	1,084
Growth and development	14,133	1,231	305	15,669
Digital and customer services	887	957	559	2,403
Finance and governance	321	1,811	542	2,674
Schools and education (DSG)	0	4,376	(5,826)	(1,450)
Net Cost of Services	**22,377**	**16,731**	**576**	**39,684**
Other expenditure and income from the Expenditure and Funding Analysis	(15,695)	6,443	(4,421)	(13,673)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**6,682**	**23,174**	**(3,845)**	**26,011**

2020/21 Adjustments between the Funding and Accounting Basis	Adjustments for Capital Purposes (Note 1a) £000	Net change for the Pensions adjustments (Note 1 b) £000	Other Differences (Note 1 c) £000	**Total Adjustments £000**
Adult services and prevention	317	1,809	1,309	3,435
Public health and wellbeing	85	681	(3,724)	(2,958)
Children, young people and education	114	2,420	6,608	9,142
Environmental services	(54)	886	1,353	2,185
Growth and development	8,340	976	305	9,621
Digital and customer services	955	607	338	1,900
Finance and governance	2,038	1,128	1,240	4,406
Schools and education (DSG)	0	2,757	(7,308)	(4,551)
Net Cost of Services	**11,795**	**11,264**	**121**	**23,180**
Other expenditure and income from the Expenditure and Funding Analysis	(24,290)	4,744	12,610	(6,936)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(12,495)**	**16,008**	**12,731**	**16,244**

1 a Adjustments for Capital Purposes – this column adds in depreciation, amortisation, impairment, revaluation gains and losses and net REFCUS expenditure to the cost of services line of the Comprehensive Income and Expenditure Statement, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. This line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

1 b Net change for the Pensions Adjustments – this relates to the Local Government Pension scheme and involves the removal of pension contributions and the addition of *IAS 19 Employee Benefits* pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the Council to the Local Government Pension Fund as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure -** the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

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

- **For Services** the other differences column recognises adjustments to the General Fund for the cost of compensated absences e.g. annual leave entitlement not taken by employees during the year. Items in relation to leases and investment property expenditure and income are adjusted between services and the Financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement.
- For **Financing and investment income and expenditure** adjustments also include timing differences for premiums and discounts and the impact of effective interest rate adjustments.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

2 EXPENDITURE AND INCOME ANALYSED BY NATURE

2020/21				2021/22		
Net Cost of Services	Other expenditure and income	Total	Expenditure/Income	Net Cost of Services	Other expenditure and income	Total
£000	£000	£000		£000	£000	£000
			Expenditure			
161,022	0	161,022	Employee benefits expenses	174,015	0	174,015
205,939	0	205,939	Other services expenses	210,132	0	210,132
11,307	1	11,308	Depreciation, amortisation and impairment	21,693	34	21,727
0	18,051	18,051	Interest payments and other similar charges	0	18,886	18,886
0	257	257	Precepts and levies	0	257	257
0	1,311	1,311	Gain or loss on disposal of non-current assets	0	3,375	3,375
378,268	19,620	397,888	Total expenditure	405,840	22,552	428,392
			Income			
(36,532)	(6)	(36,538)	Fees, charges and other service income	(44,044)	(6)	(44,050)
0	(451)	(451)	Interest and investment income	0	(54)	(54)
0	(65,240)	(65,240)	Income from Council Tax and Non-Domestic Rates	0	(74,724)	(74,724)
(204,518)	(108,209)	(312,727)	Government grants and other contributions	(201,875)	(90,884)	(292,759)
(241,050)	(173,906)	(414,956)	Total income	(245,919)	(165,668)	(411,587)
137,218	**(154,286)**	**17,068**	**Surplus or Deficit on the Provision of Services**	**159,921**	**(143,116)**	**16,805**

3 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 2021/22	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)	(21,337)	0	0	21,337
Movements in the fair value of investment properties	(34)	0	0	34
Amortisation of intangible assets	(356)	0	0	356
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	13,484	0	(9,786)	(3,698)
Revenue expenditure funded from capital under statute (REFCUS)	(3,301)	0	0	3,301
Net gain or (loss) on sale or de-recognition of non-current assets / long-term investment	(3,375)	(5,282)	0	8,657
Statutory provision for repayment of debt	6,217	0	0	(6,217)
Capital expenditure charged to the General Fund balance	2,020	0	0	(2,020)
Use of the capital receipts reserve - set aside to reduce the net indebtedness of the Council	0	5,118	0	(5,118)
Use of grants and contributions received in prior year to finance new capital expenditure	0	0	9,141	(9,141)
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	61	0	0	(61)
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	(23,174)	0	0	23,174
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	4,856	0	0	(4,856)
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	(1,072)	0	0	1,072
Total adjustments	**(26,011)**	**(164)**	**(645)**	**26,820**

Comparative adjustments in 2020/21	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)	(10,898)	0	0	10,898
Movements in the fair value of investment properties	(1)	0	0	1
Amortisation of intangible assets	(409)	0	0	409
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	21,256	0	(10,645)	(10,611)
Revenue expenditure funded from capital under statute (REFCUS)	(2,338)	0	0	2,338
Net gain or (loss) on sale or de-recognition of non-current assets	(932)	(3,049)	0	3,981
Statutory provision for repayment of debt	5,688	0	0	(5,688)
Capital expenditure charged to the General Fund balance	129	0	0	(129)
Use of the capital receipts reserve - set aside to reduce the net indebtedness of the Council	0	3,049	0	(3,049)
Use of grants and contributions received in prior year to finance new capital expenditure	0	0	3,798	(3,798)
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	60	0	0	(60)
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	(16,008)	0	0	16,008
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	(12,071)	0	0	12,071
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	(720)	0	0	720
Total adjustments	**(16,244)**	**0**	**(6,847)**	**23,091**

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

4 OTHER OPERATING EXPENDITURE

2020/21 £000		2021/22 £000
190	Parish council funding	190
67	Levies	67
1,311	(Gains)/losses on the disposal of non-current assets	3,375
1,568	**Total**	**3,632**

5 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2020/21 £000		2021/22 £000
12,478	Interest and other similar charges	11,612
5,573	Pensions net interest and administration costs	7,274
(72)	Interest receivable and similar income	(54)
(5)	Income and expenditure in relation to investment properties and changes in their fair value	28
(379)	Other investment income	0
17,595	**Total**	**18,860**

6 TAXATION AND NON-SPECIFIC GRANT INCOME

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

2020/21 £000		2021/22 £000
(88,802)	Non-ring fenced Government grants	(80,017)
(19,407)	Capital grants and contributions	(10,867)
(108,209)	**Total non-specific grant income**	**(90,884)**
(54,652)	Council tax income	(58,211)
(10,588)	Non-domestic rates income	(16,513)
(173,449)	**Total**	**(165,608)**

During the course of 2020/21 and 2021/22 the Government has provided additional resources to Councils to meet the unplanned costs and mitigate some of the financial losses incurred as a result of the Covid-19 pandemic. Details of the Covid-19 related funding reported as non-ring fenced government grants are included in the first table below. In addition, the Government extended business rates reliefs to help retail, leisure, hospitality, and nursery businesses through the pandemic. This resulted in a significant reduction in business rates income due to the Council in 2020/21 and to a lesser extent in 2021/22, which was compensated fully by Government reimbursing local authorities using a grant under section 31 of the Local Government Act 2003.

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

Non-ring fenced Government grants

2020/21 £000		2021/22 £000
(13,522)	Revenue support grant	(13,597)
(24,276)	Top-up grant (business rates retention scheme)	(24,276)
(13,807)	Compensation for loss of business rates income (s31 grant)	(9,029)
(8,471)	Private finance initiative (PFI) revenue grant	(8,471)
(8,103)	Improved Better Care Fund	(8,104)
(4,925)	Social Care grant	(6,551)
0	Local Council Tax Support Grant	(2,127)

(999)	New Homes Bonus grant	(825)
(750)	Housing Benefits and Local Council Tax Support administration grant	(747)
(2)	Other	(317)
	COVID-19 related grants:	
(9,821)	COVID-19 Emergency funding / Local Authority Support Grant	(5,125)
(3,648)	Income Compensation Grant (Sales, Fees and Charges)	(848)
(478)	Local Tax Income Guarantee Scheme	0
(88,802)	**Total**	**(80,017)**

Capital grants and contributions

2020/21 £000		2021/22 £000
(1,433)	Education	(4,559)
(5,195)	Transport	(4,066)
(2,253)	Business, Energy & Industrial Strategy (BEIS)	0
0	Darwen Towns Fund	(1,304)
(1,080)	Other Government grants	(674)
(9,446)	Other contributions	(264)
(19,407)	**Total**	**(10,867)**

7 GRANT INCOME AND CONTRIBUTIONS CREDITED TO COST OF SERVICES

In addition to the non-ring fenced grants, a number of service specific or ring fenced grants were credited to the cost of services. The table below provides further details and includes Covid-19 related funding in relation to:

- Discretionary schemes providing financial assistance to local businesses impacted by local restrictions and national lockdowns.
- Funding for public health teams working to break the chain of Covid-19 transmission and protecting the most vulnerable.
- Support to Adult Social Care providers, to reduce the rate of Covid-19 transmission within and between care settings, and to support timely and safe discharge from hospital into care settings.
- Targeted financial support for children and families to help with the cost of food, energy and water and other associated costs.
- Funding to enable the Council to support the Clinically Extremely Vulnerable and others shown to be most at risk from coronavirus during this period, and to
- Funding to support additional compliance and support activities.

2020/21 £000		2021/22 £000
(101,705)	Dedicated schools grant	(107,681)
(5,985)	Pupil premium grant	(6,000)
(14,939)	Public health grant	(15,063)
(35,429)	Rent allowances / Rent rebate subsidy and Discretionary housing payments (DHP)	(33,180)
(14,066)	Other government grants	(14,781)

	COVID-19 related grants:	
(6,306)	Funding for discretionary grant support to local businesses	(2,401)
(4,854)	Test & Trace Service support grant/Contain Outbreak Management Fund (COMF)	(2,546)
(2,194)	Council Tax Hardship Fund grant	0
(1,081)	Infection Control Grant (discretionary element)	(1,762)
(621)	Support for children and families (Winter Grant/COVID Local Support Scheme)	(997)
(2,324)	Other Covid-19 related grants	(2,202)
(804)	Contributions from other local authorities	(503)
(8,701)	Contributions from other public sector bodies	(10,468)
(3,660)	Other contributions	(1,674)
(1,849)	Funding of REFCUS expenditure from grants and contributions	(2,617)
(204,518)	**Total**	**(201,875)**

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 ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011.

The Schools Budget includes elements for a range of educational services provided on an authority wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2020/21 and 2021/22 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2020/21 before academy and high needs recoupment			**(164,669)**
Academy and high needs figure recouped for 2020/21			**62,964**
Total DSG after academy and high needs recoupment for 2020/21			**(101,705)**
Plus: Brought forward from 2019/20			**(3,841)**
Agreed initial budgeted distribution in 2020/21	**(39,844)**	**(65,702)**	**(105,546)**
In year adjustments	0	0	0
Final budgeted distribution for 2020/21	**(39,844)**	**(65,702)**	**(105,546)**
Less: Actual central expenditure relating to DSG	36,169	0	**36,169**
Less: Actual ISB deployed to schools	0	65,702	**65,702**
Carry forward to 2021/22	**(3,675)**	**0**	**(3,675)**
Final DSG for 2021/22 before academy and high needs recoupment			**(176,589)**
Academy and high needs figure recouped for 2021/22			**68,908**
Total DSG after academy recoupment for 2021/22			**(107,681)**
Brought forward from 2020/21			**(3,674)**
Agreed initial budgeted distribution in 2021/22	**(42,075)**	**(69,280)**	**(111,355)**
In year adjustments	0	0	0
Final budgeted distribution for 2021/22	**(42,075)**	**(69,280)**	**(111,355)**
Less: Actual central expenditure relating to DSG	37,753	0	**37,753**
Less: Actual ISB deployed to schools	0	69,280	**69,280**
In-year carry forward to 2022/23	**(4,322)**	**0**	**(4,322)**

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 225 includes 143 teachers (198 including 125 teachers in 2020/21).

No of Employees 2020/21	Remuneration Banding	No of Employees 2021/22
74	50,000 to 54,999	81
34	55,000 to 59,999	47
38	60,000 to 64,999	38
31	65,000 to 69,999	28
12	70,000 to 74,999	23
3	75,000 to 79,999	4
4	80,000 to 84,999	2
1	85,000 to 89,999	2
0	90,000 to 94,999	0
0	95,000 to 99,999	0
0	100,000 to 104,999	0
0	105,000 to 109,999	0
1	110,000 to 114,999	0
198	**Total**	**225**

The following tables provide an analysis by job title of the remuneration and employer's pension scheme contributions in respect of senior officers, which includes the Council's Chief Executive and the Chief Officers within the Corporate Leadership Team, for 2021/22 and 2020/21. These posts are in addition to those included in the previous table.

2021/22

Post holder	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 – Denise Park		168	0	0	168	26	**194**
Strategic Director Adults & Health	2	110	0	10	120	18	**138**
Strategic Director Children & Education		123	0	0	123	20	**143**
Strategic Director Growth & Development	3	104	0	0	104	17	**121**
Strategic Director Environment & Operations	4	102	0	0	102	17	**119**
Strategic Director Resources		106	0	0	106	18	**124**
Director Public Health	5	106	0	10	116	15	**131**
Director Finance	6	62	0	0	62	10	**72**
Director HR, Governance & Engagement	7	51	0	0	51	8	**59**
Growth Programme Director		115	0	0	115	19	**134**
Deputy Director Adult Social Care		82	0	0	82	14	**96**
Deputy Director Children's Social Care	8	44	0	0	44	7	**51**
Deputy Director Education & Schools		88	0	0	88	14	**102**
Deputy Director Legal & Governance		80	0	0	80	12	**92**
Assistant Director Chief Exec's		74	0	0	74	12	**86**

1. During 2021/22 the Council's departmental structure was amended slightly following the resignation and retirement of a number of senior officers and the Corporate Leadership Team was extended to reflect a some additional posts
2. The Strategic Director Adults & Health left the Council's employment with effect from 28 February 2022
3. This post was designated as Strategic Director Place in 2020/21
4. This post was designated as Director Place in 2020/21

5. The Director of Public Health left the Council's employment with effect from 31 March 2022
6. The current Director of Finance commenced employment with the Council on 23 August 2021 (the previous post holder left the Council's employment with effect from 25 April 2021)
7. The Director of HR, Governance & Engagement left the Council's employment with effect from 12 September 2021
8. The Deputy Director Children's Social Care commenced employment with the Council on 20 September 2021

2020/21

Post holder	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 – Denise Park		153	0	0	153	23	**176**
Strategic Director Adults & Health		116	0	0	116	17	**133**
Strategic Director Children & Education		119	0	0	119	17	**136**
Strategic Director Place		101	0	0	101	15	**116**
Strategic Director Resources		99	0	0	99	14	**113**
Director Public Health		109	0	0	109	16	**125**
Director Place		100	0	0	100	15	**115**
Director Finance		101	0	0	101	15	**116**
Director HR, Governance & Engagement		100	0	0	100	15	**115**
Growth Programme Director		115	0	0	115	17	**132**

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	**2020/21**	**2021/22**	**2020/21**	**2021/22**	**2020/21**	**2021/22**	**2020/21**	**2021/22**
0 to 20,000	1	0	34	48	35	48	286	236
20,001 to 40,000	0	0	3	3	3	3	72	85
40,001 to 60,000	1	0	1	0	2	0	80	0
60,001 to 80,000	0	0	1	0	1	0	77	0
80,001 to 100,000	0	0	0	0	0	0	0	0
100,001 to 150,000	0	0	0	0	0	0	0	0
Total	**2**	**0**	**39**	**51**	**41**	**51**	**515**	**321**

9 MEMBERS' ALLOWANCES

2020/21 £000		2021/22 £000
548	Allowances payable to Members	580
3	Expenses payable to Members	3
551	**Total**	**583**

10 EXTERNAL AUDIT COSTS

The Council incurred the following fees relating to external audit.

2020/21 £000		2021/22 £000
166	Fees incurred with regard to external audit services provided by Grant Thornton UK LLP	160
17	Fees incurred for the certification of grant claims and returns by Grant Thornton UK LLP	23
183	**Total**	**183**

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 the Growth and Development portfolio.

2020/21 £000		2021/22 £000
(1,273)	Turnover	(964)
2,968	Expenditure	3,146
1,695	**(Surplus)/deficit**	**2,182**

12 EVENTS AFTER THE BALANCE SHEET DATE

The statement of accounts were authorised for issue by the Council's Director of Finance on 1st September 2022. Events taking place after this date are not reflected in the financial statements or notes, but disclosure is required of the nature of any such the events and their estimated financial effect.

Accounting for infrastructure assets

Accounting for infrastructure in local government has not historically been considered to be an area of significant accounting estimate due to the use of a historical cost basis of accounting. Audit network discussions convened by the National Audit Office have raised concerns that authorities are not applying component accounting requirements in these circumstances. The issue relates to the derecognition (removal of the carrying amount) of parts of infrastructure assets when replacement expenditure is undertaken and the associated reporting of gross historical cost and accumulated depreciation.

Normal custom and practice for (highways) infrastructure assets in the public sector is that derecognition does not affect asset balances because the assets are expected to have been fully used up before the replacement expenditure takes place, this does require that assets are properly depreciated in line with the requirements of the Accounting Code.

During the financial year 2022/23, CIPFA established a task and finish group to address this issue, and at the end of November 2022, CIPFA issued its Update to the Code and Specifications for Future Codes for Infrastructure Assets. This was followed by an amendment to The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 ("the 2003 Regulations"), which relates to infrastructure assets. The amendment comes into force from 25th December 2022 and applies only in respect of statements of accounts for financial years beginning on or before 1st April 2024, and only in respect of statements of accounts which have not already been certified by a local auditor.

Amendments to Section 4.1 of the Code include a temporary relief so that local authorities are not required to report the gross book value and accumulated depreciation for infrastructure assets. This temporary relief is applied from the 2021/22 Code up to and including the Code applicable to the 2024/25 financial year where the auditor's opinion on those accounts had not been given before the Code update was issued.

The Mall lease

The sale of The Mall shopping centre in Blackburn to the retail arm of the Adhan Group of companies was completed in June/July 2022. The sale was subject to the Council's consent as freeholder, and transfer of the leases was completed on 9 August 2022. The arrangements for the sale has no bearing on the Council's accounting transactions in relation to income receivable under the terms of those leases.

Blackburn Bus Station legal case

A legal case has been brought against the Council by the administrators of Thomas Barnes and Sons Plc over the premature termination of the contract to build Blackburn Bus Station. The company was engaged to construct the bus station in 2014, but the project was plagued by problems and delays and the contract was terminated early. In November 2015 the company went out of business and the administrators started a case for compensation in the High Court for damages for breach of contract by Blackburn with Darwen Council, and seeking a payment of up to £1.7 million. The court case was heard in July 2022 and on 17 October 2022, the Court handed down its judgement in favour of the Council, dismissing Barnes' claim.

13 PROPERTY, PLANT AND EQUIPMENT

All operational land and buildings are revalued on a five year rolling programme by a professional valuer within the Council's in-house property team, 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.

In order to provide assurance that the value of assets in the Council's Balance Sheet is not materially different from the amount that would be given by a full valuation of all operational land and buildings each year, the Council discusses local market forces with the valuer and commissions additional valuations where appropriate, for example:

- where new construction or significant enhancement of assets has completed during the year;
- where the annual impairment review indicates other changes in valuation due to specific circumstances;
- where individual assets of significant value have not been valued for some time.

In addition, a review of the potential variance in the Balance Sheet values of the remaining operational land and buildings, not subject to revaluation during the financial year, is done. The review combines the use of national indices to model potential valuation movements over the five year valuation period, with an assessment of local market conditions and how that compares with national trends. The result of the assessment did not require a change in the values used within the Council's Balance Sheet.

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, however, in accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets the tables do not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The movement in the net book value of infrastructure assets is detailed in a separate table.

As a result of previous accounting requirements for infrastructure assets, there are significant information deficits which mean that the gross cost and accumulated depreciation figures held for infrastructure assets may not be materially correct, due to being unable to identify and therefore derecognise components of these assets as they have been replaced. In line with the amendments to the 2003 Regulations, where a component of an infrastructure asset has been replaced, the Council has assumed that the carrying amount of the component to be derecognised is zero (new regulation 30M(3)).

During 2021/22 financial year, the useful lives of all infrastructure assets have been reviewed and updated, which has had a material impact of the carrying values of those assets. The change has been made prospectively in 2021/22 accounts – in line with new regulation 30M(2) of the amended regulations, which provides that a prior period adjustment is not required.

Property, plant and equipment - movements in 2021/22

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Cost or valuation						
At 1 April 2021	**237,499**	**20,444**	**7,509**	**16,119**	**15,337**	**296,908**
Additions	1,280	1,707	0	50	5,800	8,837
Revaluation increases/(decreases) recognised in the Revaluation Reserve	15,399	0	0	(525)	0	14,874
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(9,403)	0	0	0	0	(9,403)
Derecognition / disposals	(4,682)	(509)	(2,602)	(1,379)	0	(9,172)
Assets reclassified	3,166	(296)	0	0	(4,713)	(1,843)
Other movements	0	0	0	0	0	0
At 31 March 2022	**243,259**	**21,346**	**4,907**	**14,265**	**16,424**	**300,201**
Accumulated depreciation						
At 1 April 2021	**(6,883)**	**(8,952)**	**0**	**1**	**0**	**(15,834)**
Depreciation charge	(4,564)	(2,221)	0	(14)	0	(6,799)
Depreciation written out to the Revaluation Reserve	1,618	0	0	2	0	1,620
Depreciation written out to the surplus/deficit on the provision of services	1,421	0	0	11	0	1,432
Derecognition / disposals	23	492	0	0	0	515
Assets reclassified	0	(5)	0	0	0	(5)
Other movements	0	0	0	0	0	0
At 31 March 2022	**(8,385)**	**(10,686)**	**0**	**0**	**0**	**(19,071)**
Net book value						
At 1 April 2021	**230,616**	**11,492**	**7,509**	**16,120**	**15,337**	**281,074**
At 31 March 2022	**241,934**	**10,660**	**4,907**	**14,265**	**16,424**	**288,190**

Property, plant and equipment - comparative movements in 2020/21

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Cost or valuation						
At 1 April 2020	**230,420**	**29,666**	**7,509**	**15,441**	**23,130**	**306,166**
Additions	175	1,718	0	17	14,028	15,938
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(586)	0	0	72	0	(514)
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(1,538)	0	0	(627)	0	(2,165)
Derecognition / disposals	(1,918)	(11,682)	0	(1)	0	(13,601)
Assets reclassified	11,054	742	0	1,217	(21,821)	(8,808)
Other movements	(108)	0	0	0	0	(108)
At 31 March 2021	**237,499**	**20,444**	**7,509**	**16,119**	**15,337**	**296,908**
Accumulated depreciation						
At 1 April 2020	**(8,222)**	**(18,045)**	**0**	**(1)**	**0**	**(26,268)**
Depreciation charge	(4,289)	(1,071)	0	(46)	0	(5,406)
Depreciation written out to the Revaluation Reserve	2,830	0	0	2	0	2,832
Depreciation written out to the surplus/deficit on the provision of services	2,533	0	0	45	0	2,578
Derecognition / disposals	157	10,164	0	1	0	10,322
Assets reclassified	0	0	0	0	0	0
Other movements	108	0	0	0	0	108
At 31 March 2021	**(6,883)**	**(8,952)**	**0**	**1**	**0**	**(15,834)**
Net book value						
At 1 April 2020	**222,198**	**11,621**	**7,509**	**15,440**	**23,130**	**279,898**
At 31 March 2021	**230,616**	**11,492**	**7,509**	**16,120**	**15,337**	**281,074**

Infrastructure Assets – movements on balances

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The Council has reviewed the information held on infrastructure assets in the asset register and individual assets under appropriate sub-categories. Due to the complexity and volume of capital works undertaken on infrastructure assets the Council believes it is not practical to include such assets in the asset register at a road by road level.

2020/21 £000		2021/22 £000
135,711	**Net book value at 1 April**	**141,263**
2,649	Additions	2,438
0	Derecognition / disposals	0
8,808	Assets reclassified	1,379
(5,905)	Depreciation charge	(8,657)
141,263	**Net book value at 31 March**	**136,423**

The balance for Infrastructure Assets at 1 April 2019 has been restated to add one item of street art formerly included within Heritage Assets.

Property, plant and equipment assets as presented on the Council's Balance Sheet are made up of the following balances:

31 March 2021 £000		31 March 2022 £000
141,263	Infrastructure assets	136,423
281,074	Other Property, plant and equipment	288,190
422,337	**Total Property, plant and equipment assets**	**424,613**

Property, plant and equipment revaluations

	Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	**0**	**21,346**	**4,907**	**0**	**16,424**	**42,677**
Valued at current value (fair value for surplus assets) at:						
At 31 March 2022	204,470	0	0	14,265	0	218,735
At 31 March 2021	21,358	0	0	0	0	21,358
At 31 March 2020	4,122	0	0	0	0	4,122
At 31 March 2019	5,511	0	0	0	0	5,511
At 31 March 2018	6,472	0	0	0	0	6,472
Total cost or valuation	**241,933**	**21,346**	**4,907**	**14,265**	**16,424**	**298,875**

Revaluation losses / (gains)

For 2021/22 there were five individual revaluation decreases / (increases) recognised in the surplus or deficit on the provision of services that were in excess of £1 million.

Property	£000
Fielden Street Car Park	1,492
Audley Junior School	(1,220)
Cedars Primary School	(1,621)
Reel Cinema	(3,960)
Roe Lee Park Primary School	(1,378)

In 2020/21, there was one large revaluation decrease:

Property	£000
Reel Cinema Undercroft Car Park	1,708

Surplus Assets – Fair Value Hierarchy

Details of the authority's surplus assets and information about the fair value hierarchy as at 31 March 2022 and 2021 are as follows:

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2022
	£000	£000	£000	£000
Residential land	0	13,550	0	13,550
Office units	0	130	0	130
Retail	0	585	0	585
Total	**0**	**14,265**	**0**	**14,265**

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2021
	£000	£000	£000	£000
Residential land	0	15,294	0	15,294
Office units	0	100	0	100
Retail	0	725	0	725
Total	**0**	**16,119**	**0**	**16,119**

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels 1 and 2 during the year.

Valuation Techniques used to Determine Level 2 Fair Values for Surplus Assets

The fair value for surplus land and property assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

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 2021 £000		31 March 2022 £000
300,743	**Opening capital financing requirement**	**298,541**
	Capital investment	
18,587	Property, plant and equipment	11,275
123	Intangible assets	1,232
2,338	Revenue expenditure funded from capital under statute	3,301
25	Capital investments / loans	1,465
21,073	**Total capital investment**	**17,273**
	Sources of finance	
(3,049)	Capital receipts – set aside to reduce net indebtedness	(5,118)
(14,409)	Government grants and other contributions	(12,839)
	Sums set aside from revenue:	
(129)	Direct revenue contributions	(2,020)
(5,688)	Minimum revenue provision (MRP) for debt repayment	(6,217)
298,541	**Closing capital financing requirement**	**289,620**
	Explanation of movement in year	
(2,202)	Increase / (reduction) in underlying need to borrow (unsupported by Government financial assistance)	(8,921)
(2,202)	**Total movement**	**(8,921)**

Capital Commitments

At 31 March 2022 the Council had not yet entered into any significant contracts for the construction or enhancement of property, plant and equipment in 2022/23 or future years. The Council had, however, issued Compulsory Purchase Orders (CPOs) in relation to a number of empty properties for which claims for compensation are either being processed or expected.

15 SCHOOLS ASSETS

The accounting treatment of land and buildings in relation to schools is based on the legal framework underlying each type of school. As the Council controls the management and running of community and foundation schools, the land and buildings of those schools are included within property, plant and equipment on the Council's Balance Sheet. Whereas, the land and buildings of voluntary aided, voluntary controlled, academy and free schools are owned and controlled by the trustees of the schools or the equivalent body and are, therefore, not shown on the Council's Balance Sheet.

Schools on the Council's Balance Sheet

31 March 2021			31 March 2022	
Number of Schools	**Value of Land and Buildings £000**		**Number of Schools**	**Value of Land and Buildings £000**
20	62,307	Community schools	20	62,350
1	2,267	Foundation schools	1	3,440
1	3,812	Pupil referral units (PRU)	1	3,090
22	**68,383**	**Total**	**22**	**68,880**

Schools off the Council's Balance Sheet

2020/21 Number of Schools		2021/22 Number of Schools
16	Academy	16
5	Free	5
25	Voluntary aided	25
4	Voluntary controlled	4
50	**Total**	**50**

There have been no academy conversions during the financial years 2020/21 and 2021/22.

The Building Schools for Future programme included the construction and operation of four schools under PFI contracts. Initially, the assets 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 all four of the schools, Pleckgate, Witton Park and Blackburn Central High Schools, and Crosshill Special School, have converted to academy status. The assets relating to these four 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.

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 the current financial year. 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 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.

The current accounting policy recognises one amount for all Heritage Assets based on the current insurance valuation as quoted in the Council's "All risks" policy for the twelve month period commencing the 1 April immediately after the balance sheet date.

Movements in Heritage Assets during 2020/21 and 2021/22 are detailed in the following table:

2020/21 £000		2021/22 £000
35,616	**Balance at 1 April**	**37,089**
1,473	Net gains/(losses) from valuation movements	2,243
37,089	**Balance at 31 March**	**39,332**

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:

2020/21 £000		2021/22 £000
(6)	Rental income from investment property	(6)
1	Changes in the fair value of investment property	34
(5)	**Net (gain)/loss**	**28**

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

2020/21 £000		2021/22 £000
50	**Balance at 1 April**	**49**
(1)	Net gains/(losses) from fair value adjustments	(34)
0	Transfer (to)/from Property, Plant & Equipment	0
49	**Balance at 31 March**	**15**

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:

2020/21 £000		2021/22 £000
	Gross carrying amount	
3,075	Balance at 1 April	3,102
123	Purchases	1,232
0	Assets reclassified from assets under construction	469
(96)	Disposals	(586)
3,102	**Balance at 31 March**	**4,217**
	Accumulated amortisation	
(1,863)	Balance at 1 April	(2,176)
(409)	Amortisation	(356)
96	Disposals	586
0	Other movements in amortisation	0
(2,176)	**Balance at 31 March**	**(1,946)**
	Net carrying amount	
1,212	Balance at 1 April	926
926	**Balance at 31 March**	**2,271**

19 LONG TERM INVESTMENTS

31 March 2021 £000		31 March 2022 £000
0	Town Centre (SPV) Development Company (Maple Grove Blackburn Limited)	1,213
525	Joint Venture Development Company (Barnfield Blackburn Limited)	777
50	Local Capital Finance Company Limited	50
575	**Total**	**2,040**

20 LONG TERM DEBTORS

31 March 2021 £000		31 March 2022 £000
1,010	Nursing/residential property charges	789
398	Loan to Lancashire County Developments Limited	417
19	Cycle scheme loans to Council employees	14
19	Property Refurbishment loans	19
5	Other loans	2
1,451	**Total**	**1,241**

21 SHORT TERM DEBTORS

31 March 2021 £000		31 March 2022 £000
	Debtors classed as Financial Instruments	
12,780	Trade receivables	16,261
(5,008)	Impairment allowance	(5,450)
7,772		**10,811**
	Debtors not classed as Financial Instruments	
11,702	Council tax	12,431
1,526	Non-domestic rates	1,764
3,050	Payments in advance	3,068
22,578	Other receivables	13,559
	Impairment allowance:	
(9,475)	Council tax	(10,561)
(1,211)	Non-domestic rates	(1,554)
(2,530)	Overpaid housing benefit	(2,195)
33,412	**Total**	**27,323**

The reduction in the balance of *"Other receivables"* in the table above is largely due to the scaling back of measures to mitigate some of the financial losses incurred as a result of the Covid-19 pandemic. Extended business rates reliefs to help retail, leisure, hospitality, and nursery businesses, resulted in a significant reduction in business rates income due to the Council in 2020/21. This in turn resulted in a larger than usual deficit on the Business Rates Collection Fund, and a significant swing in the Collection Fund accounting adjustments required to eliminate central and preceptor shares of business rates balances from the Council's Comprehensive Income and Expenditure Statement and Balance Sheet (see Note 29 - Collection Fund Adjustment Account).

During 2021/22, although some extended business rates reliefs continued it was to a lesser extent and the resulting impact was significantly less than in the previous year. The Collection Fund accounting adjustments are lower for 2021/22 causing a swing in the opposite direction as the Council's share of business rates income has increased and the resulting deficit on the Business Rates Collection Fund reduced.

22 CASH AND CASH EQUIVALENTS

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

31 March 2021 £000		31 March 2022 £000
31	Cash held by the Council	31
6,958	Bank current accounts	6,605
25,178	Short term deposits with banks and building societies	32,280
32,167	**Total**	**38,916**
(7,656)	Bank overdraft	(3,020)
24,511	**Total**	**35,896**

23 SHORT TERM CREDITORS

31 March 2021 £000		31 March 2022 £000
	Creditors classed as Financial Instruments	
(17,118)	Trade payables	(21,641)
(1,859)	Other payables – PFI arrangement	(2,217)
(18,977)		**(23,858)**
	Creditors not classed as Financial Instruments	
(1,640)	Council tax	(1,677)
(187)	Non-domestic rates	(211)
(1,472)	Receipts in advance	(1,330)
(25,855)	Other payables	(27,939)
(48,131)	**Total**	**(55,015)**

The balance of “Other payables” in the table above increased significantly in 2020/21 due to the impact of extended business rates reliefs to help retail, leisure, hospitality, and nursery businesses through the pandemic. Grant compensation, paid under section 31 of the Local Government Act 2003, was paid “up front “ by government with the excess balance, which was due to be repaid to central government, being included within “Other payables” as at 31 March 2021.

During 2021/22, although some extended business rates reliefs continued it was to a lesser extent. Despite this, the balance of “Other payables” increased further largely due to the impact of central government providing funding in advance for onward distribution to individuals for the Energy Rebate Scheme, where payments were due to be made in 2022/23.

24 PROVISIONS

	Non-domestic Rates Appeals £000	Insurance Claims £000	Municipal Mutual Insurance Limited (MMI) £000	Legal Claims £000	Total £000
Balance at 31 March 2021	**(1,637)**	**(918)**	**(320)**	**0**	**(2,875)**
Additional provisions made	(1,377)	(93)	(10)	(995)	(2,475)
Amounts used	729	67	7	161	964
Unused amounts reversed	0	0	0	0	0
Balance at 31 March 2022	**(2,285)**	**(944)**	**(323)**	**(834)**	**(4,386)**

Further details of the individual provisions are shown below.

Provision	
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. A further adjustment reflects the impact of a change in the Council's share back to 49% from 73.5%. This increase in the Council's share of retained business rates was for the year 2019/20 only, due to it joining with 13 of the other 14 councils across Lancashire to form a 75% Business Rates Retention (BRR) Pool Pilot.
Insurance claims	Funds are set aside to cover liability claims in respect of highways third party liability, vehicle insurance, employer's liability, public liability and buildings insurance claims which are below the insurance excess and self-insured limit.
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.
Legal claims	Provision created 2021/22 to cover future legal fees due to be paid as a result of ongoing legal claims.

25 FINANCIAL INSTRUMENTS

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

Financial assets - balances

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

Amortised cost, comprising:

- Investments, including loans to banks, building societies and other local authorities
- cash in hand and bank current and deposit accounts
- trade receivables for goods and services provided (including leases)

Fair value through profit and loss (FVPL), comprising:

- investments in Money Market Funds, which are shown at fair value as investments with a quoted market price

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

31 March 2021 £000				31 March 2022 £000		
Long term	**Short term**	**Total**	**Category**	**Long term**	**Short term**	**Total**
575	34,000	**34,575**	Investments - principal	2,040	10,000	**12,040**
0	18	**18**	Accrued interest on the above	0	40	**40**
575	**34,018**	**34,593**	**Total investments**	**2,040**	**10,040**	**12,080**
0	11,767	**11,767**	Cash and cash equivalents - principal	0	9,883	**9,883**
0	0	**0**	Accrued interest on the above	0	0	**0**
0	20,400	**20,400**	Cash and cash equivalents at fair value through profit and loss (FVPL)	0	29,025	**29,025**
0	0	**0**	Accrued interest on the above	0	8	**8**
0	**32,167**	**32,167**	**Total cash and cash equivalents**	**0**	**38,916**	**38,916**
1,451	12,780	**14,231**	Other trade receivables	1,241	16,261	**17,502**
0	(5,008)	**(5,008)**	Loss allowance against trade receivables	0	(5,450)	**(5,450)**
1,451	**7,772**	**9,223**	**Total trade receivables**	**1,241**	**10,811**	**12,052**
2,026	**73,957**	**75,983**	**Total financial assets**	**3,281**	**59,767**	**63,048**

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

All of the Council's financial liabilities held during the year are measured at amortised cost, and comprise:

- long-term loans from the Public Works Loan Board (PWLB)
- short-term loans from other local authorities
- bank overdraft
- lease payables, detailed in Note 28
- Private Finance Initiative (PFI) contracts, detailed in Note 27
- trade payables for goods and services received

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

31 March 2021 £000				31 March 2022 £000		
Long term	**Short term**	**Total**	**Category**	**Long term**	**Short term**	**Total**
(141,779)	(82,153)	**(223,932)**	Principal sum borrowed	(138,231)	(23,560)	**(161,791)**
0	(354)	**(354)**	Accrued interest	0	(462)	**(462)**
(369)	0	**(369)**	Effective interest rate (EIR) adjustments **	(361)	0	**(361)**
(142,148)	**(82,507)**	**(224,655)**	**Total borrowing**	**(138,592)**	**(24,022)**	**(162,614)**
0	(7,656)	**(7,656)**	Bank overdraft	0	(3,020)	**(3,020)**

(59,744)	(1,859)	**(61,603)**	PFI arrangements	(57,527)	(2,217)	**(59,744)**
0	(17,118)	**(17,118)**	Trade payables	0	(21,641)	**(21,641)**
(201,892)	**(109,140)**	**(311,032)**	**Total financial liabilities**	**(196,119)**	**(50,900)**	**(247,019)**
** 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 29)						

Financial instruments - gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

2020/21					2021/22			
Financial Liabilities at amortised cost £000	Financial Assets at amortised cost £000	Financial Assets at fair value through profit & loss £000	Total £000		Financial Liabilities at amortised cost £000	Financial Assets at amortised cost £000	Financial Assets at fair value through profit & loss £000	Total £000
5,909	0	0	5,909	Interest on PFI payments	5,723	0	0	5,723
6,569	0	0	6,569	Interest on loans	5,889	0	0	5,889
12,478	**0**	**0**	**12,478**	**Total expense**	**11,612**	**0**	**0**	**11,612**
0	(50)	(22)	**(72)**	Other interest	0	(36)	(18)	**(54)**
0	(379)	0	**(379)**	Gain on sale of investment	0	0	0	**0**
0	**(429)**	**(22)**	**(451)**	**Total income**	**0**	**(36)**	**(18)**	**(54)**
12,478	**(429)**	**(22)**	**12,027**	**Net impact on surplus / deficit on provision of services**	**11,612**	**(36)**	**(18)**	**11,558**

Fair value of financial instruments

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For Money Market Fund holdings, included in financial assets, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at of the instrument at 31 March 2022, using the following methods and assumptions:

- Loans taken by the Council, including PWLB loans, have been valued at market rates reflecting local authority credit-worthiness.
- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lenders’ options to propose an increase to the interest rate on the loan have been valued according to a standard commercial model. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of PFI scheme liabilities were prepared by discounting the contractual cash flows (excluding service charges) at the appropriate AA corporate bond yield.

- The fair values of other long-term loans and investments were estimated using market rates for similar instruments with similar remaining terms to maturity.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.
- No early repayment or impairment is recognised for any financial instrument.

Fair values are shown in the table below, split by their level in the **fair value hierarchy**:

- **Level 1** – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices.
- **Level 2** – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
- **Level 3** – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

Fair values were prepared by the Council's treasury advisors. Where no fair values are shown, any differences were immaterial.

31 March 2021 £000			Fair value level		31 March 2022 £000		
Carrying Value £000	Fair Value £000	Difference £000		Financial Assets	Carrying Value £000	Fair Value £000	Difference £000
(127,432)	(167,840)	**(40,408)**	2	PWLB loans	(123,540)	(145,697)	**(22,157)**
(18,600)	(28,036)	**(9,436)**	2	Market loans (some with call options)	(18,592)	(24,926)	**(6,334)**
(270)	(270)	**0**	2	Other stock	(270)	(270)	**0**
(78,353)	(78,440)	**(87)**	2	Short term borrowing	(20,017)	(19,982)	**35**
(224,655)	**(274,586)**	**(49,931)**		**Total Borrowing**	**(162,419)**	**(190,875)**	**(28,456)**
(61,603)	(104,748)	**(43,145)**	2	PFI liabilities	(59,744)	(91,232)	**(31,488)**

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 settle the liabilities early.

Risks arising from financial instruments

The Council's activities expose it to a variety of financial risks, and these are recognised in the Risk Register. Treasury risks are additionally monitored by Audit and Governance 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 applied to them were:

- high rated money market funds – instant access (upper limit £5 million per fund)
- credit rated banks and building societies – limits ranging from minimum rating A- (limits £3 million and 4 months) to minimum rating AA (limits £5 million and 9 months)
- the Council's current bank (minimum BBB) or unrated building societies (maximum £1 million and 4 months), both subject to additional credit-worthiness assessments
- deposits with other local authorities (limits £5 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 2021 £000	Investment Portfolio	31 March 2022 £000
	Short term investments	
0	Debt Management Office	0
34,000	Other local authorities	10,000
0	A rated banks/building societies	0
0	Low rated building societies	0
34,000	**Total short term investments**	**10,000**
	Short term deposits with banks and building societies	
20,400	AAA rated Money Market Funds	29,025
0	AA- rated bank	0
3,000	A+ rated bank	10
0	A rated bank	0
1,233	Council's current account	3,135
24,633	**Total short term deposits**	**32,170**

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 2021 £000			31 March 2022 £000	
Value of debt	**Provision**		**Value of debt**	**Provision**
12,780	(5,008)	Trade receivables	16,261	(5,450)

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

31 March 2021 £000	Aged of Debt	31 March 2022 £000
6,642	Less than 3 months	8,767
1,459	3 – 12 months	1,413
1,452	1 to 2 years	2,200
3,227	Over 2 years	3,881
12,780	**Total**	**16,261**

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 2021 £000		31 March 2022 £000
(82,507)	Under 1 year	(24,022)
(82,507)	**Total short term borrowing**	**(24,022)**
(3,547)	Maturing in 1 to 2 years	(3,366)
(21,734)	Maturing in 3 to 5 years	(24,552)
(27,431)	Maturing in 6 to 10 years	(22,602)
(89,436)	Maturing in more than 10 years	(88,072)
(142,148)	**Total long term borrowing**	**(138,592)**
(224,655)	**Total borrowing**	**(162,614)**

The Council has £13 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. It is likely that these options will not be taken up, therefore, the above table assumes they will not be repaid until their final maturity dates.

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 fall

If interest rates had been 1% higher with all other variables held constant the financial effect would have been:

2020/21 £000		2021/22 £000
(578)	Interest gained on investments	(622)
814	Increased cost of borrowing	440
(236)	**Impact on Comprehensive Income and Expenditure Statement**	**(182)**

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 £25.4 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.

26 OTHER LONG TERM LIABILITIES

31 March 2021 £000		31 March 2022 £000
(325,184)	Pension scheme liability	(228,748)
(13,583)	Council's share of debt administered by Lancashire County Council under local Government reorganisation regulations	(13,039)
(59,744)	Building schools for the future PFI liability	(57,527)
(398,511)	**Total**	**(299,314)**

27 PRIVATE FINANCE INITIATIVE (PFI)

The Building Schools for the Future programme included the construction and operation of four schools, across three sites, funded by way of two PFI contracts:

- Phase 1 – Pleckgate High School
- Phase 2 - Witton Park High School and Blackburn Central High School with Crosshill

Each PFI contract is for a period of 25 years with the end dates being Aug 2036 for Phase 1 and Aug 2037 for Phase 2.

All four of those schools have subsequently 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 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 2022 are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Phase 1 - Pleckgate school				
Payment in 2022/23	(813)	(860)	(2,331)	(4,004)
Payment within 2 to 5 years	(3,437)	(4,181)	(8,397)	(16,015)
Payment within 6 to 10 years	(4,972)	(7,243)	(7,804)	(20,019)
Payment within 11 to 15 years	(4,464)	(9,738)	(3,486)	(17,688)
Total Phase 1	**(13,686)**	**(22,022)**	**(22,018)**	**(57,726)**
Phase 2 - Witton Park / Blackburn Central with Crosshill schools				
Payment in 2022/23	(1,658)	(1,357)	(3,016)	(6,031)
Payment within 2 to 5 years	(5,724)	(7,480)	(10,919)	(24,123)
Payment within 6 to 10 years	(8,641)	(11,389)	(10,125)	(30,155)
Payment within 11 to 15 years	(9,255)	(15,798)	(5,102)	(30,155)
Payment within 16 to 20 years	(563)	(1,698)	(324)	(2,585)
Total Phase 2	**(25,841)**	**(37,722)**	**(29,486)**	**(93,049)**
Total	**(39,527)**	**(59,744)**	**(51,504)**	**(150,775)**

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:

	Phase 1 £000	Phase 2 £000	Total
Balance outstanding at 31 March 2021	**(22,697)**	**(38,906)**	**(61,603)**
Payments during the year	675	1,184	1,859
Balance outstanding at 31 March 2022	**(22,022)**	**(37,722)**	**(59,744)**

28 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 2021 £000		31 March 2022 £000
1,838	Not later than one year	2,200
6,096	Later than one year and not later than 5 years	7,591
20,844	Later than 5 years	24,917
28,778	**Total**	**34,708**

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

31 March 2021 £000		31 March 2022 £000
2,220	Minimum lease payments	1,970
289	Contingent rents	22
2,509	**Total**	**1,992**

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 122 years.

All income due under the terms of this lease varies each year dependent on factors other than the passage of time. This income is therefore classed as contingent rentals in accordance with IAS 17 and is recognised in the Income and Expenditure statement as it arises.

In 2021/22, total income generated from the lease was £252,000 (2020/21 £552,000).

As all rental payments are contingent on factors other than the passage of time, the minimum lease payments due under this lease are £nil, and as such the value of the finance lease debtor in respect of this lease is also £nil.

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 2021 £000		31 March 2022 £000
(2,275)	Not later than one year	(2,383)
(7,203)	Later than one year and not later than 5 years	(7,380)
(62,505)	Later than 5 years	(62,770)
(71,983)	**Total**	**(72,533)**

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 2021/22, total income generated from leases was £3,319,000 of which £801,000 contingent rents were receivable by the Council (£3,550,000 and £1,032,000 respectively in 2020/21).

29 RESERVES

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. 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 2020/21 and 2021/22.

The Council saw a significant increase in the level of reserves held at 31st March 2021, largely in its earmarked reserves held for specific purposes. This resulted from specific Covid-related funding received from central government to be utilised over the 2 year period through to March 2022, together with an overall underspend across Council services, as staff were redeployed to support Covid-response efforts.

The requirement for additional funding, including the provision of support to local businesses, has continued to some extent throughout 2021/22, and reserves remain at a higher level than pre-pandemic. Income from fees and charges is not expected to recover fully for some time, likely leading to a call on reserves and the funding carried forward as at 31st March 2022.

	Balance at 31 March 2020 £000	Transfers out 2020/21 £000	Transfers in 2020/21 £000	Balance at 31 March 2021 £000	Transfers out 2021/22 £000	Transfers in 2021/22 £000	Balance at 31 March 2022 £000
Earmarked reserves							
Reserves held for discretionary use by the Council							
Welfare, council tax and business rate reforms	**(163)**	35	(795)	**(923)**	1,521	(2,255)	**(1,657)**
Compensation for lost Council Tax and Business Rates income	**0**	8,670	(17,778)	**(9,108)**	12,724	(12,278)	**(8,662)**
Investments in assets and infrastructure	**(1,076)**	33	(500)	**(1,543)**	92	(3,567)	**(5,018)**
Other resources and transformation projects	**(541)**	166	0	**(375)**	0	0	**(375)**
Support for people services	**(3,339)**	331	(1,476)	**(4,484)**	902	(1,226)	**(4,808)**
Town centre, special events and economic development	**(569)**	149	(500)	**(920)**	0	0	**(920)**
Contingent sums to support future downsizing and transformation (including redundancy and pension strain costs)	**(2,604)**	294	(12,000)	**(14,310)**	238	(3,001)	**(17,073)**
Amounts carried forward in respect of unspent grants and contributions	**(7,965)**	13,742	(17,334)	**(11,557)**	7,020	(7,917)	**(12,454)**
Other amounts committed in future years budgets	**(345)**	232	(313)	**(426)**	242	(992)	**(1,176)**
Reserves held for specified purposes	**(2,549)**	274	(1,744)	**(4,019)**	1,385	(3,064)	**(5,698)**
Total earmarked reserves for discretionary purposes	**(19,151)**	**23,926**	**(52,440)**	**(47,665)**	**24,124**	**(34,300)**	**(57,841)**
Details of other earmarked reserves							
Reserves held in respect of joint arrangements and charitable bodies	**(365)**	31	(84)	**(418)**	48	(7)	**(377)**
Reserves held in relation to schools	**(3,840)**	241	0	**(3,599)**	0	(648)	**(4,247)**
LMS schools balances	**(5,275)**	0	(3,786)	**(9,061)**	922	0	**(8,139)**
Total of non-discretionary reserves	**(9,480)**	**272**	**(3,870)**	**(13,078)**	**970**	**(655)**	**(12,763)**
Total earmarked reserves	**(28,631)**	**24,198**	**(56,310)**	**(60,743)**	**25,094**	**(34,955)**	**(70,604)**
Unallocated reserves	**(7,173)**	**1,366**	**(2,566)**	**(8,373)**	**4,480**	**(3,825)**	**(7,718)**
Capital receipts reserve	**0**	**3,049**	**(3,049)**	**0**	**5,118**	**(5,282)**	**(164)**
Capital grants unapplied	**(5,843)**	**14,409**	**(21,256)**	**(12,690)**	**12,838**	**(13,483)**	**(13,335)**
Total Council Usable Reserves	**(41,647)**	**43,022**	**(83,181)**	**(81,806)**	**47,530**	**(57,545)**	**(91,821)**

Unusable reserves

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.

31 March 2021 £000		31 March 2022 £000
(115,795)	Revaluation Reserve	(135,287)
(46,658)	Capital Adjustment Account	(43,382)
1,750	Financial Instruments Adjustment Account	1,689
351,693	Pensions Reserve	240,991
10,023	Collection Fund Adjustment Account	5,167
3,423	Accumulated Absences Adjustment Account	4,495
204,436	**Total**	**73,673**

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.

2020/21 £000		2021/22 £000
(113,802)	**Balance at 1 April**	**(115,795)**
(8,506)	Upward revaluation of assets	(38,822)
4,715	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	15,115
(3,791)	**(Surplus) or deficit on the revaluation of non-current assets not posted to the surplus or deficit on the provision of services**	**(23,707)**
1,176	Difference between fair value depreciation and historical cost depreciation	1,202
622	Accumulated gains on assets sold or scrapped	3,013
1,798	**Amount written off to the capital adjustment account**	**4,215**
(115,795)	**Balance at 31 March**	**(135,287)**

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.

2020/21 £000		2021/22 £000
(39,212)	**Balance at 1 April**	**(46,658)**
	Reversal of items relating to capital expenditure charged to the Comprehensive Income and Expenditure Statement	
11,311	Charges for depreciation and impairment of non-current assets	15,456
(413)	Revaluation losses / (gains) on property, plant and equipment	5,880
409	Amortisation of intangible assets	357
2,338	Revenue expenditure funded from capital under statute	3,301
3,981	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal calculation	8,657
(1,798)	Adjusting amount written out of the Revaluation Reserve	(4,215)
15,828	**Net written out amount of the cost of non-current assets consumed in the year**	**29,436**
	Capital financing applied in the year	
(3,049)	Use of the capital receipts reserve to finance new capital expenditure or set aside to reduce the net indebtedness of the Council	(5,118)
(10,611)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(3,698)
(3,798)	Application of grants to capital financing from the Capital Grants Unapplied Account	(9,141)
(5,688)	Statutory provision for the financing of capital investment charged against the General Fund	(6,217)
(129)	Capital expenditure charged against the General Fund	(2,020)
1	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	34
(46,658)	**Balance at 31 March**	**(43,382)**

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.

2020/21 £000		2021/22 £000
1,810	**Balance at 1 April**	**1,750**
(33)	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(33)
	Effective interest rate adjustments in respect of:	
(18)	Soft loans	(19)
(9)	Stepped loan rates	(9)
(60)	**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**	**(61)**
1,750	**Balance at 31 March**	**1,689**

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.

2020/21 £000		2021/22 £000
253,074	**Balance at 1 April**	**351,693**
82,611	Remeasurement of the net defined benefit liability	(133,876)
16,008	Amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under the pension scheme regulations.	23,174
351,693	**Balance at 31 March**	**240,991**

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.

2020/21 £000		2021/22 £000
(2,048)	**Balance at 1 April**	**10,023**
12,071	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	(4,856)
10,023	**Balance at 31 March**	**5,167**

As referred to previously, the introduction of extended business rates reliefs in 2020/21, and to a lesser extent 2021/22, to help retail, leisure, hospitality, and nursery businesses through the pandemic resulted in a significant reduction in business rates income due to the Council. This in turn has resulted in a larger than usual deficit on the Business Rates Collection Fund, and a significant swing in the Collection Fund accounting adjustments required to eliminate central and preceptor shares of business rates balances from the Council's Comprehensive Income and Expenditure Statement and Balance Sheet.

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.

2020/21 £000		2021/22 £000
2,703	**Balance at 1 April**	**3,423**
(2,703)	Settlement of cancellation of accrual made at the end of the preceding year	(3,423)
3,423	Amounts accrued at the end of the current year	4,495
720	**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**	**1,072**
3,423	**Balance at 31 March**	**4,495**

30 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 (DfES). 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 DfES 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 2021/22, the Council paid £8,081,678 (£7,925,928 in 2020/21) to the Teachers Pensions Agency in respect of teachers' retirement benefits, representing 23.68% of pensionable pay (23.68% in 2020/21).

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 2021/22, the Council paid £28,745 (£29,202 in 2020/21) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.38% of pensionable pay (14.38% in 2020/21).

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	
	2020/21 £000	**2021/22 £000**	**2020/21 £000**	**2021/22 £000**
Comprehensive Income and Expenditure Statement				
Cost of services				
Current service cost	22,606	30,535	0	0
Past service cost	0	0	0	0
(Gain)/loss from settlements and curtailments	275	140	0	0
Financing and Investment Income and Expenditure				
Net Interest expense and administration costs	5,447	7,162	126	112
Total post-employment benefit charged to the surplus or deficit on the provision of services	**28,328**	**37,837**	**126**	**112**
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Remeasurement - assets	(60,541)	(97,754)	0	0
Remeasurement - liabilities				
- Experience gain / (loss)	(20,601)	28,609	(128)	141
- Gains / (losses) on financial assumptions	163,328	(16,690)	553	(56)
- Gains / (losses) on demographic assumptions	0	(47,894)	0	(232)
Total re-measurement recognised in Other Comprehensive Income	**82,186**	**(133,729)**	**425**	**(147)**
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	**110,514**	**(95,892)**	**551**	**(35)**
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	(16,384)	(23,539)	376	365
Actual amount charged against the General Fund balance for pensions in the year				
Employers' contributions payable to the scheme	**11,944**	**14,298**		
Retirement benefits payable to pensioners			**502**	**477**

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	
	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000
Present value of the defined benefit obligation	(1,100,199)	(1,096,524)	(5,576)	(5,064)
Fair value of plan assets	780,591	872,840	0	0
Net liability arising from defined benefit obligation	**(319,608)**	**(223,684)**	**(5,576)**	**(5,064)**

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000
Opening balance at 1 April	**(928,785)**	**(1,100,199)**	**(5,527)**	**(5,576)**
Current service cost	(22,606)	(30,535)	0	0
Interest cost	(22,095)	(22,881)	(126)	(112)
Contributions by scheme participants	(4,493)	(4,798)	0	0
Remeasurement - liabilities				
- Experience gain / (loss)	20,601	(28,609)	128	(141)
- Gains / (losses) on financial assumptions	(163,328)	16,690	(553)	56
- Gains / (losses) on demographic assumptions	0	47,894	0	232
Past service (cost) / gain	0	0	0	0
(Losses) / gains on curtailment	(275)	(140)	0	0
Liabilities extinguished on settlements	0	0	0	0
Benefits paid	20,782	26,054	502	477
Closing balance at 31 March	**(1,100,199)**	**(1,096,524)**	**(5,576)**	**(5,064)**

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000
Opening balance at 1 April	**681,238**	**780,591**	**0**	**0**
Interest income	17,075	16,171	0	0
Remeasurement gains / (losses) - assets	60,540	97,754	0	0
Settlements	0	0	0	0
Contributions from employer	38,454	32	502	477
Contributions from employees into the scheme	4,493	4,798	0	0
Benefits paid	(20,782)	(26,054)	(502)	(477)
Other	(427)	(452)	0	0
Closing balance at 31 March	**780,591**	**872,840**	**0**	**0**

Local Government Pension Scheme assets comprised:

31 March 2021 £000	Asset category	Quoted in active markets (Y/N)	31 March 2022 £000
17,239	**Cash and cash equivalents etc.**	N	**21,940**
0	**Equities** - Financials	Y	**1,039**
	Bonds (by sector):		
0	UK Corporate	Y	3,585
0	Overseas Corporate	N	3,223
0	**Sub-total bonds**		**6,808**
	Property (by type):		
767	Retail	N	773
12,605	Commercial	N	13,169
13,372	**Sub-total property**		**13,942**
	Private equity:		
0	UK	N	19,305
62,628	Overseas	N	52,623
62,628	**Sub-total private equity**		**71,928**
	Other investment funds:		
93,613	Infrastructure	N	99,436
97,794	Indirect Property Funds	N	76,110
104,346	Credit Funds	N	116,820
26,020	Pooled Fixed Income	N	37,953
7,983	UK Pooled Equity Funds	N	8,219
357,596	Overseas Pooled Equity Funds	N	418,645
687,352	**Sub-total other investment funds**		**757,183**
780,591	**TOTAL ASSETS**		**872,840**

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 Limited, an independent firm of actuaries.

When the Council's draft 2021/22 accounts were prepared, the 2019 triennial valuation informed the key judgements and estimates underpinning the measurement of the defined benefit liability. Although the publication of the 31 March 2022 LGPS triennial valuations occurred after the 2021/22 reporting period, accounting estimates have been updated to take account of data now available following completion of the latest full valuation of the Lancashire County Fund scheme. The principal assumptions used by the actuary are as follows:

2020/21		2021/22
Mortality assumptions		
Longevity at 65 for current pensioners		
22.4	Male	21.4
25.1	Female	23.7
Longevity at 65 for future pensioners		
23.9	Male	22.6
26.9	Female	25.5
Financial assumptions		
2.7%	Rate of CPI inflation	3.3%
4.2%	Rate of increase in salaries	4.8%
2.8%	Rate of increase in pensions (payment / deferment)	3.4%
2.1%	Rate for discounting scheme liabilities	2.8%

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 2022	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	+ 33,841	+ 925	+ 939
Rate of inflation - increase by 0.1%	+ 52,170	+ 809	+ 557
Rate of increase in salaries – increase by 0.1%	+ 5,618	0	+ 53
Rate for discounting scheme liabilities – increase by 0.1%	- 95,799	- 777	- 318
Change in 2021/22 investment returns:			
- increase by 1%	- 8,623	0	- 241
- decrease by 1%	+ 8,623	0	+ 242

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 (FSS).

The Regulations also require actuarial valuations to be carried out every 3 years. The previous valuation, at 31 March 2019, showed a surplus of £12 million against the Fund's solvency funding target. An alternative way of expressing the position is that the Fund's assets were sufficient to cover just over 100% of its liabilities – this percentage is known as the solvency funding level of the Fund. The most recent valuation at 31 March 2022 showed an improved surplus position.

The LGPS Regulations require the next 3 years' contributions to be set so as to secure the Fund's solvency and long-term cost efficiency. The "Primary rate" of the employers' contribution is the contribution rate required to meet the cost of the future accrual of benefits including ancillary, death in service and ill health benefits together with administration costs. The "Secondary rate" of an individual employer's contribution is an adjustment to the primary contribution rate to reflect any past service deficit or surplus, based on an average recovery period of 16 years. Funding levels are monitored on an annual basis, with the next triennial valuation due to be completed on 31 March 2025.

The weighted average duration of the authority's defined benefit obligation is 18 years, measured on the actuarial assumptions used for IAS19 purposes.

Early payment of 3 years LGPS employers' pension contributions and deficit lump sum

Every three years the pension scheme undertakes a valuation process which establishes each employer's deficit in respect of previous years and the period over which this is to be repaid. As the full amount is due at the point of the triennial valuation each employer pays the Pension Fund a rate of "interest" for allowing payment over a longer period to compensate the Fund for investment opportunities which it has forgone. Paying in advance of this schedule enables a gross saving due to the avoidance of these "interest" payments. This is then netted off against the interest that could have been earned by the Council placing this money on deposit.

For the three year period, commencing 1st April 2020, the Council has taken advantage of a discount offered for early payment of both the three year deficit amount and the (monthly) employer contributions in relation to current staff who are members of the LGPS. A payment of £38.284 million was made in April 2020, which will result in a net saving, after accounting for interest on borrowing, of approximately £1.5 million across the 3 year period.

As a consequence of this early payment of pension contributions there was an initial reduction of the pension liability by £38.284 million, which will "unwind" over the three year triennial period. Due to the regulatory provisions which specify the amount chargeable to the Council's General Fund an amount of £12.243 million (i.e. the amount relating to year three of the triennial period) has been credited to the pension reserve in 2021/22, as a result the pension liability and pension reserve are not equal and opposite amounts as would ordinarily be the case.

Areas of uncertainty

Court of Appeal ruling for Firefighters/Judges (the Sergeant and McCloud cases): The decisions of the Court of Appeal in the Sergeant/McCloud cases (generally referred to for the LGPS as "McCloud") have ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. The Government has accepted that remedies relating to the McCloud judgement are needed in relation to all public service pension schemes, and a consultation was published in July 2020 including a proposed remedy for the LGPS.

The key feature of the proposed remedy was to extend the final salary scheme underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and either remain active or left service after 1 April 2014 (including to those members who no longer have a benefit entitlement from the Fund).

The actuarial figures include an allowance for McCloud that is substantially in line with the proposed remedy above. There are some minor areas where the Actuary's approach differs, but other than in exceptional circumstances it is expected that the impact of these minor proposed changes to be nil, therefore, no further adjustments are required.

Goodwin, Brewster and Langford judgements: These are other recent rulings that could in theory have an impact on the LGPS, all of which relate to dependants benefits, however, it is expected that the impact of the ruling to be very small (if anything). For example, the Actuary's sample analysis on the most significant of the rulings (Goodwin) suggests a potential cost well under 0.1% of liabilities on average, therefore, no adjustments have been made in respect of these judgements.

Guaranteed Minimum Pension (GMP) equalisation: UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the "Barber" judgement). This includes providing equal benefits accrued from that date to reflect the difference in GMPs. Previously, there was no consensus or legislative guidance as to how this might be achieved in practice for ongoing schemes, until the 26 October 2018 Lloyds Bank court judgement provided further clarity in this area.

HM Treasury have stated since the judgement that "public sector schemes already have a method to equalise guaranteed minimum pension benefits, which is why we will not have to change our method as a result of this judgement". As a result, the Actuary has concluded that it is not appropriate for their figures to include any provision for the effect of the Lloyds Bank judgement at the present time. However, in due course there may be a further cost to the LGPS and its employers in connection with equalisation/indexation. Although government policy is still to be determined, the actuarial figures do include an allowance for full GMP indexation for all members reaching SPA after 2021.

Covid-19: Since February 2020 there has been substantial volatility in financial markets around the world in relation to the Covid-19 pandemic, and while this has reduced in recent months, the potential for further volatility remains. This may have consequences for asset values, and will be reflected in the 2021/22 accounting figures. Over the same period, the market volatility has also extended to bonds. As the assumptions for accounting purposes are based on bond yields, this will also impact on accounting liabilities.

Regarding the impact on mortality, the Actuary's view is that it is not possible at this point to draw any meaningful conclusions on the potential impact of Covid-19 on mortality rates going forward, and so it would be inappropriate to make any adjustments to mortality assumptions at this time.

31 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 2021 £000		31 March 2022 £000
460	Interest received	21
(12,733)	Interest paid	(11,512)

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

31 March 2021 £000		31 March 2022 £000
11,311	Depreciation	15,456
(413)	Impairment and downward valuations	5,880
409	Amortisation	357
6,043	Increase/(decrease) in creditors	8,636
(3,263)	(Increase)/decrease in debtors	37
(51)	(Increase)/decrease in inventories	(58)
(10,501)	Movement in pension liability	37,440
3,279	Carrying amount of non-current assets, non-current assets held for sale, sold or derecognised	8,657
302	Other non-cash items charged to the surplus or deficit on the provision of services	1,509
7,116	**Total**	**77,914**

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

31 March 2021 £000		31 March 2022 £000
(379)	Proceeds from short-term and long-term investments	0
(1,968)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,282)
(21,256)	Any other items for which the cash effects are investing or financing cash flows	(13,484)
(23,603)	**Total**	**(18,766)**

Investing activities

31 March 2021 £000		31 March 2022 £000
(18,710)	Purchase of property, plant and equipment, investment property and intangible assets	(12,507)
(54,025)	Purchase of short term and long term investments	(44,465)
2,999	Other payments for investing activities	526
1,968	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,282
59,081	Proceeds from short term and long term investments	67,000
21,256	Other receipts from investing activities	13,705
12,569	**Net cash flows from investing activities**	**29,541**

Financing activities

31 March 2021 £000		31 March 2022 £000
114,250	Cash receipts of short term and long term borrowing	20,000
0	Other receipts from financing activities	0
(1,811)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(1,859)
(124,799)	Repayment of short term and long term borrowing	(82,685)
(1,479)	Other payments for financing activities	4,045
(13,839)	**Net cash flows from financing activities**	**(60,499)**

Reconciliation of liabilities arising from financing activities

	1 April 2021	Financing cash flows		Non-cash changes	31 March 2022
		Acquisitions	Repayments		
	£000	£000	£000	£000	£000
Long term borrowing	141,779	0	0	(3,548)	138,231
Short term borrowing	82,153	20,000	(82,141)	3,548	23,560
Other Long Term Liabilities	13,583	0	(544)	0	13,039
PFI liabilities	61,603	0	(1,859)	0	59,744
Total	**299,118**	**20,000**	**(84,544)**	**0**	**234,574**

	1 April 2020	Financing cash flows		Non-cash changes	31 March 2021
		Acquisitions	Repayments		
	£000	£000	£000	£000	£000
Long term borrowing	145,670	0	0	(3,891)	141,779
Short term borrowing	88,245	114,250	(124,233)	3,891	82,153
Other Long Term Liabilities	14,148	0	(565)	0	13,583
PFI liabilities	63,414	0	(1,811)	0	61,603
Total	**311,477**	**114,250**	**(126,609)**	**0**	**299,118**

32 RELATED PARTIES

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

Central Government

Central Government has 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). Grant income from Government departments is shown in Note 7.

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, Blackburn with Darwen Clinical Commissioning Group (CCG) to jointly deliver integrated health and adult social care services under NHS Section 75 and Section 256 agreements 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.

In addition the Council is working together with other health partners and Local Authorities across the Pennine Lancashire footprint and wider over the Lancashire and South Cumbria area on new models of care and delivery of Integrated Health and Social Care services.

The Council and the Clinical Commissioning Group* (CCG) received £13.321 million revenue ring fenced grant in 2021/22 (£12.635 million in 2020/21) towards the Better Care Fund (BCF), of which £6.605 million expenditure (£6.109 million in 2020/21) was incurred by the CCG on health related initiatives and the remaining £6.716 million (£6.526 million in 2020/21) was retained by the Council to spend on health and social care schemes, in accordance with the pooled budget arrangements. 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 £15.1 million of Public Health Grant in 2021/22 (£14.9 million in 2020/21) 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.

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% (£92,709) and Blackburn with Darwen contributing 64.5% (£168,443) in 2021/22. In 2020/21 the corresponding figures were 35.5% (£95,123) and 64.5% (£172,828) respectively.

** Clinical Commissioning Groups have now been formally abolished by the Integrated Care Boards (Establishment) Order 2022, which was made under provisions in the Health and Care Act 2022. The*

National Health Service (Areas of Integrated Care Boards: Appointed Day) Regulations 2022 provides that Integrated Care Boards (ICBs) come into effect from 1 July 2022.

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 2021/22 is shown in Note 9.

Details of Members' interests are recorded in the Register of Members' Interests, which is open to public inspection. The table below contains transactions during 2021/22 for services delivered to / from organisations in which members have declared interests that would indicate a significant level of control:

	Income received £	Income owed to the Council £	Payments made £	Payments owed by the Council £
Home Care For You Limited	(8,006.40)	0	2,183,651.05	0

In all cases, the works or services detailed above were entered into in full compliance with the Council's standing orders, financial procedure rules and procurement procedure rules.

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 2021/22 none of the Council's senior officers have made declarations in respect of personal / close family interests with organisations that would indicate a significant level of control and where the Council has financial interests and / or transactions.

Interests in companies and other entities

The Council has financial interests and related party transactions with the following companies.

Growth Lancashire Limited

The Council is one of 6 local authorities with an interest in Growth Lancashire Limited (formerly 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. The company delivers a Gateway Service to support businesses throughout Lancashire, Blackpool and Blackburn with Darwen, and provides funding to assist business growth.

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.

Barnfield Blackburn Limited

The Council has an interest in Barnfield Blackburn Limited, a joint venture company with the aim of acquiring and preparing development sites within the Borough in order to facilitate economic development, job creation and housing growth.

Maple Grove Blackburn Limited

The Council has an interest in Maple Grove Blackburn Limited, a joint venture company with the aim of acquiring and preparing sites within the Borough in order to facilitate a holistic approach to the redevelopment of a number of town centre sites for business, leisure and housing and to attract inwards investment to the Borough.

Entities controlled or significantly influenced by the Council

The Council made payments in respect of the commissioning of services under either a Service Level Agreement or contractual agreement totalling £1,485,565 to the organisations below during the year where the amounts concerned provided a significant proportion of those organisations' income. The details are as follows:

- Spring North Ltd (Formerly Families, Health & Wellbeing Consortium) - £43,938
- Care Network (Blackburn with Darwen) Limited - £360,277
- Age UK - £234,480
- Lancashire Women's Centre - £170,043
- Blackburn with Darwen Carers Services Ltd - £231,477
- Lancashire MIND Limited - £238,350
- Shelter Limited - £80,000
- The THOMAS Organisation Limited - £57,000
- Papyrus Prevention of Youth Suicide - £70,000

Similar payments totalling £2,378,895 were made in 2020/21. In these cases, there is a presumption that there is substantial reliance upon such income for the future continuation or otherwise of the organisations concerned.

33 CONTINGENT ASSETS AND LIABILITIES

Contingent Asset

The Council is currently pursuing the recovery of costs incurred in respect of a service user within Adult Social Care. The case involves a dispute between three local authorities over the responsibility for the social care costs for an individual service user. Legal services have been involved in this case to pursue recovery of the costs and after numerous attempts over several years the case has been to ADASS for mediation and will now be referred to the Secretary of State for resolution. The amount to be recovered in respect of the service user amounts to £388,000 as at end of March 2022.

Contingent Liability

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 2022 remains uncertain. A Levy has been paid at a rate of 25% on established scheme liabilities - amounting to a total of £495,500 for the Council. In considering the most likely remaining financial impact, the Council has set aside a provision of £323,000, 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.

A legal case has been brought against the Council by the administrators of Thomas Barnes and Sons Plc over the premature termination of the contract to build Blackburn Bus Station. The company was engaged to construct the bus station in 2014, but the project was plagued by problems and delays and the contract was terminated early. In November 2015 the company went out of business and the administrators started a case for compensation in the High Court for damages for breach of contract by Blackburn with Darwen Council, and seeking a payment of up to £1.7 million. The court case was heard in July 2022 and on 17 October 2022, the Court handed down its judgement in favour of the Council, dismissing Barnes' claim.

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

2020/21				2021/22		
Non-domestic rates	Council tax	Total		Non-domestic rates	Council tax	Total
£000	**£000**	**£000**	**Income**	**£000**	**£000**	**£000**
	(64,632)	(64,632)	Council tax receivable (net of benefits, discounts for prompt payment and transitional relief)		(70,865)	(70,865)
0	(2,035)	(2,035)	Transfer from General Fund – Hardship Fund Grant	0	(20)	(20)
(28,160)	0	(28,160)	Non-domestic rates receivable (net of discretionary and mandatory reliefs)	(38,530)	0	(38,530)
			Contribution towards previous year's Collection Fund deficit			
0	0	0	- Central Government	(8,456)	0	(8,456)
0	0	0	- Blackburn with Darwen Borough Council	(7,345)	(538)	(7,883)
0	0	0	- Police & Crime Commissioner for Lancashire	0	(73)	(73)
0	0	0	- Lancashire Combined Fire Authority	(150)	(24)	(174)
0	**0**	**0**	**Total contribution to previous year's Collection Fund deficit**	**0**	**0**	**0**
(28,160)	**(66,667)**	**(94,827)**	**Total income**	**(54,481)**	**(71,520)**	**(126,001)**
			Expenditure			
			Precepts and demands from major preceptors and the Council (Council tax)			
0	56,022	56,022	- Blackburn with Darwen Borough Council	0	57,207	57,207
0	7,523	7,523	- Lancashire Police Authority	0	7,911	7,911
0	2,521	2,521	- Lancashire Combined Fire Authority	0	2,525	2,525
0	**66,066**	**66,066**	**Total council tax precepts**	**0**	**67,643**	**67,643**
			Shares of non-domestic rating income to major preceptors and the Council (billing authority)			
20,587	0	20,587	- Blackburn with Darwen Borough Council	20,545	0	20,545
420	0	420	- Lancashire Combined Fire Authority	419	0	419
21,007	**0**	**21,007**	**Total non-domestic rates precepts**	**20,964**	**0**	**20,964**
21,008	0	21,008	Payment with respect to central share (including allowable deductions) of the non-domestic rating income to be paid to Central Government	20,965	0	20,965
1,529	0	1,529	Transitional Protection Payments payable	1,060	0	1,060
4,776	2,216	6,992	Impairment of debt/appeals	3,523	2,055	5,578
247	0	247	Charge to General Fund for allowable collection costs	246	0	246
			Contribution towards previous year's Collection Fund surplus			
458	0	458	- Central Government	0	0	0

31	671	702	- Blackburn with Darwen Borough Council	0	0	0
0	89	89	- Police & Crime Commissioner for Lancashire	0	0	0
1	31	32	- Lancashire Combined Fire Authority	0	0	0
49,057	**69,073**	**118,130**	**Total expenditure**	**46,758**	**69,698**	**116,456**
20,897	**2,406**	**23,303**	**Movement on fund balance**	**(7,723)**	**(1,822)**	**(9,545)**
(2,412)	**(712)**	**(3,124)**	**Fund balance brought forward**	**18,485**	**1,694**	**20,179**
20,897	**2,406**	**23,303**	Movement on fund balance	**(7,723)**	**(1,822)**	**(9,545)**
18,485	**1,694**	**20,179**	**Fund balance carried forward**	**10,762**	**(128)**	**10,634**

Allocation of Collection Fund balance

31 March 2021			31 March 2022	
Non-domestic rates £000	**Council tax £000**	**(Surplus)/deficit carried forward**	**Non-domestic rates £000**	**Council tax £000**
		Allocated to:		
8,587	1,436	Blackburn with Darwen Borough Council	4,803	(106)
0	193	Police & Crime Commissioner for Lancashire	0	(18)
175	65	Lancashire Combined Fire Authority	122	(4)
9,723	0	Central Government	5,838	0
18,485	**1,694**	**Total**	**10,763**	**(128)**

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.

The government decided to freeze the business rates multiplier for 2021/22 at 51.2p, which was made up of a small business rating multiplier of 49.9p plus a supplement of 1.3p. The total non-domestic rateable value at 31 March 2022 was £121,073,319 (£120,513,511 at 31 March 2021).

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 2021/22 the calculation of the tax base for council tax setting purposes was based on a total of 61,984 (61,751 in 2020/21) 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 45,030 chargeable dwellings or 36,205 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	22,551	15,024
B	7,553	5,874
C	7,310	6,498
D	4,265	4,265
E	2,011	2,458
F	741	1,070
G	547	912
H	52	104
Total	**45,030**	**36,205**

General Principles

The Statement of Accounts summarises the Council's transactions for the financial year 2021/22 and its position at the year-end of 31 March 2022. The Council is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2021/22* (the Code), supported by International Financial Reporting Standards (IFRS).

The accounting concept of going concern assumes that the Council's functions and services will continue in operational existence for the foreseeable future. As local authorities cannot be created or dissolved without statutory prescription, they must prepare their accounts on a going concern basis. The accounting convention adopted in the Statement of Accounts is principally historical cost modified by the revaluation of certain categories of non-current assets and financial instruments.

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.

All accounting policies are disclosed where they are material and reflect the particular circumstances of the Council.

Accruals of income and expenditure

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

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

Business Improvement Districts

There are two business improvement district (BID) schemes applying to defined areas of Blackburn. The schemes are funded by a BID levy paid by non-domestic ratepayers. The Council acts as agent under the schemes and does not, therefore, account for the income received from the BID levy in its Comprehensive Income and Expenditure Statement. Any income derived from the Council's role as agent is credited to the Comprehensive Income and Expenditure Statement.

Cash and cash equivalents

Cash consists of cash in hand and deposits with financial institutions repayable without penalty on notice of no more than twenty four hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. This category includes cash on call and instant access Money Market Funds.

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

Charges to revenue for non-current assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance (i.e. Minimum Revenue Provision or MRP). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the 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.

Council tax and non-domestic rates

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

Accounting for council tax and NDR

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

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

Employee benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. flexi leave or time off in lieu) earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

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

Post-employment benefits

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

- **Teachers' pension scheme** - administered by Capita Teachers' Pensions on behalf of the Department for Education (DfES).
- **NHS pension scheme -** administered by NHS Business Services Authority on behalf of the Department of Health.
- **Local government pension scheme** (LGPS) – Pension administration services are provided to the Lancashire County Pension Fund by Local Pensions Partnership, with Lancashire County Council as the Administering Authority.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked 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 were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The *Schools and Education DSG* line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The *Public Health and Wellbeing* 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 LGPS 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 projected earnings for current employees.

- Liabilities are discounted to their value at current prices using a discount rate of 2.1% (based on the indicative rate of return 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:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value

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

Component	Description	Treatment
Service costs		
Current service costs	The increase in liabilities as a result years of service earned this year	Allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
Past service costs	The increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years	Debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement - within Non-distributed costs
Net Interest on the net defined benefit liability i.e. interest expense for the Council	The change during the period in the net defined benefit liability that arises from the passage of time. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments	Charged to the *Financing and investment income and expenditure* line of the Comprehensive Income and Expenditure Statement
Re-measurements		
The return on plan assets	The return on plan assets, excluding amounts included in net interest on the net defined benefit liability.	Charged to the Pensions Reserve as other comprehensive income and expenditure
Actuarial gains and losses	Changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.	Charged to the Pensions Reserve as other comprehensive income and expenditure
Contributions		
Contributions paid to the pension fund	Cash paid as employer's contributions to the pension fund in settlement of liabilities	These are not accounted for as an expense in the Comprehensive Income and Expenditure Statement, but are charged to the General Fund under statutory accounting requirements.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events after the reporting period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Financial Instruments

Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payment over the life of the instrument to the amount at which it was originally recognised.

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

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, there is no impact on the General Fund Balance as reconciling adjustments are made to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of the amounts charged to the Comprehensive Income and Expenditure Statement to the net charge against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The Council holds financial assets measured at:

- Amortised cost, and
- Fair value through profit or loss (FVPL),

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

Financial assets measured at amortised cost

Financial assets measured at amortised costs are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially valued at fair value. They are subsequently valued at their amortised cost. Annual credits to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council sometimes makes loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement at a marginally higher effective interest rate than the rate receivable from the voluntary organisation, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable in the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains or losses that arise on derecognition of an asset are credited or debited to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement.

Expected credit loss model

The Council recognises expected credit losses on all of its financial assets held at amortised costs, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets.

Impairment losses are calculated to reflect the expectation that future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. In practice, for trade receivables, unless it is known that a counterparty is at risk of going into administration the calculation is largely based on age of debt and amount of debt overdue.

Financial assets measured at fair value through profit or loss (FVPL)

Financial assets that are measured at FYPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the surplus or deficit on the provision of services.

These assets relate to financial instruments where the amounts received relating them are not solely principal and interest (e.g. Money Market Funds or equity investments not designated as a strategic investment).

Fair value measurements of financial assets

The fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Council's financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

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

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on derecognition of the asset are credited or debited to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement.

Fair value measurement of non-financial assets

The Council's policy for fair value measurement of financial assets is set out in the previous section (Financial Instruments). The Council also measures some of its non-financial assets, such as surplus assets and investment properties, and some of its financial instruments, such as equity shareholdings, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset, or

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

The Council measures the fair value of an asset using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

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

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

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets 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, either directly or indirectly.
- Level 3 – unobservable inputs for the asset.

Government grants and contributions

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

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Grants received in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income and expenditure (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants and contributions 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 or contribution has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Heritage Assets

The Council's Heritage assets are held by the Council in support of the primary objective of increasing the knowledge, understanding and appreciation of the Borough's history and local area. They include collections of art, books and manuscripts, civic regalia and other artefacts, which are held in Blackburn museum and art gallery, Blackburn town hall, Turton Tower and the Council's libraries. Heritage assets are recognised and measured largely in accordance with the Council's accounting policies on property, plant and equipment although there is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations. Heritage assets are recognised in the Balance Sheet at the insurance valuation quoted in the Council's "All risks" policy for the twelve month period commencing the 1 April immediately after the balance sheet date.

The schedule of items held within this category is reviewed each year and adjusted for additions, deletions or impairments (e.g. where an item has suffered physical deterioration, or breakage or where doubts arise as to its authenticity). These assets have an indeterminate life and are subject to appropriate conservation measures, therefore, depreciation is not charged on heritage assets.

The museum recognises its responsibility to work within the parameters of the Museum Association Code of Ethics when considering acquisition and disposal. If an item becomes unsuitable for the collections it may be transferred to a more suitable venue, which is likely to be another museum or gallery. There is a process for removing items from a museum's collection which is very controlled and specific. The guiding principal for this is the Disposal Digest put together by the Museums Association and available on their web site.

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 or the cost of obtaining the information outweighs the benefit to the users of the financial statements.

Historic 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 non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meet this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the *Other operating expenditure* line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses, and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds over £10,000) the Capital Receipts Reserve.

Inventories and Long-term contracts

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.

Long-term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

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 initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at year end. Gains and losses on revaluation are posted to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the *Financing and investment income 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.

Joint Arrangements

Joint Arrangements are arrangements in which two or more parties have joint control bound by a contract. A Joint Arrangement can be classified as:

- A Joint Venture – This is an arrangement under which two or more parties contractually agree to share control, such that decisions about activities of the entity require consent from all parties. Material interests in Joint Ventures would ordinarily necessitate the completion of group accounts using the equity method of consolidation.
- A Joint Operation – This is an arrangement under which parties that have joint control have the rights to the assets and obligations for the liabilities relating to the arrangement. Under such arrangements the Council recognises the assets and liabilities it controls on the Balance Sheet and debits/credits the Comprehensive Income and Expenditure Statement for its proportion of any expenditure incurred/income received.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey 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

Operating leases

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

The Council as lessor

Finance leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the *Other operating expenditure* line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against council tax, as the cost of 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 Comprehensive Income and Expenditure Statement as income to the services responsible for the management and maintenance of the leased property, plant and equipment. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium at the commencement of a lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis of rental income.

Private Finance Initiatives (PFI) and similar contracts

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

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

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five 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.

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

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

Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Property, Plant and Equipment other than highways infrastructure assets

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. The Council only capitalises items that exceed the de minimis threshold of £10,000. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price, and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the *Taxation and non-specific grant income* line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is 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 to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Assets under construction - historical cost
- Surplus Assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- Land and buildings and 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.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

PPE asset	Depreciation basis
Operational buildings	straight line allocation over the useful life of the property as estimated by the valuer
Vehicles, plant, furniture and equipment	straight line allocation over 1-20 years, as advised by a suitably qualified officer

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 chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and derecognition

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 (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to former housing disposals is payable to the government. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserve Statement

The written off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Highways infrastructure assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably.

Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 (for England and Scotland), which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network are assessed by the Chief Highways Engineer using industry standards where applicable as follows:

Part of the highways network	Useful life
Carriageways	25 years
Footways, cycle tracks and public realm	40 years
Structures (bridges, and culverts)	120 years
Street lighting	25 years

Street furniture	Bus shelters 15 years and other assets 40 years
Traffic management systems	20 years
Traffic calming	15 years

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the *Other operating expenditure* line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are 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 transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement

Provisions, Contingent Liabilities and Contingents Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line of the Comprehensive Income and Expenditure Statement when the Council has obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Contingent liabilities

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

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

Contingent assets

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

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

Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employment benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

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. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

Schools

The Code confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the Council. This includes community, voluntary controlled, voluntary aided, foundation, community special, foundation special and nursery schools. The Code also stipulates that these schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (i.e. the single entity accounts rather than group accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

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 (where the foundation school is subject to a PFI contract), 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 (not subject to a PFI contract), 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.

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 School's and Education Services (Non-DSG). 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 School’s and Education Services (DSG). 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 the year-end are included in reserves in the Council’s Balance Sheet.

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.

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

The Council is required to disclose the impact of an accounting change required by a new accounting standard that has been issued on or before 1 January but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2022/23 Code will introduce the following amendments:

Annual Improvements to International Financial Reporting Standards (IFRS) 2018-2020

The amendments made during the 2018-2020 cycle are:

IFRS 1 *First-time adoption*

The amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS and simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent.

IAS 37 *Onerous contracts*

The amendment provides clarity on the costs of fulfilling a contract.

IAS 41 *Agriculture*

The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 fair value.

These amendments are not anticipated to impact on the Council's accounts.

SIGNIFICANT JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The significant 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. The Council’s Medium Term Financial Plan (MTFP) assesses the on-going pressures from reduced funding and increased demand for services, which are mitigated by further savings and use of reserves. The Council is of the view that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of the need to reduce levels of service provision and dispose of assets at less than their current value.

Mall 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 primary factors in determining this treatment were the non-specialist nature of the space rented, the separate accounting treatment of the specialist fixtures and fittings within the space, and the duration of the lease compared to the full economic life of the asset. 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.

Joint Arrangements
The Council entered into an arrangement with Barnfield Construction Limited in 2018- 2019 to regenerate a vacant site on Milking Lane, Lower Darwen. A limited liability company was established (Barnfield Blackburn Limited) as the vehicle through which the site would be acquired, developed and the necessary planning permissions obtained to allow the site to be used for business, thus achieving the Council's aim of economic development, job creation and housing growth.

The Council entered into a further arrangement with Maple Grove Developments Limited in 2021/22 to regenerate the former Thwaites Brewery site in the centre of Blackburn. A limited liability company was established (Maple Grove Blackburn Limited) to facilitate a holistic approach to the redevelopment of a number of town centre sites for business, leisure and housing and to attract inwards investment to the Borough.

These arrangements have been assessed under the relevant accounting standards to determine how this should be accounted for within the Council's accounts. Based on this assessment it has been determined that the arrangements fall to be classified as joint ventures which would ordinarily necessitate the completion of group accounting statements. Having reviewed the companies' financial statements, it has been determined that, on the grounds of materiality, group accounting statements are not required for 2021/22. To this end, the Council's interest in both companies continues to be reflected within the Council's single entity accounts as a long-term investment (see Note 19). Further detail about the Council's interests in companies and other entities is included in Note 32.

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 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Uncertainties	Consequence if actual results differ from assumptions
Property, plant and equipment (PPE) valuations	
The Council's internal valuers provide valuations of operational land and buildings as at 1 April based on a 5-year rolling programme of valuations. The valuations are undertaken by qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques. The value of the property, plant and equipment is dependent upon professional judgement based on information available at the time of valuation.	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. The balance of asset not revalued in year are reviewed by applying appropriate cost indices to ensure that the value of the Council’s assets are not materially misstated at the balance sheet date. However, due to changes in economic conditions, a valuation taken on a different date could potentially result in a different outcome. A variation of 1% in the value of the council's land and buildings would be approximately £2.375 million. A reduction in the estimated valuations would result in a reduction to the revaluation reserve and / or a loss charged to the comprehensive income and expenditure statement. An increase in estimated valuations would result in the reversal of any negative revaluations previously charged to the comprehensive income and expenditure statement and / or increases to the revaluation reserve and / or gains charged to the comprehensive income and expenditure statement
Depreciation of property, plant and equipment	
Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful life assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by up to £166,077 for every year that useful lives had to be reduced.
Fair value measurements	
When the fair values of surplus / investment assets and financial instruments cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques • For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the Balance sheet date; • For Level 3 inputs, unobservable inputs for example the use of a discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value of the Council’s assets and liabilities.	The fair values of surplus / investment assets and financial instruments are measured using Level 2 inputs, namely using quoted prices for similar assets or liabilities in active markets at the balance sheet date. All valuations are undertaken by expert valuers in accordance with the methodologies and bases for estimation set out in the professional standards. As most estimates are based on current market information material changes to the carrying values are therefore not expected. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.

Pensions liability	
The net liability to pay pensions is calculated every three years with annual updates in the intervening years. A firm of consulting actuaries (Mercer Limited) is engaged to provide the Council with expert advice about the assumptions to be applied. Changes to these underlying assumptions can result in significant variances in the calculated liability. The assumptions and complex judgements applied include the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The effects on the net pension liability of changes in individual assumptions can be measured and some sensitivity analysis is included in Note 30. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £19.32 million. Uncertainties also remain in respect of the future impact of various legal judgements and the remedies proposed to resolve age discrimination in relation to public sector pension schemes. To mitigate this, estimation has been undertaken by the actuary based on the membership profile and other assumptions specific to the Council, rather than the scheme or Fund as a whole.

GLOSSARY

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 who's 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, or 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 (Based on International Financial Reporting Standards).