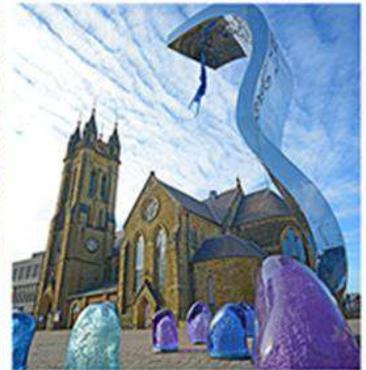
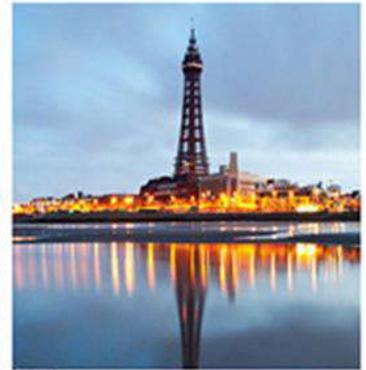


Blackpool Council

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2018



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INTRODUCTION BY DIRECTOR OF RESOURCES – STEVE THOMPSON

Blackpool Council's accounts show the financial results of the Council for the financial year 2017/18 and the financial position as at 31st March 2018.

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

The 2017/18 Budget was undoubtedly the most challenging to date with a budget savings target of £18.9m on the back of successfully delivering £118.9m over the previous 6 years. This Budget underwent detailed consideration and scrutiny over a lengthy formulation period. From the very outset this involved the Council's Cabinet Members, who ensured that resources were aligned more than ever before to the Council's specific priorities, followed by extensive engagement and consultation with key stakeholders such as the trade unions, business representatives, equality and diversity forums and of course our residents.

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

- Internal pay levels to rise on average by 1% for the period from 1st April 2017 to 31st March 2018 and the payment of at least the National Living Wage to all contracted staff
- the payment of annual increments
- voluntary 5 days' unpaid leave on average to continue
- a non-pay inflation contingency, to address contractual commitments and valid non-pay pressures
- consideration of previous year's financial performance, in particular an uplift of £4.0m to upsize Children's Services to meet current activity levels.
- the latest estimates of Settlement Funding Assessment
- interest rates to rise slowly in 2017/18 but to remain at low levels
- the Council fulfils its statutory obligation to balance its Budget.

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

The Narrative Report provides information about Blackpool, including key issues affecting the Council and its accounts. It also provides a summary of the financial position as at 31st March 2018.

Steve Thompson
Director of Resources

NARRATIVE REPORT

An Introduction to Blackpool

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

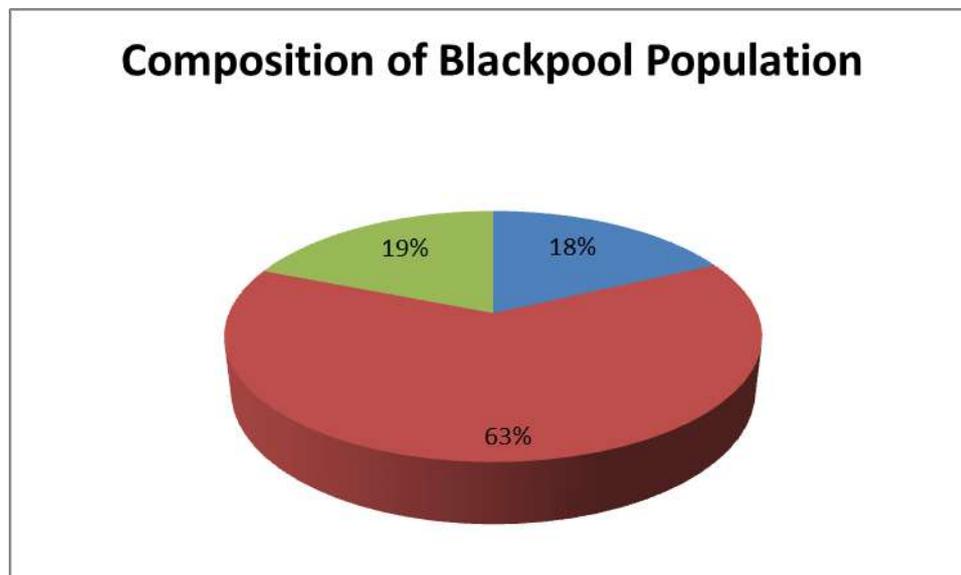
In addition to its sandy beaches, Blackpool's major attractions and landmarks include Blackpool Tower, Blackpool Illuminations, the Pleasure Beach, Blackpool Zoo, Sandcastle Water Park, the Winter Gardens, and the UK's only surviving first-generation tramway. More than two thirds of Britons have visited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

Key Facts about Blackpool

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

Population

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



Economy

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

Political Structure

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

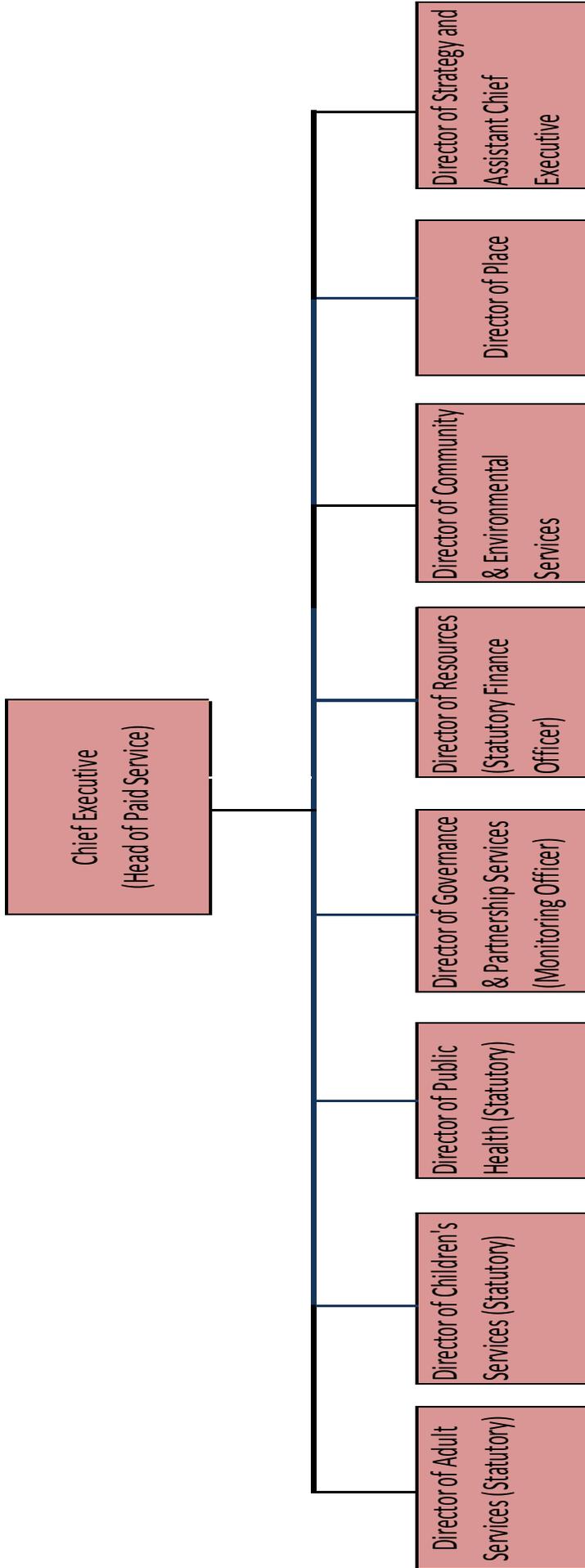
Labour Party	29 Councillors
Conservative Party	12 Councillors
Independent	1 Councillor

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

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

Corporate Leadership Team

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

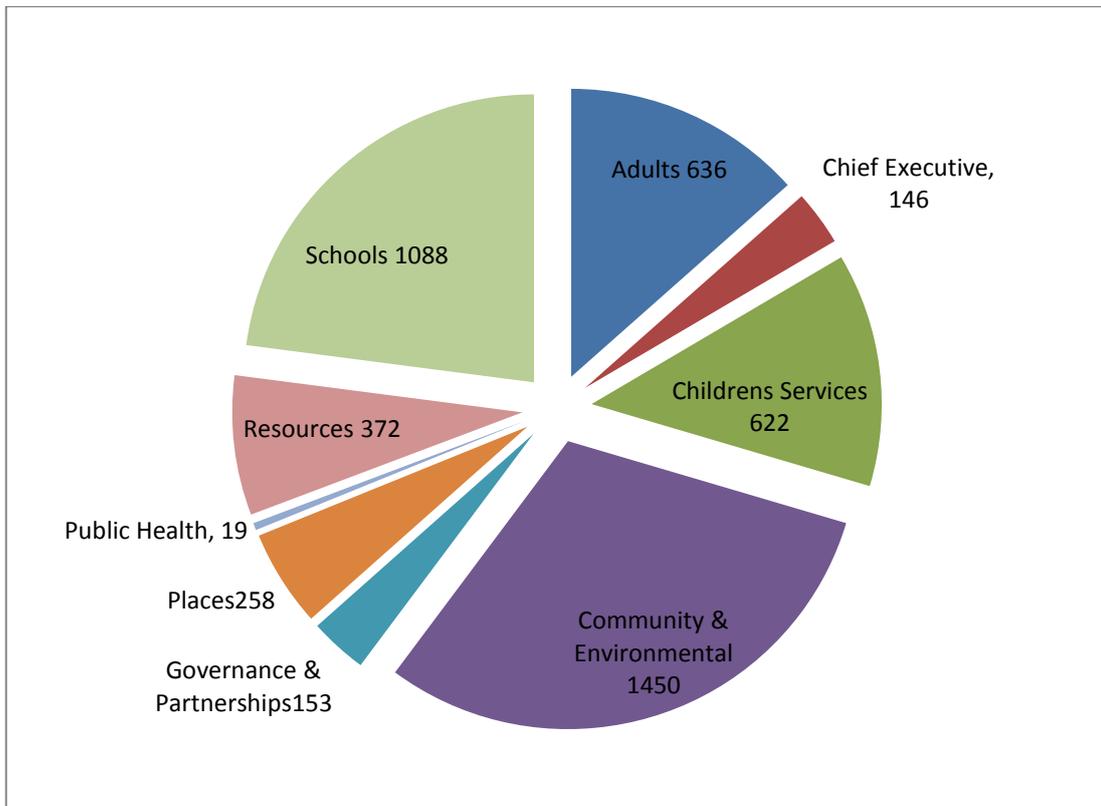


The Corporate Leadership Team provides managerial leadership and supports Councillors in:

- developing strategies
- delivering plans

Staffing

At 31st March 2018 the Council employed 3,656 people and also employed a further 1,088 people in schools. This represents 2,147 Full Time Equivalent Council staff and 640.65 Full Time Equivalent schools staff. The chart below shows how these support the Council’s services.



Blackpool Council Plan 2015 - 2020

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

The plan focuses on two key priorities:

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

Key economic challenges

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

Key infrastructure projects

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

Key employment projects

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

Key enterprise projects

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

Key housing projects

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

Key community safety projects

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

Priority Two – Communities: Creating stronger communities and increasing resilience

Key stronger community challenges

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

Key community projects

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

Key health projects

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

PERFORMANCE COMMENTARY FOR 2017/18

The Council is committed to making Blackpool better and a number of significant schemes are being undertaken.

Tramway Extension – Legislation to build and operate a new extension of the Blackpool Tramway from North Pier to Blackpool North Railway station was officially confirmed by the Secretary of State for Transport in 2017/18. Work commenced in 2017/18 and is due to be completed by 2019. The £22m extension will form part of a larger regeneration project at Blackpool North Railway station which will include a new tramway terminal, a 4 star Holiday Inn and office and retail units to let.

Quality Corridors – A £7m project is underway to give some of Blackpool's key roads a facelift to make streets more welcoming and shops more vibrant. The works include resurfacing roads, improving pavements and crossings, adding more benches, bins and cycle parking. The second stage of the Quality Corridors project will involve working with local businesses to help them improve their shop fronts making both their business and town centre look more appealing. The Council secured a £6.6m grant from Lancashire Enterprise Partnership's Growth Deal; the remaining £440,000 is being contributed by the Council.

Conference Centre – Work commenced in 2017/18 on a new £25m conference and exhibition centre at the Blackpool Winter Gardens. The new conference centre will directly link to the refurbished Empress Ballroom and Opera House increasing the Winter Gardens overall capacity for conferences to 7000 delegates. The new conference and exhibition centre is due to open in 2019.

Blackpool Airport - In September 2017 the Council completed the purchase of Blackpool Airport. The Council, which was previously a 5% shareholder in the Airport, signed a £4.25m deal with previous owners Balfour Beatty to fully take over the operating company Regional and City Airports (Blackpool) Holdings Ltd. The Council has acquired all shares in Regional and City Airports (Blackpool) Holdings Ltd and have now taken over 100% ownership of the airport site. Further information is available in the Group Accounts Section on page 136.

Education Diversity – Education Diversity became the first Pupil Referral Unit in the country to receive a silver award for its work supporting students who are young carers. The Young Carers in Schools Award recognises the school's vital support for young people, and the work undertaken to ensure that students are able to attend, achieve and enjoy school in the same way as their peers.

Blackpool South Beach – Blackpool South Beach has been awarded a Blue Flag for the second time. The international quality award recognises coastal destinations that boast the highest quality of water, facilities, safety, environmental education and management. Blackpool North beach has also been given Seaside Award Status for the fourth successive year.

Stanley Park – The park has been voted by the public as the UK's Best Park at the prestigious annual Fields in Trust Awards 2017.

Health Visiting – The Big Lottery funded Better Start programme's first major change has been the Health Visiting Service, which has allowed for savings to be made, but more importantly increased the number of visits to families and a school readiness assessment. This has now been achieved by Better Start, The Council's Public Health team and Blackpool Teaching Hospitals.

FUTURE COMMITMENTS

2018/19 will bring lots of improvements in Blackpool, such as developments at the Winter Gardens, the Pleasure Beach, new hotels, Blackpool Airport Enterprise Zone, the Blackpool & Fylde College Energy HQ, the tramway extension and the new police station.

Further developments will be seen in how the Council delivers services with our partners with work ongoing on an Accountable Care Partnership with the NHS across the Fylde Coast, integration of public services in Talbot and Brunswick, colocation of Job Centre Plus and the new police front desk in Municipal Buildings.

2018/19 will also see the impact of the new opportunity area programme which will see a cultural area programme in how we approach Children's Social Care and early years, supporting families in Blackpool to be more resilient. Blackpool became successful in becoming an Opportunity Area. Blackpool was awarded £6m over 3 years from the Department of Education to help improve social mobility amongst children and young people.

SUMMARY OF THE FINANCIAL YEAR

REVENUE SUMMARY

The budget for 2017/2018 was set by the Council on 23rd February 2017 in the sum of £120.248m. There was an increase in Council Tax Band D to £1,358.89 (£1,331.93 in 2016/2017) to fund services which are the responsibility of the Council to deliver. For 2017/18 the Spending Review announced that local authorities responsible for adult social care would be given an additional 3% flexibility on their council tax referendum threshold to be used entirely for adult social care. This increased Council Tax at Band D by £66.80. There was an increase in Council Tax Band D to £1,656.10 (£1,585.77 in 2016/2017) when precepts for the Police and Crime Commissioner for Lancashire and Lancashire Fire Authority are included. The budget was financed as follows:

	£m
Revenue Support Grant	24.534
Non-Domestic Rate Baseline	20.961
Non-Domestic Rate Top-Up	22.858
Section 31 grants	3.670
Adult Social Care Grant	0.908
Collection Fund Surplus	(3.528)
Council Tax	50.845
	<u>120.248</u>

The Provisional Revenue Outturn for 2017/2018 (before allowing for changes to working balances) is £127,898,000 compared with the approved budget of £125,766,000 – a net increase of £2,132,000.

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

Directorate	2017/2018 Variance £000
Chief Executive	(4)
Governance & Partnership Services	152
Ward Budgets	(312)
Resources	(119)
Places	201
Community & Environmental Services	(1)
Adult Services	(660)
Children's Services	3,018
Public Health	-
Total	2,275

The main reasons for this net service overspend are:-

Service	Reasons	£000
Children's Services	Children's Social Care overspent by £5,863k, mainly due to a significant increase in the Looked After Children (LAC) numbers since budgets were set with a peak of 549 at the end of May 2017. Since then numbers had been reducing, however demand and complexity of cases increased during the latter half of the financial year and by the end of March 2018 LAC numbers had reached 529 . Given these pressures in Children's Social Care would impact adversely on the Council's key financial performance an in-year solution was approved by the Executive on 5 th February 2018 to provide time for the Director of Children's Services' plans to gain traction. Following a review of reserves, the Executive approved the full use of the Basic Needs Funding reserve to reduce the social care overspend to £3,358k. A net shortfall of £167k on the Education Services Grant due to the loss of funding arising from the grant ceasing from September 2017 and a small overspend in the Education division resulted in total pressures of £3,543k for the financial year. These overspends were partially offset by staffing and supplies and services underspends in the Early Help and Business Support & Resources divisions of £414k and £112k respectively.	3,018
Places	The Places Directorate overspend of £201k largely comprises Prudential borrowing costs of £62k relating to the Central Leisure Quarter development coupled with income shortfalls of £95k in Print Services and £30k in Illuminations. Other small under and overspends increased this to the £201k reported.	201
Governance & Partnership Services	Governance and Partnership Services overspent mainly due to a £171k shortfall in income within Customer Care and Life Events. This was offset by small surpluses in Democratic Governance and Corporate Legal Services due to income exceeding budget.	152
Community & Environmental Services	The Community and Environmental Services budget has basically broken even for 17/18 with offsetting under and overspends across its constituent services. Business Services reported an overspend of £143k due to budgeted savings being delivered in other service areas, whilst Leisure and Catering faced a pressure of £88k	(1)

	on income targets. These pressures were offset by additional scheme income in Highways and Traffic Management Services of £100k and Street Cleansing and Waste of £65k plus small underspends in other service areas resulting from vacancy savings and additional income generation.	
Chief Executive	Various slight under and overspends across the constituent services resulted in this outturn position.	(4)
Resources	Property Services overspent by £87k due to the current pace of property rationalisation, demolition delays to redundant properties and pressure from rental income within the Central Business District. The other Resources divisions underspent by £206k mainly due to staffing vacancies and supplies and services savings.	(119)
Ward Budgets	Scheme commitments of £312k are being carried forward into 2018/19.	(312)
Adult Services	Adult Commissioning Placements underspent by £409k as a result of releasing one-off income and unallocated accruals, offset by in-year planned slippage of the Housing Related Support savings target. The remaining underspends were mainly due to staffing vacancies.	(660)
Total		2,275

The financial outturn for budgets 'outside the cash limit' shows an aggregate overspending of £452,000. The main reasons for this are:-

Service	Reasons	£000
Parking Services	An overspend of £690k arose in Parking Services, mainly due to "on-street" parking schemes not being feasible, a loss of parking spaces, prudential borrowing costs and the operation of the free parking scheme during December.	690
Previous Years' Pension Liability/Land Charges/Housing Benefits/Council Tax and NNDR Cost of Collection/Corporate Subscriptions	Council Tax and NNDR Cost of Collection overspend of £43k is due to a reduction in costs recovered on Council Tax collection. Previous Years' Pension Liability overspend of £48k is due to a reduction in contributions from schools due to schools converting to Academies.	92
Concessionary Fares	Concessionary fares were over budget due to an increase in bus and tram patronage which has been partly met.	25
Subsidiary Companies	This underspend has resulted from a saving on Prudential borrowing costs as borrowings on historic capital schemes have	(94)

	been repaid.	
Treasury Management	Treasury Management has a favourable position due to cash flow management.	(105)
New Homes Bonus	This underspend is due to the additional income resulting from the final NHB allocation.	(156)
Total		452

Treatment of Revenue Budget Variances

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

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

However, having considered the Provisional Revenue Outturn 2017/2018 in detail and the financial outlook and consulted Corporate Leadership Team colleagues, it is recommended that:-

- the underspending of £312,000 on Ward Budgets is carried forward to 2018/2019 in full;
- the following under and overspendings are to be written off:

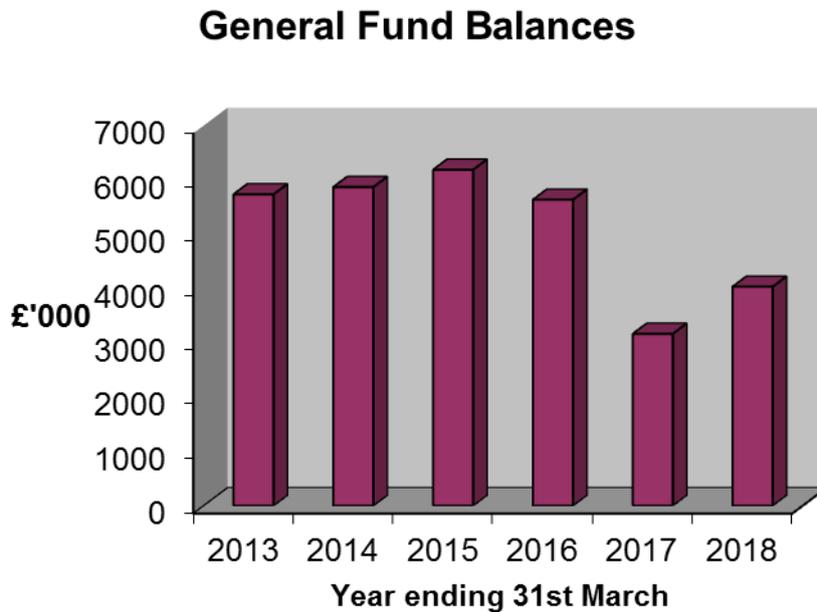
Directorate	£000
Chief Executive	(4)
Governance & Partnership Services	152
Resources	(119)
Places	201
Community & Environmental Services	(1)
Adult Services	(660)
Children's Services	3,018
Total	2,587

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

GENERAL FUND WORKING BALANCES

In setting the Council's original budget for 2017/2018 the target General Fund working balances as at 31st March 2018 were approximately £6m. However the outturn position means that the actual General Fund working balances as at 31st March 2018 were £4,034,000.

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



CAPITAL SUMMARY

The total of the Council's capital spending in 2017/2018 was £40.532m, which is a 5% decrease from the previous year. The main reason for the increase in capital spending is the acquisition of Bonny Street police station site and Wilkinson's on Talbot Road during 2016/2017. The net book value of the Council's non-current assets as at 31st March 2018 was £768.8m.

The main areas of capital spending during the year were:

	2016/2017 £m	2017/2018 £m
Children's Services	1.1	2.1
Adult Services	1.7	2.5
Community and Environment	14.5	8.3
Governance and Partnership Services	0.1	0.1
Transport	1.8	4.6
Housing - Private Sector Housing	1.1	1.4
Housing - HRA	7.6	8.0
Place	5.3	9.5
Resources	9.5	4.0
Total	42.7	40.5

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

	2016/2017 £m	2017/2018 £m
Capital receipts	1.7	3.0
Grants	14.5	22.6
Borrowing	15.1	(4.0)
Other	11.4	18.9
Total	42.7	40.5

As at 31st March 2018 the Council held a balance of usable capital receipts amounting to £2.5m. Most of these capital receipts are earmarked to already approved schemes.

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

- A Tramway upgrade linking the Tramway on the Promenade with Blackpool North Train station, creating a transport hub and a new 4 star hotel. The majority of funding will come from the Lancashire Enterprise Partnership and prudential borrowing.

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

HOUSING REVENUE ACCOUNT (HRA)

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

HOUSING REVENUE ACCOUNT RESERVES

The balance on the HRA reserve stands at £5.870m at 31 March 2018.

TREASURY MANAGEMENT

At 31st March 2018 the Council had total borrowings of £244.119m, being £90.343m long term and £153.776m short term.

During the year the Council increased its long term borrowing by £5.642m and short term borrowing by £62.079m to fund its capital programme.

At 31st March 2018 the Council has short term investments of £9.750m which is a decrease of £0.950m from 31st March 2017. The long term investments were £24.250m which is an increase of £7.190m from 31st March 2017. This is mainly related to the purchase of shares in Blackpool Airport and the purchase of further shares in Blackpool Housing Company.

PENSION FUND LIABILITY

The actuarial valuation of the Council’s pension scheme liabilities and pension reserve shown in the balance sheet has decreased by £55.1m during the year. Further details are given in note 50 to the accounts.

The figures reported in the Balance Sheet are valued in line with IFRS accounting standard IAS 19 whereas contributions to the fund are based on the formal funding valuation which is carried out every 3 years.

PENSION FUND ADVANCED PAYMENT

The triennial valuation of the Council’s pension fund was completed by Lancashire County Pension Fund (LCPF) in February 2017. Following the valuation, an option was made available to the Council allowing the payment of its employer pension contributions over the next 3 years in advance (rather than on a monthly basis) on 1st April 2017. In return a discount would be given to the Council resulting in an annual budget saving.

In setting the 2017/18 budget the Council opted to make the 3 year advance payment of its employer pension contributions totalling £36.680m. This means the Council has paid its employer pension contributions to LCPF for 2017/18, 2018/19 and 2019/20. This has resulted in a budget saving of £0.827m in each of these years.

KEY FINANCIAL RISKS

Achieving Further Savings

The Council has a savings programme to realise £5.5m savings in 2018/19. Further savings are expected to be required in the next 3 years. As the Council's budget reduces finding additional savings becomes more difficult.

BREXIT

The implications of BREXIT on the Council is not yet fully known. The main areas of potential impact are:-

- Investment – Possibility European firms will not invest in the UK affecting economic development and business rates income.
- Labour Supply – Future controls on migration of labour may reduce the supply of labour and increase costs.
- Economic Uncertainty – Interest rates, inflation and exchange rates uncertainty may result in increased costs.
- Legislation – EU law will no longer apply following BREXIT. Government will need to amend laws which may affect employment, economic development and procurement.

EXPLANATION OF THE STATEMENTS

The statements presented in the following pages comprise:-

Statement of Responsibilities for the Statement of Accounts

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

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

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Account

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet

This sets out the overall financial position of the Council as at 31st March 2018. It shows the reserves and balances of the Council, its long-term indebtedness and the value of non-current assets and net current assets.

Cash Flow Statement

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

Housing Revenue Account

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

Collection Fund

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

Group Accounts

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

ACCOUNTING PRACTICE COMPLIANCE

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

In accordance with the latest *CIPFA Code of Practice on Local Authority Accounting in the United Kingdom*, which is applicable to financial reporting from 1st April 2017, the Comprehensive Income and Expenditure Account is presented using a Service Expenditure Analysis (SEA) reflecting the Service Reporting Accounting Code of Practice approach to consistent financial reporting. The accounting policies adopted by the Council are explained fully in Note 1 in Section 5.

FURTHER INFORMATION

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

Transparency

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

Further information about this Statement of Accounts is available from:

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

SECTION 2

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

1. THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

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

2. THE DIRECTOR OF RESOURCES' RESPONSIBILITIES

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

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

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

The Director of Resources has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's (and the Group's) ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumptions that the functions of the Authority (and the Group) will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

3. CERTIFICATION OF THE ACCOUNTS

I certify that the Statement of Accounts gives a true and fair view of the financial position of Blackpool Council and its income and expenditure for the year ended 31st March 2018.

Steve Thompson
Director of Resources
6th September 2018

4. APPROVAL OF THE ACCOUNTS

In accordance with the Accounts and Audit (England) Regulations 2015, I certify that the Statement of Accounts have been approved by the Audit Committee on 6th September 2018.

Councillor Paul Galley
Chair of Audit Committee
6th September 2018

SECTION 3

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLACKPOOL COUNCIL**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****Opinion**

We have audited the financial statements of Blackpool Council ('the Authority') for the year ended 31 March 2018 which comprise the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Balance Sheets, the Authority and Group Movement in Reserves Statements, the Authority and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of the Authority's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information published with the financial statements

The Director of Resources is responsible for the other information published with the financial statements, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

Director of Resources responsibilities

As explained more fully in the statement set out on page 21, the Director of Resources is responsible for: the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Blackpool Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether Blackpool Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Blackpool Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Statutory reporting matters

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the financial statements of Blackpool Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Timothy Cutler
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Manchester

7 September 2018

SECTION 4

CORE FINANCIAL STATEMENTS

EXPENDITURE AND FUNDING ANALYSIS

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

2016/2017				2017/2018		
Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
(355)	36	(319)	Chief Executive	3,462	(299)	3,163
1,652	77	1,729	Governance and Partnership Services	1,952	41	1,993
268	-	268	Ward Budgets	321	-	321
(3,444)	3,008	(436)	Resources	(8,277)	2,689	(5,588)
5,579	4,504	10,083	Places	390	(234)	156
2,675	-	2,675	Strategic Leisure Assets	3,725	-	3,725
38,908	5,692	44,600	Community and Environmental Services	39,607	(3,262)	36,345
44,938	(414)	44,524	Adult Services	45,423	(2,383)	43,040
19,158	26,662	45,820	Children's Services	39,197	(3,278)	35,919
431	10	441	Public Health	75	(5)	70
(129)	(782)	(911)	Budgets Outside the Cash Limit	29,355	(1,944)	27,411
1,890	-	1,890	Contingencies	(2,781)	(136)	(2,917)
(1,477)	(3,014)	(4,491)	Housing Revenue Account	(4,124)	5,579	1,455
110,094	35,779	145,873	Net Cost of Services	148,325	(3,232)	145,093
(101,309)	(2,543)	(103,852)	Other Income and Expenditure	(126,627)	252	(126,375)
8,785	33,236	42,021	(Surplus) or Deficit on Provision of Services	21,698	(2,980)	18,718
		(59,970)	Opening General Fund and HRA Balance			(50,780)
			Surplus/Deficit on General Fund and HRA			
		8,785	Balance in Year			21,698
		405	Transfers between Reserves			(19,738)
			Closing General Fund and HRA Balance at			
		(50,780)	31st March 2018*			(48,820)

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

The accompanying notes form an integral part of the financial statement.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31ST MARCH 2018

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

2016/2017				2017/2018		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
3,819	(4,138)	(319)		Chief Executive	9,389	(6,226)
6,166	(4,437)	1,729	Governance and Partnership Services	5,740	(3,747)	1,993
274	(6)	268	Ward Budgets	323	(2)	321
27,000	(27,436)	(436)	Resources	19,500	(25,087)	(5,587)
22,663	(12,580)	10,083	Places	9,226	(9,070)	156
5,728	(3,053)	2,675	Strategic Leisure Assets	6,842	(3,117)	3,725
73,204	(28,604)	44,600	Community and Environmental Services	67,052	(30,707)	36,345
69,780	(25,256)	44,524	Adult Services	74,444	(31,404)	43,040
115,381	(69,561)	45,820	Children's Services	107,359	(71,441)	35,918
20,021	(19,580)	441	Public Health	21,889	(21,818)	71
93,969	(94,880)	(911)	Budgets Outside the Cash Limit	116,609	(89,199)	27,410
2,749	(859)	1,890	Contingencies, Levies etc	(184)	(2,733)	(2,917)
14,211	(18,702)	(4,491)	Housing Revenue Account	20,172	(18,717)	1,455
454,965	(309,092)	145,873	Net Cost of Services	458,361	(313,268)	145,093
		26,530	Other Operating Expenditure (Note 11)			5,838
		3,105	Financing & Investment Income & Expenditure - Other (Note 12)			5,169
		(1,449)	Income & Expenditure in relation to Investment Properties and changes in their fair value (Notes 16)			5,591
		(132,038)	Taxation and Non-Specific Grant Income - Other (Note 13)			(142,973)
		42,021	(Surplus) or Deficit on Provision of Services			18,718
		(8,741)	Surplus or Deficit on revaluation of Property, Plant and Equipment assets			(24,113)
		(4,686)	Impairment (gains)/losses on non-current assets charged to Revaluation Reserve			1,512
		(1,500)	Surplus or deficit on revaluation of available for sale financial assets			310
		(44)	Movement on financial instruments adjustment account			(45)
		72,823	Actuarial gains / losses on pension assets / liabilities			(30,712)
		(798)	Other Movements			3,164
		57,054	Other Comprehensive Income and Expenditure			(49,884)
		99,075	Total Comprehensive Income and Expenditure			(31,166)

The accompanying notes form an integral part of the financial statement.

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

2017/2018

	General Fund Balance	Earmarked General Fund Reserves	HRA	Capital Receipts Reserve	Major Repairs Reserve	Capital Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 31st March 2017	(6,422)	(37,501)	(6,857)	(3,193)	-	(4,873)	(58,846)	(180,767)	(239,613)
Movements in Reserves in 2017/2018									
(Surplus) or Deficit on the provision of services	16,759		1,959				18,718		18,718
Other Comprehensive Income & Expenditure							-	(49,884)	(49,884)
Total Comprehensive Income and Expenditure	16,759	-	1,959	-	-	-	18,718	(49,884)	(31,166)
Adjustments between accounting basis and funding basis under regulations (Note 9)	8,250		(5,579)		(2,909)		(238)	238	-
Net (Increase) or Decrease before Transfer to Earmarked Reserves	25,009	-	(3,620)	-	(2,909)	-	18,480	(49,646)	(31,166)
Transfer to/(from) Earmarked Reserves (Note 10)	(24,718)	682	4,607	(1,315)	2,909	396	(17,439)	17,439	-
(Increase)/Decrease in 2017/2018	291	682	987	(1,315)	-	396	1,041	(32,207)	(31,166)
Balance as at 31st March 2018	(6,131)	(36,819)	(5,870)	(4,508)	-	(4,477)	(57,805)	(212,974)	(270,779)

The accompanying notes form an integral part of the financial statement.

2016/2017

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

The accompanying notes form an integral part of the financial statement.

BALANCE SHEET FOR THE YEAR ENDED 31ST MARCH 2018

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31st March 2017 £000		Notes	31st March 2018 £000
751,515	Property, Plant and Equipment	14	743,783
7,764	Heritage Assets	15	8,185
17,347	Investment Property	16	15,737
32	Intangible Assets	17	-
654	Assets Held for Sale	18	1,110
17,060	Long Term Investments	20	24,250
19,376	Long Term Debtors	21	38,031
813,748	Long Term Assets		831,096
479	Inventories	22	416
35,813	Short Term Debtors	23	44,688
5,770	Payments in Advance	24	6,406
9,878	Cash and Cash Equivalents	25	9,366
51,940	Current Assets		60,876
(91,697)	Short Term Borrowing		(153,776)
(37,355)	Short Term Creditors	27	(38,125)
(18,365)	Receipts in Advance	26	(20,867)
(12,718)	Short Term Provisions	28	(15,151)
(160,135)	Current Liabilities		(227,919)
(76,830)	Long Term Creditors	27	(74,948)
(84,701)	Long Term Borrowing		(90,343)
(288,336)	Other Long Term Liabilities		(214,786)
(16,073)	Capital Grants in Advance		(13,197)
(465,940)	Long Term Liabilities		(393,274)
239,613	Net Assets		270,779
(58,846)	Usable Reserves	29	(57,805)
(180,767)	Unusable Reserves	30	(212,974)
(239,613)	Total Reserves		(270,779)

The accompanying notes form an integral part of the financial statement.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2018

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flow by providers of capital (i.e borrowing) to the authority.

2016/2017 £000		Notes	2017/2018 £000
42,021	Net (surplus) or deficit on the provision of services		18,718
(6,521)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	31	(14,618)
(43,731)	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	31	(8,224)
(8,231)	Net cash flows from Operating Activities		(4,124)
24,595	Investing Activities	32	10,633
(26,012)	Financing Activities	33	(29,304)
(9,648)	Net (increase) or decrease in cash and cash equivalents		(22,795)
(134,859)	Cash and cash equivalents at the beginning of the reporting period		(144,507)
(144,507)	Cash and cash equivalents at the end of the reporting period	34	(167,302)

The accompanying notes form an integral part of the financial statement.

SECTION 5

NOTES TO THE ACCOUNTS

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1. ACCOUNTING POLICIES

i. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2017/2018 financial year and its position at the year-end 31st March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/2017* (the 'Code') and the *Service Reporting Code of Practice 2017/2018* (SERCOP) supported by International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

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

ii. ACCRUALS OF INCOME AND EXPENDITURE

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

- ❑ Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- ❑ Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- ❑ Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet. Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- ❑ Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- ❑ Interest payable on borrowing and receivable on investments is accounted for respectively as expenditure and income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- ❑ Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. ACQUIRED AND DISCONTINUED OPERATIONS

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

iv. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature within three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

v. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

vi. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

vii. COUNCIL TAX AND NON-DOMESTIC RATES

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

Accounting for Council Tax and NDR

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

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

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

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or where applicable to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post - Employment Benefits

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

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

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

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

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Lancashire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by the employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.07% (19.92% in 2016/2017) (based on gross of investment expenses).

- The assets of the Lancashire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value

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

- Service cost comprising:
 - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts for services for which the employees worked
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Contingencies.
 - Net interest on the net defined benefit liability (asset), ie net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - The return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure
 - Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
 - Contributions paid to the Lancashire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

ix. EVENTS AFTER THE REPORTING PERIOD

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

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

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

x. FINANCIAL INSTRUMENTS**Financial Liabilities**

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

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

However, the Council has made loans to Marketing Lancashire and Lancashire County Developments at less than market rates (soft loans) – see Note 19. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate than the rate receivable from the organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to the service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

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

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

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

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

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

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

Level 3 inputs – unobservable inputs for the asset.

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the assets Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against acquisition cost of the instrument (net of any principal repayment and amortisation).

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

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

xi. FOREIGN CURRENCY TRANSLATION

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

xii. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has not yet been used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Business Improvement District

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

xiii. INTANGIBLE ASSETS

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

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

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods and services.

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

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

xiv. HERITAGE ASSETS

Tangible and Intangible Heritage Assets

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

Illuminations Historic Collection

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

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

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

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

Art Collection

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

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

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

Tower Company Collection and Local and Family History Collections

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

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

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

Civic Regalia

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

The collection was due to be revalued in 2015/16 but due to funds being unavailable for professional valuations, and the likelihood that any movement in valuation would not be material, the assets were not be valued. The collection has been revalued in 2017/18 using current market prices.

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

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

Cenotaph

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

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

Stanley Park Statues

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

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

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

xv. INTERESTS IN COMPANIES AND OTHER ENTITIES

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

xvi. INVENTORIES AND LONG TERM CONTRACTS

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

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

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

xvii. INVESTMENT PROPERTY

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

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

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

xviii. JOINT OPERATIONS

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

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

xix. LEASES

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

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

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

The Authority as Lessee

Finance Leases

Property, Plant and Equipment held under finance leases is recognised in the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and

impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

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

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xx. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

The main basis for charging of overhead costs is: -

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

xxi. PROPERTY, PLANT AND EQUIPMENT

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange the cost of the acquisition is the carrying amount of the asset given up by the Authority.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

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

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

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through the sale transaction rather than through its continuing use, it is classified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains that have accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of the receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

xxii. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

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

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

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

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

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

Street Lighting & Signals PFI

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

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

xxiii. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party, this is only recognised as income in the relevant revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

Contingent Liabilities

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

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

Contingent Assets

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

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

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

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. The scheme is currently in the initial year of its second phase, which ends on 31st March 2019. The Council is required to purchase and surrender allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and apportioned to services on the basis of energy consumption.

xxv. RESERVES

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

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

xxvi. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxvii. SCHOOLS

The Code of Practice on Local Authority Accounting in the UK confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the Schools Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those school assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore schools transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions cash flows and balances of the authority.

xxviii. FAIR VALUE MEASUREMENT

The Council measures some of its non-financial assets, such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:-

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

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

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

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

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

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

xxix. VAT

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

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

Under the *Code of Practice on Local Authority Accounting in the UK 2017/2018* (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code. At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code.

- IFRS 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cash flows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets.
- IFRS 15 Revenue from Contracts with Customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model.
- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases).

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Authority's Balance Sheet at 31st March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are shown below:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by approximately £575,000 for every year that useful lives had to be reduced.</p>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured although the assumptions interact in complex ways. During 2017/2018 the Council's actuaries advised that the net pension liability has decreased by £55.1m.
Arrears	At 31/3/18 the Authority had a balance of sundry debtors of £6.1m. £3.8m of this balance was expected to be paid in full. A review of the remaining £2.3m suggested that an impairment of doubtful debts of 40% was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate a doubling of the impairment of doubtful debts would require an additional £1.2m to be set aside as an allowance.

Business Rates	<p>Since the introduction of the Business Rates Retention Scheme on 1st April 2013, local authorities are liable for a share of successful appeals against the business rates charged to businesses. Therefore a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31st March 2018. The estimate has been calculated using the Valuation Office (VO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of the total provision up to and including 31st March 2018.</p>	<p>If the level of appeals were to increase by 1% it would require the Council to set aside an additional £99,990.</p>
Fair Value Measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or discounted cash flow (DCF) model).</p> <p>Where possible, the inputs to these valuation techniques are based on observable data but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine (for example investment properties, the authority's chief valuation officer and external valuer).</p> <p>Information regarding the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in Notes 16,18 and 19.</p>	<p>The authority uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets.</p> <p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant change in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.</p>

5. MATERIAL ITEMS OF INCOME AND EXPENSE

- The Council has transferred land and buildings for Claremont Primary School, which has moved to Academy status, during the year. The value of the land and buildings that are no longer on the Council's balance sheet are £2,141,835.
- The triennial valuation of the Council's pension fund was completed by Lancashire County Pension Fund (LCPF) in February 2017. Following the valuation, an option was made available to the Council allowing the payment of its employer pension contributions over the next 3 years in advance (rather than on a monthly basis) on 1st April 2017. In return a discount would be given to the Council resulting in an annual budget saving.

In setting the 2017/18 budget the Council opted to make the 3 year advance payment of its employer pension contributions totalling £36.68m. This means the Council has paid its employer pension contributions to LCPF for 2017/18, 2018/19 and 2019/20. This has resulted in a budget saving of £0.8m in each of these years.

- On 12th September 2018 the Council purchased 100% shares in Regional and City Airports (Blackpool) Holdings Limited for £4,250,000.

- During 2017/18 the Council repaid the outstanding debt to Lancashire County Council in relation to deferred liabilities it took over as part of Local Government Reorganisation. Other Long Term Liabilities on the Balance Sheet have reduced by £18.442m.

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Director of Resources on 6th September 2018. Events taking place after this date are not reflected in the financial statements and notes. Where events taking place before this date provide information about conditions existing at 31st March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7a. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis 2017/2018				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for capital purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
	£000	£000	£000	£000
Chief Executive	(52)	(241)	(6)	(299)
Governance and Partnership Services	149	(115)	7	41
Ward Budgets	-	-	-	-
Resources	3,759	(1,060)	(10)	2,689
Places	(2,625)	(78)	2,469	(234)
Strategic Leisure Assets	-	-	-	-
Community and Environmental Services	3,651	(6,929)	16	(3,262)
Adult Services	(536)	(1,863)	16	(2,383)
Children's Services	3,627	(6,663)	(242)	(3,278)
Public Health	-	(5)	-	(5)
Budgets Outside the Cash Limit	(4,574)	(102)	2,732	(1,944)
Contingencies	-	(138)	2	(136)
Housing Revenue Account	5,579	-	-	5,579
Net Cost of Services	8,978	(17,194)	4,984	(3,232)
Other income and expenditure from the Expenditure and Funding Analysis	-	252	-	252
Difference between General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on the Provision of Services	8,978	(16,942)	4,984	(2,980)

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

i) Adjustments for Capital Purposes

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

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

ii) Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

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

iii) Other Differences

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

- **Financing and investment income and expenditure** – the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is the timing difference as any difference will be brought forward in future Surplus or Deficits on the Collection Fund.

7b. SEGMENTAL INCOME

Income received on a segmental basis is analysed below:		
	2016/2017	2017/2018
	Income from Services	Income from Services
	£000	£000
Chief Executive	4,138	6,226
Governance and Partnership Services	4,437	3,747
Ward Budgets	6	2
Resources	27,436	25,087
Places	12,580	9,070
Strategic Leisure Assets	3,053	3,117
Community and Environmental Services	28,604	30,707
Adult Services	25,256	31,404
Children's Services	69,561	71,441
Public Health	19,580	21,818
Budgets Outside the Cash Limit	94,880	89,199
Contingencies	859	2,733
Housing Revenue Account	18,702	18,717
	309,092	313,268

8. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2016/2017 £000	2017/2018 £000
Expenditure		
Employee benefit expenses	113,931	123,961
Other Services expenses	282,866	284,535
Support Service Recharges	28,350	25,438
Depreciation, amortisation, impairment	30,247	30,479
Interest payments	6,725	6,764
Precepts and Levies	66	66
Payments to Housing Capital Receipts Pool	236	309
Gain on the disposal of assets	26,228	5,464
Pension Interest Cost and return on assets	(2,543)	5,853
Total Expenditure	486,106	482,869
Income		
Fees, charges and other service income	147,612	160,967
Interest and investment income	1,323	990
Income from council tax, non-domestic rates	48,295	70,405
Government grants and contributions	246,855	231,789
Total Income	444,085	464,151
Surplus or Deficit on the Provision of Services	42,021	18,718

9. ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

General Fund Balance

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

Housing Revenue Account (HRA)

The HRA balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act, that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Reserves £000	
2017/2018						
Adjustments involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non current assets	(36,339)	(5,579)				41,918
Capital grants and contributions applied	20,069					(20,069)
Revenue expenditure funded from capital under statute	(2,476)					2,476
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(5,290)					5,290
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of investment	6,492					(6,492)
Capital expenditure charged against the General Fund and HRA balances	11,360					(11,360)
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA						-
Use of the Major Repairs Reserve to finance new capital expenditure				(2,909)		2,909
Adjustments involving the Financial Instruments Adjustment Account:						
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.	45					(45)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	16,942					(16,942)
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax and non domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rating income calculated for the year in accordance with statutory requirements	(3,172)					3,172
Adjustment involving the Available for Sale Reserve						
Gain/loss on revaluation of investments	390					(390)
Adjustment involving the Accumulating Compensated Absences Adjustment Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	229					(229)
Total Adjustments	8,250	(5,579)	-	(2,909)	-	238

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

10. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund and HRA expenditure in 2017/2018.

	Balance at 1st April 2016 £000	Transfers Out 2016/2017 £000	Transfers In 2016/2017 £000	Balance at 31st March 2017 £000	Transfers Out 2017/2018 £000	Transfers In 2017/2018 £000	Balance at 31st March 2018 £000
General Fund:							
Balances held by schools under scheme of delegation (1)	(3,109)	1,045	(219)	(2,283)	522	(311)	(2,072)
School DSG Underspend (1)	(1,760)	1,326	(539)	(973)	1,740	(792)	(25)
Unallocated Reserves	(5,636)	2,470		(3,166)	2,132	(3,000)	(4,034)
Total General Fund	(10,505)	4,841	(758)	(6,422)	4,394	(4,103)	(6,131)
Earmarked Reserves							
Potential Pay Liabilities	(1,314)	2,370	(1,340)	(284)	1,990	(2,194)	(488)
Public/Private Partnership Reserve	(9,056)	1,668	(160)	(7,548)	2,933	(1,449)	(6,064)
Council Tax & Non-Domestic Rates Deficits	(14,065)	5,048	(4,893)	(13,910)	10,063	(9,612)	(13,459)
Service Underspends	(1,797)	1,797	-	-	287	(287)	-
Museum Reserve	(2,006)	754	-	(1,252)	377	-	(875)
Transformation Reserve	(1,315)	433	(1,062)	(1,944)	2,671	(1,152)	(425)
Specific Settlements in Dispute	(557)	1	(6)	(562)	35	(12)	(539)
Strategic Investments	(320)	-	-	(320)	-	-	(320)
Financial systems upgrade, renewals & replacements	(221)	64	(13)	(170)	282	(163)	(51)
Financial Instruments	(14)	-	-	(14)	-	-	(14)
Treasury Management - Prudential borrowing	(2,329)	229	(568)	(2,668)	611	(194)	(2,251)
Insurances	(600)	-	(250)	(850)	80	(330)	(1,100)
Enterprise Zone	-	-	-	-	440	(440)	-
Other	(8,637)	4,067	(3,409)	(7,979)	3,266	(6,520)	(11,233)
Total Earmarked Reserves	(42,231)	16,431	(11,701)	(37,501)	23,035	(22,353)	(36,819)
HRA							
Housing Revenue Account	(7,234)	377	-	(6,857)	987	-	(5,870)

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

11. OTHER OPERATING EXPENDITURE

2016/2017 £000		2017/2018 £000
66	Flood Defence Levy	66
236	Payments to the Government Housing Capital Receipts Pool	308
26,228	Gains/losses on the disposal of non-current assets	5,464
26,530	Total	5,838

12. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2016/2017 £000		2017/2018 £000
6,725	Interest payable and similar charges	6,765
(2,543)	Net interest on the net defined benefit liability (asset)	252
(552)	Interest receivable and similar income	(990)
(525)	Dividend - Council Owned Subsidiaries	(858)
3,105	Total	5,169

13. TAXATION AND NON SPECIFIC GRANT INCOME

2016/2017 £000		2017/2018 £000
(48,295)	Council Tax Income	(50,845)
6,699	Collection Fund (surplus)/deficit	1,401
(24,038)	Retained Business Rates	(20,961)
(19,323)	Business Rates Top Up	(22,858)
(33,849)	Non-ringfenced government grants	(29,332)
(13,232)	Capital Grants & contributions	(20,378)
(132,038)	Total Taxation and Non-Specific Grant Income	(142,973)

14. PROPERTY, PLANT AND EQUIPMENT (PPE)

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

2017/18

	Council Dwellings & Other HRA £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	PP&E Under Construction £000	Total PP&E £000	PFI Assets Included in PPE £000
Cost or Valuation								
Balance as at 1 April 2017	119,817	277,001	41,650	489,048	66	20,743	948,325	32,705
Additions	8,006	5,820	2,988	10,930	-	4,806	32,550	-
Revaluation increases/decreases to Revaluation Reserve	(7,872)	6,312	-	-	-	-	(1,560)	-
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	61	(5,486)	-	-	-	-	(5,425)	-
Derecognition - Disposals	(806)	(4,457)	-	-	-	(2,764)	(8,027)	-
Transfer	-	6,279	-	-	-	(6,279)	-	-
Balance as at 31 March 2018	119,206	285,469	44,638	499,978	66	16,506	965,863	32,705
Depreciation and Impairment								
Balance as at 1 April 2017	(2,405)	(14,697)	(32,837)	(146,871)	-	-	(196,810)	(5,218)
Depreciation Charge	(2,909)	(11,504)	(2,627)	(16,317)	-	-	(33,357)	(1,804)
Depreciation written out on Revaluation Reserve		4,401	-	-	-	-	4,401	
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services		1,196	-	-	-	-	1,196	
Derecognition - Disposals		85	-	-	-	-	85	
Derecognition - Other	2,405	-	-	-	-	-	2,405	
Balance as at 31 March 2018	(2,909)	(20,519)	(35,464)	(163,188)	-	-	(222,080)	(7,022)
Net Book Value								
Balance as at 31 March 2018	116,297	264,950	9,174	336,790	66	16,506	743,783	25,683
Balance as at 31 March 2017	117,412	262,304	8,813	342,177	66	20,743	751,515	27,487

Comparative Movements 2016/2017

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

Depreciation

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

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

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

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

Capital Commitments

At 31st March 2018 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/2019 and future years budgeted to cost £15m. Similar commitments at 31st March 2017 were £7.1m. The major commitments are in relation to the Tramway Extension and the Conference Centre.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every four years. Valuations were carried out both internally and externally during 2017/2018. These valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions in estimating fair values are:-

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Surplus Assets £000	Total £000
Carried at Historic Cost					-
Valued at fair value as at:					
31/03/2018	113,452	55,965	-	1,110	170,527
31/03/2017	114,470	20,001	-	654	135,125
31/03/2016		144,626	-	1,551	146,177
31/03/2015		79,246	-	-	79,246
Total Cost or Valuation	227,922	299,838	-	3,315	531,075

Component Accounting

Council Dwellings

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

Asset Type £000	Land £000	Kitchens and Bathrooms £000	Structure £000	Total £000
Houses & Bungalows	17,305	2,868	35,212	55,385
Flats	21,652	6,042	30,373	58,067
Total	38,957	8,910	65,585	113,452

Other Land and Buildings

Items valued at £1m and above have been subject to component accounting. A component must be worth at least 20% of the value of the asset. The valuations are on a 4 year rolling programme. A number of properties in excess of £1m were identified for valuation and were not componentised as they had been completed within the last 4 years.

15. HERITAGE ASSETS

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

	Art Collection	Civic Regalia	Other	Tower & Local History Collection	Illuminations	Stanley Park Statues	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation 1st April 2017	5,000	591	120	900	500	653	7,764
Purchases	55	-	-	-	-	-	55
Revaluations	600	(81)	(100)	550	50	(653)	366
Balance 31st March 2018	5,655	510	20	1,450	550	-	8,185

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

Art Collection

The Authority's Art Collection has not been formally valued for a number of years. The latest valuation has been provided by the Head of Heritage as at 31st March 2018.

Civic Regalia

The Authority's civic regalia was formally valued as at 31st March 2012 by an external valuer. The valuations were based on commercial markets. The valuation has been updated based on market prices as at 31st March 2018.

Cenotaph

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

Tower & Local History Collection

This has been valued by the Head of Heritage as at 31st March 2018.

Illuminations

These assets have been valued by the Head of Heritage as at 31st March 2018.

Statues

The assets were previously valued using insurance valuations. Unfortunately due to the condition of the statutes they are no longer on show in their original form.

16. INVESTMENT PROPERTIES

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

2016/2017 £000		2017/2018 £000
(1,447)	Rental income from investment property	(2,663)
2,493	Direct operating expenses arising from investment property	6,322
(2,495)	Net (gains)/losses from fair value adjustments	1,932
(1,449)	Net (gain)/loss	5,591

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

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

2016/2017 £000		2017/2018 £000
14,667	Balance at start of the year	17,347
185	Additions - Purchases	767
0	Disposals	(445)
2,495	Net gains/(losses) from fair value adjustments	(1,932)
17,347	Balance at end of the year	15,737

Fair Value Hierarchy

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

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

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

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

Highest and Best Use

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

Valuation Process for Investment Properties

The Council's investment property has been valued as at 31 March 2018 by the authority's Chief Valuation Officer in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

17. INTANGIBLE ASSETS

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased software licenses.

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

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £32,341 charged to revenue in 2017/2018 was charged to the ICT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

2016/2017 £000		2017/2018 £000
65	Balance at start of year	32
(33)	Amortisation for period	(32)
32	Net carrying amount at end of year	0
	Comprising:	
65	Gross carrying amounts	32
(33)	Accumulated amortisation	(32)

18. ASSETS HELD FOR SALE

2016/2017 £000		2017/2018 £000
1,551	Balance outstanding at start of year	654
(822)	Revaluation gains/(losses)	48
(75)	Impairment losses	(3)
0	Additions	411
654	Balance outstanding at end of year	1,110

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

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

	Long Term		Current	
	31st March 2018 £000	31st March 2017 £000	31st March 2018 £000	31st March 2017 £000
Investments				
Loans and receivables	-	1,500	9,750	10,700
Unquoted equity investment at cost*	24,250	17,060	-	-
Total Investments	24,250	18,560	9,750	10,700
Debtors				
Financial assets carried at contract amounts	-	-	44,688	35,813
Total included in Debtors	-	-	44,688	35,813
Borrowings				
Financial liabilities at amortised cost	(90,343)	(84,701)	(153,776)	(91,697)
Total included in borrowings	(90,343)	(84,701)	(153,776)	(91,697)
Creditors				
Financial liabilities carried at contract amount	(74,948)	(76,830)	(38,125)	(37,355)
Total creditors	(74,948)	(76,830)	(38,125)	(37,355)

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

Fair Value of Financial Assets

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

Recurring Fair Value Measurement	Input Level in Fair Value Hierarchy	Valuation Technique used to Measure Fair Value	As at 31st March 2018 £000	As at 31st March 2017 £000
Available for Sale - Blackpool Transport Services Ltd	Level 3	Earnings based	12,790	12,500
Available for Sale - Blackpool Housing Company	Level 3	Earnings based	7,050	3,850
Available for Sale - Regional & City Airports (Blackpool) Holdings Limited	Level 3	Earnings based	4,400	0
			24,240	16,350

Equity Shareholding in Blackpool Transport Services Ltd

The Council's shareholding in Blackpool Transport Services Ltd – the shares in this company are not traded in an active market and fair value of £12.790m has been based on valuation techniques that are not based on observable current market data or available market data.

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

If future returns are greater or lesser by 1%, the fair value will be £232,537 higher or lower respectively.

Equity Shareholding in Blackpool Housing Company Ltd

The Council's shareholding in Blackpool Housing Company Ltd – the shares in this company are not traded in an active market and fair value of £7.050m has been based on valuation techniques that are not based on observable current market data or available market data.

The valuation method used is the return on properties owned by the Company. The Company approved a Business Plan in April 2017, which outlined the targets for the yield on the different types of investment. Based on the size of the portfolio a yield as outlined by Property Data, (www.propertydata.co.uk) of 7% should be applied. This is therefore the percentage yield used to determine the valuation of Blackpool Housing Company Limited.

Equity Shareholding in Regional and City Airports (Blackpool) Holdings Limited

The Council's shareholding in Regional and City Airports (Blackpool) Holdings Limited – the shares in this company are not traded in an active market and fair value of £4.4m has been based on valuation techniques that are not based on observable current market data or available market data.

The valuation method used is a method which uses multiples and an EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) comparison between this and Shareholders Funds.

Transfers between Levels of Fair Value Hierarchy

There are no transfers between input levels during the year.

Changes in Valuation Technique

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

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

2016/2017 Unquoted Shares £000		2017/2018 Unquoted Shares £000
13,310	Opening Balance	17,060
0	Transfers In/Out of Level 3	
	Total Gains and Losses of the Period:	
0	- Included in Surplus/Deficit on the Provision of Services	
1,500	- Included in Other Comprehensive Income and Expenditure	(310)
2,250	Additions	7,500
17,060	Closing Balance	24,250

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

Material Soft Loan made by the Authority to Lancashire County Developments

Upon Local Government Reorganisation in 1998 the Authority took over a 10% share in a loan made to Lancashire County Developments by Lancashire County Council. The loan is now due to be repaid in 2031. Under requirements of IAS 32 this loan has been revalued to fair value. The original amount of the loan was £721,000. The fair value of the loan in 2017/2018 was £408,361 (£390,205 in 2016/2017).

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

Employee Car Loans

The authority previously made loans for car purchase to employees in the authority who are in posts that require them to drive regularly on the authority's business. Interest was charged on the loans at 4.9%. All loans have been repaid during 2017/18.

	2017/2018 £000	2016/2017 £000
Balance at start of year	6	20
New loans granted in year	-	-
Loans repaid	(6)	(14)
Balance at end of year	-	6

Income, Expense, Gains and Losses

	2017/2018				2016/2017			
	Financial Liabilities measured at amortised cost	Financial Assets - loans & receivables	Financial Assets - Available for Sale	Total	Financial Liabilities measured at amortised cost	Financial Assets - loans & receivables	Financial Assets - Available for Sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	6,764	-	-	6,764	6,725	-	-	6,725
Total expense in Surplus or Deficit on the Provision of Services	6,764	-	-	6,764	6,725	-	-	6,725
Interest income	-	(990)	-	(990)	-	(552)	-	(552)
Total income in Surplus or Deficit on the Provision of Services	-	(990)	-	(990)	-	(552)	-	(552)
Gains on revaluation	-	-	310	310	-	-	1,500	1,500
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	310	310	-	-	1,500	1,500
Net gain/(loss) for the year	6,764	(990)	310	6,084	6,725	(552)	1,500	7,673

Fair Values of Assets and Liabilities

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

- Estimated ranges of interest rates at 31st March 2018 of 1.48% to 6.75% for loans from the PWLB and 1.25% to 8.875% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to be approximate to fair value

- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated as follows:

	31st March 2018		31st March 2017	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities	244,119	244,225	176,398	187,756
Long term creditors	74,948	74,948	100,470	100,470

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2018) arising from a commitment to pay interest to lenders above current market rates.

	31st March 2018		31st March 2017	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	9,782	9,782	10,357	10,357
Long term debtors	38,344	38,031	19,707	19,376
Short term debtors	76,290	76,290	41,583	41,583

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

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

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

20. LONG-TERM INVESTMENTS

31st March 2017 £000		31st March 2018 £000
	Ordinary Shares (£1 per share) in:-	
12,500	Blackpool Transport Services Ltd	12,790
3,850	Blackpool Housing Company	7,050
700	Regional & City Airports (Blackpool) Holdings Limited	4,400
10	Municipal Bonds Agency	10
17,060	Total	24,250

BLACKPOOL TRANSPORT SERVICES LIMITED

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

The audited accounts of Blackpool Transport Services have been used as the basis upon which to arrive at a formal valuation for the Council's shareholding of the company. The investment value included within the Council's Balance Sheet represents the value of Total Equity Shareholder Funds. In 2017/2018 there was an increase in value of £290,000. All profit and losses on revaluation are credited or charged to the Available for Sale Reserve via the Movement in Reserves Statement.

BLACKPOOL HOUSING COMPANY

Blackpool Housing Company Limited was set up on 26th January 2015. The company is a housing regeneration company and is wholly owned by the Council. The shares have been purchased at a cost of £7,100,000.

The audited accounts of Blackpool Housing Company have been used as the basis upon which to arrive at a formal valuation for the Council's shareholding of the company. The investment value included within the Council's Balance Sheet represents the value of Total Equity Shareholder Funds. In 2017/2018 there was a decrease in value of £50,000. All profit and losses on revaluation are credited or charged to the Available for Sale Reserve via the Movement in Reserves Statement.

REGIONAL AND CITY AIRPORTS (BLACKPOOL) HOLDINGS LIMITED

Upon the sale of Blackpool Airport to City Hopper Airports the Council retained a 5% share in the Airport. The estimated value of these shares was £700,000.

On 12th September 2018 the Council purchased 100% shares in Regional and City Airports (Blackpool) Holdings Limited for £4,250,000.

The audited accounts of Regional and City Airports (Blackpool) Holdings Limited have been used as the basis upon which to arrive at a formal valuation for the Council's shareholding of the company. The investment value included within the Council's Balance Sheet represents the value of Total Equity

Shareholder Funds. In 2017/2018 there was an increase in value of £150,000. All profit and losses on revaluation are credited or charged to the Available for Sale Reserve via the Movement in Reserves Statement.

MUNICIPAL BONDS AGENCY

A Local Government Association backed firm called Local Capital Finance Company (Municipal Bonds Agency) has been formed to issue bonds. The money raised from investors will then be lent onwards to Councils to either invest in capital projects or to refinance existing loans. At 31st March 2018 the Council had purchased £10,000 worth of shares in the Company.

BLACKPOOL OPERATING COMPANY LTD (SANDCASTLE WATERPARK)

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

BLACKPOOL ENTERTAINMENT COMPANY LIMITED

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

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

GLOBAL RENEWABLES LANCASHIRE OPERATIONS LIMITED (GRLOL)

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

21. LONG-TERM DEBTORS

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

31st March 2017 £000		31st March 2018 £000
7,655	Blackpool Transport Services	11,434
0	Blackpool Teaching Hospital (NHS)	8,769
4,250	Blackpool Pleasure Beach	4,250
3,600	Blackpool Housing Company	8,800
0	Create Developments (Blackpool) Ltd	2,563
1,500	Local Authority Mortgage Scheme	0
742	Small Business Loans	986
552	Waste Disposal Site (prev PFI)	552
415	Adult Social Care Deferred Payments	262
390	Lancashire County Developments	408
221	Care & Repair Loans	0
40	Marketing Lancashire	0
9	Council Mortgages - (Right to Buy)	7
2	Car Loans	0
19,376	Total	38,031

Blackpool Transport Services Limited

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

On 11th September 2017 the Executive agreed to offer Blackpool Transport Services Limited a further loan facility of £16.2m. The release of the funds is expected to be phased to purchase 20 double buses in October 2017 (£4,659,000), 4 buses in March 2018 (£934,000), 18 buses in October 2018 (£2,997,000), 15 buses in March 2020 (£3,635,000) with sundry depot assets (totalling £217,000). Each loan (including interest) would be repaid over 10 years with 120 monthly payments. The loan facility also includes a £200,000 contingency to allow for price change over the life of the renewal programme.

Blackpool Teaching Hospitals NHS Foundation Trust

On 13th March 2017 the Executive agreed to the provision of a £9,230,000 loan to Blackpool Teaching Hospitals NHS Foundation Trust from the Business Loan Fund. The loan (including interest) is repayable over 10 years with 20 half yearly repayments.

The loan is secured upon income generating, non-operational property assets of the Foundation Trust to at least the value of the loan and with such valuation costs together with any loan arrangement fee being met by the Foundation Trust.

Create Development (Blackpool) Ltd

On 18th July 2016 the Executive agreed to the provision of a £4.5m loan to Create Developments (Blackpool) Ltd. The loan is to facilitate the development of a 135 bedroom hotel at Bourne Crescent. The loan, including interest, is repayable over 5 years.

Blackpool Pleasure Beach

In 2010/2011 the authority granted a loan of £5m to Blackpool Pleasure Beach towards the development of Nickelodeon Land. The loan is due to be repaid by November 2020 and interest is charged at the market rate.

Blackpool Housing Company

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

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

Local Authority Mortgage Scheme

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

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

All advances have been repaid to the Council in 2017/18.

Business Loans Fund

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

In addition to the new loans shown separately in the table over a further three loans totalling £268,775 were issued in 2017/2018.

Waste Disposal Site

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

Adult Social Care Deferred Payments Scheme

The Health & Social Care Act 2001 introduced the concept of a Deferred Payment Scheme. This legislation provides for the possibility of eligible service users putting off the sale of their home when they move into residential care and delaying the payment of the fees. Instead of paying the care home fees in full the resident will be financially assessed ignoring the value of the property and asked to contribute the lesser amount towards the cost of their care. The Council effectively provides an interest free loan and pays the difference between the amount contributed by the service user and the usual fee paid to the care home by the local authority.

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

Lancashire County Developments

The loan to Lancashire County Developments is due to be repaid in 2031. Under the requirements of IAS 32 this loan has been revalued to fair value. The original amount of the loan was £721,000. The fair value of the loan in 2017/2018 was £408,361 (£390,205 in 2016/2017). The movement in fair value of £18,156 has been charged to the Comprehensive Income and Expenditure Account and then transferred to the Financial Instruments Adjustment Account via Movement in Reserves. This does not affect the loan repayment due to the authority in 2031.

Care and Repair Loans

These are loans to council tenants for home improvements and repairs and have been fully repaid.

Marketing Lancashire

The loan to Marketing Lancashire was issued in January 2008. The loan is interest free and was repaid in during 2017/18.

Car Loans

There were no car loans outstanding at 31st March 2018 (3 as at 31 March 2017).

The car loans have not been recalculated to fair value due to the immaterial amounts.

22. INVENTORIES

2017/2018	Consumables £000	Materials £000	Total £000
Balance outstanding at start of the year	95	384	479
Purchases	49	1,646	1,695
Recognised as an expense in the year	(82)	(1,676)	(1,758)
Balance outstanding at year end	62	354	416

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

23. DEBTORS

31st March 2017 £000		31st March 2018 £000
4,689	Central government bodies	13,362
2,591	Other local authorities	2,575
467	NHS bodies	2,204
45,877	Other entities and individuals	45,855
(17,811)	Total impairment	(19,308)
35,813	Net Value of Debtors	44,688

24. PAYMENTS IN ADVANCE

31st March 2017 £000		31st March 2018 £000
0	Chief Executive	6
12	Adult Services	-
89	Community & Environmental Services	53
478	Children's Services	825
21	Governance & Partnership Services	11
4,650	Public Health	4,634
10	Places	305
510	Resources	443
-	Budgets Outside Cash Limit	129
5,770	Total Payments in Advance	6,406

The Public Health payment in advance is an upfront payment of the 2018/19 Public Health contract with Blackpool Teaching Hospital. The Council receives a discount when making the upfront payment.

25. CASH AND CASH EQUIVALENTS

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

31st March 2017 £000		31st March 2018 £000
848	Cash held by the Authority	440
(1,670)	Bank current accounts	(824)
10,700	Short term deposits with institutions	9,750
9,878	Total	9,366

26. RECEIPTS IN ADVANCE

31st March 2017		31st March 2018
£000		£000
(1,213)	Adult Services	(1,457)
(1,452)	Community & Environmental Services	(3,286)
(3,306)	Children's Services	(4,931)
(57)	Governance & Partnership Services	(36)
(201)	Chief Executive	(1,271)
(4,466)	Places	(2,757)
(300)	Resources	(514)
(385)	Housing Revenue Account	(407)
(6,180)	Capital	(4,358)
(714)	Collection Fund	(1,669)
(59)	Public Health	(15)
(32)	Budgets Outside the Cash Limit	(166)
(18,365)	Total Receipts in Advance	(20,867)

27. CREDITORS

	Long term creditors		Short term creditors	
	31st March 2018 £000	31st March 2017 £000	31st March 2018 £000	31st March 2017 £000
Central Government Bodies	-	-	(3,264)	(5,326)
Other Local Authorities	-	-	(4,145)	(4,225)
NHS Bodies	-	-	(1,100)	(91)
Other Entities and Individuals	(74,948)	(76,830)	(29,616)	(27,713)
Total	(74,948)	(76,830)	(38,125)	(37,355)

28. PROVISIONS

	Injury and Damage Compensation Claims £000	Other Provisions £000	Total £000
Balance at 1 April 2017	(4,224)	(8,494)	(12,718)
Additional Provisions Made in 2017/2018	(6,022)	(11,439)	(17,461)
Amounts Used in 2017/2018	4,294	10,734	15,028
Balance at 31 March 2018	(5,952)	(9,199)	(15,151)

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

Outstanding legal cases**Injury Compensation Claims**

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

Other Provisions

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

29. USABLE RESERVES

31st March 2017 £000		31st March 2018 £000
(3,256)	Schools Reserves	(2,097)
(3,166)	Unallocated General Fund Reserves	(4,034)
(6,857)	Housing Revenue Account	(5,870)
(37,501)	Earmarked Revenue Reserves	(36,819)
(3,193)	Capital Receipts Reserve	(4,508)
-	Major Repairs Reserve	-
(4,873)	Capital Reserves	(4,477)
(58,846)	Total Usable Reserves	(57,805)

30. UNUSABLE RESERVES

31st March 2017 £000		31st March 2018 £000
(89,187)	Revaluation Reserve	(88,392)
(10,411)	Available for Sale Financial Instrument Reserve	(10,101)
(345,582)	Capital Adjustment Account	(351,902)
1,755	Financial Instruments Adjustment Account	1,710
264,692	Pensions Reserve	234,810
(3,407)	Collection Fund Adjustment Account	(243)
1,373	Accumulated Absences Account	1,144
(180,767)	Total Unusable Reserves	(212,974)

Revaluation Reserve

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

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

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

2016/2017 £000		2017/2018 £000
(88,240)	Balance at 1st April	(89,187)
(4,686)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	1,512
	- Difference between fair value depreciation and historical cost depreciation	(4,401)
2,497	Accumulated gains on assets sold or scrapped	2,292
1,242	Amount written off to the Capital Adjustment Account	1,392
(89,187)	Balance at 31st March	(88,392)

Available for Sale Financial Instruments Reserve

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

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

2016/2017 £000		2017/2018 £000
(8,911)	Balance at 1st April	(10,411)
(1,500)	Upward revaluation of investments	(440)
	- Downward revaluation of investments	750
(10,411)	Balance at 31st March	(10,101)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are

charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

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

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

2016/2017 £000		2017/2018 £000
(365,511)	Balance at 1st April	(345,582)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
27,233	- Charges for depreciation and impairment of non-current assets	36,782
(1,242)	- Revaluation losses on PPE	(1,392)
20	- Revenue expenditure funded from capital under statute	350
26,525	Adjusting amounts written out of the Revaluation Reserve	6,096
52,536	Net written out amount of the cost of non-current assets consumed in year	41,836
	Capital financing applied in year:	
(1,689)	- Use of the Capital Receipts Reserve to finance new capital expenditure	(3,015)
(3,872)	- Use of the Major Repairs Reserve to finance new capital expenditure	-
(13,232)	- Application of grants to capital financing from the Capital Grants Unapplied Account	(20,485)
(13,814)	- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(24,656)
(345,582)	Balance at 31st March	(351,902)

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.

2016/2017 £000		2017/2018 £000
1,799	Balance at 1st April	1,755
(44)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(45)
1,755	Balance at 31st March	1,710

Pensions Reserve

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

2016/2017 £000		2017/2018 £000
191,869	Balance at 1st April	264,692
68,038	Remeasurement of net defined liability	(43,821)
(4,785)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	11,257
9,570	Employer's pension contributions and direct payments to pensioners payable in the year	(22,514)
	- Employers pension contributions and deficit payments for future years	25,196
264,692	Balance at 31st March	234,810

Collection Fund Adjustment Account

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

2016/2017 £000		2017/2018 £000
(2,609)	Balance at 1st April	(3,407)
(798)	Amount by which council tax and non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rate income calculated for the year in accordance with statutory requirements	3,164
(3,407)	Balance at 31st March	(243)

Accumulated Absences Account

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

2016/2017 £000		2017/2018 £000
1,212	Balance at 1st April	1,373
(1,212)	Settlement or cancellation of accrual made at the end of the preceding year	(1,373)
1,373	Amounts accrued at the end of the current year	1,144
1,373	Balance at 31st March	1,144

31. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2016/2017 £000		2017/2018 £000
(552)	Interest Received	(990)
6,725	Interest Paid	6,765
(525)	Dividend Received	(858)

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

2016/2017 £000		2017/2018 £000
(24,571)	Depreciation/Impairment charges to CIES	(41,917)
1,845	Pension Liability	16,942
7,038	Minimum Revenue Provision	6,492
9,191	Contributions to/from reserves	4,875
3,791	Increase/(decrease) in Payments in Advance	636
(7,787)	Increase/(decrease) in Debtors	8,875
(59)	Increase/(decrease) in Inventories	(63)
3,425	(Increase)/decrease in Provisions	(2,433)
7,251	(Increase)/decrease in Creditors	(770)
1,351	(Increase)/decrease in Creditors over 1 year	1,882
(11,268)	(Increase)/decrease in Receipts in Advance	374
3,272	Other non-cash items charged to the net surplus or deficit on the provision of services	(9,511)
(6,521)	Total	(14,618)

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

2016/2017 £000		2017/2018 £000
13,232	Capital grants credited to the surplus or deficit on the provisions of services	20,377
(26,227)	Proceeds from the sale of property, plant and equipment investment property and intangible assets	(5,464)
(30,736)	Billing Authorities - Collection Fund adjustments	(23,137)
(43,731)	Total	(8,224)

32. CASH FLOW STATEMENT - INVESTING ACTIVITIES

31st March 2017 £000		31st March 2018 £000
38,787	Purchase of property, plant & equipment, investment property and intangible assets	33,784
1,993	Other payments for investing activities	2,498
(1,689)	Proceeds from sale of property, plant and equipment, investment property and intangible assets	(3,015)
(14,496)	Capital Grants received	(22,634)
24,595	Net cash flows from investing activities	10,633

33. CASH FLOW STATEMENT – FINANCING ACTIVITIES

31st March 2017 £000		31st March 2018 £000
(322,387)	Cash receipts of short and long term borrowing	(538,157)
(2,650)	Other receipts from financing activities	(956)
298,259	Repayments of short and long term borrowing	470,436
766	Other payments for financing activities	39,373
(26,012)	Net cash flows from financing activities	(29,304)

34. CASH FLOW STATEMENT – CASH & CASH EQUIVALENTS

	31st March 2018 £000	31st March 2017 £000	Movement £000
Cash in Hand & at Bank	439	848	(409)
Bank overdrawn	(824)	(1,670)	846
Short term borrowing	(153,776)	(91,697)	(62,079)
Short term investments	9,750	10,700	(950)
Long term borrowing	(90,343)	(84,701)	(5,642)
Loan to Subsidiaries	20,234	11,256	8,978
Business loans & long term investments	47,218	10,757	36,461
Balance at 31 March	(167,302)	(144,507)	(22,795)

35. ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000

2016/2017 £000		2017/2018 £000
(1,478)	On-street parking operation surplus	(1,674)
	Utilised to Fund:	
5,069	Public Transport	4,439
289	Traffic Management & Road Safety	265
5,358	Total Qualifying Expenditure	4,704

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

36. AGENCY SERVICES

The Authority provides payroll services for Chorley Borough Council, Fylde Borough Council, Blackpool Coastal Housing, Baines School, Claremont First Step Centre, Blackpool Grand Theatre, Blackpool Operating Company and a number of Academies. These organisations pay a management fee to the Council for the service. The total management fee received by the Council in 2017/2018 was £193,349 (2016/2017 £195,730). The management fee is based on the number of employees paid.

37. POOLED BUDGETS

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

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

2016/17 £0000			2017/18 £0000	
3,236	18,845	Funding provided to the pooled budget:	9,127	25,051
15,609		Local Authority Blackpool Council Trust Blackpool CCG	15,924	
11,679	18,523	Expenditure met from the pooled budget:	17,953	24,832
6,844		Local Authority Blackpool Council Trust Blackpool CCG	6,879	
	322	Net surplus arising on the pooled budget during the year		219

38. MEMBERS' ALLOWANCES

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

2016/2017 £000		2017/2018 £000
737	Allowances	730
58	Expenses	55
795	Total	785

39. OFFICERS' REMUNERATION

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

	Number in 2017/2018		Number in 2016/2017	
	Schools	Other Staff	Schools	Other Staff
£50,000 - £54,999	12	21	10	20
£55,000 - £59,999	4	22	6	22
£60,000 - £64,999	6	10	6	12
£65,000 - £69,999	5	4	5	7
£70,000 - £74,999	2	5	1	3
£75,000 - £79,999	2	3	1	2
£80,000 - £84,999	2	-	2	1
£85,000 - £89,999	-	1	-	2
£90,000 - £94,999	-	4	-	2
£95,000 - £99,999	-	1	-	1
£100,000 - £104,999	-	1	-	1
£105,000 - £109,999	-	-	-	-
£110,000 - £114,999	-	1	-	-
£115,000 - £119,999	-	-	-	1
£135,000 - £139,999	-	1	-	1
TOTAL	33	74	31	75

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

Employees in Post 2017/2018							
Post Holder Information	Salary	Expense Allowance	Compensation for loss of Office	Benefits in Kind	Total Excluding Pensions	Employer Pension Contributions	Total Including Pensions
	£	£	£	£	£	£	£
Chief Executive - Neil Jack	137,914	-	-	122	138,036	20,411	158,447
Director of Resources	99,377	-	-	1,219	100,596	14,708	115,304
Director of Place	94,772	963	-	842	96,577	1,478	98,055
Director of Governance & Partnership Services	89,826	-	-	201	90,027	13,294	103,321
Director of Community & Environmental Services	89,826	-	-	82	89,908	13,294	103,202
Director of Public Health	105,959	4,841	-	391	111,191	15,237	126,428
Director of Childrens Services - Established 1st April 2017	90,473	-	-	-	90,473	13,390	103,863
Deputy Director of People (Adults) - Disestablished 31 May 2017 (Note F)	17,426	-	-	93	17,519	2,579	20,098
Director of Adult Services - Established 1st June 2017 (Note G)	76,637	-	-	302	76,939	11,342	88,281
Director of Strategy and Assistant Chief Executive - Established 1st October 2017 (Note H)	35,531	-	-	147	35,678	6,335	42,013
TOTAL	837,741	5,804	-	3,399	846,944	112,068	959,012

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

NOTES

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

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

C – Expense Allowances include essential car user payments.

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

2016/17

E – The post holder resigned on 31st January 2017. Their contracted salary was £117,618.

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

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

2017/18

F – The post was disestablished on 31st May 2017. The post holder became Director of Adult Services.

G – The post was established on 1st June 2017. Their full year contracted salary is £94,063.

H – The post was established on 1st October 2017. Their full year contracted salary is £87,282.

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

Exit Package Cost by Band (incl Special Payments)	Number of Exit Packages by Cost Band		Total Cost of Exit Packages in each Band	
	2017/2018	2016/2017	2017/2018 £000	2016/2017 £000
£0 - £20,000	60	100	487	747
£20,001 - £40,000	12	18	307	514
£40,001 - £60,000	5	8	238	384
£60,001 - £80,000	3	4	245	303
£80,001 - £100,000	-	-	-	-
£100,001 - £150,000	1	3	131	324
Total	81	133	1,408	2,272

40. EXTERNAL AUDIT COSTS

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

	2017/18 £000	2016/17 £000
Fees payable to auditors with regard to external audit services carried out by the appointed auditor	110	110
Fees payable to auditors in respect of statutory inspections	1	1
Fees payable to auditors for the certification of grant claims and returns	16	16
Total	127	127

41. DISCLOSURE OF DEPLOYMENT OF DEDICATED SCHOOLS GRANT

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

Details of the deployment of DSG receivable for 2017/2018 are as follows:

		CENTRAL EXPENDITURE £000	ISB £000	TOTAL £000
A	Final DSG for 2017/18 before academy recoupment			106,016
B	Academy figure recouped for 2017/18			63,265
C	Total DSG after Academy recoupment for 2017/18			42,751
D	B/F from 2016/17			1,388
E	C/F to 2018/19 agreed in advance			0
F	Agreed initial budget distribution in 2017/18	26,139	18,000	44,139
G	In year adjustments	-	-	-
H	Final budgeted distribution for 2017/18	26,139	18,000	44,139
I	Less Actual Central Expenditure	26,113		
J	Less Actual ISB deployed to Schools		18,000	
K	Plus Local authority contribution for 2017/18	0	0	0
L	C/F to 2018/19	26	0	26

42. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/2018.

	2017/2018 £000	2016/2017 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	24,534	31,636
Non-Domestic Rates Retained	20,961	24,038
Non-Domestic Rates Top Up	22,858	19,323
Section 31 Grants	4,578	2,212
Capital Grants - Other	20,378	13,232
Total	93,309	90,441
Credited to Services		
Dedicated Schools Grant	42,655	44,212
Pupil Premium Grant	3,316	3,564
Housing & Council Tax Benefit Administration Subsidy	908	1,007
Rent Allowance Subsidy	62,313	65,607
Rent Rebates	12,526	12,752
Public Health Grant	18,914	19,392
Coastal Communities Fund Grant	-	558
Other Grants and Contributions	19,556	17,863
Total	160,188	164,955

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

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

	2017/2018 £000	2016/2017 £000
Capital Grants Received in Advance		
HCA	-	58
Department of Health	645	-
Environment Agency grants	2,711	3,254
Local Transport Plan	3,989	3,905
Empty Homes	798	798
Education & Skills Funding Agency	2,509	5,651
Other Grants & Contributions	2,545	2,407
Total	13,197	16,073

43. RELATED PARTIES

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

Central Government

Central Government has significant control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Grants received from government departments are set out in Note 42. Capital grant receipts unspent at 31st March 2018 are shown on Note 42.

Members

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

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

In respect of the 2017/18 financial year a number of council members had a controlling interest in a company, partnership, trust or entity. The controlling interest was by way of ownership, or as a director, member, trustee, governor or partner of an organisation. The existence of the procedures described above ensure that the Council is able to both identify where a member has an interest, and take action to ensure that there is no participation in any decisions relevant to their interest. All major decisions are available for public scrutiny and challenge as part of the Council's constitutional arrangements.

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2017/2018 is shown in Note 38.

During the year a Member of the Council had a private interest in a local taxi firm. The Council made payments to this organisation amounting to £300,821 in 2017/2018 to meet the Council's transport requirements.

During the year the Council made payments totalling £1,233,507 to a number of local Academy schools. These payments were to meet the Council's education requirements. A number of Members have an interest in these schools.

During the year the Council made payments totalling £1,599,167 to Blackpool Local Education Partnership. These payments were to meet the Council's requirement to maintain schools. A Member has an interest in this company.

In 2017/18 the Council made payments totalling £299,441 to a number of voluntary organisations where a number of Members have a private interest in these organisations. The payments were made to meet the Council's policies.

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

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

Chief Officers

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

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

Other Public Bodies

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

Entities Controlled or Significantly Influenced by the Authority

The authority controls Blackpool Transport Services Limited through its ownership of 100% shares in the Company. The authority provided loans to the value of £11,434,000 to Blackpool Transport Services during the year. Full details are in Note 21.

The authority controls Blackpool Housing Company Limited through its ownership of 100% shares in the Company. The authority provided loans to the value of £8,800,000 to Blackpool Housing Company during the year. Full details are in Note 21.

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

44. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2017/2018 £000	2016/2017 £000
<u>Capital Financing Requirement</u>		
Opening Capital Financing Requirement	285,144	277,718
Capital Investment		
Property, Plant & Equipment	28,211	28,970
Investment Properties	767	185
Assets under Construction	4,806	11,625
Revenue Expenditure funded from Capital under Statute	2,498	1,993
Long Term Debtor -Loan to Blackpool Transport Services	12,604	-
Long Term Debtor - Loan to Blackpool Victoria Hospital	9,212	-
Long Term Debtor - Loan to Create Housing Company	2,563	-
	8,800	-
Sources of Finance		
Capital Receipts	(3,015)	(1,689)
Government Grants & Other Contributions	(22,634)	(14,496)
Sums set aside from Revenue	(23,038)	(19,162)
Payments Received for :-		
Long Term Debtor -Loan to Blackpool Transport Services	(1,003)	-
Long Term Debtor - Loan to Blackpool Victoria Hospital	(444)	-
Closing Capital Financing Requirement	304,471	285,144
Explanations of Movements in Year		
Increase in underlying need to borrow(unsupported by Government Financial Assistance)	19,327	7,426
Increase/(decrease) in Capital Financing Requirement	19,327	7,426

45. LEASES**Authority as Lessee****Finance Leases**

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

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

	2017/2018 £000	2016/2017 £000
Finance lease liabilities (net present value of minimum lease payments)		
- current	12	24
- non-current	-	12
Finance lease costs payable in future years	3	7
Minimum lease payments	15	43

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

	Minimum Lease Payments	
	31st March 2018 £000	31st March 2017 £000
Not later than one year	15	28
Later than one year and not later than five years	-	15
Total	15	43

The Authority as Lessor

The Council has granted various property leases including the lease of the Sandcastle Waterpark. The rentals received in 2017/2018 amounted to £375,000 (2016/2017 £369,290). The gross value of the assets held for use in leases was £8m at 31st March 2018 (2016/2017 £8.4m). The assets have been subject to £671,560 depreciation at 31st March 2018.

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

	Minimum Lease Payments	
	31st March 2018 £000	31st March 2017 £000
Not later than one year	1,720	1,681
Later than one year and not later than five years	5,173	5,215
Later than five years	7,140	7,706
Total	14,033	14,602

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

46. PRIVATE FINANCE INITIATIVE (PFI)

Highfield Leadership Academy (previously Highfield Humanities College) PFI

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

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

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

The Authority makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31st March 2018 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Service £000	Repayment Liability £000	Interest £000	Total Payment Due £000
Payable 2018/19	1,237	513	1,964	3,714
Payable in two to five years	5,353	2,376	7,269	14,998
Payable in six to ten years	8,140	3,522	7,686	19,348
Payable in eleven to fifteen years	9,797	5,099	5,653	20,549
Payable in sixteen to twenty years	8,771	8,247	2,411	19,429
Total	33,298	19,757	24,983	78,038

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

2016/2017 £000		2017/2018 £000
(20,936)	Balance outstanding at start of year	(20,238)
698	Payments during the year	480
(20,238)	Total	(19,758)

Street Lighting and Signals PFI

The scheme, supported by the Department for Transport, was signed in December 2009, and provides for the design, maintenance and replacement of Street Lighting and Signals across the town. The contract was awarded to Community Lighting Partnership. The project commenced on 4th January 2010 and is for 25 years. The service provider is responsible for the management and maintenance of street lights and signals within Blackpool. The total sum payable to the contractor over the term of the contract is £128.076m, being met from Government Grant and Authority contributions.

The Authority makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31st March 2018 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Service £000	Repayment Liability £000	Interest £000	Total Payment Due £000
Payable 2018/19	2,679	946	1,187	4,812
Payable in two to five years	8,024	4,625	4,488	17,137
Payable in six to ten years	7,440	9,730	5,513	22,683
Payable in eleven to fifteen years	15,750	16,118	4,028	35,896
Payable in sixteen to twenty years	6,660	8,284	503	15,447
Total	40,553	39,703	15,719	95,975

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

2016/2017 £000		2017/2018 £000
(28,005)	Balance outstanding at start of year	(27,149)
856	Payments during the year	898
(27,149)	Total	(26,251)

47. IMPAIRMENT LOSSES

During 2017/2018, the Authority has recognised an impairment loss of £5,486,309 (2016/2017 £3,336,108) in relation to land and buildings. The impairment loss has been charged to the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

48. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2017/2018 incurring liabilities of £1.4m (2016/2017 £2.3m).

49. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers' Pension Scheme

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

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

In 2017/2018 the Council paid £1,824,555 (2016/17 £2,034,166) to the Department for Education in respect of teachers retirement benefits, representing 16.48% of teachers' pensionable pay. There were no contributions remaining payable at the year end. The contributions due to be paid in the next financial year are estimated to be £1.6m.

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

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

NHS Staff Pension Scheme

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

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

In 2017/2018, the Council paid £98,011 (2016/17 £112,817) to the NHS Pension Scheme in respect of Public Health employees' retirement benefits, representing 14.3% (2016/17 14.3%) of pensionable pay. There were no contributions remaining payable at the year end.

50. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

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

The Lancashire pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee at Lancashire County Council. Policy is determined in accordance with the Pension Fund Regulations. The

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

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

Discretionary Post-retirement Benefits

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

Transactions Relating to Post-Employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
Comprehensive Income and Expenditure Statement				
<i>Cost of Services:</i>				
<i>Service Cost comprising</i>				
- current service cost	20,081	13,176	0	0
- past service costs	747	1,141	0	0
- (gain)/loss from settlements	(495)	(3,684)	0	0
<i>Financing & Investment Income and Expenditure</i>				
Net interest expense	19,552	22,494	85	104
Total Post-employment Benefits charged to the Surplus/Deficit on the Provision of Services	39,885	33,127	85	104
<i>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>				
Remeasurement of the net defined benefit liability comprising:				
- Return on plan assets (excluding the amount included in the net interest expense)	(13,952)	(15,968)	0	0
- Actuarial gains and losses arising on changes in demographic assumptions	0	(4,830)	0	0
- Actuarial gains and losses arising on changes in financial assumptions	(32,189)	167,005	(91)	379
- Other	(11,541)	(94,516)	0	0
Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement	(57,682)	51,691	(91)	379
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	54,919	(72,488)	159	(335)
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	37,122	12,330		
Retirement benefits payable to pensioners			153	148

Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
Present value of the defined benefit obligation	781,728	790,509	3,319	3,478
Fair value of plan assets	(575,433)	(529,295)	0	0
Net liability arising from defined benefit obligation	206,295	261,214	3,319	3,478

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
Opening fair value of scheme assets	529,295	446,231		0
Interest Income	13,952	15,968		0
Remeasurement gain/(loss):				
- The return on plan assets , excluding the amount included in the net interest expense	11,541	73,285		0
- Other	(291)	(291)		0
Contributions from employer	37,122	12,330	153	148
Contributions from employees into the scheme	3,751	3,790		0
Benefits paid	(19,835)	(20,285)	(153)	(148)
Other	(102)	(1,733)		0
Closing fair value of scheme assets	575,433	529,295	0	0

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits Arrangements	
	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
Opening balance at 1 April	790,509	634,957	3,478	3,143
Current service cost	19,790	12,885	0	0
Interest cost	19,552	22,494	85	104
Contributions from scheme participants	3,751	3,790	0	0
Remeasurement (gains) and losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	0	(4,830)	0	0
- Actuarial gains/losses arising from changes in financial assumptions	(32,189)	167,005	(91)	379
- Other	0	(21,231)	0	0
Past service cost	0	122	0	0
Losses/(gains) on curtailment (where relevant)	747	1,019	0	0
Benefits paid	(19,835)	(20,285)	(153)	(148)
Liabilities extinguished on settlements (where relevant)	(597)	(5,417)	0	0
Closing balance at 31 March	781,728	790,509	3,319	3,478

Local Government Pension Scheme assets comprised:

	Fair Value of Scheme Assets	
	2017/18 £000	2016/17 £000
Cash & cash equivalents	(2,407)	5,494
Bonds:		
- Corporate	10,113	8,692
- Government	14,286	10,476
Sub total bonds	24,399	19,168
Property:		
-Retail	15,824	14,407
- Commercial	38,290	32,223
Sub total property	54,114	46,630
Private Equity:		
UK	0	6,001
Overseas	297,440	262,066
Sub total private equity	297,440	268,067
Other investment funds:		
- Credit Funds	106,029	118,607
- Pooled Fixed Income	14,197	0
- Infrastructure	72,922	63,867
- Property	8,739	7,462
Sub total other investment funds	201,887	189,936
Total assets	575,433	529,295

Basis for Estimating Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

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

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
Mortality assumptions: Men/Women	99%/93%	99%/93%	99%/93%	99%/93%
Longevity at 65 for current pensioners:				
- Men	22.7yrs	22.6yrs	13.9yrs	13.8yrs
- Women	25.4yrs	25.2yrs	16.0yrs	15.9yrs
Longevity at 65 for future pensioners:				
- Men	25yrs	24.9yrs	0.0%	-
- Women	28yrs	27.9yrs	0.0%	-
Rate of inflation	2.1%	2.3%	2.1%	2.3%
Rate of increase in salaries	3.6%	3.8%	-	-
Rate of increase in pensions	2.2%	2.3%	2.2%	2.3%
Rate for discounting scheme liabilities	2.6%	2.5%	2.6%	2.5%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2016/2017.

	Impact on the Defined Benefit Obligation in the Scheme	
	Approximate % change in employee liability	Approximate monetary value £000
1 year increase in member life expectancy	1.97%	15,389
Rate of Inflation - increase by 0.1%	1.33%	14,272
Rate of increase in salaries - increase by 0.1%	0.26%	2,021
1% increase in real discount rate	(1.79%)	(14,016)

Impact on Authority's Cash Flows

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

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

The Authority anticipated to pay £8.9m expected contributions to the scheme in 2017/2018.

The weighted average duration of the defined benefit obligation for scheme members is 18 years in 2017/2018 (18 years 2016/2017).

51. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

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

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The criteria are based on information from Fitch, Moody's and Standard and Poors, the three principal credit ratings agencies.

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

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

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

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

Investments in UK Government – permitted due to overall security

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

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

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

The Authority's potential maximum exposure to credit risk in relation to its investments in banks and building societies of £9.750m cannot be assessed generally as the risk of any institution failing to make the interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits but there was no evidence at 31st March 2018 that this was likely to crystallize.

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

	Amount at 31st March 2018 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31st March 2018 %	Estimated maximum exposure to default and uncollectability At 31st March 2018 £000	Estimated maximum exposure at 31st March 2017 £000
Deposits with banks and financial institutions	9,750	0	0	0	10,700
Customers	76,290	35%	0	26,701	41,583

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

The Authority does not generally allow credit for its customers, such that £3.6m of the £76.3m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31st March 2018	31st March 2017
	£000	£000
Up to 3 months	844	1,690
Three to six months	731	425
Six months to one year	1,069	342
1-2 years	372	189
2-3 years	112	215
Over 3 years	458	365
Total	3,586	3,226

Liquidity risk

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

	31st March 2018 £000	31st March 2017 £000
Less than one year	153,776	91,697
Between one and two years	6,895	1,776
Between two and five years	13,162	10,469
Between five and ten years	12,277	12,201
Between ten and fifteen years	14,696	12,920
Between fifteen and twenty years	2,960	6,982
More than twenty years	40,353	40,353
Total	244,119	176,398

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

Market risk

Interest rate risk

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

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

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

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

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

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

Price Risk

The Authority does not invest in equity shares but does have shareholdings to the value of £24.250m in a number of subsidiaries.

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

The £24.250m shares are classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £1,212m gain or loss being recognised in the Other Comprehensive Income and Expenditure for 2017/2018.

Foreign Exchange Risk

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

52. CONTINGENT LIABILITIES / ASSETS

Municipal Mutual Insurance

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

NNDR Appeals

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

As at 31st March 2018 the Council had no material contingent assets to disclose.

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

53. HERITAGE ASSETS: FIVE YEAR SUMMARY OF TRANSACTIONS

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

	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
	£000	£000	£000	£000	£000
Balance B/fwd					
Cenotaph	120	120	120	120	120
Civic Regalia	591	591	591	591	591
Illuminations	500	500	500	500	500
Tower Collection & Local Family					
History Collection	900	900	900	900	900
Art Collection	5,000	5,000	5,000	5,000	5,000
Stanley Park Statues	653	653	653	653	653
Total Balance B/fwd	7,764	7,764	7,764	7,764	7,764
Additions					
Art Collection	-	-	-	-	55
Total Additions	-	-	-	-	55
Impairment/Revaluation					
Cenotaph	-	-	-	-	(100)
Civic Regalia	-	-	-	-	(81)
Illuminations	-	-	-	-	50
Tower Collection & Local Family					
History Collection	-	-	-	-	550
Art Collection	-	-	-	-	600
Stanley Park Statues	-	-	-	-	(653)
Total Impairment/Revaluation	-	-	-	-	366
Balance C/fwd					
Cenotaph	120	120	120	120	20
Civic Regalia	591	591	591	591	510
Illuminations	500	500	500	500	550
Tower Collection & Local Family					
History Collection	900	900	900	900	1,450
Art Collection	5,000	5,000	5,000	5,000	5,655
Stanley Park Statues	653	653	653	653	-
Total Balance C/fwd	7,764	7,764	7,764	7,764	8,185

54. HERITAGE ASSETS: FURTHER INFORMATION ON THE COLLECTION

Art Collection

The Art Collection is stored at the Grundy Art Gallery and consists of Victorian oils and watercolours, modern British paintings, contemporary prints, jewellery and video, oriental ivories, ceramics and photographs and souvenirs of Blackpool. The Council commissioned the building of the Grundy Art Gallery in 1908 following a bequest of 33 artworks from brothers John and Cuthbert Grundy, both of whom were

artists. The Gallery displays artwork loaned from major UK institutions as well as its own permanent collection.

Family and Local History Collection

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

Tower Company Collection

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

Illuminations

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

Cenotaph

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

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

Civic Regalia

Civic Regalia includes the following items:

Mayor's Chain – Made in 1875.

Mayoress' Chain – Made in 1897.

Deputy Mayoress' Chain – Made in 1897.

Deputy Mayor's Chain – Made 1937.

Mayoral Mace – Made in 1897.

Stanley Park Statues

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

SECTION 6

SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

The Housing Revenue Account Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised is shown in the Movement In Reserves Statement on the Housing Revenue Account Statement.

HOUSING REVENUE ACCOUNT			
INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31ST MARCH 2018			
2016/2017		2017/2018	
£000		£000	£000
	Expenditure		
4,839	Repairs and maintenance	5,621	
6,254	Supervision and management	5,816	
108	Rent, rates , taxes and other charges	131	
	Depreciation and impairment of non-current		
2,662	assets	8,315	
62	Debt management costs	73	
286	Movement in the allowance for bad debts	216	
14,211	Total Expenditure		20,172
	Income		
(17,030)	Dwelling rents	(16,775)	
(138)	Non-dwelling rents	(164)	
(1,338)	Charges for services and facilities	(1,648)	
(196)	Contributions towards expenditure	(130)	
(18,702)	Total Income		(18,717)
(4,491)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Account		1,455
	HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
4	Gain/or Loss on sale of HRA non-currents assets	174	
468	Interest payable and similar charges	383	
(86)	Interest and investment income	(53)	504
(4,105)	(Surplus) or deficit for the year on HRA services		1,959

**HOUSING REVENUE ACCOUNT
MOVEMENT ON THE HOUSING REVEUE ACCOUNT STATEMENT FOR THE
YEAR ENDING 31ST MARCH 2018**

	2017/2018 £000	2016/2017 £000
Balance on HRA Reserve at 31st March	(6,857)	(7,234)
Surplus/Deficit for the year on HRA Income and Expenditure Statement	1,959	(4,105)
Adjustments between accounting basis and funding basis under statute	(5,579)	3,014
Net increase or decrease before transfers to/from reserves	(3,620)	(1,091)
Transfers to/from reserves	4,607	1,468
Balance on HRA Reserve at 31st March	(5,870)	(6,857)

NOTES TO THE HRA STATEMENT

1. HOUSING REVENUE ACCOUNT STOCK

The Council owned 4,747 dwellings at 31st March 2018 which are analysed below:-

	2017/2018 £000	2016/2017 £000
Low rise flats	2,176	2,175
Medium rise flats	762	767
Houses and bungalows	1,765	1,765
Multi occupied dwellings	44	44
Total	4,747	4,751

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

	2017/2018 £000	2016/2017 £000
Stock at 1st April	4,751	4,761
Less: Sales to tenants	13	10
Disposal of Kennedy House	4	-
Add: Queens Park Phase II	13	-
Stock at 31st March	4,747	4,751

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

	2017/2018 £000	2016/2017 £000
Operational assets:		
Council dwellings	114,305	115,300
Other HRA	1,992	2,112
Stock at 31st March	116,297	117,412

2. DWELLING RENTS

This is the total rent due for the year after allowance is made for voids etc. During the year 2.3% of lettable properties, excluding hostels, were vacant (2016/17: 1.9%). This includes properties intentionally held vacant pending the ongoing re-development of the Queens Park estate and other sites. During the year the average void rate for hostels was 16% (2016/17 - 33%).

The average rent (excluding Affordable Rent properties) was £67.88 a week in 2017/18, a decrease of 1.09% over the previous year.

	2017/2018 £000	2016/2017 £000
Vacant possession value of properties	284,482	287,005

The vacant possession value of dwellings held on 31st March 2018 was £284,482,100. The difference between this and the Existing Use Value (Social Housing) valuation of £114,305,500 represents the economic cost to the Government of providing council housing at less than the open market rents.

3. MAJOR REPAIRS RESERVE

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

	2017/2018 £000	2016/2017 £000
Balance at 1st April	-	-
Transferred to MRR during the year	-	2,405
Transfer between MRR and HRA during the year	2,909	1,468
Debits to MRR during the financial year in respect of capital expenditure:		
Houses held within HRA	(2,909)	(3,873)
Balance at 31st March	-	-

4. HOUSING REPAIRS ACCOUNT

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

	2017/2018 £000	2016/2017 £000
Balance at 1st April	-	-
Add: Revenue contribution	4,607	4,839
Less: Expenditure in year		
Responsive repairs	(2,768)	(3,490)
Planned maintenance	(1,839)	(1,349)
Balance at 31st March	-	-

5. CAPITAL EXPENDITURE WITHIN HOUSING REVENUE ACCOUNT

	2017/2018 £000	2016/2017 £000
Total capital expenditure within the Housing Revenue Account on land, housing & other property	8,006	7,629
Sources of funding for the above Capital Expenditure:		
- Usable Capital Receipts	325	65
- Revenue contributions (as defined in Local Government & Housing Act 1989)	4,607	3,691
- Major Repairs Reserve	2,909	3,873
- Grants and other funding	165	-
Total capital expenditure within the HRA	8,006	7,629

Usable capital receipts totalling £325,000 were received and applied during the year.

6. DEPRECIATION CHARGE WITHIN THE HRA

	2017/2018 £000	2016/2017 £000
Depreciation charges for:		
- Operational assets, comprising dwellings and other land and buildings	2,839	2,328
- Non-Operational assets	70	77
Total	2,909	2,405

7. IMPAIRMENT

	2017/2018 £000	2016/2017 £000
Impairment charges in respect of land, houses and other property within the HRA	5,406	257

The basis of valuation of the housing stock within the HRA is Existing Use Value – Social Housing (EUV-SH). This is calculated by applying a prescribed discount factor to the Existing Use Value – Vacant Possession. During 2016/17 the Department for Communities and Local Government (DCLG) issued revised guidance to valuers that included a change to the discount factor to be applied to EUV-SH from 35% to 40%. This change in policy resulted in an increased value to the social housing stock which netted off against all other in-year impairments, with the exception of non-dwellings.

2017/18 has seen a quinquennial revaluation of all HRA housing stock, resulting in a total impairment of £5,406,000.

8. GOVERNMENT RULES

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

a) The Ringfence

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

b) Control

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

c) Annual Report

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

9. RENT ARREARS

Rent Arrears for 2017/2018 amounted to £680,000 compared to £635,000 in the previous year. During the year 2017/2018 rent arrears as a proportion of gross collectable rent (including service charges) were 3.62% (2016/2017 3.42%).

Amounts written off during the year amounted to £257,000 (2016/17 £272,000). The total provision for bad and doubtful rental debts in the Housing Revenue Account at 31st March 2018 is £581,000 (£548,000 at 31st March 2017). This provision has been calculated in accordance with the Housing Revenue Account (Arrears of Rents and Charges) Directions 1990.

COLLECTION FUND 2017/2018

COLLECTION FUND STATEMENT 2017/2018

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

2016/2017 £000 Council Tax	2016/2017 £000 NNDR	2016/2017 £000 Total		2017/2018 £000 Council Tax	2017/2018 £000 NNDR	2017/2018 £000 Total
			INCOME			
58,139		58,139	Council Tax Receivable	58,763		58,763
	52,486	52,486	Business Rates Receivable		44,897	44,897
58,139	52,486	110,625	TOTAL INCOME	58,763	44,897	103,660
			EXPENDITURE			
			<u>Apportionment of previous year's surplus/deficit</u>			
	(1,709)	(1,709)	Central Government		(119)	(119)
1,737	(1,675)	62	Blackpool Council	1,888	(117)	1,771
86	(34)	52	Lancashire Fire Authority	91	(2)	89
212		212	Police & Crime Commissioner for Lancashire	225		225
			<u>Precepts, Demands and Shares</u>			
	24,529	24,529	Central Government		21,388	21,388
48,295	24,038	72,333	Blackpool Council	50,845	20,961	71,806
2,329	490	2,819	Lancashire Fire Authority	2,336	428	2,764
5,769		5,769	Police & Crime Commissioner for Lancashire	5,900		5,900
			<u>Charges to Collection Fund</u>			
(3,005)	(1,156)	(4,161)	less: Write offs of uncollectable amounts	(2,521)	(1,050)	(3,571)
3,432	1,552	4,984	less: Increase/Decrease in BDP	872	1,315	2,187
	1,050	1,050	less: Increase/Decrease in Provision for Appeals		2,183	2,183
	270	270	less: Cost of Collection		261	261
	(234)	(234)	less: Transitional Protection Payments		4,590	4,590
58,855	47,121	105,976	TOTAL EXPENDITURE	59,636	49,838	109,474
716	(5,365)	(4,649)	(SURPLUS)/DEFICIT FOR THE YEAR	873	4,941	5,814
			COLLECTION FUND BALANCE			
(4,239)	4,580	341	Fund balance at 1st April (Surplus)/Deficit	(3,523)	(785)	(4,308)
(3,523)	(785)	(4,308)	DEFICIT/(SURPLUS) AS AT 31ST MARCH	(2,650)	4,156	1,506
			Allocated to:			
(3,023)	(385)	(3,408)	- Blackpool Council	(2,281)	2,037	(244)
(143)	(8)	(151)	- Lancashire Fire Authority	(103)	42	(61)
(357)		(357)	- Police & Crime Commissioner for Lancashire	(266)		(266)
	(392)	(392)	- Central Government		2,077	2,077
(3,523)	(785)	(4,308)	TOTAL	(2,650)	4,156	1,506

NOTES TO THE COLLECTION FUND

1. GENERAL

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

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

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

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

2. COUNCIL TAX

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

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

The Council tax base for 2017/2018 was 35,662 (35,562 in 2016/2017). This increase is as a result of the Government's Council Tax Localisation changes which revised the way Central Government pay Council Tax benefit compensation to the Council.

The tax base for 2017/2018 was calculated as follows:

Band	Chargeable Dwellings	Proportion of Band D Tax	Equivalent Band D Dwellings
A Reduced	30	5/9	17
A	16,052	6/9	10,701
B	14,484	7/9	11,265
C	8,751	8/9	7,779
D	3,813	1	3,813
E	1,564	11/9	1,912
F	477	13/9	689
G	215	15/9	358
H	21	18/9	42
Less allowances for non collection			914
Tax Base for the Calculation of Council Tax			35,662

3. NATIONAL NON-DOMESTIC RATES

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

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

The business rates shares payable for 2017/2018 were estimated before the start of the financial year as £21.388m (£24.529m in 2016/17) to Central Government, £0.428m (£0.49m in 2016/17) to Lancashire Fire Authority and £20.961m (£24.038m in 2016/17) to Blackpool Council. These sums have been paid in 2017/2018 and charged to the Collection Fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all local authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Blackpool received top up grant to the General Fund in 2017/2018 to the value of £22.858m (£19.320m in 2016/2017).

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VO. Authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion to precepting shares. The total provision charged to the Collection Fund for 2017/2018 has been calculated at £9.998m (£7.814m in 2016/2017).

For 2017/2018, the total non-domestic rateable value at the year- end is £127.143m. The national multiplier for 2017/2018 was 46.6p (49.7p in 2016/2017) for qualifying small businesses and the standard multiplier being 47.9p (48.4p in 2016/2017) for all other businesses.

4. ALLOCATION OF CLOSING BALANCES

The allocation of the closing balances for 2017/2018 between the preceptors is as follows:

	CENTRAL GOVERNMENT £000	BLACKPOOL COUNCIL £000	LANCASHIRE FIRE AUTHORITY £000	POLICE AUTHORITY £000	ENTERPRISE ZONE £000	TOTAL £000
COUNCIL TAX						
Arrears at 31st March 2018		14,478	646	1,700		16,824
Receipts in Advance		(717)	(32)	(84)		(833)
Bad Debt Provision		(5,627)	(251)	(661)		(6,539)
Surplus/Deficit		(2,281)	(103)	(266)		(2,650)
BUSINESS RATES						
Arrears at 31st March 2018	3,112	3,050	62		0	6,224
Receipts in Advance	(320)	(314)	(6)		0	(640)
Bad Debt Provision	(1,207)	(1,183)	(24)		(121)	(2,535)
Appeals	(4,759)	(4,664)	(95)		(479)	(9,997)
Surplus/Deficit	2,078	2,037	42		0	4,157

SECTION 7

GROUP ACCOUNTS 2017/2018

7.0 INTRODUCTION

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

Subsidiaries are where the Council exercises control. Blackpool Transport Services, Blackpool Operating Company, Blackpool Coastal Housing, Blackpool Housing Company, Blackpool Entertainment Company and Regional & City Airports (Blackpool) Holdings Ltd are 100% owned by the Council and are therefore classified as subsidiaries. They are incorporated into the accounts on a line-by-line basis.

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

Subsidiaries

Blackpool Transport Services

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

Blackpool Operating Company

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

Blackpool Coastal Housing

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

Blackpool Entertainment Company

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

Blackpool Housing Company

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

Regional & City Airports (Blackpool) Holdings Ltd

In September 2017 the Council completed the purchase of Blackpool Airport. The Council, which was previously a 5% shareholder in the Airport, signed a £4.25m deal with previous owners Balfour Beatty to fully take over the holding company Regional & City Airports (Blackpool) Holdings Ltd. The Council has acquired all shares in Regional & City Airports (Blackpool) Holdings Ltd and has now taken over 100% ownership of the airport site.

Associates*Marketing Lancashire*

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

CORE FINANCIAL STATEMENTS – GROUP

GROUP MOVEMENT IN RESERVES STATEMENT

2017/2018

	General Fund Balance	Earmarked General Fund Reserves	HRA	Capital Receipts Reserve	Major Repairs Reserve	Capital Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Group Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 31st March 2017	(6,422)	(37,501)	(6,857)	(3,193)	-	(4,873)	(58,846)	(180,767)	(239,613)	652	(238,961)
Movements in Reserves in 2017/2018											
Surplus or Deficit on the provision of services	16,759		1,959				18,718	-	18,718	3,776	22,494
Other Comprehensive Income & Expenditure							-	(49,884)	(49,884)	(2,959)	(52,843)
Total Comprehensive Income and Expenditure	16,759	-	1,959	-	-	-	18,718	(49,884)	(31,166)	817	(30,349)
Adjustments between accounting basis and funding basis under regulations	8,250		(5,579)		(2,909)		(238)	238	-	(18,317)	(18,317)
Net increase or Decrease before Transfer to Earmarked Reserves	25,009	-	(3,620)	-	(2,909)	-	18,480	(49,646)	(31,166)	(17,500)	(48,666)
Transfer to/from Earmarked Reserves	(24,718)	682	4,607	(1,315)	2,909	396	(17,439)	17,439	-	-	-
Increase/Decrease in 2017/2018	291	682	987	(1,315)	-	396	1,041	(32,207)	(31,166)	(17,500)	(48,666)
Balance as at 31st March 2018	(6,131)	(36,819)	(5,870)	(4,508)	-	(4,477)	(57,805)	(212,974)	(270,779)	(16,848)	(287,627)

2016/2017

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

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2016/2017				2017/2018		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
3,819	(4,138)	(319)	Chief Executive	9,389	(6,226)	3,163
6,166	(4,437)	1,729	Governance and Partnership Services	5,740	(3,747)	1,993
274	(6)	268	Ward Budgets	323	(2)	321
27,000	(27,436)	(436)	Resources	19,500	(25,087)	(5,587)
22,663	(12,580)	10,083	Places	9,226	(9,070)	156
5,728	(3,053)	2,675	Strategic Leisure Assets	6,842	(3,117)	3,725
73,204	(28,604)	44,600	Community and Environmental Services	67,052	(30,707)	36,345
69,780	(25,256)	44,524	Adult Services	74,444	(31,404)	43,040
115,381	(69,561)	45,820	Children's Services	107,359	(71,441)	35,918
20,021	(19,580)	441	Public Health	21,889	(21,818)	71
126,650	(127,331)	(681)	Budgets Outside the Cash Limit	156,829	(127,632)	29,197
2,749	(859)	1,890	Contingencies	(184)	(2,733)	(2,917)
14,211	(18,702)	(4,491)	Housing Revenue Account	20,172	(18,717)	1,455
487,646	(341,543)	146,103	Cost of Services	498,581	(351,701)	146,880
		26,530	Other Operating Expenditure			6,885
		3,412	Financing & Investment Income & Expenditure - Other			6,069
		(1,449)	Income & Expenditure in relation to Investment Properties and changes in their fair value			5,591
		(132,038)	Taxation and Non-Specific Grant Income - Other			(142,973)
		42,558	(Surplus) or Deficit on Provision of Services			22,452
			- Share of (Surplus)/Deficit on the Provision of Services by Associates			3
		(114)	Tax of Subsidiaries			39
		42,444	Group (Surplus)/Deficit			22,494
		(8,863)	Surplus or Deficit on revaluation of non-current assets			(42,430)
		(4,686)	Impairment losses on non-current assets charged to Revaluation Reserve			1,512
		(1,500)	Surplus or deficit on revaluation of available for sale financial assets			310
		(44)	Movement on financial instruments adjustment account			(45)
		74,059	Actuarial gains / losses on pension assets / liabilities			(33,918)
		(798)	Other Movements			3,411
		58,168	Other Comprehensive Income and Expenditure			(71,160)
		100,612	Total Comprehensive Income and Expenditure			(48,666)

GROUP BALANCE SHEET

31st March 2017 £000		Notes	31st March 2018 £000
774,778	Property, Plant and Equipment	G3	767,100
7,764	Heritage Assets		8,185
17,347	Investment Property		30,511
32	Intangible Assets		-
122	Net share of Associates		123
654	Assets Held for Sale		1,110
10,421	Long Term Investments		28,138
8,121	Long Term Debtors		17,797
819,239	Long Term Assets		852,964
1,245	Inventories		1,121
38,822	Short Term Debtors	G5	47,105
6,070	Payments in Advance		6,486
18,556	Cash and Cash Equivalents	G4	14,614
64,693	Current Assets		69,326
(91,697)	Short Term Borrowing		(153,776)
(50,114)	Short Term Creditors	G6	(46,092)
(18,365)	Receipts in Advance		(20,867)
(14,416)	Provisions		(17,869)
(174,592)	Current Liabilities		(238,604)
(77,378)	Long Term Creditors		(74,929)
(84,701)	Long term Borrowing		(90,343)
(292,227)	Other Long Term Liabilities		(217,590)
(16,073)	Capital Grants in Advance		(13,197)
(470,379)	Long Term Liabilities		(396,059)
238,961	Net Assets		287,627
(58,846)	Usable Reserves		(74,653)
(180,115)	Unusable Reserves		(212,974)
(238,961)	Total Reserves		(287,627)

GROUP CASH FLOW STATEMENT

2016/2017 £000		2017/2018 £000
42,444	Net (surplus) or deficit on the provision of services	22,494
(11,339)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(11,152)
(50,218)	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	(41,779)
(19,113)	Net cash flows from Operating Activities	(30,437)
24,595	Investing Activities	10,633
(26,012)	Financing Activities	(29,304)
(20,530)	Net (increase) or decrease in cash and cash equivalents	(49,108)
(132,320)	Cash and cash equivalents at the beginning of the reporting period	(152,850)
(152,850)	Cash and cash equivalents at the end of the reporting period	(201,958)

NOTES TO THE GROUP ACCOUNTS

G1. ACCOUNTING POLICIES

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

G2. INTER GROUP TRANSACTIONS

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

- i) The Council owns shares to the value of £2,789,000 in Blackpool Transport. This has been taken out of long term investments and capital and reserves.
- ii) The Council owns shares to the value of £7,100,000 in Blackpool Housing Company. This has been taken out of long term investments and capital and reserves.
- iii) The Council owns shares to the value of £4,250,000 in Regional and City Airports (Blackpool) Holdings Limited. This has been taken out of long term investments and capital and reserves
- iv) An amount of £692,415 representing amounts outstanding between the Council and Blackpool Entertainment Company Ltd has been taken out of debtors and creditors.
- v) An amount of £1,313,000 representing amounts outstanding between the Council and Blackpool Coastal Housing has been taken out of debtors and creditors.
- vi) An amount of £2,625,499 representing amounts outstanding between the Council and Blackpool Transport Services has been taken out of debtors and creditors.
- vii) An amount of £11,434,000 representing loans to Blackpool Transport from the Council has been taken out of long term debtors and long term borrowing.
- viii) An amount of £8,800,000 representing loans to Blackpool Housing Company from the Council has been taken out of long term debtors and long term borrowing.

G3. PROPERTY, PLANT AND EQUIPMENT

	NBV 31st March 2018 £000	NBV 31st March 2017 £000
Property, Plant & Equipment held by the Council	743,783	751,515
Property, Plant & Equipment held by		
- Blackpool Transport Services	17,176	14,463
- Blackpool Operating Company	951	1,146
- Blackpool Coastal Housing	91	101
- Blackpool Entertainment Company	577	371
- Blackpool Housing Company	326	7,182
- Regional and City Airports (Blackpool) Holdings Limited	4,196	-
Total	767,100	774,778

G4. CASH AND CASH EQUIVALENTS

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

	2017/18 £000	2016/17 £000
Cash and cash equivalents held by the Council	9,366	9,878
Cash and cash equivalents held by:-		
- Blackpool Transport Services	627	3,144
- Blackpool Operating Company	649	180
- Blackpool Coastal Housing	1,675	2,429
- Blackpool Entertainment Company	1,354	2,774
- Blackpool Housing Company	522	151
-Regional and City Airports (Blackpool) Holdings Limited	421	-
Total	14,614	18,556

G5. SHORT-TERM DEBTORS

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

	2017/18 £000	2016/17 £000
Debtors - single entity accounts	44,688	35,813
Debtors held by:-		
- Blackpool Transport Services	4,026	3,049
- Blackpool Operating Company	95	257
- Blackpool Coastal Housing	1,506	530
- Blackpool Entertainment Company	805	496
- Blackpool Housing Company	171	28
-Regional and City Airports (Blackpool) Holdings Limited	745	0
Removal of intra group debtors	(4,931)	(1,351)
Total	47,105	38,822

G6. SHORT-TERM CREDITORS

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

	2017/18 £000	2016/17 £000
Creditors - single entity accounts	(38,125)	(37,355)
Creditors held by;-		
- Blackpool Transport Services	(4,379)	(4,651)
- Blackpool Operating Company	(604)	(899)
- Blackpool Coastal Housing	(2,200)	(1,875)
- Blackpool Entertainment Company	(4,137)	(5,247)
- Blackpool Housing Company	(551)	(1,438)
- Blackpool Airport Ltd	(1,027)	-
Removal of intra group creditors	4,931	1,351
Total	(46,092)	(50,114)

SECTION 8

ANNUAL GOVERNANCE STATEMENT

Annual Governance Statement 2017/2018

Acknowledgement of Responsibility

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

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

The Principles of Good Governance

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

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

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

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

The Governance Framework

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

Code of Conduct and Behaviours

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

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

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

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

The Council strives to deliver equal opportunities to all and equality impact assessments form a part of the decision making process. The Equalities and Diversity Manager has developed a directorate self-assessment tool to monitor compliance and implemented Equality and Diversity Awareness Training for managers across the Council. The self-assessment process has been piloted by the Resources Directorate and is now being rolled out across all other Council directorates.

Commitment to Openness, Communication and Consultation

The Council complies with the minimum requirements of the Transparency Agenda and provides a range of information in the public domain through its website. Key messages are also communicated to residents in the Your Blackpool publication which is delivered to all Blackpool households on a quarterly basis. Following the findings of the December 2017 Communications peer review, the Council will work further with its elected members to enhance their use of social media and has started to move towards greater use of social media as part of a strategic approach to communications. This approach is subject to monitoring and evaluation to test its effectiveness. The public are able to attend and speak at Committee meetings and Full Council is broadcast on the Council's website.

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

Consultation with the public takes place by the lead service area, which can access the Council's on-house cost recovery research team Infusion Research for wider ranging or more complex consultation exercises.

Structures are in place to ensure consultation with other public and voluntary sector agencies through the Fairness Commission and also local businesses through the Blackpool Business Leadership Group.

Developing, Communicating and Translating the Vision

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

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

The length of the Council Plan was reduced in 2016/17 and the style in which the plan is written reviewed, to ensure that the document is accessible and understandable to employees and residents and the plan contents were agreed following a consultation exercise.

A staff conference was held in 2016, hosted by the Chief Executive, which provided an update on the plan and the Council's priorities to employees. A further conference was held in 2017 which focussed upon how the Council works with its wholly owned Companies to help deliver on its priorities. Both conferences helped embed the vision and direction the Council and its partners are pursuing with the workforce.

Beneath each priority the plan details the key challenges faced by Blackpool and the key projects and schemes which will be implemented to address these issues. The Council Plan seeks to address the big issues and policy drivers facing local government. A review of the Council Plan was undertaken half-way through the delivery period and identified the potential to adopt a third priority around 'Organisational Resilience'. This will be consulted on in 2018 with the view to adopting a refreshed plan by the end of the year.

The Corporate Delivery Unit was introduced in 2016 the role of which is to provide challenge and ensure that key outcomes identified in the Council Plan are achieved. The two Priority Boards established in 2016 have reviewed activity on key plans to deliver the priorities. The Transformation Board has developed an approach to monitoring and checking planned savings, and has administered the Transformation Fund, awarding funding to projects which can deliver transformational change or medium term cost savings.

The Council priorities feed into directorate business plans and are a key tool for managers to use when developing business plans. The business plans then feed into Individual Performance Appraisals (IPA). A new business planning framework was developed for 2017.

Performance Management

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

The Council has reviewed and refined its performance management system and strategic performance will be reported to Corporate Leadership Team and the relevant Scrutiny Committees with local performance indicators being managed through the Business Planning Process. This review has included an overhaul of the key performance indicators to be measured in 2017/18. A specific board has been established to focus on the particular challenges of improving performance in Children's Services.

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

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

Roles and Responsibilities

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

All Council Officers, including the Corporate Leadership Team, have a job description which sets out their roles and responsibilities. Annually, through the Individual Performance Appraisal process individual objectives are set for each officer which align with their job description and the Business Plan for the Service in which they work.

The Corporate Leadership Team has been extended once a month to involve key Heads of Service in the decision making process. Steps have been taken to address some of the concerns with 'hard to recruit to posts' such as the development of the Next Step Blackpool website to recruit Children's Social Workers and Teachers to the area. In addition, there is ongoing investment in digital technologies to help improve capacity across the Council.

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

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

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

Decision Making

The Constitution sets out the functions and responsibilities of the Council, the Executive and Committees. Included in this are the delegation arrangements adopted by the Council and the Executive and this is reviewed on a regular basis. All Executive Decisions contain all relevant policy implications including financial, risk management, human resources, equality analysis, ethical considerations, legal considerations and links to Council priorities. All Executive Decisions are subject to finance and legal approval before they are taken forward for a decision to be made. The Monitoring Officer or a designated representative, receive all decisions before they are processed and therefore are able to check the robustness of data quality prior to a decision being submitted for formal approval.

Cabinet Member and relevant Officer Decisions are published to meet transparency requirements and inform the public.

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

Compliance with relevant Laws, Regulations, Internal Policies and Procedures

A wide range of corporate policies and procedures are in place to ensure compliance with laws and regulations. These cover all key areas including financial management, human resources, procurement, contract management, risk management, business continuity, data protection, health and safety management arrangements and safeguarding arrangements.

Managers are responsible for ensuring that their service adheres to the relevant policies and procedures and Disciplinary and Capability Procedures are in place to deal with non-compliance. An audit was undertaken to assess current levels of compliance and identify any necessary actions for improvement the results of which have been shared with the Corporate Leadership Team and Senior Leadership Team.

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

The Council has obtained PSNN, PCI and N3 security compliance so that it can effectively share data with other organisations including the National Health Service and Department for Work and Pensions. There is an ongoing review of cyber risks and progress against this is monitored by the Audit Committee. An ICT Security Policy is in place. Considerable work has been undertaken throughout the year to help ensure compliance with the General Data Protection Regulations which come into effect in May 2018.

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

Mandatory training is delivered in a number of ways including through the iPool online system to advise staff of legislative requirements. Reporting tools have been developed to enable Managers to monitor completion of mandatory training courses and completion of Individual Performance Appraisals.

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

A number of arrangements are in place to deal with potential breaches to compliance and these include a Data Breach Panel, Corporate Complaints Panel and Serious Case Reviews. These are chaired independently of the service which has breached requirements to ensure that objective decisions can be taken.

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

Financial Management

The Council has an appropriately qualified and experienced designated Chief Financial Officer who holds Section 151 responsibilities and a deputy has also been appointed. The Chief Financial Officer has arrangements in place for financial management, financial reporting and value for money which is assessed annually by the Council's external auditors.

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

The Council sets a lawful annual budget and is part way through a six year Medium Term Financial Sustainability Strategy. The associated plan is updated on an annual basis to enable early planning on the financial position to take place.

Monthly financial monitoring reports, starting from month 0, are reported to the Corporate Leadership Team, the Executive and Tourism, Economy and Resources Scrutiny Committee. The Transformation Board also has a role in monitoring key saving targets and considers ways to address funding shortages in underachieving areas.

The Council's financial management arrangements conform to the governance requirements of the CIPFA

Statement on the Role of the Chief Financial Officer in Local Government (2016).

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

Audit Arrangements

An Audit Committee is in place which is independent of the scrutiny function. As a full committee of the Council it is able to discharge all the core functions of an Audit Committee outlined in the CIPFA Audit Committee: Practical Guidance for Local Authorities (2013), from which the Committee has adopted the model terms of reference.

Over the past twelve months that Chair of the Audit Committee has continued to raise the profile of the Audit Committee and has presented a report to Full Council on the work of the Committee and has proactively requested Chief Officers to attend Committee to be challenged and held to account where controls issues have been identified. In the year an independent member was co-opted onto the Committee to enhance the robustness of the Committee.

Modular training is delivered prior to each Audit Committee meeting to ensure that members have the appropriate skills and knowledge to effectively discharge their duties. The Audit Committee undertake annual self-assessments of their performance to identify strengths and areas for development. The Council has an internal audit team who prepare an Annual Internal Audit Plan which is approved by the Corporate Leadership Team and Audit Committee. This includes a balance of risk and compliance work. The audit opinion and assurance statement for each audit is reported quarterly to the Audit Committee.

In 2017/18 the Head of Audit and Risks Annual Audit Opinion was that sufficient assurance work was undertaken to provide a reasonable conclusion on the adequacy and effectiveness of the control environment and that the overall control environment at the Council is adequate. Where weaknesses were identified through internal audit work the team have worked with management to agree appropriate remedial actions and a timescale for improvement.

The Council's internal audit arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and the Public Sector Internal Audit Standards. An external review of the Council's compliance with the Public Sector Internal Audit Standards took place in 2016/17 which confirmed conformance with the standards. The recommendations made in the external assessment report have been incorporated into the Quality Assurance and Improvement Programme for the service.

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

Risk Management

A Corporate Risk Management Group is in place to coordinate and promote risk management activity in line with the Council's Risk Management Framework 2014-2017. The Risk Management Framework was reviewed in the year and a version covering 2018-2021 is now in place. It is supported by directorate and thematic risk management groups.

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

The Strategic Risk Register is reviewed by the Corporate Leadership Team and considered by the Audit Committee annually. Chief Officers identified in the Strategic Risk Register are required to attend Audit

Committee to explain how the risks are being managed and what further mitigating controls may be required.

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

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

Counter Fraud and Anti-Corruption Arrangements

The Council has developed counter fraud and anti-corruption arrangements in line with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014). A Fraud Prevention Charter has been developed and approved by the Corporate Leadership Team and Audit Committee. Any suspected instance of fraud or corruption should be reported to the Head of Audit and Risk so that an appropriate investigation into the matter can be undertaken.

A dedicated Corporate Fraud Team is in place which deals with a range of corporate fraud issues and proactive work has commenced on high risk areas such as insurance fraud, blue badges and council tax.

The Council has appropriate procedures in place to deal with the risk of money laundering and also to raise awareness of the Bribery Act and ensure that appropriate controls are in place to reduce the risk.

The Council participates in the National Fraud Initiative and progress against this and outcomes, are reported to Audit Committee on quarterly basis.

A corporate group is in place to review the Council's use of covert surveillance and to ensure compliance with the Regulatory of Investigatory Powers Act (2000).

Scrutiny Arrangements

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

Learning and Development

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

A wide range of training is available corporately which is informed from development needs identified in the Individual Performance Appraisal. The Council is committed to leadership development and various courses are available to continue to develop skills and knowledge. A revised leadership development programme will be delivered in 2018/19 based upon the outcomes of the Leadership survey which has been conducted.

An aspiring leadership programme has been delivered but further work is required in relation to succession planning and this will form part of HRs Business Plan for 2018/19.. The attainment of professional qualifications in relevant disciplines is encouraged and the Council is committed to funding studies where appropriate.

Many professionals across the Council maintain continuing professional develop records to ensure they continue to meet the requirements of their professional bodies.

A Workforce Strategy is in place and steps have been taken through the new Business Planning Framework to better align workforce planning with the business plan process. However it is recognised that this is in its infancy.

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

Project Search, the job scheme for young people with learning disabilities also ran for a third year where each of the students learn personal and job skills for a two month period before embarking on work placements to find a suitable job for them.

An induction programme is in place for all elected members. A three year development plan is in place for elected members which helps deliver training to help them fulfil their role. All elected members have a personal development plan which helps to identify training needs.

Partnerships and Joint Working

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

Arrangements are in place for the provision of Shared Services with Fylde Borough Council in a number of areas, the most significant being the Revenues and Benefits Service. Shared arrangements are also in place with Blackpool Teaching Hospital in relation to legal services, governance and emergency planning. The Council is also working jointly with other Fylde Coast authorities on the development of an enterprise zone and other economic prosperity opportunities to improve the local economy.

Where joint working arrangements are not achieving the desired outcomes this is recognised in the pilot phase of the scheme so that other opportunities and delivery models can be identified.

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

In order to strengthen the democratic accountability and due to the increasing number of companies, a Shareholder Advisory Board was appointed in September 2017. This Board, consisting of four councillors meets senior company representatives on a twice yearly basis and helps co-ordinate the work of the

Council and its companies. It advises the shareholder on key strategic performance and helps inform long term development across Blackpool. The Council is looking at the use of wholly owned companies further in the future and this new Board is an important mechanism to ensure any business case adds to the Council delivering its priorities and vision going forward.

In the community @theGrange was developed and launched in the year to provide a hub for community activity in the Grange Park area of Blackpool which is a partnership between the Council and Groundworks. Value for money in the procurement process is also been sought through collaborative tender exercises with other local authorities in the region to achieve economies of scale.

Annual Review of Effectiveness

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

Good Governance Group

A Good Governance Group was established in October 2016 and has led on the review of effectiveness and the production of the Annual Governance Statement to ensure that governance issues identified have subsequently been addressed. This group is chaired by the Director of Governance and Partnerships and attended by the Head of Audit and Risk, Head of Democratic Governance, Transformation Manager, Deputy Head of Legal Services, Head of ICT, Chief Accountant, Equality and Diversity Manager and the Head of Organisation and Workforce Development.

Elected Member Workshop

A workshop was held on the 13th March 2018 with representation from Scrutiny, Audit and Standards Committees and facilitated by the Head of Audit and Risk, Head of Democratic Governance and the Transformation Manager. A representative of the Executive was also consulted as part of the process.

The workshop was based around the principles of good governance and elected members were asked to establish what arrangements are already in place and these have been reflected in the overview of the governance framework included in this report. Elected members were also asked to identify areas for further development and these have been incorporated into the governance issues action plan.

Key Officer Workshop

A workshop was held on the 13th March with key officers involved in governance. This included representatives from the core Good Governance Group and also the Head of Revenues and Exchequer Services, Fairness Commission Manager and Head of Procurement and Projects.

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

Control Self-Assessment Questionnaire

The Corporate Leadership Team was required to complete a control self-assessment questionnaire providing assurance that their directorates were compliant with a number of key controls.

Review of 2016/17 Actions

A summary of the actions completed in 2016/17 can be seen in Appendix 1 and any partially implemented actions have been carried forward into the 2017/18 action plan.

Assurance Statement

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

Issue	Actions	Responsible Officer	Target Date
Code of Conduct and Behaviours	Raise awareness of the whistleblowing policy to officers and elected members through communication and training.	Director of Governance and Partnerships	Before mid-term review
	Review the guidance available for elected members relating to conflict management / intimidation in public office and communicate the support packages available such as training and access to the Employee Assistant Programme.	Director of Governance and Partnerships	After mid-term review
Commitment to Openness, Communication and Consultation	Continue to improve how the Council communicates through the implementation of the recommendations identified in the LGA Peer Review.	Director of Strategy (Assistant Chief Executive)	Before mid-term review
	Continue to deliver the channel shift agenda to improve accessibility to residents and reduce demand on Council resources.	Director of Resources	After mid-term review

Issue	Actions	Responsible Officer	Target Date
	Continue to improve the level of information published on the Council website so that this is readily available.	Director of Governance and Partnerships	After mid-term review
	Undertake a resident's survey to assess how they perceive the Council and use the outcome to inform the future direction of the Council.	Director of Strategy (Assistant Chief Executive)	Before mid-term review
	Develop and roll out a toolkit to services in relation to good practice when undertaking consultation exercises.	Director of Public Health	Before mid-term review
Developing, Communicating and Translating the Vision	Develop a communications plan ready for translating the Council Plan into information which is accessible and interesting to different audiences.	Director of Strategy (Assistant Chief Executive)	After mid-term review
Performance Management	Embed a new performance management framework with outcome based indicators across the Council.	Director of Strategy (Assistant Chief Executive)	Before mid-term review
Roles and Responsibilities	Update the organisational charts to accurately reflect the Senior Leadership Teams roles and responsibilities to assist elected members identify who to contact to seek advice.	Director of Governance and Partnerships	Before mid-term review
Compliance with relevant Laws, Regulations, Internal Policies and Procedures	Ensure that the Council complies, as far as reasonably possible, with the requirements of the General Data Protection Regulations.	Director of Governance and Partnerships	Before mid-term review
	Increase monitoring of the Policy and Strategy Framework to ensure that key documents are refreshed on a timely basis.	Director of Strategy (Assistant Chief Executive)	Before mid-term review

Issue	Actions	Responsible Officer	Target Date
	Assess how to strengthen contract management arrangements across the Council.	Director of Resources	After mid-term review
Risk Management	Undertake an independent review of all service level risk registers to improve the quality of the information contained in the risk registers.	Director of Resources	After mid-term review
	Embed and ensure buy in to the Risk Management Framework 2018/21 across the Council focusing not only of the threats which risks can create but the opportunities that they bring for innovation and transformation.	Director of Resources	After mid-term review
	Enhance how strategic risks are reported to the Audit Committee to enable effective review and challenge and demonstrate to correlation between the strategic risk register and Council strategies and plans.	Director of Resources	Before mid-term review
Scrutiny Arrangements	Deliver the actions arising from the review of the scrutiny function by North West Employers.	Director of Governance and Partnerships	After mid-term review

Issue	Actions	Responsible Officer	Target Date
Learning and Developing	Review methods of training available for elected members through the Member Training Panel and consider the wider use of e-learning, webinars and involvement in training sessions being held for officers.	Director of Governance and Partnerships	After mid-term review
	Increase the robustness of succession plans across the Council.	Chief Executive	Before mid-term review
	Deliver a Leadership Development Programme based on the outcome of the Leadership Survey.	Chief Executive	After mid-term review
	Continue to develop digital skills across the Council to assist in the use of innovation technological solutions to build capacity through the further roll out of new devices and Microsoft 365 and training around cyber skills.	Director of Resources	After mid-term review
Partnership and Joint Working	Consider how elected members can network with other public sector partners at neighbourhood level.	Director of Public Health	After mid-term review
	A Framework for the implementation of shared services and partnership / joint working arrangements will be developed.	Director of Governance and Partnerships	After mid-term review

Conclusion

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

Signed: (Leader of the Council)

Signed (Chief Executive)

Appendix 1 – Actions Completed in 2016/17

- Developed and piloted a new face to face diversity awareness course.
- Developed an Equality Compliance tool and performance scorecard.
- Reviewed the Whistleblowing Policy to ensure that this aligns to best practice, trained names contacts and implemented a central recording system for complaints received.
- The revised ethical principals have been embedded throughout the decision-making processes.
- The Community Orientated Primary Care work has been piloted and rolled out.
- The Fairness Commission has delivered a number of community engagement events throughout the year.
- Elected members have been invited to be part of the Steering Group for the Community Orientated Primary Care work to ensure they are involved in the engagement work in their ward.
- Community Engagement and Fairness Commission awareness sessions have been held with elected members.
- A review of what other Councils are doing in relation to Community Engagement and in particular the Wigan Model which is extremely effective was undertaken.
- The new FYI website is live and makes the relevant links with Blackpool Council's website.
- The Channel Shift Team and Strategic Customer Service Group have been established to deliver the channel shift agenda.
- Embedded the process for reporting and monitoring the success and benefits of the Corporate Delivery Unit.
- The three year planning process implemented via the Business Planning is further evolving to create new Strategic Business Plans linked directly to the Priority Boards and therefore the Council Plan, ensuring that CLT and Councillors have oversight of the key strategic activity being delivered and progress to date.
- There has been a significant amount of work done to develop the Corporate Indicators with CLT and their DMTs. Scrutiny now receives reports on performance relevant to the main agenda to encourage further scrutiny and feedback from members in line with the Forward Plan.
- Peer reviews have taken place with regard to corporate communications and children's services.
- Embedded the Leadership Charter within the Individual Performance Appraisal process.
- The Compliance Calendar has been finalised and rolled-out to all managers.
- The managers 'quick guide' section on the Hub has been developed.
- Two decision making audit reviews were carried out during 2017/18 focusing on the Resources Directorate and Public Health Directorate and illustrated that there were no immediate areas of concern to address.
- Provided an annual update to Audit Committee on the robustness of the arrangements in place to reduce the risk of a cyber threat.
- Implemented an action plan setting out any required process changes under the General Data Protection Regulations which come into force in May 2018 and raised awareness of the new requirements.
- Ensured that 2017/18 savings targets were delivered with reduced resource and significant demand pressures.
- An independent member was appointed to the Audit Committee.
- The Property Risk Management Group was re-established and is meeting quarterly.
- The Risk Management Framework was reviewed approved by CLT and Audit Committee.
- A risk management i-pool course has been developed and launched.
- A number of face to face training sessions relating to business continuity planning were held in the year.
- The Business Continuity Framework was reviewed and approved by CLT and the Audit Committee.
- Identified those staff for which counter fraud training is mandatory and completion rates are being reported to CLT and Audit Committee.

- A leadership survey was undertaken and the results have been analysed and reported to CLT in January the Senior Leadership Team.
- Implemented a robust action plan to ensure that the Council maximises the Apprenticeship Levy.

SECTION 9

GLOSSARY OF TERMS

ACCOUNTING PERIOD

The period of time covered by the accounts; normally a period of twelve months commencing on 1st April. The end of the accounting period is the Balance Sheet date.

ACCOUNTING POLICIES

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

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

Accounting policies do not include estimation techniques.

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

ACCRUALS

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

ACQUIRED OPERATIONS

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

ACTUARIAL GAINS AND LOSSES

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

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

ASSET

An item having value to the Council in monetary terms. Assets are categorised as either current or non-current:

-A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);

-A non-current asset provides benefits to the Council and to the services it provides for a period of more than one year and may be tangible e.g. a library or intangible e.g. computer software licenses.

ASSOCIATE COMPANY

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

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

CAPITAL CHARGE

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

CAPITAL EXPENDITURE

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

CAPITAL RECEIPTS

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

CIPFA

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

CLASS OF NON CURRENT ASSETS

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

Operational assets

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

Non-operational assets

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

COLLECTION FUND

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

COMMUNITY ASSETS

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

CONSISTENCY

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:

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

CORPORATE AND DEMOCRATIC CORE

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

COUNCIL TAX

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

CREDITORS

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

CURRENT ASSETS

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

CURRENT LIABILITIES

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

CURRENT SERVICE COST (PENSIONS)

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

CURTAILMENT

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

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

DEBTORS

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

DEFINED BENEFIT SCHEME

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

DEFINED CONTRIBUTION SCHEME

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

DEPRECIATION

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

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

DISCONTINUED OPERATIONS

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

- the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved.
 - The activities relating to the operations have ceased permanently.
 - The termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations.
 - The assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes..
- Operations not satisfying all these conditions are classified as continuing.

DISCRETIONARY BENEFITS

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

EMOLUMENTS

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

ESTIMATION TECHNIQUES

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

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

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

EXCEPTIONAL ITEMS

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

EXPECTED RATE OF RETURN ON PENSIONS ASSETS

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

EXTRAORDINARY ITEMS

Material items possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur.

FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a non current asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

FINANCIAL YEAR

The Council's financial year runs from the 1st April through to the following 31st March.

FORMULA GRANT

Grant distributed by formula through the local government finance settlement. It comprises Revenue Support Grant and redistributed business rates (NNDR). It is a general subsidy towards council spending and is not ring-fenced for specific services.

GENERAL FUND

The main revenue account of the Council which brings together all income and expenditure other than that recorded in the Housing Revenue Account and the Collection Fund.

HOUSING REVENUE ACCOUNT

A statutory account which local authorities have to maintain if they provide public housing and which includes all income and expenditure relating to the administration and maintenance of council dwellings and related properties.

IMPAIRMENT

A reduction in the value of a fixed asset below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

INFRASTRUCTURE ASSETS

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

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

INTERNATIONAL ACCOUNTING STANDARDS (IAS)

Accounting standards developed by the International Accounting Standards Board that are primarily applicable to general purpose company accounts. These standards are adopted by the CIPFA Code of Practice except where the standards conflict with specific statutory requirements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Financial reporting standards developed by the International Accounting Standards Board.

INVENTORIES

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories: goods or other assets purchased for resale, consumable stores, raw materials and components purchased for incorporation into products for sale, products and services in intermediate stages of completion, long-term contract balances and finished goods.

INVESTMENTS (NON-PENSIONS FUND)

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pensions fund, that do not meet the above criteria should be classified as current assets.

LEA

Local Education Authority – a local authority with the statutory responsibility for securing the provision of education in its area.

MINIMUM REVENUE PROVISION

Minimum revenue provision is the minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

NATIONAL NON-DOMESTIC RATES (NNDR)

A tax levied on business properties and sometimes known as Business Rates. An NNDR poundage is set annually by the Government. Sums based on rateable values are collected by billing authorities and paid into a national pool. The proceeds are then redistributed by central government as a grant to local authorities in proportion to adult population.

NET BOOK VALUE

The amount at which non-current assets are included in the balance sheet, i.e historic cost or current value less the cumulative amounts provided for depreciation.

NET CURRENT REPLACEMENT COST

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NET REALISABLE VALUE

The open market value of an asset in its existing use less the expenses to be incurred in realising the asset.

NON CURRENT ASSETS (previously fixed assets)

Assets that yield benefits to the local authority and the services it provides for a period of more than one year.

OPERATING LEASES

Leases which do not meet the definition of a finance lease, ie where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the property, plant and equipment from the lessor to the lessee, are accounted for as operating leases.

PAST SERVICE COST

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PRIVATE FINANCE INITIATIVE (PFI)

A central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage Authority's participation.

PROVISION

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

PRUDENTIAL CODE FOR CAPITAL FINANCE

The Code was introduced from 1st April 2004. The basic principle of the Code is that local authorities will be free to invest so long as their capital spending plans are affordable, prudent and sustainable. The Code sets out indicators that the authority must use and factors that they must take account to demonstrate that they have fulfilled this objective.

RESERVES

Amounts set aside in the accounts to meet expenditure which the Council may be committed to in future periods, but not allocated to specific liabilities which are certain or very likely to occur.

Earmarked reserves are allocated to a specific purpose or area of spending. Unallocated reserves are often described as balances.

REVENUE ACCOUNT

An account which records all annual running costs and the associated income.

REVENUE EXPENDITURE

Expenditure incurred on the day-to-day running of the Council.

REVENUE SUPPORT GRANT

A central government grant paid to each local authority to help to finance its general expenditure. The distribution of the grant between authorities is intended to allow the provision of similar standards of service throughout the country for a similar council tax levy.

SERVICE REPORTING CODE OF PRACTICE

A code of practice prepared to provide accounting guidance on financial reporting to stakeholders which is designed to enhance the comparability of local authority financial information. The code represents proper accounting practice for the purpose of best value reporting.

SUPPORTED CAPITAL EXPENDITURE (REVENUE) (SCE(R))

Replaces Basic Credit Approvals from 2004/2005 under the Local Government Act 2003. A specific amount of capital expenditure for which the Government will support the borrowing via RSG grant.

WORK IN PROGRESS

The cost of work undertaken up to a specified date on an uncompleted revenue project.

