Blackburn with Darwen Council
Statement of Accounts
2018/19

CONTENTS

Preface	
Narrative Report 2018/19	3
Statements to the Accounts	
Statement of Responsibilities	21
Independent Auditors' Report	22
Core Financial Statements and Explanatory Notes	
Comprehensive Income and Expenditure Statement	30
Movement in Reserves Statement	32
Balance Sheet	33
Cash Flow Statement	34
Notes to the Financial Statements	35
Supplementary Financial Statements and Explanatory Notes	
Collection Fund Income and Expenditure Statement	86
Notes to the Collection Fund Statement	88
Accounting Policies	89
Other Statements	
Annual Governance Statement	109
Glossary	125

C O N T E N T S

INDEX OF NOTES TO THE FINANCIAL STATEMENTS

Note No.	Note	Page
1	Expenditure and Funding Analysis	35
2	Expenditure and income analysed by nature	38
3	Adjustments between accounting basis and funding basis under regulations	39
4	Other operating expenditure	40
5	Financing and investment income and expenditure	41
6	Taxation and non-specific grant income	41
7	Grant income and contributions credited to cost of services	42
8	Officers' remuneration	43
9	Members' allowances	46
10	External audit costs	46
11	Trading operations	47
12	Events after the balance sheet date	47
13	Property, plant and equipment	47
14	Capital expenditure and capital financing	51
15	Accounting for schools	52
16	Heritage assets	53
17	Investment properties	54
18	Intangible assets	54
19	Long term investments	55
20	Long term debtors	55
21	Inventories	56
22	Short term debtors	56
23	Cash and cash equivalents	56
24	Short term creditors	57
25	Provisions	57
26	Financial instruments	58
27	Other long term liabilities	65
28	Private finance initiative (PFI)	65
29	Leases	66
30	Reserves	68
31	Post-employment benefits	73
32	Cash flow statement notes	80
33	Related parties	81
34	Contingent assets and liabilities	84
35	Trust funds	84

INTRODUCTION BY THE DIRECTOR OF FINANCE & CUSTOMER SERVICES – Louise Mattinson

I am very pleased to introduce you to Blackburn with Darwen's Statement of Accounts for 2018/19 as this gives me the opportunity to highlight just some of the many excellent achievements of the Council over the course of the last year, which have been delivered in spite of the financial challenges faced as the Government's austerity programme has continued to cut resources.

Despite the funding reductions and the rising demand for services, particularly in Children's Services and Adult Social Care, we remain committed to ensuring we continue to develop, prosper and grow and that we make the borough a better place to live, work and visit.

Our work and achievements featured in our celebrations of our 20th anniversary as a Unitary Authority and were also recognised in the announcement of Blackburn with Darwen Borough Council as the Local Authority of the Year in The Municipal Journal (MJ) Local Government Achievement Awards in June 2018. The panel of independent judges commented that the Council has 'an unwavering mission to put the customer first' and described us as an 'outstanding example of modern local government'. The Council's achievements in adult and children's services and public health were given a special mention. This is the third time the Council has had a top national accolade in the past 20 years – previously winning the Local Government Council of the Year twice.

Nonetheless we are far from complacent and we continue to work hard and take difficult decisions to ensure that the Council can continue to deliver, and live within the resources it has available. Although funding has reduced by over 36% since 2010/11 and the costs of inflation and increasing demand have had to be absorbed, during the year we reached the end of a £44.6 million efficiency savings programme delivered over the past four and a half years. Through strong financial management, processes and procedures, we have faced the challenge head-on and to which all teams, departments and portfolios have contributed, enabling the Council to deliver a balanced budget for 2019/20. The financial standing of the Council continues to be robust as is clearly demonstrated in this Statement of Accounts.

Like all Councils, we remain concerned for the financial position for 2020/21 and beyond given the lack of information provided at this time by central Government in relation to future funding and the mechanisms for its distribution. However, in addressing the scale of the financial challenge faced, the Council remains steadfast in pursuit of its strategy to deliver the Corporate Plan priorities, grounded in the principles of;

- delivering, as far as is possible, the services that our residents need and want,
- providing help and support to those in hardship, and
- encouraging the growth of jobs and businesses across the borough.

At Policy Council in December 2018 the Council agreed to continue working across the four themes which underpin the delivery of the Corporate Plan, to ensure we continue to meet the needs of the people we serve. Examples of just some of our achievements in delivering on our commitments during 2018/19 are;

Image and marketing of the borough

We continue to promote the borough as a great place to live, work and visit:

- From a housing perspective, through our Growth Programme we have achieved the highest ever number of housing completions during a single year with 756 properties delivered, comprising of new builds and some empty properties brought back in to use.
- To support this we have continued to deliver on our infrastructure programme, including Ellison Fold Way which opened during the year providing a gateway to new housing sites in Darwen, and we also progressed a number of schemes to support development of the borough through our Growth Deal funding.

Our efforts have also been recognised during the year in the following accolades:

- The borough was a winner in the Lancashire Tourism Awards, picking up two prestigious awards for its National Festival of Making and its' Cathedral as a cultural hub.
- Blackburn also picked up a hat trick of prizes in the North West Britain in Bloom Awards.
- Darwen Tower has been recognised as a top ten great place to walk by readers of a national newspaper.

Fairness / Equality / Cohesion

In December 2018 exciting plans to boost the borough's economic prosperity and to build stronger more integrated communities were launched. 'Our Community, Our Future' is the Social Integration Strategy produced by the Council, with its partners and the Local Integration Partnership, bringing together representatives from businesses, schools, colleges, health organisations and the voluntary, community and faith sector. The strategy sets out how the funding, awarded following a successful bid to the Government to be one of only 5 'Integration Areas', will be utilised in order to:

- increase economic prosperity for all the borough's communities as an essential prerequisite for social integration,
- strengthen relationships between the borough's diverse communities, focussing predominantly on adults,
- build connections and strengthen relations between young people who live in our communities and
- connect disadvantaged communities to shared spaces; linking people and neighbourhoods to zones of employment, physical assets, community shared spaces and social action.

To remain strong on partnerships, working with businesses and other public sector organisations, as well as residents and community groups;

- Working with colleagues in health and social care across Pennine Lancashire as part of 'Together a Healthier Future' programme, breaking down organisational barriers to work better together in developing neighbourhood health and wellbeing teams across the area, bringing health, care services and support closer to people's homes to meet the needs of the local community, promoting health and wellbeing and supporting people and their families.
- Volunteers' Week in June 2018 was a celebration of the fantastic contribution that volunteers make, and helped to publicise and promote volunteering opportunities not just with the Council, but with other partners and voluntary and community groups. Volunteers play an important role in our borough, from helping to run youth groups, to organising community events, to raising money for charities, to working with vulnerable people, to name just a few areas. Our volunteers have assisted in delivering services which, due to reductions in our resources since 2010, the Council has been unable to continue or which we have had to curtail to manage our budgets. Our 'Your Call' programme, launched back in 2011, has gone from strength to strength in numbers and supports residents who want to make a difference in their communities whilst providing opportunities to learn new skills and meet new people; as a council we have worked with volunteers, community groups and businesses on a variety of projects e.g. working in partnership, our Children's centres supported and assisted the Summer Lunchbox Scheme which provided over one thousand children in Blackburn and Darwen with a free, daily lunchbox during the school holidays.

To make use of technology and digital opportunities in all services;

To ensure clear focus, sufficient resource and prioritisation of this area, a new Director post was created and recruited to during the year, a Director of Digital and Business Change, to lead on our digital transformation programme.

During the year we commenced our Device Modernisation Project comprising:

- A desktop refresh programme (£1.875 million), to replace all existing laptops and tablets with the latest operating systems to facilitate the introduction of much needed new technology to develop and enhance our services, systems and processes.

- An infrastructure replacement programme (£0.95 million) which, over the next five years, will be implemented to maintain and/or enhance the existing infrastructure including internal firewalls, Wi-Fi, virtual platform and storage, Netscalers, Lync/Skype for business and our Citrix server farm.

As the financial statements demonstrate, despite the financial challenges faced during 2018/19, the Council remains on a firm financial footing. We remain committed to looking for ways to reduce costs whilst ensuring service delivery and resource are directed towards our priorities.

To assist in developing our future direction, in December we invited a Peer Review Team from the Local Government Association (LGA) to meet with a wide range of staff, councillors, partners and volunteers, to provide an external perspective on how well the council is performing and delivering, and also to give thoughts on our future plans. The Peer Team recognised the fantastic work we are doing already in terms of growth and community engagement, and made reference to our strong leadership of place, particularly amongst our partners and also the enthusiasm and commitment of our staff and the professional and mature relationships we have developed across our political groups. Whilst acknowledging the financial pressures we face, and the growing demand for services, the Peer Review Team recognised our firm understanding of the financial challenges and the success of our approach, and the results delivered through our early actions to address this. They suggested actions for us to take forward, including; further developments in our organisational design and workforce development strategy to ensure we can meet future workface challenges, in our 'whole Council' approach to budget processes, and in engaging members, staff and partners in developing a compelling vision for the borough's future. We have taken this on board and as we approach the new financial year, based on these findings together with the results from our Residents Survey, on independent economic analysis, on a refreshed Joint Strategic Needs Assessment and following a Local Strategic Partnership Summit held with our partners in October, we work to develop our new Corporate Plan to take us forward from 2019 to 2023.

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

THE 2018/19 REVENUE BUDGET PROCESS

In accepting the Government's offer of a 4 year Local Government Finance Settlement effective from 2016/17, the Council has been provided with some stability to assist in financial planning through to 2019/20. For 2020/20 and beyond, however, the uncertainty with regards to the Government's plans for:

- the development and implementation of a Business Rates Retention Scheme,
- the development and implementation of a new Fair funding formula,
- the future of government grant funding including Public Health Grant and Improved Better Care Fund,
- plans for the integration of the NHS and adult social care, and
- the impact of Brexit,

make it impossible to model a longer term strategy without any degree of confidence in the underlying assumptions. The Medium Term Financial Strategy (MTFS) has therefore been reviewed and updated within this financial context, ensuring that the Council's strategy remains to help support those in hardship whilst encouraging the growth of jobs and businesses.

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. This requires a review and assessment of revenue budgets, the capital programme, levels of reserves and potential future council tax levels, based on funding projections and other financial and economic assumptions.

The MTFS underpins the Council's Corporate Plan, which was updated and agreed by elected members at Policy Council in December 2017, and sets out for residents, staff and partners, the Council's top priorities for the period through to 2020 and how the Council will continue to improve services and manage the ongoing and difficult financial challenges ahead.

The Council's six priority objectives for residents are:

- Creating more **jobs** and supporting business growth
- Improving **housing** quality and building more houses
- Improving **health and wellbeing**
- Improving outcomes for our **young people**
- Safeguarding the most **vulnerable people**
- **Making your money go further**

To support the delivery of these priority objectives, four long term strategic themes will be distilled into every portfolio to complement the Corporate Priorities:

- Image and Marketing of the borough
- Fairness / Equality / Cohesion
- Partnership working with residents, businesses and other key stakeholders
- A "Digital First" approach to the way we work and how we communicate with customers and partners

The Council's Budget Strategy, including the proposals for the Revenue Budget 2018/19 and the MTFS and Capital Programme for 2018-21 were agreed at Finance Council on 26th February 2018.

MEDIUM TERM FINANCIAL STRATEGY 2017-2020	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**
Net expenditure			
Portfolio controllable budgets	112,275	114,599	116,766
Cost of capital investment	17,734	18,278	19,279
Central contingencies	1,286	1,564	4,562
Parish precepts	183	183	183
Collection Fund deficit from 2017/18 (estimated)	291	0	0
Contribution to reserves	0	0	0
Total net expenditure	**131,769**	**134,624**	**140,790**
Resources			
Government (non-ringfenced) grants	(61,589)	(58,234)	(53,866)
Business rates retained locally	(19,679)	(19,958)	(21,138)
Council Tax	(50,501)	(51,503)	(52,525)
Collection Fund surplus from 2017/18 (estimated)	0	0	0
Contribution from reserves	0	0	0
Total resources	**(131,769)**	**(129,695)**	**(127,529)**
Budget shortfall / (surplus)	**0**	**4,929**	**13,261**

Council Tax

In December 2015, the Secretary of State for Communities and Local Government gave Adult Social Care authorities the option of being able to increase their relevant basic amount of council tax by an additional 2% without holding a referendum, to assist it in meeting expenditure on Adult Social Care functions. This 'offer' was subsequently confirmed to be available for the four years up to and including 2019/20, subject to conditions requiring the Council to evidence that the additional funds raised will be applied for Adult Social Care purposes. In the draft Financial Settlement for 2017/18, the government announced the option for Councils to re-phase the implementation of this precept with a maximum precept of 3% in any one year, whilst retaining a cap of 6% over the 3 years through to 2019/20.

Given the scale of the financial and demand pressures on Adult Social Care services, the Council utilised the additional Adult Social Care precept as follows: 2% in 2016/17; 3% in 2017/18; and the final 3% in 2018/19.

In addition, within the Financial Settlement for 2018/19, the Government announced an increase in the referendum cap from 2% to 3% in both 2018/19 and 2019/20 (i.e. the maximum amount that Council Tax can increase without the need for a referendum).

For 2018/19, Finance Council agreed a total council tax increase of 5.99%, of which 3% (£1,340,400) was to be spent exclusively on the delivery of Adult Social Care. Lancashire Combined Fire Authority and the Police and Crime Commissioner for Lancashire increased their Band D council tax by 2.99% and £12 respectively.

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

	Council Tax requirement / Precepts £m	Band D Council Tax £
Borough Council's Council Tax Requirement	50.346	1,466.00
Lancashire Police and Crime Commissioner Precept	6.094	177.45
Lancashire Combined Fire Authority Precept	2.316	67.46
Total	**58.756**	**1,710.91**

Budget Monitoring

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.

CAPITAL STRATEGY AND CAPITAL PROGRAMME 2018/19 TO 2020/21

A capital programme for 2018-2021 of £72.925 million was agreed at Finance Council on 26th February 2018. The programme recognises the importance of investment in the Borough and the impact that the schemes themselves will have on the regeneration and economic growth of the area in the future, and predominantly comprises of existing commitments including investment in:

- our local transport plan,
- aids and adaptations through provision of disabled facilities grants,
- regeneration of the borough,
- facilitating housing and business growth,
- support of income generation and commercialisation opportunities,
- support of continued investment IT services to underpin our 'Digital First' approach to delivering efficiencies and in turn, cash savings, and
- support of our accommodation review which again will drive efficiencies and savings through rationalisation and a more cost effective use of space.

Allocations are also included:

- for our successful Growth Deal 3 bid which will open up the Pennine gateways around the Borough to facilitate housing and business growth,

- to support our work to enhance the town centres in Blackburn, with the development of Blakey Moor, and the 3 day market in Darwen, and
- to support the improvement of leisure facilities and a night time economy with the inclusion of a cinema development.

The programme will contribute towards the achievement of the Council's key priorities:

- Creating more jobs and supporting business growth – through construction and in improving transport networks and enhancing the town centre
- Improving housing quality and building more houses – by facilitating access to housing developments
- Making your money go further – through rationalisation of accommodation and maximising the use of technology to streamline services and processes.

The original capital programme for 2018-21 was made up of:

	2018/19 £000	2019/20 £000	2020/21 £000	Future years £000
Approved schemes				
Health and adult social care	2,018	2,004	1,818	1,818
Children's, young people and education Services	563	300	300	300
Environment	300	0	0	0
Regeneration	17,254	17,158	7,711	172
Resources	3,496	4,550	0	0
Schools and education (DSG)	2,213	0	0	0
	25,844	**24,012**	**9,829**	**2,290**
Earmarked schemes	4,500	4,500	1,000	0
Total capital programme	**30,344**	**28,512**	**10,829**	**2,290**

Financing of the original programme, was planned as follows:

Capital Financing	2018/19 £000	2019/20 £000	2020/21 £000	Future years £000
Unsupported borrowing	(14,389)	(14,189)	(1,963)	(614)
Contributions from revenue	(500)	0	0	0
Government grants	(8,741)	(7,028)	(5,194)	(1,672)
External contributions	(6,714)	(7,295)	(3,672)	(4)
Total	**(30,344)**	**(28,512)**	**(10,829)**	**(2,290)**

In addition to the total programme of £71.975 million summarised above, approval was also given to the use of further capital resources totalling £0.950 million to fund vehicle renewals (usually financed by lease).

As 2018/19 progressed, the initial plans were revised to incorporate expenditure re-profiled from the previous year, new assumptions, approvals and scheme updates, as information became available.

TREASURY MANAGEMENT STRATEGY

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

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

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

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

A report detailing the Council's Treasury Management Strategy, Treasury and Prudential Indicators and a policy for determining a "prudent" level of Minimum Revenue Provision for repayment of debt was approved at Finance Council on 26th February 2018.

FINANCIAL PERFORMANCE OF THE COUNCIL 2018/19

Revenue Outturn

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

In 2018/19 the Council approved a revenue budget of £131.478 million, which represented approved net expenditure including parish precepts of £183,600. The final outturn position for the year against the budget is set out in the table below by portfolio, together with the sources of funding.

	Original Estimate £000	Revised Estimate (Qtr 3) £000	Actual Outturn £000	Variation from Revised £000
Net Expenditure				
Health and adult social care	49,123	48,904	48,272	(632)
Children, young people and education	29,485	30,037	31,301	1,264
Environment	7,854	7,835	8,728	893
Leisure and culture	2,119	2,177	2,332	155
Neighbourhood and prevention services	864	1,276	786	(490)
Regeneration	8,133	8,085	6,633	(1,452)
Resources	15,338	16,842	16,606	(236)
Schools and education (DSG)	(641)	(641)	(602)	39
Net portfolio controllable expenditure	**112,275**	**114,515**	**114,056**	**(459)**
Contribution from schools for prudential borrowing	(650)	(650)	(650)	0
Contribution to capital expenditure	100	1,383	690	(693)
Interest and debt repayment	18,284	18,375	17,249	(1,126)
Amounts to be allocated / contingencies	1,286	3,695	2,897	(798)
Parish councils	183	183	183	0
Total net expenditure	**131,478**	**137,501**	**134,425**	**(3,076)**

Contribution (from)/to reserves	0	(4,272)	(1,030)	3,242
Total net budget	**131,478**	**133,229**	**133,395**	**166**
Financed by:				
Non-ringfenced Government grants	(61,589)	(63,340)	(63,506)	(166)
Non-domestic rates	(19,679)	(19,679)	(19,679)	0
Council tax	(50,501)	(50,501)	(50,501)	0
Net surplus / (deficit) on Collection Fund	291	291	291	0
Total financing	**(131,478)**	**(133,229)**	**(133,395)**	**(166)**

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.

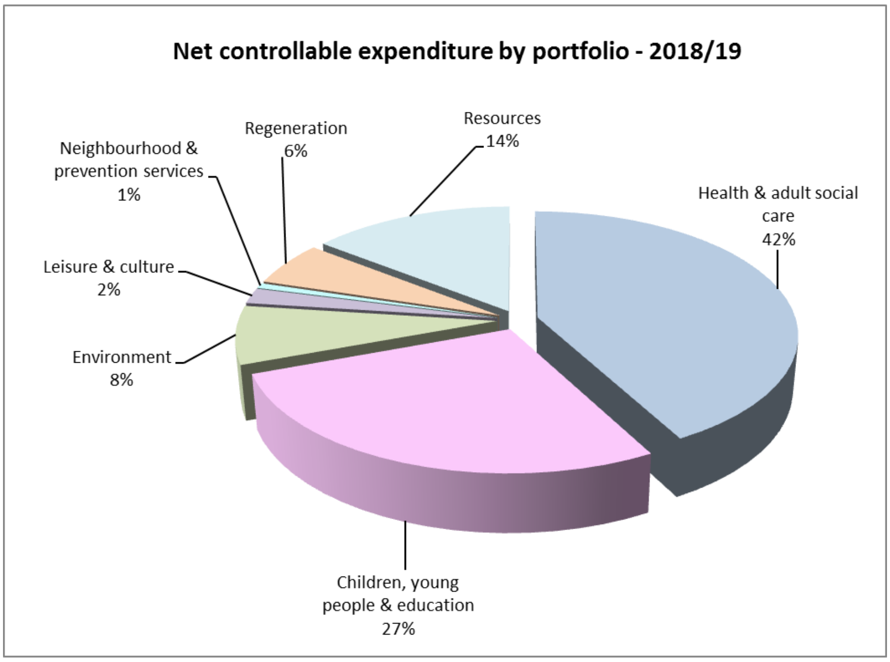
The overall revenue outturn position in respect of portfolio controllable budgets was slightly improved from that reported at the end of December 2018 (Quarter 3). The most significant variances were in relation to:

- Children's services which had reported significant cost pressures during the course of the year due to increased demand, resulting in increasing social work caseloads in respect of vulnerable children, and increasing expenditure on commissioned placements and special guardianship orders; and
- Regeneration, which had previously reported pressures in respect of budgets for the maintenance of highways and the markets but identified action to mitigate these pressures during the year.

Budgets in relation to schools are ringfenced under the heading *Schools and education (DSG)* and funded by Dedicated Schools Grant. The net deficit of £0.039 million comprises a deficit of £0.502 million across all of the individual school budgets, and a surplus of £0.463 million in respect of centrally retained budgets, including High Needs spending for Special Educational Needs.

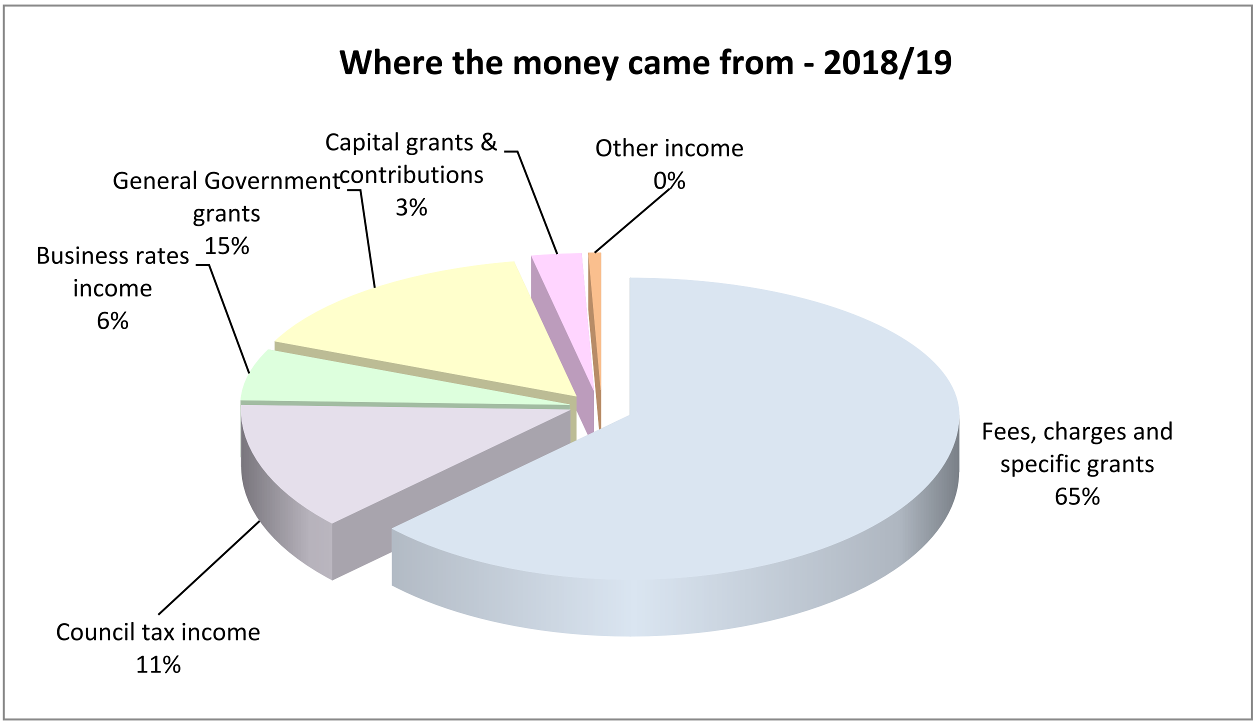
In addition to the slightly improved portfolio position, there were also savings in respect of interest and debt repayment budgets, following the refinancing of the Council's long-term investment in *Blackburn with Darwen and Bolton Local Education Partnership*, and contingency budgets not required.

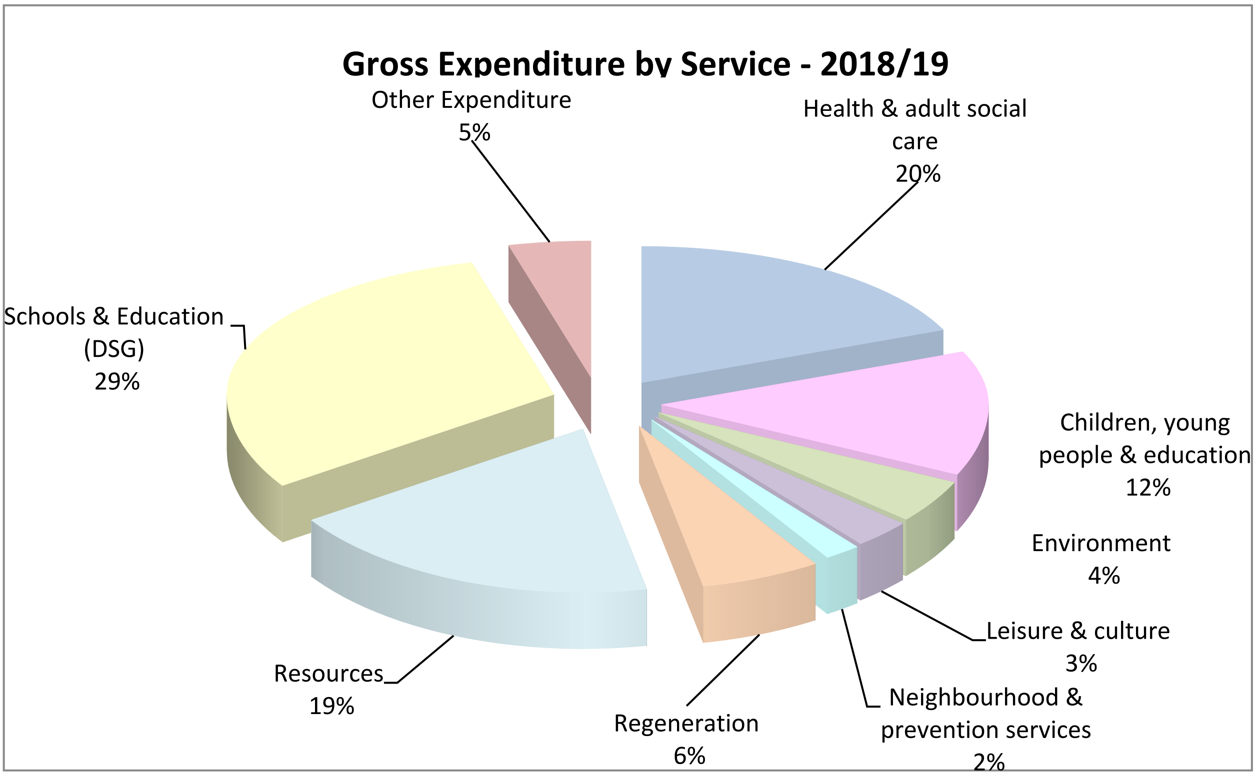
The net controllable expenditure by portfolio (excluding *Schools and education (DSG)*) for 2018/19 is shown in the chart below:



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 are derived 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 approved portfolio capital programme for 2018/19 was £25.844 million although additional approvals in year resulted in a revised programme of £28.656 million. Actual expenditure was £20.419 million which is 71.2% of the revised programme.

	Approved Programme £000	Revised Programme £000	Actual £000	Variation from Revised £000
Capital Expenditure				
Health and adult social care	2,018	2,344	1,904	(440)
Children, young people and education	2,776	5,182	2,352	(2,830)
Environment	300	732	621	(111)
Leisure and culture	0	217	375	158
Neighbourhood and prevention services	0	0	0	0
Regeneration	17,254	17,428	13,193	(4,235)
Resources	3,496	2,753	1,974	(779)
Total capital expenditure	**25,844**	**28,656**	**20,419**	**(8,237)**
Resources				
Unsupported borrowing	(9,889)	(9,618)	(6,609)	3,010
Contributions from revenue	(500)	(1,382)	(689)	692
Government grants	(8,741)	(12,378)	(8,898)	3,480
External contributions	(6,714)	(5,278)	(4,223)	1,055
Total resources	**(25,844)**	**(28,656)**	**(20,419)**	**8,237**

The total variation at outturn compared to the last report approved by Executive Board is £8.237 million, of which the main components are:

- £2.198 million in relation to the schools capital programme, the majority of which has not yet been allocated to specific schemes and will be carried forward and utilised in 2019/10.
- Blackburn cinema – the budget has been re-profiled and £1.751 million carried forward into 2019/20.
- £0.830 million of the Local Transport Plan capital budget will be carried forward into 2019/20. This relates to S106 contributions that have not yet been received, therefore the expenditure will be incurred in next financial year to match receipt of the S106 funding.
- Growth Deal 3 (Pennine Gateways) - £0.586 million Lancashire Enterprise Partnership funding will be carried forward and utilised in 2019/10.

The major schemes in 2018/19 are listed below together with the sources of financing.

Capital Expenditure	£000
Health and adult social care	
Disabled facilities grant	1,466
Children, young people and education	
St Thomas Centre 2	429
Newfield School ASD	750
Intack School kitchen	132
Environment	
Old Bank Lane car park	438
Brown Street car park extension	180
Leisure and culture	
Leisure equipment	165
Blakey's air conditioning	131
Regeneration	
Local Transport Plan	4,528
Darwen East Corridor Development	2,156
Growth Deal 3 (Pennine Gateways)	1,726
Blackburn Cinema	1,381
Blakey Moor	190
Darwen Market	1,319
Drainage schemes	155
Investment in Joint Venture Development Company	500
Resources	
Davyfield Road Offices Remodel	151
Corporate ICT Schemes	1,710
Other schemes	2,912
Total	**20,419**

Capital Financing	£000
Unsupported borrowing	(6,609)
Contributions from revenue	(689)
Government grants and external contributions	(13,121)
Total	**(20,419)**

Treasury Management

During 2018/19, the Council's investment balances averaged around £37 million, generally ranging between £20 million and £40 million, apart from a spike from December to March, after the Council took £35 million of new long term debt, taking an opportunity to switch from short term borrowing to long term borrowing at a point when long term borrowing rates were low. Investments were generally either kept on call, or for relatively short durations, resulting in low returns. Interest earned was around £240,000, at an average rate of 0.62%.

Excluding the nominal debt associated with schools Private Finance Initiative (PFI) schemes, the Council's long term debt rose from £125 million to £156 million, with £41 million in short term loans at the end of the year (down from £85 million a year ago) taking the closing total to £197 million. Interest on financing this debt cost the Council approximately £5.9 million (up from £5.7 million in 2017/18), with another £0.3 million interest cost on the £14.7 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 £230 million to £228 million. The Council's long term debt was £57 million below that CFR position at year end. The Council has continued to use its overall cash position, and cheaper short term borrowing, to make significant savings in borrowing costs. Interest costs are expected to remain low in the near future, but some increase in the cost of borrowing may arise in future years, adding to budget pressures.

The Council has continued to benefit from lower MRP (Minimum Revenue Provision for debt repayment) following its decision to review its MRP Policy two years ago, with actual MRP costs of £6.2 million (similar to 2017/18, and down from £8.7 million in 2015/16).

Pension Fund Liability

The pension fund liability at 31 March 2019 as estimated by the fund actuary was £269.2 million compared to £258.2 million at 31 March 2018. 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.

The pension fund liability included within the Council's Balance Sheet has been reduced from £269.2 million to £264.7 million to reflect a £4.5 million advance payment in respect of the Council's pension deficit share. Further details on post-employment benefits are provided in Note 31.

NON FINANCIAL PERFORMANCE

As noted in *the Introduction by the Director of Finance & I.T.* Blackburn with Darwen continues to promote its town centres and the wider area as a great place to live, work and visit. Events and achievements during the year have included:

- The second National Festival of Making was held in May 2018. The festival celebrates and showcases the best of British innovation and making within the 21st century. Venues across the town centre played host to a number of different exhibitions and events, including. Blackburn also picked up two prestigious Lancashire Tourism awards for the National Festival of Making and its' Cathedral as a cultural hub, shining the spotlight on all the creative work that goes on in the borough.
- Blackburn scooped a hat trick of prizes at the North West Britain in Bloom Awards. It was the third year in a row that the town clinched one of the prestigious awards and this time, the judges from the Royal Horticultural Society visited at an extremely busy time for the Council's team of town centre gardeners, who were battling record temperatures to keep the town looking its floral best.

Members of Blackburn's BID help fund additional floral displays for the town and pay for their up-keep, and, the competition's judges were impressed by the businesses' involvement in helping to make the town greener and cleaner with the additional planters as well as volunteer clean-up initiatives.

- Blackburn Business Improvement District (BID) celebrated a "YES" vote from town centre businesses for five more years of investment, with a massive 86% in favour of continuing the work of the BID. The Business Improvement District, which first began work in 2014, includes around 350 traders, commercial organisations and charities in the town centre. The scheme creates a potential £1.5 million pot of money which will be invested in projects to enhance the town centre under three key themes; marketing and events, making the town a safer and more secure place and environmental improvements.
- In November 2018, the Council played its part in *Battle's Over*, an international commemoration marking 100 years since the guns fell silent at the end of World War One. On Sunday, November 11th the commemorations started with lone pipers playing *Battle's O'er*, a traditional Scottish air played after a battle. In the evening beacons were lit in a tribute called *Beacons of Light*, signifying the light of peace that emerged from the darkness of four years of war.
- Darwen Tower was crowned a top ten great place to walk as recognised by readers of a national newspaper. The Tower, a folly built to commemorate Queen Victoria's Diamond Jubilee, was highlighted in the Guardian's *Great Winter Walks in the UK* readers travel tips. The beautiful moorland surrounding the tower offers many walks that can be adapted to suit individual abilities.
- The development of the *Your Call* community litter-pickers initiative has been enhanced with the formation of the two Facebook groups, Keep Blackburn Tidy and Keep Darwen Tidy, who have collected over 8,000 bags of litter between them as well as clearing some grot spots of weeds and bushes. The Council provides community litter picking packs to the individuals who have signed up to the Lancashire Volunteer Portal, as well as makes arrangements to collect the materials collected by the volunteers

The Council's transport projects focus on improving access to the Borough and road safety. Construction is nearly complete in relation to the Furthergate/Burnley Road Link Road which is the final piece in the jigsaw linking the M65 Junction 6 with Blackburn Town Centre. The link road will improve traffic conditions and enable the development of a number of key employment sites adjacent to the Leeds Liverpool Canal. Works have also been completed in relation to the Ellison Fold Way project and the Sough Road/Grimshaw Street compact roundabout is now complete and open to through traffic. This element of the project improves what was a difficult junction, provides improved sightlines for all highway users and additional pedestrian crossing facilities.

Connecting East Lancashire is the council's sustainable transport project and it encourages healthier, greener ways of travelling including walking, cycling, car sharing and public transport. There are four programmes on offer for residents and communities, one being the *Access to Work Programme* where we can provide detailed travel plans to job seekers and cost assistance to those who are attending interviews, completing training which is directly linked to a specific job and for new employment. Between June and November 2018 133 people were directly assisted with bus passes, many of whom would not have been able to accept the position or sustain it otherwise. This has included 14 people accessing the new Whitebirk strategic site.

The Council's careers education, information, advice and guidance services were awarded the nationally recognised Matrix Standard following evaluation of the level of support provided in relation to education, work, training, apprenticeships, skills development and careers options. Creating more jobs, supporting business growth and improving outcomes for young people are all key priorities for the Council and as part of our commitment to this, we welcomed a further 30 apprentices to our workforce in September all of whom are enrolled on a course. We have seen an increase in apprenticeships across our front line services and this year there was a lot of interest in working for the departments based at Davyfield Road. This has enabled Managers to implement succession planning in areas that are usually hard to recruit to, such as Highways and Electricians.

The Council is also continuing to focus on the integration of health, safeguarding and care services for the benefit of residents. Community Prevention activity is key to the council's strategy to manage demand for adult social care, including:

- The Transforming Lives Programme works with adults and children to try keep them out of statutory provision. Of the 1,773 adults and children worked with in the year, 65% achieved significant and sustained progress and did not require statutory interventions as a result. Improvements to mental and physical health, work prospects, school attendance and family wellbeing were among the key achievements.
- Over 3000 residents took part in Adult Learning and National Careers Service activity provided in their neighbourhoods and 845 people went on to further learning or employment as a result.
- The Positive Minds Programme (for those suffering from anxiety and depression) received a positive evaluation as part of a national Mental Health Research Programme. It reported that 39% of learners had no symptoms of anxiety and depression after just one course.

A significant Prevention Strategy strand defines a changing relationship with residents – enabling and supporting them to build strong and resilient local communities. Volunteers, aiding a wide variety of council services, doubled in 2018/19 to 1,294. They are empowered to run community centres, libraries and green spaces alongside over 800 volunteers who are regularly provided with red bags and litter picking equipment to keep their neighbourhoods clean – part of the "red bag revolution." The year has seen a further growth in "befriending" volunteers who are supporting Adult Social Care clients to be more active and independent.

The Council launched its Social Integration Programme as one of five pilots nationally. The programme has commissioned a range of innovative activity around its key themes of social mixing, the economy as well as access to English language provision and transport.

Blackburn with Darwen led the successful bid to Sport England for Pennine Lancashire to be one of twelve, place-based Local Delivery Pilot areas. Local Delivery Pilots represent a major investment by Sport England, committing £100 million across the 12 areas through to March 31st 2021. It is therefore an exciting opportunity to make a significant difference to levels of activity and improve health and wellbeing across Pennine Lancashire including those living in Blackburn with Darwen.

Other positive outcomes in relation to health and adult social care include:

- Care Quality Commission (CQC) "good" ratings for St Aidan's Short Term Breaks, Shared Lives and Reablement teams - and no care home in the borough is rated inadequate by the Care Quality Commission.
- Joint declaration on Healthy Weight signed by the Council and the CCG.
- Mental Health First Aid prioritised as a key skill with designated 'Time to Change' champions.
- Publication of a new Joint Health and Wellbeing Strategy setting out our shared priorities for improvement of health and wellbeing for the period 2018-2021.

The construction of a single-storey autism specialist facility at Newfield School, on the former Crosshill School site, was completed and handed over in August 2018. The facility comprises of teaching space, sensory space, multi-use areas, and hall and kitchen facilities and will be linked through a corridor back into the existing Newfield School.

Other achievements in relation to children, young people and education, include:

- Children's Services retained an overall 'good' judgement following the Ofsted Safeguarding Inspection Framework inspection.

- Primary schools pupils performed better than the national and Lancashire average in Reading, Writing and Mathematics.
- Secondary schools performed in line with the national average in terms of overall attainment, with English GCSE a particular strength.
- 3 year Local Area Special Educational Needs and/or Disability (SEND) Strategy co-produced with stakeholders.
- The percentage of 16-17 year olds participating in education, employment or training is higher than the regional and England average.
- 900 young people attended the 'Blackburn is Hiring' careers fair - the largest in the region.
- Successful International Women's Day centenary campaign.
- 10,600 (62%) young people aged 11-18 in BWD voted on the top issues important to them as part of the national Make your Mark campaign.

Corporate Plan Performance Summary

There are 106 measures within the Corporate Plan (2016-19) linked to the Council's priority objectives. Of the 106 measures, assessment was made as follows for 2018/19:

- 9% (9 actual) have been forecast as "red" were performance is below target.
- 25% (27 actual) have been forecast as "amber" where delivery was on track and is currently being managed.
- 61% (65 actual) were forecast as "green" and on track or delivered.
- 5% (5 actual) of the measures did not have an assessment at the year end.

The table below shows a breakdown of the measures across the portfolios.

Portfolio	**Total**	**Red**	**Amber**	**Green**	**Awaiting data**
Leader's	**11**	0	0	9	2
Resources	**10**	3	2	5	0
Regeneration	**20**	0	6	14	0
Environment	**8**	1	1	6	0
Leisure & Culture	**8**	0	3	5	0
Neighbourhoods and Prevention Services	**12**	2	4	6	0
Adults Social Care	**7**	1	2	3	1
Health	**6**	1	2	2	1
Children, Young People & Education	**24**	1	7	15	1
Total	**106**	**9**	**27**	**65**	**5**

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;

1. Achieve a breakeven or underspend against overall portfolio cash limits – actual outturn against cash limits was a 2.46% overspend for the year
2. Reduce employee absence through sickness – the target is to be an upper quartile performer for low levels of sickness absence amongst Local Authorities in the North West; in 2018/19 working days lost due to sickness absence has reduced to 8.81 days per FTE. On average, public sector employees had 8.4 days of absence over the last year.

3. Reduce the number of RIDDORS (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations). – the target is to reduce the number of RIDDORS each quarter; in 2018/19 there were 13 RIDDORS compared to 9 in 2017/18
4. Reduce the amount of waste going to landfill - the target is for 7,700 tonnes or less however the actual amount in 2018/19 was 22,620 Tonnes
5. Reduce the number of privately run HMO (Houses of Multiple Occupation) bed spaces – the target is to reduce the number by 20 per year, however in 2018/19 the reduction was 6.
6. Reduce total crime – the target is to reduce the number of crimes by 10% from the previous year's total of 14,338. In 2018.19 the total number of crimes reported was 20,580.
7. Reduce permanent admissions to residential and nursing care homes for older people (65 and over) – the target is to reduce the number from 838.9 per 100,000 however the actual number of admissions resulted in a figure of 930 per 100,000.
8. Reduce differences in life expectancy between Blackburn with Darwen and the national average year on year – the target is for a 7% reduction in the local life expectancy gap from the 2008/10 baseline; the actual reduction in 2018/19 was a reduction of 4.5% in males and a 22.4% increase in females .
9. Reduce the number of commissioned residential placements for Looked After Children as a total of all Looked After Children placements – the target is to maintain the number between 15-25 however in 2018/19 the number was 29.

Appendix Two of the Corporate Plan Performance 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. It can be found on the Council's website.

CONTENT OF THE STATEMENT OF ACCOUNTS

The Statement of Accounts summarises the Council's transactions for the financial year 2018/19 and its position at the year end of 31 March 2019. 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 & Customer Services.
- 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 & Customer Services' responsibilities

The Director of Finance & Customer Services 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 & Customer Services 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 & Customer Services 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 2019.

L Mattinson
Director of Finance & Customer Services
Blackburn with Darwen Borough Council
xxth August 2019

Approval of Accounts

V McGurk
Chair of Audit and Governance Committee
xxth August 2019

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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I N D E P E N D E N T   A U D I T O R S' R E P O R T

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2017/18 (restated)				2018/19		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
73,153	(30,587)	42,566	Health and adult social care	77,654	(32,407)	45,247
50,014	(5,849)	44,165	Children, young people and education	48,986	(5,320)	43,666
16,905	(6,623)	10,282	Environment	17,085	(6,059)	11,026
13,307	(5,754)	7,553	Leisure and culture	11,240	(5,765)	5,475
7,383	(4,404)	2,979	Neighbourhood and prevention services	7,005	(4,832)	2,173
24,464	(9,210)	15,254	Regeneration	23,374	(9,144)	14,230
84,125	(58,049)	26,076	Resources	74,031	(50,063)	23,968
110,526	(116,674)	(6,148)	Schools and education (DSG)	117,086	(120,476)	(3,390)
379,877	**(237,150)**	**142,727**	**Cost of Services**	**376,461**	**(234,066)**	**142,395**
		(215)	Other operating expenditure (Note 4)			(203)
		17,711	Financing and investment income and expenditure (Note 5)			16,331
		(138,546)	Taxation and non-specific grant income (Note 6)			(146,262)
		21,677	**(Surplus)/deficit on provision of services**			**12,261**
		(1,932)	(Surplus)/deficit on revaluation of non-current assets (Note 30)			(1,420)
		(41,035)	Remeasurement of the net defined benefit pension liability (Note 31)			(2,854)
		(42,967)	**Other comprehensive income and expenditure**			**(4,274)**
		21,290	**Total comprehensive income and expenditure**			**7,987**

The 2017/18 comparative figures above have been restated to reflect changes in portfolios during 2018/19, together with the elimination of recharges between service segments totalling £19.101 million, as detailed in the table below:

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Statement of Accounts 2017/18					Statement of Accounts 2018/19	
	2017/18 Net Expenditure	**Net portfolio change**	**Reduce expenditure**	**Reduce income**	**2017/18 Net Expenditure (restated)**	
	£000	**£000**	**£000**	**£000**	**£000**	
Health and adult social care	47,202		(9,748)	5,112	42,566	Health and adult social care
Children's services	28,353	9,139	(56)	6,729	44,165	Children, young people and education
Environment	9,110		(1,358)	2,530	10,282	Environment
Leisure, culture and young people	7,004	(1,037)	(80)	1,666	7,553	Leisure and culture
Neighbourhood and prevention services	2,170		(7)	816	2,979	Neighbourhood and prevention services
Regeneration	15,089		(228)	393	15,254	Regeneration
Resources	25,073		(114)	1,117	26,076	Resources
Schools and education (non-DSG)	8,102	(8,102)			0	Schools and education (non-DSG)
Schools and education (DSG)	624		(7,510)	738	(6,148)	Schools and education (DSG)
	142,727	**0**	**(19,101)**	**19,101**	**142,727**	

MOVEMENT IN RESERVES STATEMENT

	General Fund (b) £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves (Note 30) £000	Unusable Reserves (Note 30) £000	Total Reserves £000
Balance at 31 March 2017	**(37,345)**	**0**	**(12,049)**	**(49,394)**	**131,157**	**81,763**
Total comprehensive income and expenditure (a)	21,677	0	0	21,677	(42,967)	(21,290)
Adjustments between accounting basis and funding basis under regulations (Note 3)	(18,288)	0	4,999	(13,289)	13,289	**0**
Net (increase)/decrease in year	**3,389**	**0**	**4,999**	**8,388**	**(29,678)**	**(21,290)**
Balance at 31 March 2018	**(33,956)**	**0**	**(7,050)**	**(41,006)**	**101,479**	**60,473**
Total comprehensive income and expenditure (a)	12,261	0	0	12,261	(4,274)	7,987
Adjustments between accounting basis and funding basis under regulations (Note 3)	(11,231)	(250)	121	(11,360)	11,360	**0**
Net (increase)/decrease in year	**1,030**	**(250)**	**121**	**901**	**7,086**	**7,987**
Balance at 31 March 2019	**(32,926)**	**(250)**	**(6,929)**	**(40,105)**	**108,565**	**68,460**

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 30).

BALANCE SHEET

31 March 2018 £000		Note	31 March 2019 £000
411,944	Property, plant and equipment	13	412,891
19,444	Heritage assets	16	19,444
80	Investment properties	17	57
1,814	Intangible assets	18	1,562
772	Long term investments	19	1,262
27,626	Long term debtors	20	27,621
461,680	**Long term assets**		**462,837**
17,652	Short term investments	26	6,163
302	Inventories	21	356
15,609	Short term debtors	22	20,579
18,655	Cash and cash equivalents	23	25,018
52,218	**Current assets**		**52,116**
(99,963)	Short term borrowing	26	(63,321)
(28,090)	Short term creditors	24	(35,410)
0	Grants received in advance		(1,766)
(128,053)	**Current liabilities**		**(100,497)**
(3,209)	Provisions	25	(3,052)
(113,410)	Long term borrowing	26	(137,050)
(329,699)	Other long term liabilities	27	(342,814)
(446,318)	**Long term liabilities**		**(482,916)**
(60,473)	**Net assets**		**(68,460)**
(41,006)	Usable reserves	30	(40,105)
101,479	Unusable reserves	30	108,565
60,473	**Total reserves**		**68,460**

CASH FLOW STATEMENT

2017/18 £000		Note	2018/19 £000
(21,677)	Net surplus/(deficit) on the provision of services		(12,261)
23,666	Adjustments to net surplus/deficit on the provision of services for non-cash movements	32	37,986
(8,945)	Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities	32	(15,952)
(6,956)	**Net cash flows from operating activities**		**9,773**
(10,920)	Investing activities	32	11,219
24,002	Financing activities	32	(14,629)
6,126	**Net increase/(decrease) in cash or cash equivalents**		**6,363**
12,529	Cash and cash equivalents at the beginning of the reporting period		18,655
18,655	**Cash and cash equivalents at the end of the reporting period**		**25,018**

1 EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how the net expenditure that is chargeable to taxation i.e. revenue outturn reported on the basis of statutorily defined charges to the General Fund, reconciles to the Comprehensive Income and Expenditure Statement, which is prepared in accordance with generally accepted accounting practices.

2017/18 (restated)				2018/19		
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
45,811	(3,245)	42,566	Health and Adult Social Care	48,272	(3,025)	45,247
30,600	13,565	44,165	Children, young people and education	31,301	12,365	43,666
8,824	1,458	10,282	Environment	8,728	2,298	11,026
3,223	4,330	7,553	Leisure and culture	2,332	3,143	5,475
825	2,154	2,979	Neighbourhood and Prevention Services	786	1,387	2,173
7,665	7,589	15,254	Regeneration	6,633	7,597	14,230
15,615	10,461	26,076	Resources	16,606	7,362	23,968
73	(6,221)	(6,148)	Schools and Education (DSG)	(602)	(2,788)	(3,390)
112,636	**30,091**	**142,727**	**Cost of Services**	**114,056**	**28,339**	**142,395**
(109,247)	(11,803)	(121,050)	Other income and expenditure	(113,026)	(17,108)	(130,134)
3,389	**18,288**	**21,677**	**(Surplus)/deficit**	**1,030**	**11,231**	**12,261**

(37,345)			**Opening General Fund Balance at 1 April**	**(33,956)**		
3,389			**(Surplus)/deficit**	1,030		
(33,956)			**Closing General Fund Balance at 31 March**	**(32,926)**		

The 2017/18 comparative figures above have been restated to reflect changes in portfolios during 2018/19, together with the elimination of recharges between service segments totalling £19.101 million. Further details are included below the Comprehensive Income and Expenditure Statement on page 29

2018/19 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**
Health and Adult Social Care	332	1,049	(4,406)	(3,025)
Children, young people and education	4,567	2,272	5,526	12,365
Environment	521	700	1,077	2,298
Leisure and culture	1,012	654	1,477	3,143
Neighbourhood and Prevention Services	95	520	772	1,387
Regeneration	6,694	809	94	7,597
Resources	3,604	1,482	2,276	7,362
Schools and Education (DSG)	0	2,495	(5,283)	(2,788)
Net Cost of Services	**16,825**	**9,981**	**1,533**	**28,339**
Other expenditure and income from the Expenditure and Funding Analysis	(18,972)	3,816	(1,952)	(17,108)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(2,147)**	**13,797**	**(419)**	**11,231**

2017/18 (restated) 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**
Health and Adult Social Care	426	970	(4,641)	(3,245)
Children, young people and education	4,500	2,386	6,679	13,565
Environment	(448)	736	1,170	1,458
Leisure and culture	1,771	979	1,580	4,330
Neighbourhood and Prevention Services	842	505	807	2,154
Regeneration	6,611	833	145	7,589
Resources	6,130	1,929	2,402	10,461
Schools and Education (DSG)	70	1,761	(8,052)	(6,221)
Net Cost of Services	**19,902**	**10,099**	**90**	**30,091**
Other expenditure and income from the Expenditure and Funding Analysis	(13,723)	4,091	(2,171)	(11,803)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**6,179**	**14,190**	**(2,081)**	**18,288**

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

2017/18 (restated)				2018/19		
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			
155,025	0	155,025	Employee benefits expenses	154,898	0	154,898
206,791	0	206,791	Other services expenses	206,035	0	206,035
18,061	(8)	18,053	Depreciation, amortisation and impairment	15,528	23	15,551
0	19,417	19,417	Interest payments and other similar charges	0	19,186	19,186
0	244	244	Precepts and levies	0	248	248
0	(459)	(459)	Gain or loss on disposal of non-current assets	0	(451)	(451)
379,877	19,194	399,071	Total expenditure	376,461	19,006	395,467
			Income			
(38,074)	(6)	(38,080)	Fees, charges and other service income	(39,592)	(6)	(39,598)
0	(1,692)	(1,692)	Interest and investment income	0	(2,872)	(2,872)
0	(67,368)	(67,368)	Income from Council Tax and Non-Domestic Rates	0	(71,063)	(71,063)
(199,076)	(71,178)	(270,254)	Government grants and other contributions	(194,474)	(75,199)	(269,673)
(237,150)	(140,244)	(377,394)	Total income	(234,066)	(149,140)	(383,206)
142,727	**(121,050)**	**21,677**	**Surplus or Deficit on the Provision of Services**	**142,395**	**(130,134)**	**12,261**

The 2017/18 comparative figures above have been restated to reflect the elimination of recharges between service segments, reducing both expenditure and income by £19.101 million. Further details are included below the Comprehensive Income and Expenditure Statement on page 29

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 2018/19	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)	(14,670)	0	0	14,670
Movements in the fair value of investment properties	(23)	0	0	23
Amortisation of intangible assets	(858)	0	0	858
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	13,000	0	(3,241)	(9,759)
Revenue expenditure funded from capital under statute (REFCUS)	(2,605)	0	0	2,605
Net gain or (loss) on sale or de-recognition of non-current assets	451	(2,962)	0	2,511
Statutory provision for repayment of debt	6,163	0	0	(6,163)
Capital expenditure charged to the General Fund balance	689	0	0	(689)
Use of the capital receipts reserve - set aside to reduce the net indebtedness of the Council	0	2,712	0	(2,712)
Use of grants and contributions received in prior year to finance new capital expenditure	0	0	3,362	(3,362)
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash	(1)	0	0	1
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	57	0	0	(57)
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	(13,797)	0	0	13,797
Amount by which council tax income and non-domestic rate income included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	1,173	0	0	(1,173)
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	(810)	0	0	810
Total adjustments	**(11,231)**	**(250)**	**121**	**11,360**

Comparative adjustments in 2017/18	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)	(16,860)	0	0	16,860
Movements in the fair value of investment properties	8	0	0	(8)
Amortisation of intangible assets	(1,201)	0	0	1,201
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	8,185	0	(2,282)	(5,903)
Revenue expenditure funded from capital under statute (REFCUS)	(3,333)	0	0	3,333
Net gain or (loss) on sale or de-recognition of non-current assets	459	(760)	0	301
Statutory provision for repayment of debt	6,214	0	0	(6,214)
Capital expenditure charged to the General Fund balance	349	0	0	(349)
Use of the capital receipts reserve - set aside to reduce the net indebtedness of the Council	0	760	0	(760)
Use of grants and contributions received in prior year to finance new capital expenditure	0	0	7,281	(7,281)
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash	(2)	0	0	2
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	56	0	0	(56)
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	(14,190)	0	0	14,190
Amount by which council tax income and non-domestic rate income included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	1,392	0	0	(1,392)
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	635	0	0	(635)
Total adjustments	**(18,288)**	**0**	**4,999**	**13,289**

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

4 OTHER OPERATING EXPENDITURE

2017/18 £000		2018/19 £000
181	Parish council funding	184
63	Levies	64
0	Payments to the Government – housing capital receipts	0
(459)	(Gains)/losses on the disposal of non-current assets	(451)
(215)	**Total**	**(203)**

5 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2017/18 £000		2018/19 £000
12,444	Interest and other similar charges	12,473
6,973	Pensions net interest and administration costs	6,713
(1,692)	Interest receivable and similar income	(2,872)
(14)	Income and expenditure in relation to investment properties and changes in their fair value	17
17,711	**Total**	**16,331**

6 TAXATION AND NON-SPECIFIC GRANT INCOME

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

2017/18 £000		2018/19 £000
(64,485)	Non-ringfenced Government grants	(63,506)
(6,693)	Capital grants and contributions	(11,693)
(71,178)	**Total non-specific grant income**	**(75,199)**
(46,725)	Council tax income	(50,481)
(20,643)	Non-domestic rates income	(20,582)
(138,546)	**Total**	**(146,262)**

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

Non-ringfenced Government grants

2017/18 £000		2018/19 £000
(22,301)	Revenue support grant	(17,837)
(22,522)	Top-up grant (business rates retention scheme)	(23,499)
(3,031)	Compensation for loss of business rates income	(4,210)
(488)	Education services grant	0
(1,428)	New Homes Bonus grant	(1,228)
(840)	Benefits administration grant	(768)
(8,471)	Private finance initiative (PFI) revenue grant	(8,471)
(4,307)	Improved Better Care Fund	(5,901)
0	Adult social care	(1,242)
(1,097)	Other	(350)
(64,485)	**Total**	**(63,506)**

Capital grants and contributions

2017/18 £000		2018/19 £000
(1,114)	Education capital	(1,540)
(4,133)	Transport	(5,111)
(578)	Other Government grants	(688)
(868)	Other contributions	(4,354)
(6,693)	**Total**	**(11,693)**

7 GRANT INCOME AND CONTRIBUTIONS CREDITED TO COST OF SERVICES

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

2017/18 £000		2018/19 £000
(100,463)	Dedicated schools grant	(103,614)
(6,568)	Pupil premium grant	(6,530)
(15,218)	Public health grant	(14,827)
(50,451)	Rent allowances subsidy	(44,009)
(9,877)	Other government grants	(10,510)
(2,679)	Contributions from other local authorities	(1,825)
(6,763)	Contributions from other public sector bodies	(7,793)
(5,565)	Other contributions	(4,059)
(1,492)	Funding of REFCUS expenditure from grants and contributions	(1,307)
(199,076)	**Total**	**(194,474)**

Dedicated Schools Grant

The Council’s expenditure on schools is funded primarily by the Dedicated Schools Grant (DSG) provided by the Department for Education. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011.

The Schools Budget includes elements for a range of educational services provided on an authority wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2017/18 and 2018/19 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2017/18 before academy and high needs recoupment			**(148,704)**
Academy and high needs figure recouped for 2017/18			**47,669**
Total DSG after academy and high needs recoupment for 2017/18			**(101,035)**
Brought forward from 2016/17			**(10,644)**
Final budgeted distribution for 2017/18	**(30,138)**	**(81,541)**	**(111,679)**
Actual central expenditure relating to DSG	21,407	0	**21,407**

Actual ISB deployed to schools	0	81,541	**81,541**
Carry forward to 2018/19	**(8,731)**	**0**	**(8,731)**
Final DSG for 2018/19 before academy and high needs recoupment			**(154,008)**
Academy and high needs figure recouped for 2018/19			**50,394**
Total DSG after academy and high needs recoupment for 2018/19			**(103,614)**
Brought forward from 2017/18			**(8,731)**
Final budgeted distribution for 2018/19	**(28,424)**	**(83,921)**	**(112,345)**
Actual central expenditure relating to DSG	21,234	0	**21,234**
Actual ISB deployed to schools	0	84,118	**84,118**
Carry forward to 2019/20	**(7,190)**	**197**	**(6,993)**

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 170 includes 110 teachers (175 including 111 teachers in 2017/18).

No of Employees 2017/18	Remuneration Banding	No of Employees 2018/19
68	50,000 to 54,999	56
49	55,000 to 59,999	48
22	60,000 to 64,999	30
22	65,000 to 69,999	23
4	70,000 to 74,999	4
3	75,000 to 79,999	3
3	80,000 to 84,999	1
0	85,000 to 89,999	0
1	90,000 to 94,999	0
1	95,000 to 99,999	2
1	100,000 to 104,999	0
0	105,000 to 109,999	1
0	110,000 to 114,999	1
1	115,000 to 119,999	1
175	**Total**	**170**

The following tables provide an analysis by job title of the remuneration and employer's pension scheme contributions in respect of senior officers for 2018/19 and 2017/18. These posts are in addition to those included in the previous table.

2018/19

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 - (Harry Catherall	1	159	0	0	159	21	**180**
Deputy Chief Executive – Denise Park	1	133	0	0	133	18	**151**
Director of Adults & Prevention		104	0	0	104	14	**118**
Director of Public Health & Wellbeing		119	0	0	119	17	**136**
Director of Children's Services	2	37	0	0	37	5	**42**
Director of Children's Services & Education	2	76	0	0	76	10	**86**
Director of Environment & Operations (formerly Environment & Leisure)		96	0	0	96	13	**109**
Director of Finance & Customer Services		94	0	0	94	13	**107**
Director of HR, Legal & Corporate Services	1	96	0	0	96	12	**108**
Director of Digital & Business Change	3	72	0	0	72	10	**82**
Director of Growth & Development	4	24	0	0	24	3	**27**
Managing Director Growth Lancashire Limited	5	9	0	0	9	1	**10**
Head of Growth Lancashire Limited	5	54	0	0	54	7	**61**

1. The government determines and funds the election fees for Returning Officers that are related to election duties for National, European and Police and Crime Commissioner Elections and these are subject to full reimbursement and paid to officers as appropriate. The fees for Local Elections are based on a County wide formula.
2. The Director of Children's Services left the Council's employment with effect from 31 August 2018. A new Director of Children's Services & Education commenced employment with the Council on 23 July 2018.
3. The Director of Digital & Business Change commenced the Council's employment with effect from 11 June 2018.
4. The Director of Growth & Development commenced the Council's employment with effect from 2 January 2019.
5. The Managing Director of Growth Lancashire Limited left the Council's employment with effect from 18 May 2018. An interim director was appointed in May 2018 and they were formerly appointed as Head of Growth Lancashire Limited on 1 January 2019.

2017/18

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 (Harry Catherall)	1	154	0	0	154	19	**173**
Deputy Chief Executive – Denise Park	1	131	0	0	131	16	**147**
Director of Adult Services	2	24	0	0	24	3	**27**
Director of Adults & Prevention	2	94	0	0	94	11	**105**
Director of Public Health		111	0	0	111	16	**127**
Director of Children's Services	3	112	0	0	112	13	**125**
Director of Environment & Leisure		94	0	0	94	11	**105**
Director of Strategy & Funding	4	72	0	67	139	9	**148**
Director of Finance & Customer Services		94	0	0	94	11	**105**
Director of HR, Legal & Corporate Services	**1**	91	4	0	95	11	**106**
Managing Director Growth Lancashire Limited		86	0	0	86	10	**96**

1. The government determines and funds the election fees for Returning Officers that are related to election duties for National, European and Police and Crime Commissioner Elections and these are subject to full reimbursement and paid to officers as appropriate. The fees for Local Elections are based on a County wide formula
2. The Director of Adult Services left the Council's employment with effect from 30th June 2017. The former Director of Localities & Prevention took on the role of Director of Adults & Prevention, and the post of Director of Localities & Prevention was dis-established.
3. From February 2016 until 31st December 2017, the Director of Children's Services became shared director of both Blackburn with Darwen Borough Council and Lancashire County Council's Children Services. During this period the post holder continued to be employed by Blackburn with Darwen Council and subject to its terms and conditions of employment, therefore full costs of this post have been included in the note above.
4. The Director of Strategy & Funding (formerly Director of Growth & Prosperity) left the Council's employment with effect from 19th January 2018.

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	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**
0 to 20,000	27	42	58	77	85	119	632	578
20,001 to 40,000	2	3	11	5	13	8	477	226
40,001 to 60,000	1	1	2	1	3	2	142	88
60,001 to 80,000	0	0	0	0	0	0	0	0
80,001 to 100,000	0	1	0	1	0	2	0	187
100,001 to 150,000	0	0	0	1	0	1	0	130
Total	**30**	**47**	**71**	**85**	**101**	**132**	**1,251**	**1,209**

The total cost for 2018/19 above includes pension strain for two employees that left the Council in 2017/18 however the employees are not included in the total number column.

9 MEMBERS' ALLOWANCES

2017/18 £000		2018/19 £000
516	Allowances payable to Members	559
4	Expenses payable to Members	5
520	**Total**	**564**

10 EXTERNAL AUDIT COSTS

The Council incurred the following fees relating to external audit.

2017/18 £000		2018/19 £000
103	Fees incurred with regard to external audit services provided by Grant Thornton	83
12	Fees incurred for the certification of grant claims and returns by Grant Thornton	8
6	Fees incurred for other audit work undertaken by Grant Thornton	0
(15)	Rebate of fees from Public Sector Audit Appointments (PSAA)	0
106	**Total**	**91**

Fees incurred for other audit work undertaken relate to the provision of reasonable assurance reports as required by central government.

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 Regeneration portfolio.

2017/18 £000		2018/19 £000
(1,369)	Turnover	(1,323)
2,597	Expenditure	2,263
1,228	**(Surplus)/deficit**	**940**

12 EVENTS AFTER THE BALANCE SHEET DATE

Events may occur between the balance sheet date and the date the accounts are authorised for issue which are indicative of conditions that arose after the reporting period. The Statement of Accounts is not adjusted to reflect such events, but disclosure is required of the nature of the events and their estimated financial effect.

There are no such events to report at the time of publication of this document.

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 addition, during 2018/19, an external valuer was commissioned to provide specialist valuations for certain categories of land and buildings assets.

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 that 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:

Property, plant and equipment - movements in 2018/19

	Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets included in property, plant and equipment £000
Cost or valuation								
At 1 April 2018	**249,005**	**28,464**	**169,210**	**7,509**	**16,949**	**9,787**	**480,924**	**23,569**
Additions	851	1,457	2,546	0	1	12,601	17,456	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,854	0	0	0	(4,594)	0	260	0
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(4,653)	0	0	0	(310)	0	(4,963)	0
Derecognition / disposals	(865)	0	0	0	(1,669)	0	(2,534)	0
Assets reclassified	8,122	108	236	0	793	(10,017)	(758)	0
Other movements	(8,347)	0	1	0	0	0	(8,346)	0
At 31 March 2019	**248,967**	**30,029**	**171,993**	**7,509**	**11,170**	**12,371**	**482,039**	**23,569**
Accumulated depreciation								
At 1 April 2018	**(21,655)**	**(15,204)**	**(32,121)**	**0**	**0**	**0**	**(68,980)**	**(3,973)**
Depreciation charge	(4,306)	(2,049)	(5,570)	0	(1)	0	(11,926)	(402)
Depreciation written out to the Revaluation Reserve	1,160	0	0	0	0	0	1,160	0
Depreciation written out to the surplus/deficit on the provision of services	2,219	0	0	0	0	0	2,219	0
Derecognition / disposals	33	0	0	0	0	0	33	0
Assets reclassified	0	0	0	0	0	0	0	0
Other movements	8,347	0	(1)	0	0	0	8,346	0
At 31 March 2019	**(14,202)**	**(17,253)**	**(37,692)**	**0**	**(1)**	**0**	**(69,148)**	**(4,375)**
Net book value								
At 1 April 2018	**227,350**	**13,260**	**137,089**	**7,509**	**16,949**	**9,787**	**411,944**	**19,596**
At 31 March 2019	**234,765**	**12,776**	**134,301**	**7,509**	**11,169**	**12,371**	**412,891**	**19,194**

Property, plant and equipment - comparative movements in 2017/18

	Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets included in property, plant and equipment £000
Cost or valuation								
At 1 April 2017	**261,360**	**27,674**	**162,163**	**7,509**	**7,000**	**6,152**	**471,858**	**23,569**
Additions	2,382	241	4,822	0	(495)	8,134	15,084	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,498)	0	(28)	0	2,912	0	386	0
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(3,768)	0	0	0	(1,730)	0	(5,498)	0
Derecognition / disposals	(287)	0	0	0	0	0	(287)	0
Assets reclassified	(8,184)	549	2,253	0	9,262	(4,499)	(619)	0
At 31 March 2018	**249,005**	**28,464**	**169,210**	**7,509**	**16,949**	**9,787**	**480,924**	**23,569**
Accumulated depreciation								
At 1 April 2017	**(20,075)**	**(12,371)**	**(26,717)**	**0**	**0**	**0**	**(59,163)**	**(3,571)**
Depreciation charge	(4,606)	(2,833)	(5,436)	0	(9)	0	(12,884)	(402)
Depreciation written out to the Revaluation Reserve	1,512	0	31	0	3	0	1,546	0
Depreciation written out to the surplus/deficit on the provision of services	803	0	1	0	717	0	1,521	0
Derecognition / disposals	0	0	0	0	0	0	0	0
Assets reclassified	711	0	0	0	(711)	0	0	0
At 31 March 2018	**(21,655)**	**(15,204)**	**(32,121)**	**0**	**0**	**0**	**(68,980)**	**(3,973)**
Net book value								
At 1 April 2017	**241,285**	**15,303**	**135,446**	**7,509**	**7,000**	**6,152**	**412,695**	**19,998**
At 31 March 2018	**227,350**	**13,260**	**137,089**	**7,509**	**16,949**	**9,787**	**411,944**	**19,596**

Property, plant and equipment revaluations

	Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infra-structure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	**1,430**	**30,029**	**171,993**	**7,509**	**0**	**12,371**	**223,332**
Valued at current value (fair value for surplus assets) at:							
2018/2019	103,964	0	0	0	11,170	0	115,134
2017/2018	20,952	0	0	0	0	0	20,952
2016/2017	48,984	0	0	0	0	0	48,984
2015/2016	69,448	0	0	0	0	0	69,448
2014/2015	4,189	0	0	0	0	0	4,189
Total cost or valuation	**248,967**	**30,029**	**171,993**	**7,509**	**11,170**	**12,371**	**482,039**

Revaluation losses

For 2018/19, revaluation decreases recognised in the surplus or deficit on the provision of services include the following items at or in excess of £1 million.

Property	**£000**
Old Bank Lane Car Park - a revaluation was undertaken as there has been a change in use at this site during the year. The valuation reflects the car parking rent that is anticipated to be collected at this site.	1,344
Witton Park High School - the asset was transferred by the Council to Witton Park Academy Trust and the land is now held on the Balance Sheet at a value of £1.	1,000

Surplus Assets – Fair Value Hierarchy

Details of the authority's surplus assets and information about the fair value hierarchy as at 31 March 2019 and 2018 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 2019
	£000	£000	£000	£000
Residential land	0	10,135	0	10,135
Office units	0	935	0	935
Retail	0	99	0	99
Total	**0**	**11,169**	**0**	**11,169**

	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 2018
	£000	£000	£000	£000
Residential land	0	15,022	0	15,022
Office units	0	800	0	800
Retail	0	1,127	0	1,127
Total	**0**	**16,949**	**0**	**16,949**

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 the residential properties (at market rents) 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 2018 £000		31 March 2019 £000
301,712	**Opening capital financing requirement**	**299,860**
	Capital investment	
15,084	Property, plant and equipment	17,456
520	Intangible assets	178
3,051	Revenue expenditure funded from capital under statute	2,275
0	Capital investments / loans	510
18,655	**Total capital investment**	**20,419**
	Sources of finance	
(760)	Capital receipts – set aside to reduce net indebtedness	(2,712)
(13,184)	Government grants and other contributions	(13,121)
	Sums set aside from revenue:	
(349)	Direct revenue contributions	(689)
(6,214)	Minimum revenue provision (MRP) for debt repayment	(6,163)
299,860	**Closing capital financing requirement**	**297,594**
	Explanation of movement in year	
(1,852)	Increase / (reduction) in underlying need to borrow (unsupported by Government financial assistance)	(2,266)
(1,852)	**Total movement**	**(2,266)**

Capital Commitments

At 31 March 2019 the Council had entered into numerous contracts for the construction or enhancement of property, plant and equipment in 2019/20 or future years.

Contractual commitments include:

- Blackburn Cinema – a new development in Blackburn town centre comprising a cinema, under croft car parking and terracing - £6.585 million
- Public realm and highway improvements to Blakey Moor and Northgate - £585,400
- Newfield - a purpose built school for learners on the autistic spectrum - £300,000

15 ACCOUNTING FOR SCHOOLS

As a general approach, the Council's single entity financial statements are defined as including the income, expenditure, assets, liabilities, reserves and cash flows of the local authority maintained schools within the control of the Council. Local authority maintained schools are those schools categorised in the School Standards and Framework Act 1998, i.e. community, voluntary controlled, voluntary aided, foundation, community special, foundation special and nursery schools.

The accounting treatment of land and buildings in relation to schools is based on the legal framework underlying each type of school. The Council controls the management and running of community and foundation schools (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.

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 two of the schools, Witton Park and Pleckgate, have converted to academy status. The assets relating to these two schools have been removed from the Council's Balance Sheet however the PFI liabilities for all PFI schools remain on as the Council is the party to the contract with the PFI operator.

Capital expenditure on community schools is added to the balances for those schools as reported in the property, plant and equipment note. Capital expenditure on voluntary aided and foundation schools is treated as Revenue Expenditure Funded from Capital under Statute (REFCUS) and written off each year to the Comprehensive Income and Expenditure Statement within 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 31 March 2019 are included in reserves in the Council's Balance Sheet.

Schools on the Council's Balance Sheet

31 March 2018			31 March 2019	
Number of Schools	**Value of Land and Buildings £000**		**Number of Schools**	**Value of Land and Buildings £000**
20	58,458	Community schools (excluding PFI schools)	20	67,196
1	2,098	Foundation schools (excluding PFI schools)	1	2,230
2	19,596	Community and foundation schools subject to PFI contracts	2	19,493
0	0	Pupil referral units (PRU)	1	3,772
23	**80,152**	**Total**	**24**	**92,691**

Schools off the Council's Balance Sheet

2017/18 £000		2018/19 £000
12	Academy	14
0	Foundation	0
3	Free	5
26	Voluntary aided	25
4	Voluntary controlled	4
45	**Total**	**48**

There has been one academy conversion during the financial year 2018/19, in relation to St Silas primary school.

The PFI liability relating to both Pleckgate High School and Witton Park High School, which converted to academy status in prior years, remains on the balance sheet as the obligation to pay remains with the Council. The Council receives grant funding from Central Government to cover the capital cost of the PFI liability. There is a formal agreement with the Academy Trust to cover the shortfall between the full liability and the grant, therefore, there is no change in the nature of the existing liability and hence no adjustments were made in 2018/19. 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.

	Civic Regalia and Other artefacts £000	Art Collections (including public/street art) £000	Manuscripts and Books £000	Total Heritage Assets £000
Cost or valuation				
At 31 March 2018	**259**	**8,215**	**10,970**	**19,444**
Net gains/(losses) from fair value adjustments	0	0	0	0
At 31 March 2019	**259**	**8,215**	**10,970**	**19,444**

There have been no additions or disposals during the year and the values remain unchanged from 2017/18.

Individual items valued at £25,000 or more are included at insurance valuation, which is based on market values.

Civic regalia and other artefacts

These are mainly held within the Mayor's Parlour at Blackburn Town Hall.

Manuscripts and books

A collection of publications is held by the Council's museum for their historical and cultural importance.

Art collections

These are mainly held in the Council's Museum and Turton Tower.

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:

2017/18 £000		2018/19 £000
(6)	Rental income from investment property	(6)
(8)	Changes in the fair value of investment property	23
(14)	**Net (gain)/loss**	**17**

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

2017/18 £000		2018/19 £000
72	**Balance at 1 April**	**80**
8	Net gains/(losses) from fair value adjustments	(23)
0	Transfer to Property, Plant & Equipment	0
80	**Balance at 31 March**	**57**

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:

2017/18 £000		2018/19 £000
	Gross carrying amount	
3,594	Balance at 1 April	2,832
520	Purchases	178
337	Assets reclassified from assets under construction	428
(1,619)	Disposals	0
2,832	**Balance at 31 March**	**3,438**
	Accumulated amortisation	
(1,436)	Balance at 1 April	(1,018)
(1,202)	Amortisation	(858)
1,619	Disposals	0
1	Other movements in amortisation	0
(1,018)	**Balance at 31 March**	**(1,876)**
	Net carrying amount	
2,158	Balance at 1 April	1,814
1,814	**Balance at 31 March**	**1,562**

19 LONG TERM INVESTMENTS

31 March 2018 £000		31 March 2019 £000
722	Blackburn with Darwen and Bolton Local Education Partnership	712
0	Joint Venture Development Company	500
50	Local Capital Finance Company Plc	50
772	**Total**	**1,262**

20 LONG TERM DEBTORS

31 March 2018 £000		31 March 2019 £000
26,276	Shopping centre lease	26,275
990	Nursing/residential property charges	957
347	Loan to Lancashire County Developments Limited	363
7	Car loans to Council employees	10
5	Cycle scheme loans to Council employees	5
0	Property Refurbishment loans	10
1	Other loans	1
27,626	**Total**	**27,621**

21 INVENTORIES

2017/18 £000		2018/19 £000
307	**Balance at 1 April**	**302**
1,144	Purchases	1,236
(1,151)	Recognised as an expense in the year	(1,186)
2	Written off / reversal of prior year write-offs	3
302	**Balance at 31 March**	**355**

22 SHORT TERM DEBTORS

31 March 2018 £000		31 March 2019 £000
	Debtors classed as Financial Instruments	
10,810	Trade receivables	10,526
(3,055)	Impairment allowance	(2,602)
7,755		**7,924**
	Debtors not classed as Financial Instruments	
9,547	Council tax	10,624
1,363	Non-domestic rates	1,400
518	Payments in advance	687
7,979	Other receivables	12,159
	Impairment allowance:	
(7,947)	Council tax	(8,474)
(838)	Non-domestic rates	(901)
(2,768)	Overpaid housing benefit	(2,840)
15,609	**Total**	**20,579**

23 CASH AND CASH EQUIVALENTS

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

31 March 2018 £000		31 March 2019 £000
31	Cash held by the Council	57
6,432	Bank current accounts	6,548
16,222	Short term deposits with banks and building societies	19,029
22,685	**Total**	**25,634**
(4,030)	Bank overdraft	(616)
18,655	**Total**	**25,018**

24 SHORT TERM CREDITORS

31 March 2018 £000		31 March 2019 £000
	Creditors classed as Financial Instruments	
(15,950)	Trade payables	(18,829)
(1,719)	Other payables – PFI arrangement	(1,717)
(17,669)		**(20,546)**
	Creditors not classed as Financial Instruments	
(1,024)	Council tax	(1,007)
(183)	Non-domestic rates	(260)
(1,101)	Receipts in advance	(2,391)
(8,113)	Other payables	(11,206)
(28,090)	**Total**	**(35, 410)**

25 PROVISIONS

	Non-domestic Rates Appeals £000	Injury and Damage Compensation Claims £000	Other Provisions £000	Total £000
Balance at 1 April 2018	**(1,681)**	**(1,128)**	**(400)**	**(3,209)**
Additional provisions made	(183)	(111)	0	(294)
Amounts used	191	260	0	451
Unused amounts reversed	0	0	0	0
Balance at 31 March 2019	**(1,673)**	**(979)**	**(400)**	**(3,052)**

Further details of the individual provisions are shown below.

31 March 2018 £000	Provision		31 March 2019 £000
(1,681)	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.	(1,673)
Injury and damage compensation claims			
(236)	Highways insurance claims	Provision to cover the estimated cost of the Council's contribution to highways third party liability claims received up to 31 March 2018 for which settlement has not been made. The provision is based on past experience of court decisions about liability and the amount of damages payable.	(6)

(518)	Vehicle insurance claims	Provision to cover the estimated cost of vehicle insurance claims received up to 31 March 2018 for which settlement has not been made. This provision is based on a claims excess level of £25,000, an aggregate stop loss for the Council of £205,000 and an estimate of the cost of repairs using past experience.	(301)
(54)	General Insurance	Provision to cover the estimated cost of Employers / Public Liability insurance claims received up to 31 March 2018 for which settlement has not been made.	(348)
(320)	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.	(324)
Other provisions			
(400)	Closed Landfill Sites	There are a number of closed landfill sites within the Borough for which the Council has responsibility for aftercare costs. Ongoing monitoring of these sites is in place and indications are that additional in-situ remediation measures may be required, resulting in potential future liabilities for the Council.	(400)
(3,209)	**Total**		**(3,052)**

26 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 relevant accounting standard adopted by the Council with effect from 1st April 2018 is IFRS 9 *Financial Instruments*. The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, so the comparative figures shown for 2017/18 and 31st March 2018 remain as previously reported under IAS39 (though tabulated on the new basis for IFRS 9).

The main impacts of the new standard are:

- the Council's Money Market Funds, formerly classed as "Available for sale" assets, are now classified as FVPL, although the basis of their carrying and fair value remains the same

- new standards of measurement of financial assets and liabilities now apply, including how the Council should estimate its provision for the impairment of financial assets

These changes have been incorporated in the assessment and measurement of financial instruments for 2018/19, but have not had a material impact on the values shown in the Statement of Accounts. For example, IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model', however, the new method has not proved materially different from the Council's previous approach to making provision for doubtful debts.

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

31 March 2018 £000				31 March 2019 £000		
Long term	**Short term**	**Total**	**Category**	**Long term**	**Short term**	**Total**
772	17,600	**18,372**	Loans and receivables - investments (principal)	1,262	6,000	**7,262**
0	52	**52**	Accrued interest on the above	0	163	**163**
772	**17,652**	**18,424**	**Total investments**	**1,262**	**6,163**	**7,425**
0	10,030	**10,030**	Loans and receivables - cash and cash equivalents (including bank accounts)	0	6,069	**6,069**
0	1	**1**	Accrued interest on the above	0	2	**2**
0	12,945	**12,945**	Available for sale assets - cash and cash equivalents (Money Market Funds)	0	12,950	**12,950**
0	4	**4**	Accrued interest on the above	0	8	**8**
0	**22,980**	**22,980**	**Total cash and cash equivalents**	**0**	**19,029**	**19,029**
26,276	0	**26,276**	Shopping centre lease - long term debtor	26,275	0	**26,275**
1,350	10,810	**12,160**	Other trade receivables	1,346	10,526	**11,872**
0	(3,055)	**(3,055)**	Loss allowance against trade receivables	0	(2,602)	**(2,602)**
27,626	**7,755**	**35,381**	**Total trade receivables**	**27,621**	**7,924**	**35,545**
28,398	**48,387**	**76,785**	**Total financial assets**	**28,883**	**33,116**	**61,999**

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 29
- Private Finance Initiative (PFI) contracts, detailed in Note 28
- trade payables for goods and services received

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

31 March 2018 £000				31 March 2019 £000		
Long term	Short term	Total	Category	Long term	Short term	Total
(113,261)	(97,080)	**(210,341)**	Principal sum borrowed	(136,904)	(60,361)	**(197,265)**
0	(2,637)	**(2,637)**	Accrued interest	0	(2,720)	**(2,720)**
(149)	(246)	**(395)**	Effective interest rate (EIR) adjustments **	(147)	(240)	**(387)**
(113,410)	**(99,963)**	**(213,373)**	**Total borrowing**	**(137,051)**	**(63,321)**	**(200,372)**
0	(4,030)	**(4,030)**	Bank overdraft	0	(616)	**(616)**
(65,130)	(1,719)	**(66,849)**	PFI arrangements	(63,414)	(1,717)	**(65,131)**
0	(15,950)	**(15,950)**	Trade payables	0	(18,829)	**(18,829)**
(178,540)	**(121,662)**	**(300,202)**	**Total financial liabilities**	**(200,465)**	**(84,483)**	**(284,948)**

** EIR adjustments to market loans with "stepped" interest rates, to average out their cost over the life of the loans. The adjustments made to the carrying values each year impact on the Financial Instruments Adjustments Account (Note 30)

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:

2017/18					2018/19			
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
6,420	0	0	6,420	Interest on PFI payments	6,230	0	0	6,230
6,024	0	0	6,024	Interest on loans	6,243	0	0	6,243
12,444	**0**	**0**	**12,444**	**Total expense**	**12,473**	**0**	**0**	**12,473**
0	(1,445)	0	**(1,445)**	Shopping centre lease interest	0	(1,445)	0	**(1,445)**
0	(166)	(26)	**(192)**	Other interest	0	(314)	(42)	**(356)**
0	(55)	0	**(55)**	Dividend income	0	(1,071)	0	**(1,071)**
0	**(1,666)**	**(26)**	**(1,692)**	**Total income**	**0**	**(2,830)**	**(42)**	**(2,872)**
12,444	**(1,666)**	**(26)**	**10,752**	**Net impact on surplus / deficit on provision of services**	**12,473**	**(2,830)**	**(42)**	**9,601**

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 2019, 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.
- For the shopping centre lease debtor, the £26.276 million carrying value on the Balance Sheet was based on discounting the anticipated net income stream at the interest rate implicit in the lease. The fair values were prepared by discounting the same income at the long term gilt yield plus a credit risk margin.
- 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 2018 £000			Fair value level		31 March 2019 £000		
Carrying Value £000	Fair Value £000	Difference £000		Financial Assets	Carrying Value £000	Fair Value £000	Difference £000
26,276	52,183	**25,907**	2	Shopping centre lease long term debtor	26,275	53,524	**27,249**
(106,769)	(144,263)	**(37,494)**	2	PWLB loans	(140,382)	(178,103)	**(37,721)**
(21,208)	(30,036)	**(8,828)**	2	Market loans (some with call options)	(18,618)	(27,158)	**(8,540)**
(280)	(280)	**0**	2	Other stock	(265)	(265)	**0**
(85,116)	(85,116)	**0**	2	Short term borrowing	(41,106)	(41,106)	**0**
(213,373)	**(259,695)**	**(46,322)**		**Total Borrowing**	**(200,371)**	**(246,632)**	**(46,261)**
(66,849)	(112,650)	**(45,801)**	2	PFI liabilities	(65,130)	(112,202)	**(47,072)**

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.

The fair value of the Council's Shopping Centre Lease Debtor is higher than the carrying value due to lower interest rates (compared to the rates for the carrying values).

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 2018 £000	Investment Portfolio	31 March 2019 £000
	Short term investments	
3,600	Debt Management Office	0
13,000	Other local authorities	5,000
0	A rated banks/building societies	0
1,000	Low rated building societies	1,000

17,600	**Total short term investments**	**6,000**
	Short term deposits with banks and building societies	
12,945	AAA rated Money Market Funds	12,950
150	AA- rated bank	2,500
0	A+ rated bank	2,975
2,975	A rated bank	0
50	Council's own current account bank	50
16,120	**Total short term deposits**	**18,475**

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 2018 £000			31 March 2019 £000	
Value of debt	**Provision**		**Value of debt**	**Provision**
10,515	(3,055)	Trade receivables	10,526	(2,602)

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

31 March 2018 £000	Aged of Debt	31 March 2019 £000
5,104	Less than 3 months	5,892
2,213	3 – 12 months	1,301
1,271	1 to 2 years	1,673
1,927	Over 2 years	1,660
10,515	**Total**	**10,526**

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 2018 £000		31 March 2019 £000
(99,963)	Under 1 year	(63,229)
(99,963)	**Total short term borrowing**	**(63,229)**
(7,349)	Maturing in 1 to 2 years	(4,234)
(3,659)	Maturing in 3 to 5 years	(10,804)
(20,232)	Maturing in 6 to 10 years	(37,264)
(82,170)	Maturing in more than 10 years	(84,841)
(113,410)	**Total long term borrowing**	**(137,143)**
(213,373)	**Total borrowing**	**(200,372)**

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. Due to current low interest rates, it is likely that these options will not be taken up, but the above table assumes they may be taken at the first call option date.

Market risk

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

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

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

In 2018/19, if interest rates had been 1% higher with all other variables held constant the financial effect would have been:

	2018/19 £000
Interest gained on investments	(387)
Increased cost of borrowing	734
Impact on Comprehensive Income and Expenditure Statement	**347**

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 £34 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.

27 OTHER LONG TERM LIABILITIES

31 March 2018 £000		31 March 2019 £000
(249,217)	Pension scheme liability *	(264,662)
(15,352)	Council's share of debt administered by Lancashire County Council under local Government reorganisation regulations	(14,738)
(65,130)	Building schools for the future PFI liability	(63,414)
(329,699)	**Total**	**(342,814)**

* The pension fund liability included above has been reduced from the actuarial estimate of £269.165 million to £264.662 million to reflect a £4.503 million advance payment in respect of the Council's pension deficit share. Further details on post-employment benefits are provided in Note 31.

28 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.

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

The Council has been approached by the PFI company's financial advisers to consider a proposal for the refinancing of Blackburn with Darwen's senior debt within the PFI deals of the two PFI agreements. The refinancing in relation to the Phase 1 agreement has been completed during 2018/19 and has resulted in the Council receiving a share of the refinancing gain. Proposals in relation to the refinancing of the Phase 2 agreement are likely to be considered during 2019/20.

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 2019 are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Pleckgate school				
Payment in 2019/20	(945)	(545)	(2,514)	(4,004)
Payment within 2 to 5 years	(3,487)	(3,090)	(9,438)	(16,015)
Payment within 6 to 10 years	(4,594)	(5,748)	(9,677)	(20,019)
Payment within 11 to 15 years	(5,085)	(8,651)	(6,283)	(20,019)
Payment within 16 to 20 years	(2,377)	(5,825)	(1,478)	(9,680)
Total Pleckgate School	**(16,488)**	**(23,859)**	**(29,390)**	**(69,737)**
Witton Park / Blackburn Central with Crosshill schools				
Payment in 2019/20	(1,562)	(1,171)	(3,298)	(6,031)
Payment within 2 to 5 years	(6,740)	(5,140)	(12,245)	(24,125)
Payment within 6 to 10 years	(7,505)	(10,100)	(12,550)	(30,155)
Payment within 11 to 15 years	(8,837)	(13,006)	(8,311)	(30,154)
Payment within 16 to 20 years	(6,130)	(11,855)	(2,693)	(20,678)
Total Witton Park/Blackburn Central with Crosshill schools	**(30,774)**	**(41,272)**	**(39,097)**	**(111,143)**
Total	**(47,262)**	**(65,131)**	**(68,487)**	**(180,880)**

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

	Pleckgate £000	Witton Park / Blackburn Central £000	Total
Balance outstanding at 31 March 2018	**(24,343)**	**(42,505)**	**(66,848)**
Payments during the year	484	1,234	1,718
Balance outstanding at 31 March 2019	**(23,859)**	**(41,271)**	**(65,130)**

29 LEASES

Council as Lessee

Operating Leases

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

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

31 March 2018 £000		31 March 2019 £000
1,467	Not later than one year	1,320
4,841	Later than one year and not later than 5 years	4,303
18,634	Later than 5 years	17,725
24,942	**Total**	**23,348**

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

31 March 2018 £000		31 March 2019 £000
1,564	Minimum lease payments	1,720
115	Contingent rents	309
1,679	**Total**	**2,029**

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 123 years.

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

31 March 2018 £000		31 March 2019 £000
26,276	Finance lease debtor (net present value of minimum lease payments)	26,275
154,599	Unearned finance income	153,154
180,875	**Gross investment in the lease**	**179,429**

The income due in each year of the lease varies in accordance with the terms of the lease. Management are satisfied that the Council will recover the full value of the debtor over the life of the lease. This position is reviewed annually and the Council is satisfied that the disclosure is materially correct to the extent that the unearned income due to Council in each of the remaining years of the lease is considered unlikely to be materially misstated.

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

31 March 2018			31 March 2019	
Gross Investment £000	Minimum Lease Payments £000		Gross Investment £000	Minimum Lease Payments £000
1,447	2	Not later than one year	1,447	2
5,788	8	Later than one year and not later than 5 years	5,788	9
173,640	26,266	Later than 5 years	172,194	26,264
180,875	**26,276**	**Total**	**179,429**	**26,275**

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 2017 £000		31 March 2018 £000
(2,196)	Not later than one year	(2,326)
(6,123)	Later than one year and not later than 5 years	(7,476)
(55,005)	Later than 5 years	(53,536)
(63,324)	**Total**	**(63,338)**

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 2018/19 income generated from leases was £2,498,000 with £1,430,000 of contingent rents receivable by the Council (£3,351,000 and £273,600 respectively in 2017/18).

30 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 2017/18 and 2018/19.

	Balance at 31 March 2017 £000	Transfers out 2017/18 £000	Transfers in 2017/18 £000	Balance at 31 March 2018 £000	Transfers out 2018/19 £000	Transfers in 2018/19 £000	Balance at 31 March 2019 £000
Earmarked reserves							
Reserves held for discretionary use by the Council							
ICT developments	**(559)**	559	0	**0**	0	0	**0**
Welfare, council tax and business rate reforms	**(268)**	0	0	**(268)**	90	0	**(178)**
Investments in assets and infrastructure	**(1,190)**	21	0	**(1,169)**	75	(19)	**(1,113)**
Other resources and transformation projects	**(298)**	113	0	**(185)**	2	(105)	**(288)**
Support for people services	**(2,206)**	3,804	(4,522)	**(2,924)**	151	(1,693)	**(4,466)**
Town centre, special events and economic development	**(546)**	177	(250)	**(619)**	0	0	**(619)**
Invest to save projects	**(43)**	0	0	**(43)**	0	0	**(43)**
Contingent sums to support future downsizing and transformation (including redundancy and pension strain costs)	**(5,822)**	4,436	(2,382)	**(3,768)**	888	0	**(2,880)**
Amounts carried forward in respect of unspent grants and contributions	**(884)**	716	(1,670)	**(1,838)**	1,183	(1,598)	**(2,253)**
Other amounts committed in future years budgets	**(233)**	233	(203)	**(203)**	121	(205)	**(287)**
Reserves held for specified purposes	**(1,826)**	371	(635)	**(2,090)**	489	(735)	**(2,336)**
Total earmarked reserves for discretionary purposes	**(13,875)**	**10,430**	**(9,662)**	**(13,107)**	**2,999**	**(4,355)**	**(14,463)**
Details of other earmarked reserves							
Reserves held in respect of joint arrangements and charitable bodies	**(384)**	8	(35)	**(411)**	9	(14)	**(416)**
Reserves held in relation to schools	**(10,644)**	1,913	0	**(8,731)**	1,738	0	**(6,993)**
LMS schools balances	**(6,253)**	601	0	**(5,652)**	501	0	**(5,151)**
Total of non-discretionary reserves	**(17,281)**	**2,522**	**(35)**	**(14,794)**	**2,248**	**(14)**	**(12,560)**
Total earmarked reserves	**(31,156)**	**12,952**	**(9,697)**	**(27,901)**	**5,247**	**(4,369)**	**(27,023)**
Unallocated reserves	**(6,189)**	**2,529**	**(2,395)**	**(6,055)**	**3,553**	**(3,401)**	**(5,903)**
Capital receipts reserve	**0**	**760**	**(760)**	**0**	**2,712**	**(2,962)**	**(250)**
Capital grants unapplied	**(12,049)**	**13,184**	**(8,185)**	**(7,050)**	**13,121**	**(13,000)**	**(6,929)**
Total Council usable reserves	**(49,394)**	**29,425**	**(21,037)**	**(41,006)**	**24,633**	**(23,732)**	**(40,105)**

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 2018 £000		31 March 2019 £000
(84,809)	Revaluation Reserve	(84,241)
(49,383)	Capital Adjustment Account	(53,389)
1,925	Financial Instruments Adjustment Account	1,868
(26,276)	Deferred Capital Receipts Reserve	(26,275)
258,222	Pensions Reserve	269,165
(241)	Collection Fund Adjustment Account	(1,414)
2,041	Accumulated Absences Adjustment Account	2,851
101,479	**Total**	**108,565**

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.

2017/18 £000		2018/19 £000
(83,913)	**Balance at 1 April**	**(84,809)**
(3,684)	Upward revaluation of assets	(6,758)
1,752	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	5,338
(1,932)	**(Surplus) or deficit on the revaluation of non-current assets not posted to the surplus or deficit on the provision of services**	**(1,420)**
858	Difference between fair value depreciation and historical cost depreciation	902
178	Accumulated gains on assets sold or scrapped	1,086
1,036	**Amount written off to the capital adjustment account**	**1,988**
(84,809)	**Balance at 31 March**	**(84,241)**

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.

2017/18 £000		2018/19 £000
(49,527)	**Balance at 1 April**	**(49,383)**
	Reversal of items relating to capital expenditure charged to the Comprehensive Income and Expenditure Statement	
12,882	Charges for depreciation and impairment of non-current assets	11,900
3,978	Revaluation losses on property, plant and equipment	2,770
1,201	Amortisation of intangible assets	858
3,333	Revenue expenditure funded from capital under statute	2,605
301	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal calculation	2,511
(1,036)	Adjusting amount written out of the Revaluation Reserve	(1,988)
20,659	**Net written out amount of the cost of non-current assets consumed in the year**	**18,656**
	Capital financing applied in the year	
(760)	Use of the capital receipts reserve to finance new capital expenditure or set aside to reduce the net indebtedness of the Council	(2,712)
(5,903)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(9,759)
(7,281)	Application of grants to capital financing from the Capital Grants Unapplied Account	(3,362)
(6,214)	Statutory provision for the financing of capital investment charged against the General Fund	(6,163)
(349)	Capital expenditure charged against the General Fund	(689)
(8)	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	23
(49,383)	**Balance at 31 March**	**(53,389)**

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.

2017/18 £000		2018/19 £000
1,981	**Balance at 1 April**	**1,925**
(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:	
(15)	Soft loans	(16)
(8)	Stepped loan rates	(8)
(56)	**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**	**(57)**
1,925	**Balance at 31 March**	**1,868**

Deferred Capital Receipts Reserve

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

2017/18 £000		2018/19 £000
(26,278)	**Balance at 1 April**	**(26,276)**
2	Transfer to the capital receipts reserve upon receipt of cash	1
(26,276)	**Balance at 31 March**	**(26,275)**

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.

2017/18 £000		2018/19 £000
285,067	**Balance at 1 April**	**258,222**
(41,035)	Remeasurement of the net defined benefit liability	(2,854)
14,190	Amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under the pension scheme regulations.	13,797
258,222	**Balance at 31 March**	**269,165**

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.

2017/18 £000		2018/19 £000
1,151	**Balance at 1 April**	**(241)**
(1,392)	Amount by which the council tax income and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement differs to the amount calculated in accordance with statutory requirements	(1,173)
(241)	**Balance at 31 March**	**(1,414)**

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.

2017/18 £000		2018/19 £000
2,676	**Balance at 1 April**	**2,041**
(2,676)	Settlement of cancellation of accrual made at the end of the preceding year	(2,041)
2,041	Amounts accrued at the end of the current year	2,851
(635)	**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**	**810**
2,041	**Balance at 31 March**	**2,851**

31 POST-EMPLOYMENT BENEFITS

Pension Schemes accounted for as defined contribution schemes

Teachers' pension scheme

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

The scheme is technically a defined benefit scheme, however, the scheme is unfunded. The DfE uses a notional fund as the basis for calculating the employer's contribution rate paid by local authorities, and it also bears the related funding risks. The Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2018/19, the Council paid £5,881,948 (£5,788,678 in 2017/18) to the Teachers Pensions Agency in respect of teachers' retirement benefits, representing 16.48% (16.48% in 2017/18) of pensionable pay.

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

National Health Service (NHS) pension scheme

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

In 2018/19, the Council paid £76,020 (£76,245 in 2017/18) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.38% (14.38% in 2017/18) of pensionable pay.

Defined benefit pension schemes

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

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

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

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as shown in the following table.

Early payment of 3 years LGPS deficit lump sum in April 2017

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.

In previous years the Council made monthly payments to the Pension Fund in respect of its proportion of the Fund deficit, in addition to monthly employer contributions in relation to current staff who are members of the LGPS. In April 2017, a lump sum early payment of the full 3 year deficit amount was made by the Council amounting to £13.508 million.

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	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Comprehensive Income and Expenditure Statement				
Cost of services				
Current service cost	19,337	20,910	0	0
Past service cost	0	0	0	0
(Gain)/loss from settlements and curtailments	523	291	0	0
Financing and Investment Income and Expenditure				
Net Interest expense and administration costs	6,783	6,530	190	183
Total post-employment benefit charged to the surplus or deficit on the provision of services	**26,643**	**27,731**	**190**	**183**
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Remeasurement - assets	(6,218)	(51,283)	0	0
Remeasurement - liabilities				
- Experience (gain) / loss	0	0	0	0
- (Gains)/losses on financial assumptions	(34,649)	48,188	(168)	241
- (Gains)/losses on demographic assumptions	0	0	0	0
Total re-measurement recognised in Other Comprehensive Income	**(40,867)**	**(3,095)**	**(168)**	**241**
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	**(14,224)**	**24,636**	**22**	**424**

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	(14,569)	(14,172)	379	375
Actual amount charged against the General Fund balance for pensions in the year				
Employers' contributions payable to the scheme	**12,074**	**13,559**		
Retirement benefits payable to pensioners			**569**	**558**

Pensions assets and liabilities recognised in the Balance Sheet

Of the lump sum early payment of £13.508 million made by the Council in April 2017, a total of £9.005 million has been reflected the accounts for 2017/18 (£4.503 million) and 2018/19 (£4.502 million), with the remaining £4.503 million being offset against the Pension scheme net liability in the Council's Balance Sheet. The Pension scheme net liability at 31st March 2019 as assessed by the Fund Actuary was £269.165 million (as detailed in the tables below), however, the corresponding amount included within the Council's Balance Sheet has been reduced by the £4.503 million advance payment resulting in a reported Pension scheme liability of £264.662 million (see Note 27 *Other Long Term Liabilities*).

Prior to this adjustment, 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	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Present value of the defined benefit obligation	(827,708)	(903,002)	(7,331)	(7,197)
Fair value of plan assets	576,817	641,034	0	0
Net liability arising from defined benefit obligation	**(250,891)**	**(261,968)**	**(7,331)**	**(7,197)**

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Opening balance at 1 April	**(837, 735)**	**(827, 708)**	**(7,878)**	**(7,331)**
Current service cost	(19,337)	(20,910)	0	0
Interest cost	(20,744)	(21,321)	(190)	(183)
Contributions by scheme participants	(3,615)	(4,156)	0	0
Remeasurement - liabilities				
- Experience (gain) / loss	0	0	0	0
- (Gains)/losses on financial assumptions	34,649	(48,188)	168	(241)
- (Gains)/losses on demographic assumptions	0	0	0	0
Past service (cost)/gain	0	0	0	0
(Losses)/gains on curtailment	(523)	(291)	0	0
Liabilities extinguished on settlements	0	0	0	0
Benefits paid	19,597	19,572	569	558
Closing balance at 31 March	**(827, 708)**	**(903, 003)**	**(7,331)**	**(7,197)**

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Opening balance at 1 April	**560,546**	**576,817**	**0**	**0**
Interest income	14,244	15,121	0	0
Remeasurement (gains) / losses - assets	6,218	51,283	0	0
Settlements	0	0	0	0
Contributions from employer	12,074	13,559	569	558
Contributions from employees into the scheme	3,615	4,156	0	0
Benefits paid	(19,597)	(19,572)	(569)	(558)
Other	(283)	(330)	0	0
Closing balance at 31 March	**576,817**	**641,034**	**0**	**0**

Local Government Pension Scheme assets comprised:

31 March 2018 £000	Asset category	Quoted in active markets (Y/N)	31 March 2019 £000
(2,413)	**Cash and cash equivalents etc.**	N	**3,728**
	Bonds (by sector):		
3,288	UK Corporate	Y	4,350
6,850	Overseas Corporate	N	3,167
13,763	UK Government	Y	22,533
557	Overseas Government	N	0
24,458	**Sub-total bonds**		**30,050**
	Property (by type):		
15,862	Retail	N	15,432
38,383	Commercial	N	44,316
54,245	**Sub-total property**		**59,748**
	Private equity:		
0	UK	N	0
41,870	Overseas	N	49,266
41,870	**Sub-total private equity**		**49,266**
	Other investment funds:		
73,097	Infrastructure	N	90,617
8,760	Indirect Property Funds	N	9,811
106,284	Credit Funds	N	45,516
14,231	Pooled Fixed Income	N	69,726
256,285	Overseas Pooled Equity Funds	N	282,572
458,657	**Sub-total other investment funds**		**498,242**
576,817	**TOTAL ASSETS**		**641,034**

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.

Estimates for the Lancashire County Fund are based on the latest full valuation of the scheme as at 31 March 2016. The principal assumptions used by the actuary are as follows:

2017/18		2018/19
Mortality assumptions		
Longevity at 65 for current pensioners		
22.7	Male	22.8
25.4	Female	25.5
Longevity at 65 for future pensioners		
25.0	Male	25.1
28.0	Female	28.2
Financial assumptions		
2.1%	Rate of CPI inflation	2.2%
3.6%	Rate of increase in salaries	3.7%
2.2%	Rate of increase in pensions (payment / deferment)	2.3%
2.6%	Rate for discounting scheme liabilities	2.4%

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 2019	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	+ 17,775	+ 479	+ 433
Rate of inflation - increase by 0.1%	+ 16,868	+ 696	+ 411
Rate of increase in salaries – increase by 0.1%	+ 2,261	0	+ 61
Rate for discounting scheme liabilities – increase by 0.1%	- 16,562	- 668	- 153

Impact on the Council's cash flows

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

The Regulations also require actuarial valuations to be carried out every 3 years. The most recent valuation, at 31 March 2016, showed a shortfall of £690 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 90% of its liabilities – this percentage is known as the solvency funding level of the Fund.

At the previous valuation at 31 March 2013 the shortfall was £1,377m, equivalent to a solvency funding level of 78%. The fund's employers are paying additional contributions over an average period of 16 years in order to meet the shortfall. Funding levels are monitored on an annual basis, with the next triennial valuation due to be completed on 31 March 2020.

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

The Council anticipates paying contributions of £15.185 million to the scheme in 2019/20.

The weighted average duration of the authority's defined benefit obligation is 17 years, measured on the actuarial assumptions used for IAS19 purposes.

Developments in relation to the McCloud judgement

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

On 27 June 2019 it was confirmed that the Supreme Court would not give the government permission to challenge the judgement. The claim will now be returned to the Employment Tribunal for a remedies hearing to determine the compensation to be made to those that were discriminated against. The scheme will also need to be amended to remove any potential for continuing age discrimination.

The LGPS Scheme Advisory Board (SAB) commissioned the Government Actuary's Department (GAD) to prepare an assessment of the potential overall financial impact on the LGPS across England and Wales. The GAD report provides an initial basis for assessing the potential materiality of the McCloud judgement. However, it also illustrates the difficulty of finding reliable figures, with its demonstration that a reasonable variation in the assumption about future earnings would have a substantial effect.

The Lancashire County Pension Fund's actuary has followed the GAD report by making estimates of the potential impact of the McCloud judgement for a number of authorities. The actuarial calculation of the potential additional pension liability for Blackburn with Darwen Council has been assessed at £5.855 million as at 31 March 2019 resulting from an additional past service cost.

The actuary has also assessed additional projected service costs for the Council (i.e. employer pension contributions) for the year commencing 1 April 2019 of £1.048 million.

These additional costs are very sensitive to the assumptions made, and the above figures are based on an assumed future real pay growth of 1.5% per annum.

As the impact on the Council's pension liability is not considered to be material to the accounts, no additional charge has been made against the Comprehensive Income and Expenditure Account in 2018/19.

32 CASH FLOW STATEMENT NOTES

Operating activities

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

The cash flows for operating activities include the following items:

31 March 2018 £000		31 March 2019 £000
1,684	Interest received	2,771
(10,231)	Interest paid	(12,399)

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

31 March 2018 £000		31 March 2019 £000
12,884	Depreciation	11,926
3,976	Impairment and downward valuations	2,744
1,201	Amortisation	858
1,401	Increase/(decrease) in creditors	6,595
(185)	(Increase)/decrease in debtors	(5,046)
5	(Increase)/decrease in inventories	(54)
5,185	Movement in pension liability	18,300
570	Carrying amount of non-current assets, non-current assets held for sale, sold or derecognised	2,821
(1,371)	Other non-cash items charged to the surplus or deficit on the provision of services	(158)
23,666	**Total**	**37,986**

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

31 March 2018 £000		31 March 2019 £000
0	Proceeds from short-term and long-term investments	10
(760)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,962)
(8,185)	Any other items for which the cash effects are investing or financing cash flows	(13,000)
(8,945)	**Total**	**(15,952)**

Investing activities

31 March 2018 £000		31 March 2019 £000
(15,604)	Purchase of property, plant and equipment, investment property and intangible assets	(17,634)
(4,600)	Purchase of short term and long term investments	(344,750)
0	Other payments for investing activities	1,766
762	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,962
14	Proceeds from short term and long term investments	355,850
8,508	Other receipts from investing activities	13,025
(10,920)	**Net cash flows from investing activities**	**(11,219)**

Financing activities

31 March 2018 £000		31 March 2019 £000
85,000	Cash receipts of short term and long term borrowing	76,000
0	Other receipts from financing activities	0
(1,703)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(1,718)
(59,421)	Repayment of short term and long term borrowing	(89,690)
126	Other payments for financing activities	779
24,002	**Net cash flows from financing activities**	**(14,629)**

33 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 £11.381 million revenue ring fenced grant in 2018/19 (£11.169 million in 2017/18) towards the Better Care Fund (BCF), of which £5.552 million expenditure (£6.214 million in 2017/18) was incurred by the CCG on health related initiatives and the remaining £5.829 million (£4.955 million) 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 £14.8 million of Public Health Grant in 2018/19 (£15.2 million in 2017/18) 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% (£85,272) and Blackburn with Darwen contributing 64.5% (£154,931) in 2018/19. In 2017/18 the corresponding figures were 35.5% (£84,880) and 64.5% (£154,218) respectively.

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 2018/19 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 2018/19 for services delivered to / from organisations in which members have declared interests:

	Income received	Income owed to the Council	Payments made	Payments owed by the Council
Transdev Lancashire United	0	0	80,022	0
East Lancashire Hospital Trust	685,267	41,715	414,326	213,211
Blackburn College	84,977	0	444,076	22,764
Home Care For You Limited	0	0	1,726,352	355,324
Lancashire County Council	3,093,281	2,145,320	3,187,890	488,555
Westholme School	0	0	128,700	0
Lancashire Enterprise Partnership, Making Rooms	14,474	3,902	32,475	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 2018/19 two senior officers made the following additional declarations:

- a family relationship with a senior officer in one of the Council's major precepting authorities. Although there are significant transactions between the two parties in relation to business rates and council tax, the administration of these is strictly defined by a statutory framework.
- a family relationship with a council member for both Lancashire County and Lancaster City Councils. There is no direct financial or contractual implication of this association.

There were no other significant transactions with organisations in which Council officers had declared interests.

Interests in companies and other entities

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

Blackburn with Darwen and Bolton Local Education Partnership Limited

The Council has a 5% shareholding in Blackburn with Darwen and Bolton Local Education Partnership Limited, which was formed in order to deliver the capital investment elements of the Building Schools for the Future programme. The Council has also invested in Blackburn with Darwen and Bolton Phase 1 Holdings Limited, Blackburn with Darwen and Bolton Phase 1 Limited, Blackburn with Darwen and Bolton Phase 2 Holdings Limited, Blackburn with Darwen and Bolton Phase 2 Limited, which are special purpose companies established solely to deliver the new schools at Pleckgate, Witton Park and Blackburn Central with Crosshill under the Private Finance Initiative (Note 28). Payments made in 2018/19 to the Blackburn with Darwen and Bolton Local Education Partnership Limited amounted to £13.524 million (£16.015 million in 2017/18).

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

During the year the Council obtained 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 growth in jobs and housing.

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 £1,541,253 to three organisations during the year where the amounts concerned provided a significant proportion of those organisations' income. The details are as follows:

- Families, Health & Wellbeing Consortium - £1,133,839
- Council for Voluntary Service (CVS) - £253,744
- Care Network - £153,670

Similar payments totalling £544,387 were made in 2017/18. 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.

34 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 five 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 £300,000 as at end of March 2019.

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 2019 remains uncertain. A Levy has been paid at a rate of 25% on established scheme liabilities - amounting to a total of £499,000 for the Council. In considering the most likely remaining financial impact, the Council has set aside a provision of £324,000, 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.

35 TRUST FUNDS

Over a number of years the Council has acted as either sole trustee or as one of several trustees for a number of funds and charities. The funds do not represent assets of the Council and they have not been included in the Council's Balance Sheet. During 2018/19 the Council's Executive Board resolved to close the accounts and all business relating to these funds and charities; to carry out all necessary legal formalities to remove the charities from the Charities Commission; and to transfer any funds to other charities, within the locality, identified as having the same purpose.

The Council also administers funds on behalf of third parties, which are made up of savings and property of residents in the Council's care. These balances have not been included in the Council's Balance Sheet:

31 March 2018 £		31 March 2019 £
(26,394)	Monies held in relation to Equity House	(26,394)
(27,266)	Savings and property of residents in the Council's care	(27,493)
(53,660)		**(53,887)**

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

2017/18				2018/19		
Non-domestic rates	Council tax	Total		Non-domestic rates	Council tax	Total
£000	**£000**	**£000**	**Income**	**£000**	**£000**	**£000**
	(55,761)	(55,761)	Council tax receivable (net of benefits, discounts for prompt payment and transitional relief)		(59,823)	(59,823)
(47,254)	0	(47,254)	Non-domestic rates receivable (net of discretionary and mandatory reliefs)	(46,471)	0	(46,471)
			Contribution towards previous year's Collection Fund deficit			
(454)	0	(454)	- Central Government	0	0	0
(444)	0	(444)	- Blackburn with Darwen Borough Council	0	(512)	(512)
0	0	0	- Police & Crime Commissioner for Lancashire	0	(61)	(61)
(9)	0	(9)	- Lancashire Combined Fire Authority	0	(24)	(24)
(907)	**0**	**(907)**	**Total contribution to previous year's Collection Fund deficit**	**0**	**(597)**	**(597)**
(48,161)	**(55,761)**	**(103,922)**	**Total income**	**(46,471)**	**(60,420)**	**(106,891)**
			Expenditure			
			Precepts and demands from major preceptors and the Council (Council tax)			
0	47,058	47,058	- Blackburn with Darwen Borough Council	0	50,501	50,501
0	5,611	5,611	- Lancashire Police Authority	0	6,094	6,094
0	2,221	2,221	- Lancashire Combined Fire Authority	0	2,317	2,317
0	**54,890**	**54,890**	**Total council tax precepts**	**0**	**58,912**	**58,912**
			Shares of non-domestic rating income to major preceptors and the Council (billing authority)			
19,281	0	19,281	- Blackburn with Darwen Borough Council	19,677	0	19,677
393	0	393	- Lancashire Combined Fire Authority	402	0	402
19,674	**0**	**19,674**	**Total non-domestic rates precepts**	**20,079**	**0**	**20,079**
19,674	0	19,674	Payment with respect to central share (including allowable deductions) of the non-domestic rating income to be paid to Central Government	20,080	0	20,080
5,233	0	5,233	Transitional Protection Payments payable	3,220	0	3,220
(355)	1,260	905	Impairment of debt/appeals	998	939	1,937
248	0	248	Charge to General Fund for allowable collection costs	250	0	250
			Contribution towards previous year's Collection Fund surplus			
0	0	0	- Central Government	225	0	225
0	81	81	- Blackburn with Darwen Borough Council	221	0	221

0	10	10	- Police & Crime Commissioner for Lancashire	0	0	0
8	4	4	- Lancashire Combined Fire Authority	5	0	5
44,474	**56,245**	**100,719**	**Total expenditure**	**45,078**	**59,851**	**104,929**
(3,687)	**484**	**(3,203)**	**Movement on fund balance**	**(1,393)**	**(569)**	**(1,962)**
2,117	**132**	**2,249**	**Fund balance brought forward**	**(1,570)**	**616**	**(954)**
(3,687)	484	(3,203)	Movement on fund balance	(1,393)	(569)	(1,962)
(1,570)	**616**	**(954)**	**Fund balance carried forward**	**(2,963)**	**47**	**(2,916)**

Allocation of Collection Fund balance

31 March 2018			31 March 2019	
Non-domestic rates £000	Council tax £000	(Surplus)/deficit carried forward	Non-domestic rates £000	Council tax £000
		Allocated to:		
(769)	528	Blackburn with Darwen Borough Council	(1,452)	40
0	63	Police & Crime Commissioner for Lancashire	0	5
(16)	25	Lancashire Combined Fire Authority	(30)	2
(785)	0	Central Government	(1,481)	0
(1,570)	**616**	**Total**	**(2,963)**	**47**

Non-domestic rates

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

For 2018/19 the non-domestic rating multiplier was 49.3p (47.9p for 2017/18), which was made up of a small business rating multiplier of 48.0p plus a supplement of 1.3p. The total non-domestic rateable value at 31 March 2019 was £120,164,399 (£119,238,375 at 31 March 2018).

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 2018/19 the calculation of the tax base for council tax setting purposes was based on a total of 61,395 (60,605 in 2017/18) 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 43,928 chargeable dwellings or 35,222 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	22,033	14,681
B	7,610	5,918
C	7,203	6,403
D	3,942	3,942
E	1,829	2,236
F	717	1,035
G	543	905
H	51	102
Total	**43,928**	**35,222**

ACCOUNTING CONCEPTS AND PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the financial year 2018/19 and its position at the year-end of 31 March 2019. The Accounts and Audit (England) Regulations 2015 require the Council to produce an Annual Statement of Accounts, prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), supported by International Financial Reporting Standards (IFRS).

As local authorities need to reflect statutory conditions, specific statutory adjustments are complied with so that the Council's accounts present a true and fair view of the financial performance, financial position and transactions of the Council.

The Code also requires that local authorities prepare their financial statements in accordance with the International Accounting Standards Board (IASB) Framework for the *Preparation and Presentation of Financial Statements*. This IASB Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users of the accounts.

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.

Underlying Accounting Concepts

The revenue accounting concepts that the Council has regard to in preparing and presenting its financial statements, include:

Going Concern

The Council has prepared its financial statements on a going concern basis; that is it assumes that its functions and services will continue in operational existence for the foreseeable future.

This assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising at the discretion of central government). If an authority were in financial difficulty, the prospects are that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

There are no material concerns over the Council's current financial position which would negate the presumption of going concern, however, if there were such concerns this would be raised as part of the statutory responsibilities of the Section 151 Officer and by the external auditors as part of the accounts audit process.

Primacy of Legislative Requirements

In accordance with the Code, where an accounting treatment is prescribed by law, then it must be applied, even if it contradicts accounting standards. Similarly, if legislation prohibits a particular treatment in the Statement of Accounts, then it cannot be applied.

The Code identifies the areas where statutory requirements and accounting standards are different and generally attempts to ensure that the Statement of Accounts can fairly reflect both treatments. For instance, the Comprehensive Income and Expenditure Statement is prepared wholly in accordance with accounting standards, but adjustments are made in the Movement in Reserves Statement to reconcile the General Fund Balance to statutory requirements.

Accruals of Expenditure and Income

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

- **Income from the sale of goods** is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council;

- **Income from the provision of services** is recognised when the Council can measure reliably the percentage completion of the transaction and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council;
- **Interest receivable on investments** is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where **income** has been recognised but cash has not been received a debtor 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;
- The Council's share of **council tax and non-domestic rates income** is accounted for on an accruals basis and included in the Comprehensive Income and Expenditure Statement within *Taxation and non-specific grant income*. Regulations determine the amount of council tax and non-domestic rates that must be included in the Council's General Fund. 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 an adjustment in the Movement in Reserves Statement;
- **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 payable on borrowing** is accounted for as 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 **expenditure** has been recognised but cash has not been paid, a creditor for the relevant amount is recorded in the Balance Sheet.

ACCOUNTING POLICIES

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

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

Carbon Reduction Commitment scheme

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

As carbon dioxide is emitted, a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

Cash and cash equivalents

Cash consists of cash in hand and deposits with financial institutions repayable without penalty on notice of no more than twenty four hours. Cash equivalents are investments that mature or are available for recall in 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.

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

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

Charges to revenue for non-current assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, which is an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance, and is known as the Minimum Revenue Provision (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP contribution in the General Fund Balances by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Employee benefits

Benefits payable during employment

Short-term employee benefits including salaries, paid annual leave, paid sick leave and non-monetary benefits 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 (including flexi leave or time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the 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 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 Teachers' Pensions on behalf of the Department for Education (DfE).
- **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.

Defined benefit scheme – 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.

However, the arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as if they are a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The *Children, Young People and Education* line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pension Scheme in the year. The *Health and Adult Social Care* 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. Liabilities are discounted to their value at current prices using a discount rate.

Projected unit method - 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.

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	Charged 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	Charged to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement - within Non-distributed costs
Interest costs	The change during the period in the net defined benefit liability that arises as scheme members are one year closer to receiving their pension. Calculated by applying a discount rate to uplift the defined benefit obligation at the beginning of the period to keep pace with current values	Charged to the *Financing and investment income and expenditure* line of the Comprehensive Income and Expenditure Statement
Re-measurements		
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 pensions liability that arise because events have not coincided with actuarial assumptions made at the 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 relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. This is achieved by transfers 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 not paid at the year end. The negative balance on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

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

Fair Value Measurement

The Council measures some of its non-financial assets, such as surplus asset and investment properties, and some of its financial instruments 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 liability, or

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

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

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 and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Typical financial assets include bank deposits, investments and loans by the Council and amounts receivable whilst financial liabilities include amounts borrowed by the Council and amounts payable. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial assets

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 another financial asset or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council.

Financial assets, e.g. investments and debtors, are classified into three types – those measured at:

- Amortised cost
- Fair value through other comprehensive income (FVOCI), and
- Fair value through profit or loss (FVPL),

The categorisation of financial assets into these types is dependent on the reason for holding them i.e. to collect cash flows, to sell assets or to achieve objectives by other means.

Financial assets are initially brought into the Balance Sheet at fair value when the Council becomes a party to the relevant contractual provisions.

Amortised cost

These assets relate to financial instruments where the amounts received relating them are solely principal and interest and they are held to generate cash flows (e.g. investments of surplus cash with the government's Debt Management Office or loans to third parties). After their initial recognition at fair value, they are subsequently measured at their amortised cost.

Annual credits to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council 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.

Fair Value through other comprehensive income (FVOCI)

These assets relate to financial instruments where the amounts received relating them are solely principal and interest and they are held **both** to generate cash flows and to sell the instrument. It also includes equity investments that the Council may elect into this category i.e. an equity investment that has been classed as FVPL can be designated as FVOCI if it is not held for trading (e.g. a strategic investment). Once this designation has been made it cannot be reversed.

Interest received on these assets is spread evenly over the life of these instruments. Changes in their fair value are charged to Other Comprehensive Income and Expenditure. Cumulative gains and losses are charged to the Surplus or Deficit on the Provision of Services when they are disposed of. Under capital accounting regulations, where these assets are treated as capital expenditure any gains or losses are reversed to an unusable reserve – the Financial Instruments Revaluation Reserve.

Fair Value through profit or loss (FVPL)

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). They are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services (e.g. dividends are accounted for at the point they are declared).

The fair value measurements of the 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. Under capital accounting regulations, where these assets are treated as capital expenditure any gains or losses are reversed to an unusable reserve – the Capital Adjustment Account.

Expected credit loss model

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council (i.e. that the future cash flows might not take place). This does not apply where the counterparty is central government or another local authority.

Credit risk plays a crucial part in assessing potential 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. Where the financial asset was treated as capital expenditure any losses will be reversed via the Movement in Reserves Statement to the Capital Adjustment Account.

Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. For instance, when the Council takes out a loan, the advance of cash from the lender initiates the obligation to repay at some future date, and the loan would be recognised as a liability on the Council's Balance sheet when the advance is received. Financial liabilities are initially measured at fair value and subsequently 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 of premiums on the General Fund Balance to be spread over the longer of the outstanding period of the replaced loan or the period of the replacement loan life or any other shorter period that the Council wishes to choose. Discounts are required to be credited to revenue over a maximum period equal to the outstanding term of the replaced loan or ten years, whichever is shorter. The difference between the amount charged to the Comprehensive Income and Expenditure Statement and the net charge against the General Fund Balance is transferred to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Government grants and contributions

Government grants and third party contributions or donations are recognised in the accounts 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. Conditions are stipulations that must be satisfied or the grant or contribution must be returned

Grants and contributions for which conditions have not been satisfied are included in the Balance Sheet within the relevant grants receipts in advance account. When conditions are satisfied, the grant or contribution is credited to either:

- the relevant service line in the Comprehensive Income and Expenditure Statement for **service specific revenue** grants and contributions; or
- the *Taxation and non-specific grant income* line in the Comprehensive Income and Expenditure Statement for **non-specific revenue** grants and contributions; or
- the *Taxation and non-specific grant income* line in the Comprehensive Income and Expenditure Statement for **capital** grants and contributions.

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 not yet been used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been used to fund capital expenditure, it is posted to the Capital Adjustment Account.

The amount of capital grants and contributions used to finance Revenue Expenditure Funded from Capital Under Statute (REFCUS) is credited to the same service line as the REFCUS expenditure, then transferred to the Capital Adjustment Account via the Movement in Reserves Statement.

Heritage Assets

Heritage assets are those non-current assets that are intended to be preserved for future generations because of their cultural, environmental or historical associations. They are held by the Council in pursuit of its overall objectives in relation to the maintenance of heritage. These assets have an indeterminate life and are subject to appropriate conservation measures, therefore, depreciation is not charged on heritage assets.

They are recognised and measured largely in accordance with the Council’s accounting policies on property, plant and equipment although valuation of the Council's heritage assets has included a degree of estimation.

With respect to the Council's collection of art, books and manuscripts, civic regalia and other artefacts, items with a value of £25,000 or over are recognised in the Balance Sheet at the insurance valuation, which is based on market values. The schedule of items held within this category is reviewed each year and adjusted for additions and deletions or impairments. Formal valuations are reviewed and updated when items are being loaned out to other organisations or where it is considered that there has been a material change to the condition of an asset.

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

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.

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.

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 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 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 the Capital Receipts Reserve for any sale proceeds over £10,000.

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 at cost and subsequently 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 or disposal are posted to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement.

Rentals received in relation to investment properties are credited to the *Financing and investment income and expenditure* line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Leases

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

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

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

The Council as lessee

Finance leases

Property, plant and equipment held under a finance lease are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset.

Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. Lease payments are apportioned between

- a charge for the acquisition of the interest in the property, plant and equipment – applied to write down the lease liability, and
- a finance charge - debited to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement.

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

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

Operating leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased 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 an amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the *Other operating expenditure* line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (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)

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.

Where a change in accounting policy is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always applied.

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

Property, Plant and Equipment (PPE)

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

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided 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 enhance the asset or add to its potential to deliver future economic benefits or service potential is charged as an expense when it is incurred (i.e. repairs and maintenance).

Measurement

An asset is initially measured at cost, comprising:

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

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the 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:

- Infrastructure and community assets - depreciated historical cost
- 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 that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Valuations are undertaken by qualified valuers, with current experience and knowledge of the state of the market, in accordance with latest appraisal and valuation standards set by the Royal Institution of Chartered Surveyors (RICS). 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:

- 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
- Infrastructure – straight line allocation over 2-40 years

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

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been charged based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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

Amounts received for disposal in excess of £10,000 are categorised as capital receipts. A proportion of 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.

Provisions, Contingent Liabilities and Contingents Assets

Provisions

A provision is 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 (earmarked reserves) or to cover contingencies (unallocated balances). 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, 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. Such expenditure generally relates to grants issued by the Council or expenditure on property not owned by the Council. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer 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.

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 2018 but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2019/20 Code will introduce the following amendments:

Amendments to IAS 40 ***Investment Property: Transfers of Investment Property***

Paragraph 57 of the standard has been amended to state that an entity shall transfer a property to, or from, Investment Property when, and only when, there is evidence of a change in use.

IFRIC 22 ***Foreign Currency Transactions and Advance Consideration***

IFRIC 22 provides guidance applicable when an entity receives or pays consideration in advance in a foreign currency.

IFRIC 23 ***Uncertainty over Income Tax Treatments***

IFRIC 23 clarifies the accounting for uncertainties in income taxes, and will have limited relevance to local authority accounts.

Amendments to IFRS 9 ***Financial Instruments: Prepayment Features with Negative Compensation***

The amendments enable entities to measure at amortised cost some prepayable financial assets with so-called negative compensation

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Depreciation is calculated on the following bases:

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

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 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Assumptions	Degree of uncertainty
Property, plant and equipment – valuation	
The Code prescribes the detailed bases for measuring the different classes of property, plant and equipment (PPE). Valuations are performed by Capita Symonds, property consultants to the Council, using qualified valuers, using recognised measurement techniques and based on professional guidance. The Council commissions a rolling programme of valuations, which meets the Code requirements to revalue assets every 5 years as a minimum. Assets on which material capital work has been completed in year are also revalued, and an annual review is carried out to consider impairment of properties and to ensure that property valuations are not materially different to the carrying amount in the Balance Sheet.	The total gross valuation of PPE assets at 31 March 2019 is £487.6 million (see note 13 for further analysis). 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.
Property, plant and equipment/intangible assets – depreciation/amortisation	
Depreciation/amortisation is the systematic allocation of the cost/fair value of an asset, less its residual value, over its useful life. The calculations of amounts for the year are generated by the Council's asset register software system, although the residual value and useful life are estimates. For property assets, residual values are unlikely to be material. Useful lives are estimated by the Council's property consultants based on professional guidance and are reviewed on revaluation of the asset. For non-property assets, only the residual value and useful life are estimates because the assets are held at cost. The Council seeks advice from the supplier on useful lives and requires asset managers to estimate the remaining useful life of assets as part of the annual asset verification arrangements.	Whilst total depreciation/amortisation for 2018/19 was material at £12.8 million (see Notes 13 & 18) there were no material depreciation charges for individual assets with the highest depreciation charge being £687,900. For property assets, since useful lives are estimated by an expert based on professional guidance, the scope to use judgement and change assumptions is limited. Also, given that property assets have relatively long asset lives, the estimates are less sensitive to changes in assumptions. For non-property assets, the estimated remaining useful lives are reviewed as part of the annual asset verification arrangements, which mitigates the risk of the sensitivity to changes in assumptions, given the relatively short asset lives.
Private finance initiative (PFI) schemes	
The Council's Building Schools for the Future (BSF) project included a number of schools funded under a PFI arrangement. The PFI contract is considered to be a service concession as defined in IFRIC 12, with the Council having control of the services provided through the use of the schools throughout the period of the contract. The Council pays the operator for the specified services over the life of the arrangement. The contract includes performance standards. It also sets the initial prices to be levied by the operator and regulates price revisions over the term of the arrangement.	Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. As the PFI model uses recognised measurement techniques and the Council has engaged professional advisors, the underlying data is considered to be reliable and the scope to use judgement and change assumptions limited. See Note 28 for further details.
Impairment of debtors	
In this context, the concept of "impairment" involves the assessment of the likelihood of a debt being recovered. Where it is considered likely that a debt will not be paid then the carrying amount will be adjusted to the probable recoverable amount of zero. The Council carries out a regular assessment of aged	Although the total of provisions for likely bad debts (£14.8 million) is material in relation to the total of short term debtors in the Council's Balance Sheet (£35.4 million), the year on year assessments based on aged debt analysis have not highlighted the need for any significant in year movements and the

debt information from the sundry debtors system. In general, 100% provision is made for debts over two years old and 50% provision for debts over one year old. In addition, individual debts over £10,000 are considered separately. For council tax and business rates debts, a review is made of collectability in line with current debt recovery performance data.	assumptions appear reasonable in the light of subsequent events. These impairment amounts reduce the Short Term Debtors analysed in Note 22.
Provisions	
There are 5 provisions included within the Council's Balance Sheet, 3 of which are in respect of potential damage or injury claims being made against the Council. A further provision relates to a loan guarantee made by the Council. Since the introduction of the Business Rates Retention Scheme from 1 April 2013, billing authorities are required to make provisions for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. The total provision is calculated by the Council (as billing authority) on behalf of the major preceptor (Lancashire Combined Fire Authority), central government and itself. The amount appearing in the Council's balance sheet has been adjusted to include only its share (49%) of the provision.	The main cause of estimation uncertainty relates to the timing and outcome of claims made against the Council. In order to mitigate this level of uncertainty: • detailed monitoring of outstanding/potential insurance claims is carried out throughout the year. • the Council's future estimated liability under the MMI Scheme of arrangement is based on expert information provided by the scheme administrator. • the potential refunds to business ratepayers has been calculated using the Valuation Office (VOA) ratings list of appeals and the analysis of successful appeals to date. The total value of provisions is not considered to be material (£3.052 million at 31 March 2019 and £3.209 million at 31 March 2018). See 25 Note for details.
Pensions liability	
Estimation of the liability to pay pensions within the Local Government Pension Scheme depends on a number of complex judgements relating to: the rate for discounting scheme liabilities; the rate at which salaries are projected to increase; changes in retirement ages and mortality rates; and expected returns on pension fund assets. A firm of actuaries is engaged by the Lancashire County Pension Fund to provide all the authorities within that fund with expert advice about the assumptions to be applied in calculating the IAS19 figures for accounting purposes.	Regulations governing pension funds ensure the solvency of the fund is protected. A full actuarial valuation is required to be carried out every 3 years, with a projected deficit on the fund being made good by increased contributions from scheme members. Although the net pension liability has a significant impact on the Council's Balance Sheet, the regulatory arrangements for funding the deficit mitigates any risk to the financial position of the Council. See Note 31 for further details.
Fair values estimated for financial Instruments	
The Code requires that fair values for financial instruments are estimated and, where appropriate, reported. Such estimates require technical calculations and knowledge of market conditions prevailing at the valuation dates. The Council uses its professional treasury advisers, Arlingclose, to support this process, and to undertake most of the calculations.	The work done by Arlingclose uses expert understanding of market conditions, and recognised measurement techniques, so the estimates reflected in the financial statements and the underlying data used to calculate them are both considered to be reliable and the scope to use judgement and change assumptions limited.

ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

FOREWORD BY THE CHIEF EXECUTIVE – CHAIR OF THE PRIMARY ASSURANCE GROUP

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

The Resources Directorate has continued to promote the Council's strategic approach to governance and assurance. The key developments and on-going arrangements in governance in 2018/19 included:

- Continuing review and refresh of the Council's Constitution.
- Completion and review of director assurance statements, which closely reflect the seven principles of good governance in support of the Annual Governance Statement.
- Ongoing work to implement the information governance strategy and related policies and procedures, including work to ensure compliance with the requirements of the General Data Protection Regulations.
- The May 2018 External IT Health Check Review, which included penetration testing, concluded the overall security posture of the Council's perimeter IT network was good.
- Evidence was submitted for the 2019/20 NHS Information Governance Toolkit to achieve compliance and enable the Council to continue to exchange data with the NHS.
- Completion of the Local Government Cyber Security Stocktake to provide an overall assessment of the Council's cyber security arrangements.
- Continuing embedding of information security awareness through the refresh of the e-learning toolkit, and monitoring staff completion of training.
- The implementation of a Counter Fraud Risk Register and on-going participation in the National Fraud Initiative.
- Ongoing use and review of the risk register template to improve the monitoring arrangements.
- Revision of the Medium Term Financial Plan and Capital Programme.
- Annual Audit & Governance Committee self-assessment arrangements to evaluate its effectiveness.
- The on-going formalised, structured member training and development programme including mandatory and optional courses.
- The Audit & Governance Committee routinely inviting senior officers to attend meetings and holding them to account for actions to address significant issues identified by Audit & Assurance.
- The review of significant partnerships and external bodies the Council is represented on to confirm the Council representation is appropriate and the governance arrangements in place are adequate.
- Detailed review and challenge of corporate risks by the Audit & Governance Committee.
- The Local Government Association (LGA) Corporate Peer Challenge concluded that the Council demonstrates a deep understanding of its local place and the challenges and opportunities these present for communities across Blackburn with Darwen.

SCOPE OF RESPONSIBILITY

Blackburn with Darwen Borough Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically and effectively. It also has a duty under the Local

Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

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

The Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government 2016". A copy of the Code is on our website at www.blackburn.gov.uk; it is contained within the Constitution. This statement explains how Blackburn with Darwen Borough Council has complied with the code and it meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The governance framework has been in place at Blackburn with Darwen Borough Council for the year ended 31 March 2019 and up to the date of approval of the annual statement of accounts.

THE GOVERNANCE FRAMEWORK

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

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

1. Identify and communicate the vision and intended outcomes for citizens and service users.

The Council has a Corporate Plan in place which is reviewed annually and approved at Policy Council. This was developed using the latest information about the needs of the people of Blackburn with Darwen including the challenges and opportunities it faced as an organisation and borough at that time, as well as responding to issues that residents identified, focusing on what is needed to achieve the identified priorities over the period of the plan. The plan is published on the Council website.

Corporate Plan targets are monitored at departmental management team meetings prior to being taken to, six monthly challenge meetings, at quarter 2 (half-year reporting) and quarter 4 (year-end reporting) with directors from Resources, People and Place, the Deputy Chief Executive and a policy, research and partnerships team officer.

The challenge meetings provide a robust integrated performance challenge framework that focuses on identifying key issues and cross-cutting problems from the Corporate Plan performance metrics, Management Accountabilities Framework (MAF) dashboard reports and HR issues, such as sickness and Health & Safety, are also challenged for all portfolios. Highlighted issues are discussed fully and remedial actions agreed.

Priority issues are highlighted for progression to executive team prior to being included in the Executive Board performance reports which are challenged at Policy Development Sessions (PDS) by the leader and executive members prior to final overall performance reporting and challenge at Executive Board or at Policy Council.

The LGA Corporate Peer Challenge in December 2018 noted that the Council benefits from widely respected political and managerial leadership. The confidence that partners have in the Council is in part inspired by its track record in stepping up to its responsibilities in partnerships across Lancashire and by its ability to deliver. Political and managerial leaders are experienced and, along with wider membership of the Council and staff, are passionate and committed to the area. This gives the Council a clear understanding of the place and its communities.

Council Forum in March 2019 agreed the refresh of a new corporate plan for 2019-2023. This has gone through extensive consultation with residents, staff and members. The new corporate plan will be launched after Annual Council in May 2019.

The Medium Term Financial Strategy (MTFS) is reviewed at Finance Council, and builds upon the priorities agreed at Policy Council and identified within the Corporate Plan.

2. Review the vision and its implications for the authority's governance arrangements.

The Council's vision is guided and influenced by the longer term community vision, which is owned by the Local Strategic Partnership (LSP) and is currently encapsulated within the 2030 vision statement. In addition to this the LSP developed a medium term plan, "Plan for Prosperity 2014-20", which was endorsed by the Local Government Association Health and Wellbeing Board peer review team.

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

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

3. Translate the vision into objectives for the authority and its partnerships.

The Council plays a key role within the Blackburn with Darwen LSP, which is made up of representatives from the public sector, local business and the voluntary, community and faith sectors. The aim of the partnership is to help make the borough the best it can possibly be, and all members of the LSP are committed to delivering improvements for the borough, which are outlined in the Plan for Prosperity.

The priorities are:

- Infrastructure and housing
- Business investment and innovation
- Employability
- Quality of life
- Image and marketing

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

During 2018 the LSP transformed its programme to an annual summit. The first ever LSP Annual Summit took place in October 2018 and was attended by over 100 delegates. The summit was designed to update partners and stakeholders on activity across four key themes over the last 12 months and consider key priorities to take forward.

The four themes were health and wellbeing; social integration; growth and business; employment and skills. Consideration was also given to emerging policy initiatives from Government and more locally, to agree key actions and also gather early thoughts for the next iteration of the LSP Strategic Partnership Plan 2020 to 2030. We were delighted that the Right Hon Alan Milburn, Chancellor of Lancaster University attended as our guest speaker.

Current economic and social issues were also discussed, including planning for Brexit, the challenges faced by our residents, and the continued regeneration of the area to attract businesses and jobs to the borough.

As well as focusing on growth, employment and skills, opportunities up to 2020, from healthcare pressures and wellbeing, social integration, volunteering, Your Call, and community safety.

Business leaders discussed the next steps for promoting the borough and leading efforts to make the area more attractive to business, investors and visitors.

LSP partners also began to look at developments long term to take the partnership and the borough forward to 2030.

The LGA Corporate Peer Challenge team found that partners have confidence in the Council, both locally and across the region. The Council is seen as an effective partner across the region, able to step up when partners have had to address other issues.

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

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

4. Measure the quality of services for users.

In the Council's 2014 Residents Survey, more than seven out of ten (70%) of respondents to the question "Overall, how satisfied or dissatisfied are you with the delivery of council services" reported that they were either very or fairly satisfied overall with the delivery of council services.

The Council undertook a further resident survey in autumn 2018 to gain a better understanding of the opinions and views of residents and their priorities. Survey methodology was via a random sample postal survey and an online survey published on the Council website.

Respondents reported the highest level of satisfaction with refuse collection and doorstep recycling (68%) and sport and leisure facilities (66%) out of the services listed. Almost three quarters (73%) thought that the Council promotes a good image of the Borough 'a great deal' or 'to some extent'. A large proportion also felt that the Council treats all types of people fairly 'a great deal' or 'to some extent' (67%) and uses new technology to deliver services well (63%).

Customer / resident satisfaction with the services they receive, for the council tax that they pay, has always been a key priority for the Council, and as such key measures are included in the current Corporate Plan and customer service is an embedded principal in all council work and specific arrangements exist within statutory services around adults and children social care.

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

The Council is legally and constitutionally obliged to maintain and keep up to date its constitution. The Council Constitution was updated in May 2018 to reflect the resolutions/decisions made at Full Council since December 2017. This included changes in organisational structure previously noted and agreed, statutory changes and changes to the delegations.

The annual update also reviewed Executive Member portfolio responsibilities and the Council's strategic objectives. Amendments are made as necessary during the course of the year to reflect changes in the law and others changes which would require full Council approval. The Constitution is due to be further reviewed and updated this year to reflect the further changes to the organisational structure and portfolios made by the leader at Annual Council in May 2019.

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

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

During the year the senior management and departmental structures were reviewed to keep these best aligned with the corporate priorities. A more efficient internal management structure was approved during the year through the reduction of the executive level posts from two to one, to take effect from 1 May 2019. The retirement of the previous Chief Executive has enabled the Council to benefit from the opportunity presented by the experience, knowledge, skills and abilities of the current Deputy Chief Executive to take on the Chief Executive role from May 2019, enabling a smooth transition to take place. During the year new Directors have been appointed to Growth and Development, and Digital and Business Change to strengthen and lead on these vital areas going forward, along with the appointment of a new Director of Children Services. This has ensured that the Chief Officer Management Board will have the right skills and capacity going forward. Team activities have also been undertaken to develop Management Board working together effectively as a group.

The Council is proactive in supporting the development of partnership bodies both with other public sector agencies, like health and the police, and with representation from the business and community sectors. This is principally through the development of the LSP but it also involves other significant partnership projects. The policy, research and partnerships team produce an Annual Significant Partnerships Governance checklist which is reviewed and audited by internal audit prior to the final report being taken to Audit & Governance Committee. Governance arrangements are also set out in the Constitution.

The Council has introduced a procedure for recording and publishing decisions made by officers, in line with the Government's transparency agenda and the Access to Information Procedure Rules in the Constitution. Such decisions are subject to the scrutiny arrangements outlined in the Constitution.

The LGA Peer Challenge team reported that members from all parties feel able to challenge the executive through scrutiny, without a detrimental impact on relationships and that the use of scrutiny appears appropriate.

6. Develop, communicate and embed the codes of conduct and define the standards of behaviour for members and staff.

The Council Constitution contains codes of conduct for Members and staff. New Members accept their code of conduct as part of their Acceptance of Office declaration. They are also provided training on the

Code of Conduct as part of their induction. All Members need to complete and submit a 'General Notice of Registrable Interests' form, which includes information relating to gifts, hospitality and pecuniary interests. These are published on the Council website. New staff appointees sign the staff Code of Conduct as part of their induction. In addition, each Department maintains a register of gifts and hospitality and of personal interests, in accordance with the recently revised Standing Financial Instruction 12 – Register of Personal Interests. The latter are reviewed at least annually. The Employee Code of Conduct was updated in October 2013 and is reflected in the Constitution.

7. Review the effectiveness of the decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality.

The Constitution provides the framework for decisions making. It includes delegations to various committees, Executive Members and officers, and also scrutiny arrangements for holding decision makers to be held to account. The decision making process is set out in Article 13 of the Constitution and responsibilities are identified in Part 3. These were updated and approved at Annual Council in May 2018 following a review of the Constitution. The Monitoring Officer also holds and maintains a record of sub-delegations by each Chief Officer, and is also responsible for ensuring lawfulness and fairness of decision making.

External formal monitoring of the Council's data quality arrangements are no longer required by external audit, however the Council's previous monitoring arrangements have continued to be operated. Council processes have been reassessed in light of the requirements of the Single Data List published by the Department for Communities and Local Government. Training and awareness raising sessions continue to be delivered as and when required, alongside formal checks on performance indicator files and monitoring / recording processes. The Data Quality Policy (Performance Data) will be refreshed in 2019 to reflect the changes in reporting arrangements and staff within the Council.

The Policy will be endorsed by the Executive Member for Resources and the Chief Executive. Work is continually underway to assess the Council's compliance with the Government's Code of Practice on Transparency, and any areas recommended for improvement will be addressed and monitored through existing data quality arrangements.

Over the course of the year the Council has continued to carry out and record equality analysis and impact assessments as a key stage in the decision making process.

The Council revised its Equality Impact Assessment (EIA) Toolkit and reviewed its decision-making processes in 2016 to embed a robust and mandatory process which helps demonstrate due regard of the impact of service reviews on protected groups, staff and local residents, whilst ensuring a level of bureaucratic balance with the introduction of a new 'screening' element to the EIA process and in line with legislative requirements.

Senior Management Teams (SMT's) and Elected Members within their respective service areas are engaged in understanding the outcomes of consultations and the impacts of decisions as part of the organisational transformation and downsizing.

The annual Audit and Assurance Plan and supporting Strategic Statement set out the internal audit resources and skills required to deliver an effective internal audit service. The staff resources are considered adequate for the Council's current needs to ensure that it meets the requirements of the Accounts and Audit Regulations. The resources are prioritised to evaluate and improve the effectiveness of the Council's risk management, control, and governance processes for the higher priority areas identified in the annual Audit and Assurance Plan, which is approved by the Audit & Governance Committee at its meeting in April each year. Reviews of these areas are required to inform the annual internal audit opinion which contributes to the Annual Governance Statement.

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

Overarching responsibility for risk management lies with the Management Board, with the corporate risks being owned by members of the Executive Team or Management Board. The Corporate Risk

Management Strategy and Framework 2015/20 sets out the structure of the risk management groups and risk management roles and responsibilities. It also includes the terms of reference for the groups responsible for monitoring risk management arrangements and activity, and includes risk management guidance for decision makers and self-challenge questions for report writers. The Risk Management Toolkit and risk register ensure a consistent approach to risk management across the Council. Each department has its own risk register and is required to consider risk at each departmental management meeting. The Executive Member and Executive Board Decision templates have been revised to include consideration of key risks. The Management Accountability Framework (MAF) Director's Exception/Dashboard Report also contains a risk section. The corporate risk register is considered by Management Board on a six monthly basis. Risk management reports, including a summary of the corporate risk register, are also presented at each Audit & Governance Committee meeting. The Committee also carries out a detailed review and challenge of a selection of corporate risks on a regular basis during the year.

Directors are required to confirm that there are sound corporate governance, control and risk management arrangements operating within their Departments, in accordance with the Council's procedures and practices that uphold the Code of Corporate Governance on a six monthly basis to identify any areas of concern and action that they are taking to address these, via their MAF Dashboard Report. This is report reviewed along with progress against the Corporate Plan priorities, as part of the Programme Area Meetings and reported to the Chief Executive and the Audit & Governance Committee through the MAF thematic summary.

The six monthly assurance statement covers the effectiveness of the internal controls risk management and governance arrangements within Departments and relevant corporate risks. This includes safeguarding assets, monitoring compliance with Council policies and objectives, budget management, risk management, and health and safety. MAF is an evolving process and refinements and extensions to its coverage will continue.

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

The Council produces integrated financial monitoring reports covering revenue and capital expenditure. The Council introduced a new Financial Management System from 1st April 2017, this produced immediate working efficiencies, cost savings and facilitated the production of more timely and detailed information to Members and Officers at all levels. The system has continued to be developed during 2018-19 and has produced further cost and working efficiencies both within the Finance Department and the Council as a whole.

The Departmental Business Continuity Plans and the Functional Emergency Plans are constantly being reviewed and streamlined. Over the last two years all of the departmental business continuity plans have been reviewed and updated through a Quality Assurance audit process. This process challenges each service area in departments requiring evidence or actions in response to questions asked, then providing a score as a result of the information input. The Emergency Plans now have Standard Operating Procedures (SOPs), essentially a "plan on a page" to assist Strategic Officers quickly assessing information when/if they have to attend the Strategic Co-ordinating Centre at Police Headquarters. This is being replicated for the Departmental Business Continuity Plans. The Corporate Business Continuity plan is being refreshed in order to reduce the cross referencing between it and departmental plans with the aim of a single plan with departmental annexes. The Corporate BC Plan will contain all Critical Functions, priority tiers of staff, essential fuel users and essential prioritised services at the White Dove Centre in times of IT outage etc.

The corporate Emergency and Business Continuity plans are tested annually in alternate years. The corporate exercise for 2018/19 was Business Continuity testing a national and regional risk of region wide loss of power very high impact and low likelihood. Power would be lost for anything from 24 hours to 7 days across the region this impacted upon services provided, and resilience of staff impacted by the disruption also and queries basic methods of communications as we rely heavily upon IT. All departmental plans were also tested during the exercise, with any actions required identified and reported to Management Board. The civil Contingencies Service delivers an annual corporate training programme to staff and volunteers to ensure that they are all trained in their roles they are either expected to perform or volunteer to perform for the Council. The Civil Contingencies Service is currently working through a resilience promotion to year 5 pupils in the borough to encourage community resilience, which will be launched nationally in the spring/summer; and also working with schools on their resilience in their emergency preparedness and response to an emergency or disruption. The Civil Contingencies Service has also worked on the Council's preparedness for the potential implications of a "no deal" EU Exit with partners.

All employees have responsibility for their own health and safety and for the health and safety of others who may be affected by their actions. The overall responsibility for health and safety management lies with the Chief Executive. The Corporate Health and Safety policy, which has been reviewed in May 2019, in line with changes to Chief Executive and the system of safety procedural and guidance documents, outline the arrangements in place to meet the Council's statutory duties.

Face to face training courses for employees are available where appropriate and these are agreed with departmental managers, and are available on request. E-learning safety packages are freely available to all Council employees via the 'Me Learning' portal. There are number of the health and safety courses that are in the process of becoming mandatory for all employees.

A rolling health and safety audit programme is in place for the Council. Service Level Agreements are offered to schools across the Borough for a health and safety service, with over 40 schools purchasing this service from the team.

The organisation has improved the reporting of accidents, incidents and near misses with an intranet based reporting system. This has improved reporting levels as well as tracking that steps are taken by managers to reduce risks and learn from incidents. Statistics are reported at the Health and Safety Consultative Committee every quarter and monthly to Chief Officers The statistics are reviewed by the team and any trends, reoccurring incidents or common issues are addressed where necessary.

The trend in RIDDOR reportable accidents remains similar to previous years with 11 reported in 2018/19. All RIDDOR reportable incidents are fully investigated and any necessary subsequent actions are implemented.

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

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

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

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

10. Ensure effective management of change and transformation.

The Council is continuing the implementation of its digital vision for the Borough. The work on this area is monitored by the Digital Programme Board. This vision sets out our approach to addressing the challenges of delivering technology across the organisation to take advantage of the technology that is available and new ways of working to ensure that the maximum benefit is derived for the Council, its workforce, customers and partners.

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

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

12. Ensure the assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).

The Council's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).

The Statement identifies that the Head of Internal Audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by:

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

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

To perform this role the Head of Internal Audit:

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

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

v. must be professionally qualified and suitably experienced.

13. Ensure effective arrangements are in place for the discharge of the monitoring officer function.

The functions of the Monitoring Officer are set out in the Council's Constitution. The role of Monitoring Officer forms part of the specific responsibilities of the Director of HR, Legal and Governance.

14. Ensure effective arrangements are in place for the discharge of the head of paid service function.

As Head of the Paid Service, the Chief Executive is responsible for ensuring that Directors and Members both understand the need for sound internal controls and governance arrangements and to apply these in practice.

15. Undertake the core functions of an audit committee.

The Audit & Governance Committee provides independent assurance on the adequacy of the risk management framework, overall governance and the associated control environment. It oversees the internal and external audit arrangements, helping to ensure efficient and effective assurance arrangements are in place. This includes the integrity of financial reporting and annual governance processes. It also provides independent scrutiny of the Council's financial and non-financial performance to the extent that it affects its exposure to risk and weakens the control environment.

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

The Audit & Governance Committee has continued to monitor its own effectiveness against the criteria outlined in the CIPFA Audit Committees Practical Guidance for Local Authorities and Police (2013 Edition). The overall results reported to the Committee in January 2019 showed that there is a strong belief by its members that the Committee is operating effectively.

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

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

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

The Council's evidence submission for the 2019/20 NHS Information Governance Toolkit (now known as DSPT) was approved by the SIRO and uploaded by the Council's Data Protection Officer in March 2019. This has been accepted by NHS assessors and published on the DSPT website. To date there has not been an assessment score awarded as this is a new BETA version release of the NHS IG Toolkit. The Council can confirm however, that it has uploaded the relevant evidence against the 40 modules required to achieve compliance. This will enable the Council to continue to exchange data with NHS bodies.

The General Data Protection Regulations (GDPR) mandatory Information Asset Register continues to be updated to ensure that all information assets are appropriately captured in the Records of Processing Activity (ROPA) register. This register is operational in that all the data we have captured so far is uploaded however, action scheduled to review the data held has been slow to progress in the last year owing to resource pressure.

An application to the LGA for additional funding for information security awareness training was submitted in December 2018 and consequently successful. The Council was awarded £5k and the funding has been allocated to the procurement of specific information and cyber security awareness training (DOJO) which will be rolled out during Q1 2019/2020. Evidence that mandatory awareness training has been completed is a formal requirement in both the NHS DSPT and PSN Connection toolkits.

The GDPR2016 and the DPA2018 were successfully implemented into Council policies and procedures in May 2018. There remains 1 Special Category Data Policy that requires formal ratification. This is currently being reviewed by the Unions and Policy Working Group and is awaiting approval.

Risks have been identified relating to the failure to comply with the Subject Access Provisions in the GDPR2016. The Council has a number of outstanding subject access requests that carry risk of noncompliance with legislation as they are significantly overdue. The consequences of this risk include enforcement action and potential civil monetary penalties issued to the Council by the Information Commissioner. The predominant reason for the risk is a lack of specialist resource in People's Services area to complete the requests. This has been highlighted at departmental and corporate risk level. A task group has been challenged to identify potential solutions to mitigate the risk. Updates are scheduled to be reported back to the Management Board.

The IG team continue to provide advice, guidance and assistance in the relevant areas of legislation and have appropriate Information Security Examinations Board qualifications in Data Protection and Freedom of Information. The IG Manager has successfully completed the General Data Protection Regulation Practitioner Certificate and has formally absorbed the Data Protection Officer (DPO) role on behalf of the Council into her Job Description. The DPO is a mandatory appointment under the GDPR2016.

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

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

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

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

The Council remains committed to elected member training and development, and continues to assess the development needs of all elected members. A training needs assessment is carried out following Council elections. There is a robust induction programme for newly elected members to the Council and portfolio areas. The Council also maximises the development opportunities offered by North West Employers Organisation. The Council is also developing more on-line training so that this is available in a more flexible way.

The Council needs to consider the development needs and resilience of senior officers and ensure that these officers have the required knowledge, skills and experience to deal with the public sector reform agendas. Training and development needs will be considered in annual appraisals.

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

As well as a constantly updated online version of The Shuttle a hard copy called the Shuttle Extra is now published twice yearly and delivered to homes throughout the borough. Both the hard copy and online versions contain latest news and updates about Regeneration projects, events, achievements and honours, advertising opportunities and information about the Council budget and Council Tax. Automatic updates whenever a new article is published on the Councils website are also available via social media channels. Financial and performance information is also available on the Council's website.

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

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

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

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

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

The LSP is responsible for monitoring the Plan for Prosperity and there is a governance framework in place for the significant partnerships register.

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

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

The Partnership has grown in size and strength and now includes a wide range of partners from both the statutory and voluntary sector from across the Sub Region. Collectively it is achieving positive outcomes for vulnerable individuals, families and communities.

Beyond the borough the Council continues to work with Councils and partners across Lancashire on a range of work programmes including economic development, housing, skills, environment and health and wellbeing. As part of this work programme the Council is the accountable body for the Lancashire One Public Estate Programme.

Work is also ongoing with colleagues from the NHS, other local authorities, the community and voluntary service and other partners to transform the health and social care system across Pennine Lancashire local delivery partnership under the Together A Healthier Future programme. The programme is part of the Healthier Lancashire and South Cumbria Integrated Care System which is delivering the area's Sustainability and Transformation Plan (STP).

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

The Council continues to undertake sound governance arrangements with its partners.

Significant partnerships have continued to be identified and assessed since 2012 via the refreshed toolkit which was updated in 2017 following an audit review. The Significant Partnerships Register was taken to Audit & Governance Committee in January 2019. The register is updated on an annual basis with targeted sampling through the internal audit plan. A further update to the toolkit will be issued in May 2019.

During 2016/17 the Council introduced new shared management arrangements, and associated governance controls, following approval of the new five year partnership agreement with Capita for the development, delivery and modernisation of a range of place-based services, including the Council's Growth Programme. The shared management arrangements ended in March 2018. Staff delivering the core services under the partnership agreement transferred to the Council on 1 January 2019. The call off of specialist services under the partnership agreement still continues, as and when required.

The Council is also the host authority for the Lancashire Police and Crime Panel. The Council provides legal and secretarial advice and support to enable the Panel to carry out the functions and responsibilities set out in the Police Reform and Social Responsibility Act 2011 and the Regulations made under it.

PROGRESS DURING 2018/19 ON SIGNIFICANT GOVERNANCE ISSUES IDENTIFIED IN THE 2017/18 ANNUAL GOVERNANCE STATEMENT

Title	CIPFA Criteria	2017/18 Issue	2018/19 Action taken
1 Children's Services financial position	1, 2, 3	The Children's Services budget position continues to face demand pressures in 2018/19 due to the volumes of social work being managed, the nature of cases being received (including higher dependency needs) and increasing costs of placements associated with these. This has led to a need for an increase in social workers to manage demand. Arrangements will continue to maintain awareness and ensure effective budget and case management continues at all levels within the service to monitor and manage demand and budget pressures relating to intervention, prevention and permanence planning to ensure that services and resources are not diverted from elsewhere within the Council.	The budget for 2019/20 has been agreed at Finance Council and to address the ongoing pressures, the portfolio will invest in an alternative placement strategy to re-focus on, and build capacity in, our more cost-effective 'in-house' services. They will continue workforce transformation to strengthen our 'front door' to respond to, and manage, demand for services more effectively. In addition in recognition of extra Government funding for social care the Medium Term Financial Strategy provides for some additional demand in future years within earmarked reserves, should demand increase beyond the level assumed within the portfolio's budget. The two main pressures are in the volume of work being referred into the Social Work Service and secondly sustained pressure on our out of borough budget as a result of the number and complexity of children placed. Effective budget and case management has continued at all levels within the service to monitor and manage demand and budget pressures relating to intervention, prevention and permanence planning, to ensure that statutory services to children in need of help and protection and cared for children are prioritised.
2 Highways Inspection arrangements	1, 3, 5	Ensure an effective inspection regime is in place in respect of the Highway Network (including in relation to bridges and structures) in accordance with the frequency and standards set out in the Well-maintained Highways Code of Practice (since updated and replaced by the "Well-managed Highway Infrastructure: A code of practice").	The Department for Transport (DfT) identify the following five major asset groups in their Incentive Fund questionnaire: carriageways, footways & cycle ways, structures, lighting and traffic signals. The Council's Safety Inspection Procedure for Highways has been revised and updated in accordance with Well Managed Highway Infrastructure: A Code of Practice. It was approved by the Executive member for regeneration on November 2018 and has been published on the Council's website. Adherence to our procedure ensures that the highways are safe for the public and provides a robust defence against third party claims. In addition to this the Council conducts a survey of the structural condition of all carriageways and a skid resistance survey of the classified carriageways. The Council's entire bridge stock has been inspected in accordance with Well Managed Highway Infrastructure and a forward inspection plan has been developed to ensure these remain

			safe for use; a programme of remedial work has been identified and discussed with the Executive Member for Regeneration. Inspections of the retaining wall and earthworks stock continues and should be complete by 31/03/2020, some remedial works have been identified. Due to limited budgets and prioritisation, limited electrical testing is carried out on the Council's street lighting stock. Limited structural testing of steel and concrete columns also takes place. There are no regular inspections of traffic signals equipment in place.

REVIEW OF EFFECTIVENESS

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

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

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

The Audit & Governance Committee, in addition to having responsibility for reviewing the Corporate Governance Framework, also has responsibility for reviewing the effectiveness of risk management arrangements. The Committee receives an annual risk management report. The 2018/19 report concluded that "the Council continues to maintain robust and effective risk management processes".

The Standards Committee promotes and maintains high standards of Member conduct and monitors the operation of the Code of Conduct. A new Member's Code of Conduct was approved by Council on 30 August 2012 in accordance with the Localism Act 2011. This included new arrangements for dealing with member complaints. The Committee also examines the training needs of Members relating to the Code of Conduct and if necessary make appropriate recommendations.

The Standards Committee reviews the Member Code of Conduct and Complaints procedures on an annual basis and the latest versions are included as part of the Constitutional updates to Council.

Any matters following investigation, which require a hearing for determination of a potential breach of the code of conduct would be considered by the Hearings Panel (Sub Committee of the Standards Committee) who would make appropriate recommendations.

External inspection and assurance by External Audit during the year:

The 2017/18 Annual Audit Letter issued by the Council's external auditor noted that:

- They issued an unqualified opinion on the Council's 2017/18 financial statements.

- Their opinion confirmed that there were no adjustments to the financial statements impacting on the Statement of Comprehensive Income and Expenditure and the Balance Sheet.
- They made a small number of recommendations to support the Council in strengthening its internal controls. These were agreed with management and will be followed up during the 2018/19 external audit.
- The Council's Annual Governance Statement and Narrative Report were consistent with the financial statements they audited and in line with their knowledge of the Council obtained during the course of their audit.
- They issued an unqualified Value for Money conclusion for 2017/18.
- They were satisfied that in all significant aspects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.
- The work carried out on the Council's Data Collection Tool, in line with group instructions provided by the National Audit Office confirmed that the Council was below the audit threshold. It noted that there were no other matters to report in connection with group audit instructions.

The external auditors also noted the additional powers and duties available under the Local Audit and Accountability Act (2014). They noted that they did not need to exercise any of their additional statutory powers or duties in the course of their audit.

In their progress report to the Audit & Governance Committee in April 2019 the external auditors were able to state, for the year ended 31 March 2019 that there were no issues that they needed to bring to the Committee's attention from the findings of their interim work to date on the financial statement audit. They noted that they had identified one significant Value for Money Risk in relation to financial sustainability and that work on the risk was progressing.

We have been advised of the result of the review of the effectiveness of the governance framework by the Audit & Governance Committee / PAG and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

SIGNIFICANT GOVERNANCE ISSUES

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

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

Significant governance issues identified during 2018/19 are outlined in the following table:

Title	CIPFA Criteria	Issue / Actions being taken	Responsible officer(s)
Children's Services financial position (brought forward from 2017/18)	1,2,3	Whilst the financial pressures are on-going actions were put in place in 2018/19 to mitigate these. The Children's Services budget position continues to face demand pressures in 2019/20 due to an increase in the volume of work being referred to the Social Work Service and sustained pressure on the out of borough budget due to the number of placements and complexity of needs. The number of social workers with higher than the recommended caseload is also a concern. These issues have led to a need for an increase in social workers to manage demand. The new Director of Children's Services is reviewing caseloads and demand management strategies and an action plan has been developed and reviews of services provided are ongoing to mitigate against demand and financial cost pressures, as far as possible.	Director of Children's Services.
Compliance with GDPR	1,4,5	The Council has not achieved compliance with the minimum requirements of the General Data Protection Regulations 2016 for subject access requests due to the nature of the requests and limited resources available for this area. This has led to a significant backlog of requests. The number of complaints received by the Council relating to this area has increased and cases have been referred to the Information Commissioner's Office. The risks of further referrals may cause the ICO to undertake a mandatory inspection of our processes which in turn could lead to enforcement action. There are plans in place to ensure the necessary resource is provided to deal with the backlog and the demand moving forward. These plans include a request for additional resource.	Director of Digital and Business Change/ Director of Children's Services.

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

Signed:

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

D Park
Chief Executive
Blackburn with Darwen Borough Council

27th June 2019

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).