



**Blackburn with Darwen Council  
Draft Statement of Accounts  
2019/20**

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

I am very pleased to introduce you to Blackburn with Darwen's Statement of Accounts for the financial year 2019/2020. It is intended that these accounts provide a useful source of financial information for the community, stakeholders, Council Members and other interested parties.

This gives me the opportunity to highlight just some of the many excellent achievements of the Council over the course of the last year, which have been delivered in spite of the financial challenges faced, including further funding reductions and the continued rising demand for services, particularly in Children's Services. Despite this, as a Council we remain committed to ensuring we continue to develop, prosper and grow and that we make the borough a better place to live, work and visit.

The Narrative Report provides information about Blackburn with Darwen, its main objectives and strategies and the principal risks that it faces, as well as providing a summary of the financial position as at 31<sup>st</sup> March 2020 and how the Council has used its resources to achieve its desired outcomes in line with those objectives and strategies.

### **THE BOROUGH OF BLACKBURN WITH DARWEN**

#### **Introduction**

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

With over 4,900 businesses, the borough contributes about 9% of the Lancashire business base and is home to the largest number of businesses of the Pennine Lancashire authorities. A range of sectors operate in the borough, including the large public sector local government and health sector employers, Blackburn College and a number of large private sector businesses, which include:

- Crown Paints
- John Lewis supplier Herbert Parkinson
- Graham and Brown wallcoverings
- Euro Garages

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

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

#### **Demographic profile**

In 2016 the population was 148,800, making it the largest borough in Lancashire. The majority of the boroughs residents (in the region of 140, 000 people) live in the towns of Blackburn and Darwen with the

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remaining residents living in the rural villages and hamlets (Hoddlesden, Edgworth, Belmont, Chapel Town and Tockholes) that surround the two major urban centres.

The borough as a whole has a relatively young age profile. It has a higher than average proportion of young people (0-19) compared to the national figure and conversely, a smaller proportion of older people (65 and over). As a multicultural borough, the area is home to many people with diverse ethnicities and identities.

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

### Political structure

Blackburn with Darwen Council is split into 17 wards each represented by 3 councillors, with one third standing for election three years in four. The political make-up of the Council during 2019/20 was as follows:

Party	Number of councillors
Labour	36
Conservative	13
Liberal Democrat	2
Total	51

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

The Executive is the part of the Council which is responsible for most day to day, or operational, decisions. The Leader of the Council appoints members to the Executive Board and determines the allocation of portfolios to Executive Members. The Leader also determines the allocation of any seats to the opposition parties.

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

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

### Management Board responsibilities

Supporting the work of the Councillors is the Management Board which is led by the Chief Executive, Denise Park. The make-up and responsibilities of the Management Board is as follows:

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**CHIEF EXECUTIVE**  
(Head of paid service)

PLACE		RESOURCES			PEOPLE		
Director of Growth & Development	Director of Environment & Operations	Director of Digital & Business Change	Director of Finance & Customer Services	Director of Legal & Governance	Director of Adults & Prevention (Deputising role for Chief Executive)	Director of Public Health & Wellbeing	Director of Children's Services & Education
<ul style="list-style-type: none"> <li>• Growth &amp; development strategies</li> <li>• Planning</li> <li>• Development management</li> <li>• Building control</li> <li>• Traffic &amp; transport</li> <li>• Property &amp; buildings</li> <li>• Carbon management</li> <li>• Town centres</li> <li>• Business centres</li> <li>• Markets</li> </ul>	<ul style="list-style-type: none"> <li>• Civic halls</li> <li>• Environmental services</li> <li>• Waste, refuse collection &amp; recycling</li> <li>• Cemeteries &amp; crematorium</li> <li>• Grounds maintenance</li> <li>• Car parking</li> <li>• Public protection</li> <li>• Private sector housing</li> <li>• Landlord licensing</li> <li>• Highways &amp; network management</li> <li>• Drainage</li> </ul>	<ul style="list-style-type: none"> <li>• Statutory SIRO</li> <li>• Information technology</li> <li>• Information governance digital strategy</li> <li>• Digital First programme</li> <li>• Business analysis</li> <li>• Programme &amp; project management</li> <li>• IT service desk &amp; support</li> <li>• Business support services</li> <li>• RIPA SRO</li> </ul>	<ul style="list-style-type: none"> <li>• S151 Officer</li> <li>• Revenues &amp; benefits</li> <li>• Budget &amp; accounts</li> <li>• Treasury management</li> <li>• VAT</li> <li>• Audit, risk &amp; assurance</li> <li>• Procurement</li> <li>• Customer services</li> <li>• Registrars</li> <li>• Advice services</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring Officer</li> <li>• Standards</li> <li>• Human Resources</li> <li>• Payroll</li> <li>• Organisational development</li> <li>• Health &amp; safety</li> <li>• Legal services</li> <li>• Complaints</li> <li>• Democratic services</li> <li>• Scrutiny</li> <li>• Elections</li> <li>• Mayoralty</li> <li>• School appeals</li> <li>• Civil contingencies</li> </ul>	<ul style="list-style-type: none"> <li>• Statutory DASS</li> <li>• Assessment &amp; care management</li> <li>• Safeguarding</li> <li>• Integrated commissioning</li> <li>• Market oversight – quality &amp; contract monitoring</li> <li>• External social care</li> <li>• Workforce development</li> <li>• Health integration</li> <li>• Demand management &amp; prevention</li> <li>• Community safety</li> <li>• Cohesion &amp; prevent</li> <li>• Adult learning</li> <li>• Housing needs</li> <li>• Asylum seekers</li> </ul>	<ul style="list-style-type: none"> <li>• Statutory DPH</li> <li>• Public health strategy</li> <li>• Public health provision</li> <li>• Link to Public Health England</li> <li>• Health &amp; Wellbeing Board</li> <li>• Support to CCG &amp; wider health system</li> <li>• Health policy &amp; research</li> <li>• Healthwatch</li> <li>• Leisure</li> <li>• Refresh health &amp; wellbeing</li> <li>• Libraries</li> <li>• Museum &amp; arts</li> </ul>	<ul style="list-style-type: none"> <li>• Statutory DCS</li> <li>• Social work</li> <li>• Child protection / safeguarding</li> <li>• Looked after children</li> <li>• Fostering &amp; adoption</li> <li>• Early years / children's centres</li> <li>• Health interface</li> <li>• Youth Offending Team (YOT)</li> <li>• Education services</li> <li>• Schools forum</li> <li>• School improvement</li> <li>• School organisation</li> <li>• Young people's services</li> </ul>

## Staffing

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

The Council employs around 2,175 people in full time and part time roles with around another 1,991 people employed in schools.

## Corporate Plan 2019-2023

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

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

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

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

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

### Priority 1. Supporting young people and raising aspirations

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

We will:

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

### Priority 2. Safeguarding and supporting the most vulnerable people

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

We will:

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

### Priority 3. Reducing health inequalities and improving health outcomes

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

We will:

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

### Priority 4. Connected communities

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

We will:

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

### Priority 5. Safe and clean environment

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

We will:

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

### Priority 6. Strong, growing economy to enable social mobility

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

We will:

- work with our partners to improve productivity through skills, innovation, sector and trade programmes.
- develop and deliver a strategic pipeline of growth programmes attracting investment and generating new economic, housing and infrastructure growth opportunities.
- deliver sustained growth and higher value employment for all our residents as an enabler to social mobility.



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- provide a broad and good quality house choice for all our residents, transforming old housing stock, building new homes and working with private and social landlords to improve the rental market.
- work with partners and investors to secure the Borough regionally and nationally as an investment priority.

### Priority 7. Supporting our town centres and businesses

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

We will:

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

### Priority 8. Transparent and effective organisation

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

We will:

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

## Corporate Plan Performance Summary

To help the Council measure its performance against the eight corporate priorities outlined in the previous section, there are 69 key performance indicators (KPIs). Of the 69 measures, assessment was made as follows as at the end of 2019/20:

- 5% (4 actual) have been forecast as “red” where performance is or is likely to be off track.
- 22% (15 actual) have been forecast as “amber” where delivery is on track and is currently being managed.
- 52% (36 actual) were forecast as “green” or on track.
- 21% (14 actual) of the measures did not have an assessment at the year end.

The number of instances where it has not been possible to report data has increased significantly from the previous year, due to Council resources being diverted to respond to the Coronavirus pandemic.

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

RED	<ul style="list-style-type: none"> <li>The measure is likely to fail or perform poorly in the future</li> <li>The measure falls below a set national target / statutory required performance.</li> <li>The measure may also be below a minimum requirement for the particular service as agreed by the department</li> <li>The lead department perceives there could be a potential serious risk to the Council</li> </ul>
AMBER	<ul style="list-style-type: none"> <li>The measure is at risk of failure, but the lead department feels this is currently being managed</li> <li>Actions are or need to be in place to ensure that the end of year position is achieved</li> </ul>
GREEN	<ul style="list-style-type: none"> <li>The measure is on target/ over performing / over achieving (if departmental target has been set)</li> <li>The lead department perceives there is currently no risk to the council in relation to this measure.</li> </ul>

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

Priority		Total	Red	Amber	Green	Data is currently unavailable
<b>People (27)</b> A good quality of life for all of our residents	P1 – Supporting young people and raising aspirations	<b>6</b>	0	1	1	4
	P2 – Safeguarding and supporting the most vulnerable people	<b>8</b>	0	4	3	1
	P3 – Reducing health inequalities and improving health outcomes	<b>13</b>	1	3	6	3
<b>Place (12)</b> Community pride in a vibrant place to live and visit	P4 – Connected communities	<b>7</b>	0	2	5	0
	P5 – Safe and clean environment	<b>5</b>	0	2	3	0
<b>Economy (14)</b> A strong and inclusive economy with continued growth	P6 – Strong, growing economy to enable social mobility	<b>10</b>	0	0	8	2
	P7 – Supporting our town centres and businesses	<b>4</b>	0	0	4	0
<b>Council (16)</b> Delivered by a strong and resilient council	P8 – Transparent and effective organisation	<b>16</b>	3	3	6	4
<b>Total</b>		<b>69</b>	<b>4</b>	<b>15</b>	<b>36</b>	<b>14</b>
<b>Overall percentage</b>		<b>100%</b>	<b>5%</b>	<b>22%</b>	<b>52%</b>	<b>21%</b>

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

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<b>P3 – Reducing health inequalities and improving health outcomes</b>	<b>Performance Measure: No. 20</b> Increased number of residents referred and discussed at the integrated neighbourhood team (INTs) weekly meeting	<b>Target:</b> Greater than 5% - 194 per quarter <b>Baseline:</b> 740 (2018/19) <b>Performance 2019/20:</b> 640
<b>P8 – Transparent and effective organisation</b>	<b>Performance Measure: No. 60</b> Undisputed and valid supplier invoices paid within 30 days	<b>Target:</b> 100% <b>Baseline:</b> 85% (2018/19) <b>Performance 2019/20:</b> 74%
	<b>Performance Measure: No. 65</b> Achieve a breakeven or underspend against overall portfolio and corporate budgets	<b>Target:</b> Breakeven or underspend <b>Baseline:</b> Breakeven <b>Performance 2019/20:</b> £2.283m overspend across the portfolio budgets.
	<b>Performance Measure: No. 68</b> Reduction in employee absence through sickness	<b>Target:</b> 8 days per annum <b>Baseline:</b> 8.81 days (2018/19) <b>Performance 2019/20:</b> 9 days (8.81 days excluding COVID-19)

A report on the Council’s progress against the Corporate Plan was included on the agenda for the Executive Board meeting held on 11<sup>th</sup> June 2020. Appendix Two to the report outlines the reason for the performance, what the likely impact of continued performance at this level would be and what activities have been or are being put in place to address these issues. It can be found on the Council’s website.

### Response to COVID-19

In response to the COVID-19 pandemic, the Council activated its Corporate Business Continuity Plan and emergency planning protocols in March 2020 and through the Lancashire Resilience Forum (LRF) and working with partners, has responded to the outbreak at pace, working extremely hard to put in place all of the new measures introduced, and the guidance issued by the Government.

HM Treasury announced an unprecedented package of financial measures to try and mitigate the economic impact of the crisis to protect jobs and prevent companies from going into administration during the period.

To manage the emergency the Government made a series of policy announcements, some of which required local authority support to implement to assist residents and businesses, and some of which have had considerable financial and operational impact on the Council, both in the short and longer term.

Working closely with our partners in the Lancashire Resilience Forum (LRF), in the NHS, the local community, the voluntary sector and with care homes over the last couple of months, we have worked at speed to establish and deliver new services, to support the most vulnerable people in our community, to establish new ways of working for our staff and to support our residents, businesses and public services of which just two examples include;

**BwD Help Hub** - operating 7 days per week, providing a range of support to residents, including information and advice and delivering food and essential supplies to people in need, including those who were shielding and vulnerable people who were isolating and had no other means of support. The food operation ceased on 30<sup>th</sup> June and Phase 2 of the Hub now focuses on offering support to promote resilience post crisis.

**Accommodation for rough sleepers** - the Council quickly responded to the Government’s request to urgently accommodate all rough sleepers and has been leading a Pennine Lancashire approach as part of the LRF

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Protect and Care response. This has been built on the back of our existing arrangements with the Salvation Army, expanded to include additional properties alongside the sublet of a hotel in Pendle which has been used to accommodate individuals who are discharged from hospital with no fixed address or who are at risk of homelessness.

### **Reserves, financial performance and financial position**

Some of the Government's initiatives have been supported by additional funding, and the Council has received several government grants;

- Government have provided two tranches of emergency COVID-19 grant funding to Local Government amounting to £3.2 billion, of which Blackburn with Darwen has received £9.297 million.
- In addition, £1.3bn has been provided directly to Clinical Commissioning Groups (CCGs) to support the hospital discharge process with local authorities.
- The Council has also received funding from the Government for which it acts as conduit for onward payment of the funding through to those for whom it is intended, including;
  - £2.2 million of the £500 million Hardship Grant, to provide further Council Tax relief for vulnerable residents (for which each working age Local Council Tax Support (LCTS) recipient will receive a further discount of up to £150);
  - £16.3 million of the additional £1.8 billion of Business Rate Relief provided;
  - £46.4 million of the £12.3 billion Business Rate Grant Support Fund for Small Businesses and the Retail, Leisure and Hospitality sector;
  - £2.2 million of the £617 million made available to support those businesses with ongoing premises costs but who have not met the qualifying criteria for Business Rate Grant Support Fund - this is a Discretionary Scheme and each individual council is required to establish their own, individual scheme, and finally;
  - £1.4 million of the £600 million Care Home Infection Control funding.

Further funding made available to the Council has included;

- £0.131 million of the £50 million fund to support the re-opening of High Streets safely, this grant will be claimed from Government, in arrears, based on actual expenditure incurred;
- £0.385 million through the £225 million emergency active travel fund, comprising both revenue and capital funding;
- £1.4 million of the £300 million additional funding for local authorities to support the new Test and Trace service.

From a cash-flow perspective, the Government has provided support through arrangements including;

- an upfront payment of the compensatory grant in respect of additional Business Rates Relief provided;
- the deferral, until July, of the pay-over of central government's share of Business Rates due;
- Payment in advance of existing social care grants.

The Council has undertaken detailed costing and forecasting to project both the additional expenditure incurred as a result of COVID-19 and the loss of income. This is under constant review and is updated and reported to Members and Management Board. Currently it is projected that the financial impact of COVID-19 will be approximately £28.7 million, which significantly exceeds the initial £9.3 million funding received from the Government to offset the additional expenditure and reduced income.

We will continue to monitor and estimate the costs and loss of income associated with this over the coming months, in the meantime we have put in place arrangements to scrutinise all existing expenditure plans and Executive Members and their Directors continue to work to develop further savings options for consideration.

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## FINANCIAL PERFORMANCE OF THE COUNCIL 2019/20

### Revenue Outturn

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

The Council's proposals for the Revenue Budget 2019/20 and the Medium Term Financial Strategy (MTFS) for 2019-22 were agreed at Finance Council on 25<sup>th</sup> February 2019. The purpose of the MTFS is to set the financial framework for the Council for the medium term to ensure delivery of the Council's strategic objectives and major projects. As 2019/20 was the final year of the government four year finance settlement it was challenging to model a longer term strategy and a significant number of assumptions. The MTFS has therefore been reviewed and updated within this financial context, ensuring that the Council's strategy remains to help support those in hardship whilst encouraging the growth of jobs and businesses.

For 2019/20 the Council approved a revenue budget of £137.345 million. This represented approved net expenditure of £138.704 million (including parish precepts of £183,500) less a contribution from Council reserves of £1.359 million. The final outturn position for the year against the budget is set out by portfolio in the table below, together with the sources of funding.

	Original Estimate £000	Revised Estimate (Qtr 4) £000	Actual Outturn £000	Variation from Revised £000
<b>Net Expenditure</b>				
Adults and prevention services	50,035	49,811	49,523	(288)
Public Health and wellbeing	2,323	1,995	1,829	(166)
Children, young people and education	30,782	30,950	34,615	3,665
Environmental services	8,926	8,795	8,619	(176)
Growth and development	7,705	6,322	6,312	(10)
Digital and customer services	5,526	5,611	5,361	(250)
Finance and governance	10,804	11,142	10,650	(492)
Schools and education (DSG)	(941)	(941)	2,088	3,029
<b>Net portfolio controllable expenditure</b>	<b>115,160</b>	<b>113,685</b>	<b>118,997</b>	<b>5,312</b>
Contribution from schools for prudential borrowing	(650)	(650)	(650)	0
Contribution to capital expenditure	300	1,073	1,073	0
Interest and debt repayment	19,559	17,929	17,787	(142)
Amounts to be allocated / contingencies	4,151	2,897	2,897	0
Parish councils	184	184	184	0
<b>Total net expenditure</b>	<b>138,704</b>	<b>135,118</b>	<b>140,288</b>	<b>5,170</b>
Contribution (from)/to reserves	(1,359)	7,684	2,878	(4,806)
<b>Total net budget</b>	<b>137,345</b>	<b>142,802</b>	<b>143,166</b>	<b>364</b>
<b>Financed by:</b>				
Non-ring fenced Government grants	(53,234)	(58,691)	(59,055)	(364)
Non-domestic rates	(30,843)	(30,843)	(30,843)	0
Council tax	(52,758)	(52,758)	(52,758)	0
Net surplus / (deficit) on Collection Fund	(510)	(510)	(510)	0
<b>Total financing</b>	<b>(137,345)</b>	<b>(142,802)</b>	<b>(143,166)</b>	<b>(364)</b>

## NARRATIVE REPORT 2019/20

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

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

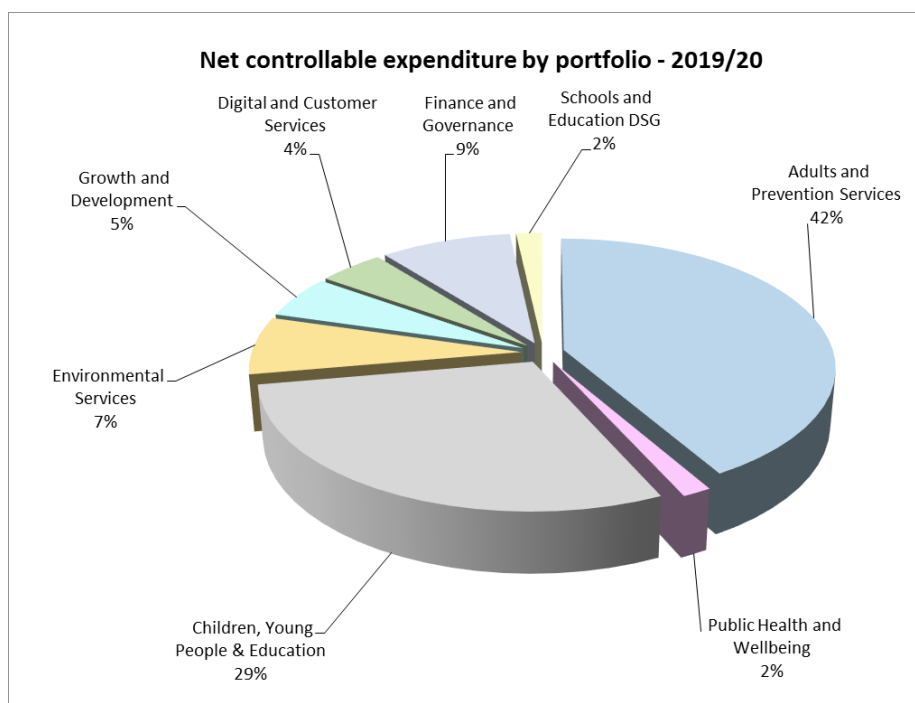
The overall revenue outturn position in respect of portfolio controllable budgets was slightly improved from that reported at the end of December 2019 (Quarter 3). The most significant variance was in relation to Children’s services which had reported significant and growing cost pressures throughout the year due to increased demand, particularly in respect of externally commissioned placements, special guardianship orders and the fostering service. Efforts were made wherever possible to contain these costs and a new Duty and Advice service was introduced in order to manage the “front door” and assessment activity more effectively. This new service has had a positive impact and the numbers of referrals have been reduced significantly, however it will take time before we see fewer numbers of ‘looked after’ children and a resultant reduction in the cost pressures.

Most of the other portfolios presented a more favourable outturn position, having identified actions to mitigate any pressures reported during the year.

Budgets in relation to schools are ring fenced under the heading *Schools and education (DSG)* and funded by Dedicated Schools Grant. The reported deficit of £3.029 million is made up of a reduction across all of the individual school balances of £736,000, and an overspend of £2,293,000 in respect of centrally retained budgets. The majority of the latter is attributable to the High Needs Block and is due to demand pressures in respect of children with Special Educational Needs. The Department for Education (DfES) have invested an additional £2.2 million (12%) into the Council’s High Needs Block in the financial year 2020/21.

In addition to the portfolio position, there were also savings in respect of interest and debt repayment budgets, following further refinancing of the Council’s long-term investment in *Blackburn with Darwen and Bolton Local Education Partnership*.

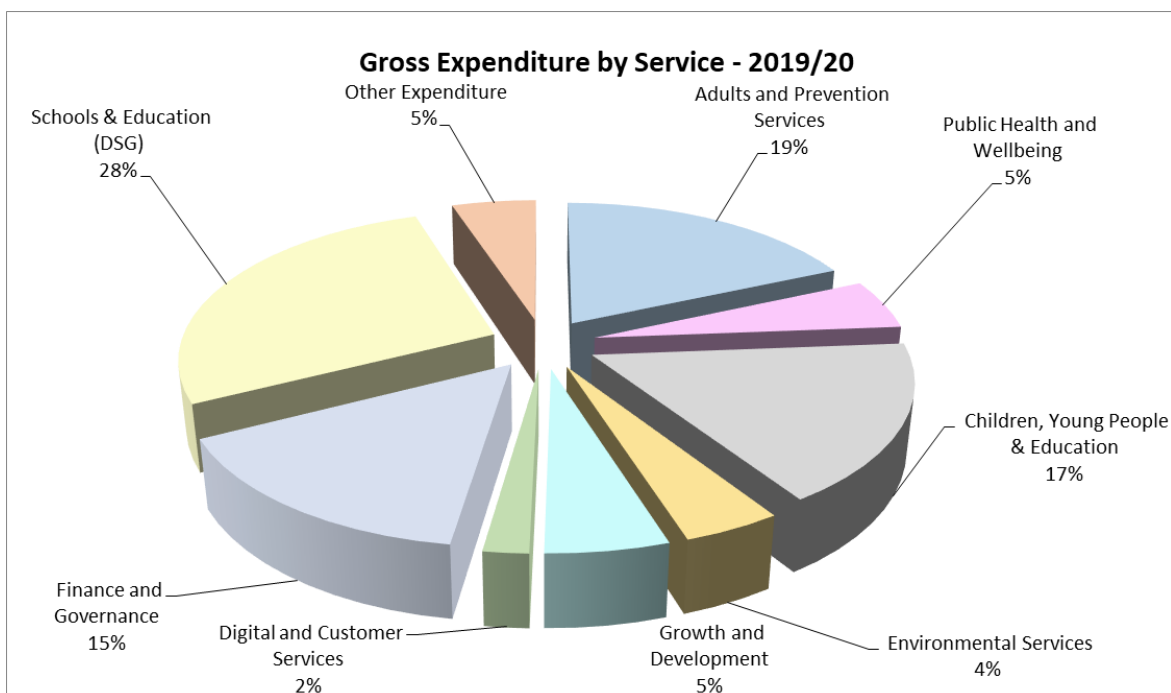
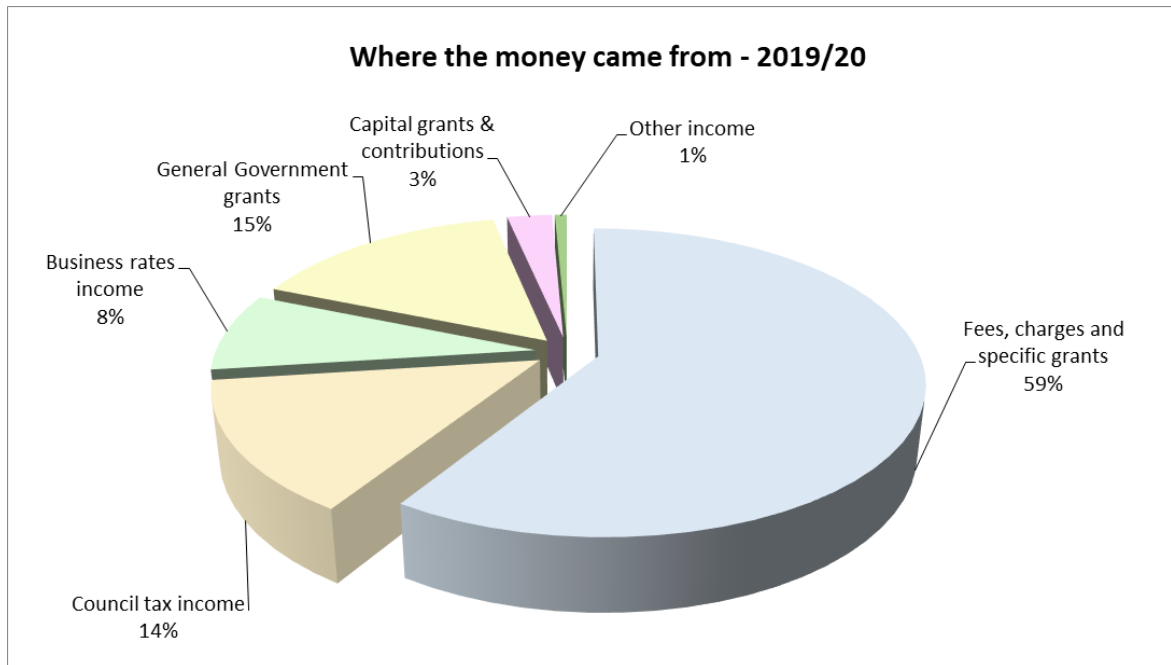
The net controllable expenditure by portfolio (excluding *Schools and education (DSG)*) for 2019/20 is shown in the chart below:



## NARRATIVE REPORT 2019/20

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

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



### Capital Expenditure

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

- Buying or selling land or property

## NARRATIVE REPORT 2019/20

- Building new property
- Purchasing plant or equipment
- Significantly enhancing the value of our existing property
- Providing loans and / or grants to others for the above
- Service and commercial investments made for their contribution toward service delivery objectives

The Council's Capital Programme for the period 2019-2022 was agreed at Finance Council on 25th February 2019.

The approved portfolio capital programme for 2019/20 was £30.618 million although additional approvals in year resulted in a revised programme of £28.941 million. Actual expenditure was £26.136 million which is 90.3% of the revised programme.

	Approved Programme £000	Revised Programme £000	Actual £000	Variation from Revised £000
<b>Capital Expenditure</b>				
Adults and prevention services	1,504	2,214	1,941	(273)
Public Health and wellbeing	0	1,195	1,145	(50)
Children, young people and education	1,765	5,915	2,387	(3,528)
Environmental services	0	143	106	(37)
Growth and development	22,767	17,242	18,672	1,430
Digital and customer services	1,668	1,467	1,403	(64)
Finance and governance	2,914	765	482	(283)
<b>Total capital expenditure</b>	<b>30,618</b>	<b>28,941</b>	<b>26,136</b>	<b>(2,805)</b>
<b>Resources</b>				
Unsupported borrowing	(12,847)	(10,166)	(11,791)	(1,625)
Contributions from revenue	(300)	(1,274)	(1,073)	201
Government grants	(9,893)	(13,945)	(10,076)	3,869
External contributions	(7,578)	(3,556)	(3,196)	360
<b>Total resources</b>	<b>(30,618)</b>	<b>(28,941)</b>	<b>(26,136)</b>	<b>2,805</b>

The total variation at outturn compared to the last report approved by Executive Board is £2.805 million, of which the main components are:

- £3.528 million in relation to the schools capital programme, the majority of which has not yet been allocated to specific schemes and will be carried forward and utilised in 2020/21.
- Growth Deal 3 South East Blackburn – approval was received to increase the scheme by an additional £2.579 million in 2019/20 (and a further £2.181 million in 2020/21).
- A number of schemes were delayed, some due to the COVID-19 pandemic, resulting in them being re-profiled and budgets being carried forward into 2020/21

An overspend on the Darwen Market Square scheme of £0.526 million had been reported in the Quarter 3 Capital Monitoring report, and the additional costs were largely included in the Revised Programme position above. These related to the demolition of the 3 day market; design and project management fees; changes in paving materials due to quarry closure; design changes; replacement of heritage railings; and other highways works. In addition, urgent works to the Market Hall and Annexe to accommodate both relocated and new traders, and creation of a new entrance for the Annexe contributed to the additional spend. Funding from the Local Transport Plan (LTP) and Developers' (\$106) contributions were made available to finance the additional cost, with the remaining £466,000 being met from borrowing.



## NARRATIVE REPORT 2019/20

The major schemes in 2019/20 are listed below together with the sources of financing.

Capital Expenditure	£000
<b>Adults and prevention services</b>	
Disabled facilities grants	1,788
Telecare project	97
<b>Public health and wellbeing</b>	
Witton 3G pitches	1,122
<b>Children, young people and education</b>	
Disabled facilities grants	106
St Barnabas and St Pauls	474
Newfield School ASD	664
Audley Junior - Roofing Works	447
Griffin Park kitchen	154
Meadowhead Infants external works and lighting	121
<b>Environmental services</b>	
Land remediation scheme	80
<b>Growth and development</b>	
Local Transport Plan	2,344
National Productivity Investment Fund - Fabric Borders	1,556
Growth Deal 3 (Pennine Gateways)	6,395
Darwen East Corridor Development	308
Acquisition of Blackamoor Inn	155
Reel Cinema	5,838
Darwen Market Square	678
Blakey Moor	719
<b>Digital and customer services</b>	
Corporate ICT Schemes	1,403
<b>Finance and governance</b>	
Corporate Accommodation Strategy Phase 2	390
<b>Other schemes</b>	
Other schemes	1,297
<b>Total</b>	<b>26,136</b>
<b>Capital Financing</b>	<b>£000</b>
Unsupported borrowing	(11,791)
Contributions from revenue	(1,073)
Government grants and external contributions	(13,272)
<b>Total</b>	<b>(26,136)</b>

## Treasury Management

During 2019/20, the Council's investment balances averaged around £27 million, generally ranging between £15 million and £40 million, apart from a spike from December to March, as the Council took additional short-term borrowing to fund the advance pension prepayment made in April 2020. Investments were generally either kept on call, or for relatively short durations, resulting in low returns. Interest rates on investments fell significantly in March 2020, following the Bank of England Bank Rate cuts, to exceptionally low rates, which are likely to remain for the near future. Interest earned was around £196,000, at an average rate of 0.69%.

Excluding the nominal debt associated with schools Private Finance Initiative (PFI) schemes, the Council's long term debt fell from £156 million to £150 million, with a further £84 million in short-term loans at the end of the year (increased from £41 million a year ago) taking the closing total to £234 million. Interest on financing this debt cost the Council approximately £6.1 million (up from £5.9 million in 2018/19), with another £0.3 million interest cost on the £14.1 million of debt managed on the Council's behalf by Lancashire County Council.

Excluding the schools PFI element, the Council's Capital Financing Requirement (CFR) - the long-term borrowing need to cover capital spending not financed from other sources – rose from £228 million to £231 million. The Council's long-term debt was temporarily £3 million above that CFR position at year end. The Council has continued to use its overall cash position, and cheaper short-term borrowing, to make significant savings in borrowing costs. Interest costs are expected to remain low in the near future, but some increase in the cost of borrowing may arise in future years, adding to budget pressures.

The Council has continued to benefit from lower MRP (Minimum Revenue Provision for debt repayment) following its decision to review its MRP Policy three years ago, with actual MRP costs of £6.5 million (similar to 2018/19, and down from £8.7 million in 2015/16).

## Pension Fund Liability

The pension fund liability at 31 March 2020 as estimated by the fund actuary was £253.1 million compared to £269.2 million at 31 March 2019. This liability represents the underlying commitments that the Council has to pay retirement benefits. The variation between years was due to changing assumptions by the actuary. The liability represents the value at a point in time, and as the fund assets are mainly invested in equities and bonds the value of these and, therefore, the pension liability can vary as market values change.

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

## CONTENT OF THE STATEMENT OF ACCOUNTS

The Statement of Accounts summarises the Council's transactions for the financial year 2019/20 and its position at the year end of 31 March 2020. It has been prepared in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting (the Code) which is based on International Financial Reporting Standards (IFRS).

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

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

## CORE FINANCIAL STATEMENTS

The accounts consist of the following core financial statements supported by explanatory notes and the accounting policies applied by the Council in preparing and presenting those financial statements. An explanation of the purpose of each of the statements is given below.

### Comprehensive Income and Expenditure Statement

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

### Movement in Reserves Statement

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

### Balance Sheet

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

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

### Cash Flow Statement

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

- The amount of net cash flows arising from **operating activities** is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.
- **Investing activities** represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council’s future service delivery.
- Cash flows arising from **financing activities** are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

## Notes to the Financial Statements

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

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

## SUPPLEMENTARY FINANCIAL STATEMENTS

### Collection Fund Statement and Notes

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

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

## ACCOUNTING POLICIES

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

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

Where a change in accounting policy is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always applied. Where this is the case, explanations are provided in respect of any changes being made to the figures presented in the previous year's financial statements.

## STATEMENT OF RESPONSIBILITIES

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

### The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance & Customer Services.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### The Director of Finance & Customer Services' responsibilities

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

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

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

The Director of Finance & Customer Services has also:

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

### Certification of Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council and its income and expenditure for the year ended 31 March 2020.

L Mattinson  
Director of Finance & Customer Services  
Blackburn with Darwen Borough Council  
2<sup>nd</sup> July 2020

## **INDEPENDENT AUDITORS' REPORT**

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

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## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2018/19 (restated)				2019/20		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
73,830	(21,712)	52,118	Adult and prevention services	76,989	(24,862)	52,127
21,508	(20,815)	693	Public health and wellbeing	22,424	(20,789)	1,635
48,931	(5,290)	43,641	Children, young people and education	71,183	(4,983)	66,200
17,732	(6,551)	11,181	Environmental services	17,802	(6,636)	11,166
21,976	(7,810)	14,166	Growth and development	22,156	(7,648)	14,508
8,210	(678)	7,532	Digital and customer services	8,155	(818)	7,337
67,211	(50,735)	16,476	Finance and governance	63,602	(42,857)	20,745
117,063	(120,475)	(3,412)	Schools and education (DSG)	114,587	(117,552)	(2,965)
<b>376,461</b>	<b>(234,066)</b>	<b>142,395</b>	<b>Cost of Services</b>	<b>396,898</b>	<b>(226,145)</b>	<b>170,753</b>
		(203)	Other operating expenditure (Note 4)			2,038
		16,331	Financing and investment income and expenditure (Note 5)			16,579
		(146,262)	Taxation and non-specific grant income (Note 6)			(153,995)
		<b>12,261</b>	<b>(Surplus)/deficit on provision of services</b>			<b>35,375</b>
		(1,420)	(Surplus)/deficit on revaluation of non-current assets (Note 30)			(7,389)
		(2,854)	Re-measurement of the net defined benefit pension liability (Note 31)			(42,461)
		<b>(4,274)</b>	<b>Other comprehensive income and expenditure</b>			<b>(49,850)</b>
		<b>7,987</b>	<b>Total comprehensive income and expenditure</b>			<b>(14,475)</b>

The 2018/19 comparative figures above have been restated to reflect changes in portfolios during 2019/20, as detailed in the table below:

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Statement of Accounts 2018/19					Statement of Accounts 2019/20	
	2018/19 Net Expenditure	Net portfolio change			2018/19 Net Expenditure (restated)	
	£000	£000	£000	£000	£000	
Health and adult social care	45,247	6,871			52,118	Adult and prevention services
		693			693	Public health and wellbeing
Children, young people and education	43,666	(25)			43,641	Children, young people and education
Environment	11,026	155			11,181	Environmental services
Leisure and culture	5,475	(5,475)			0	
Neighbourhood and prevention services	2,173	(2,173)			0	
Regeneration	14,230	(64)			14,166	Growth and development
Resources	23,968	(16,436)			7,532	Digital and customer services
		16,476			16,476	Finance and governance
Schools and education (DSG)	(3,390)	(22)			(3,412)	Schools and education (DSG)
	142,395	0			142,395	

## MOVEMENT IN RESERVES STATEMENT

	General Fund (b) £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves (Note 30) £000	Unusable Reserves (Note 30) £000	Total Reserves £000
<b>Balance at 31 March 2018</b>	<b>(33,956)</b>	<b>0</b>	<b>(7,050)</b>	<b>(41,006)</b>	<b>101,479</b>	<b>60,473</b>
Total comprehensive income and expenditure (a)	12,261	0	0	12,261	(4,274)	7,987
Adjustments between accounting basis and funding basis under regulations (Note 3)	(11,231)	(250)	121	(11,360)	11,360	<b>0</b>
<b>Net (increase)/decrease in year</b>	<b>1,030</b>	<b>(250)</b>	<b>121</b>	<b>901</b>	<b>7,086</b>	<b>7,987</b>
<b>Balance at 31 March 2019</b>	<b>(32,926)</b>	<b>(250)</b>	<b>(6,929)</b>	<b>(40,105)</b>	<b>108,565</b>	<b>68,460</b>
Total comprehensive income and expenditure (a)	35,375	0	0	35,375	(49,850)	(14,475)
Adjustments between accounting basis and funding basis under regulations (Note 3)	(38,253)	250	1,086	(36,917)	36,917	<b>0</b>
<b>Net (increase)/decrease in year</b>	<b>(2,878)</b>	<b>250</b>	<b>1,086</b>	<b>(1,542)</b>	<b>(12,933)</b>	<b>(14,475)</b>
<b>Balance at 31 March 2020</b>	<b>(35,804)</b>	<b>0</b>	<b>(5,843)</b>	<b>(41,647)</b>	<b>95,632</b>	<b>53,985</b>

- a) Total Comprehensive Income and Expenditure from the Comprehensive Income and Expenditure Statement.
- b) The General Fund column amalgamates the Council's Earmarked and Unallocated reserves (Note 30).



## BALANCE SHEET

31 March 2019 £000		Note	31 March 2020 £000
412,891	Property, plant and equipment	13	412,401
19,444	Heritage assets	16	19,444
57	Investment properties	17	50
1,562	Intangible assets	18	1,212
1,262	Long term investments	19	1,252
27,621	Long term debtors	20	27,652
<b>462,837</b>	<b>Long term assets</b>		<b>462,011</b>
6,163	Short term investments	26	38,045
356	Inventories	21	275
20,579	Short term debtors	22	21,078
25,634	Cash and cash equivalents	23	27,099
<b>52,732</b>	<b>Current assets</b>		<b>86,497</b>
(616)	Bank overdraft	23	(1,899)
(63,321)	Short term borrowing	26	(97,079)
(35,410)	Short term creditors	24	(34,213)
(1,766)	Grants received in advance		(115)
<b>(101,113)</b>	<b>Current liabilities</b>		<b>(133,306)</b>
(3,052)	Provisions	25	(2,547)
(137,050)	Long term borrowing	26	(137,815)
(342,814)	Other long term liabilities	27	(328,825)
<b>(482,916)</b>	<b>Long term liabilities</b>		<b>(469,187)</b>
<b>(68,460)</b>	<b>Net assets</b>		<b>(53,985)</b>
(40,105)	Usable reserves	30	(41,647)
108,565	Unusable reserves	30	95,632
<b>68,460</b>	<b>Total reserves</b>		<b>53,985</b>

## CASH FLOW STATEMENT

2018/19 £000		Note	2019/20 £000
(12,261)	Net surplus/(deficit) on the provision of services		(35,375)
37,986	Adjustments to net surplus/deficit on the provision of services for non-cash movements	32	59,909
(15,952)	Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities	32	(14,292)
<b>9,773</b>	<b>Net cash flows from operating activities</b>		<b>10,242</b>
11,219	Investing activities	32	(42,594)
(14,629)	Financing activities	32	32,534
<b>6,363</b>	<b>Net increase/(decrease) in cash or cash equivalents</b>		<b>182</b>
18,655	Cash and cash equivalents at the beginning of the reporting period		25,018
<b>25,018</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>25,200</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 EXPENDITURE AND FUNDING ANALYSIS

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

2018/19 (restated)				2019/20		
Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis (Analysis below)	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis (Analysis below)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
49,012	3,106	52,118	Adults and Prevention Services	49,523	2,604	52,127
2,332	(1,639)	693	Public Health and Wellbeing	1,829	(194)	1,635
31,301	12,340	43,641	Children, young people and education	34,615	31,585	66,200
8,783	2,398	11,181	Environmental services	8,619	2,547	11,166
6,654	7,512	14,166	Growth and Development	6,312	8,196	14,508
5,383	2,149	7,532	Digital and Customer Services	5,361	1,976	7,337
11,193	5,283	16,476	Finance and Governance	10,650	10,095	20,745
(602)	(2,810)	(3,412)	Schools and Education (DSG)	2,088	(5,053)	(2,965)
<b>114,056</b>	<b>28,339</b>	<b>142,395</b>	<b>Cost of Services</b>	<b>118,997</b>	<b>51,756</b>	<b>170,753</b>
(113,026)	(17,108)	(130,134)	Other income and expenditure	(121,875)	(13,503)	(135,378)
<b>1,030</b>	<b>11,231</b>	<b>12,261</b>	<b>(Surplus)/deficit</b>	<b>(2,878)</b>	<b>38,253</b>	<b>35,375</b>

<b>(33,956)</b>			<b>Opening General Fund Balance at 1 April</b>	<b>(32,926)</b>		
1,030			<b>(Surplus)/deficit</b>	(2,878)		
<b>(32,926)</b>			<b>Closing General Fund Balance at 31 March</b>	<b>(35,804)</b>		

The 2018/19 comparative figures above have been restated to reflect changes in portfolios during 2019/20. Further details are included below the Comprehensive Income and Expenditure Statement

## NOTES TO THE FINANCIAL STATEMENTS

<b>2019/20</b> Adjustments between the Funding and Accounting Basis	Adjustments for Capital Purposes (Note 1a) £000	Net change for the Pensions adjustments (Note 1 b) £000	Other Differences (Note 1 c) £000	<b>Total Adjustments £000</b>
Adults and Prevention Services	(6)	1,723	887	2,604
Public Health and Wellbeing	2,372	718	(3,284)	(194)
Children, young people and education	22,105	2,658	6,822	31,585
Environmental services	333	925	1,289	2,547
Growth and Development	6,982	936	278	8,196
Digital and Customer Services	1,023	658	295	1,976
Finance and Governance	(4,091)	11,961	2,225	10,095
Schools and Education (DSG)	0	2,886	(7,939)	(5,053)
<b>Net Cost of Services</b>	<b>28,718</b>	<b>22,465</b>	<b>573</b>	<b>51,756</b>
Other expenditure and income from the Expenditure and Funding Analysis	(15,997)	3,905	(1,411)	(13,503)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>12,721</b>	<b>26,370</b>	<b>(838)</b>	<b>38,253</b>

<b>2018/19 (restated)</b> Adjustments between the Funding and Accounting Basis	Adjustments for Capital Purposes (Note 1a) £000	Net change for the Pensions adjustments (Note 1 b) £000	Other Differences (Note 1 c) £000	<b>Total Adjustments £000</b>
Adults and Prevention Services	443	1,415	1,248	3,106
Public Health and Wellbeing	978	785	(3,402)	(1,639)
Children, young people and education	4,567	2,255	5,518	12,340
Environment	539	781	1,078	2,398
Growth and Development	6,694	656	162	7,512
Digital and Customer Services	1,559	533	57	2,149
Finance and Governance	2,045	1,090	2,148	5,283
Schools and Education (DSG)	0	2,466	(5,276)	(2,810)
<b>Net Cost of Services</b>	<b>16,825</b>	<b>9,981</b>	<b>1,533</b>	<b>28,339</b>
Other expenditure and income from the Expenditure and Funding Analysis	(18,972)	3,816	(1,952)	(17,108)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(2,147)</b>	<b>13,797</b>	<b>(419)</b>	<b>11,231</b>

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2 EXPENDITURE AND INCOME ANALYSED BY NATURE

2018/19			Expenditure/Income	2019/20		
Net Cost of Services	Other expenditure and income	Total		Net Cost of Services	Other expenditure and income	Total
£000	£000	£000		£000	£000	£000
			<b>Expenditure</b>			
157,360	0	157,360	Employee benefits expenses	168,025	0	168,025
203,573	0	203,573	Other services expenses	201,452	0	201,452
15,528	23	15,551	Depreciation, amortisation and impairment	27,421	7	27,428
0	19,186	19,186	Interest payments and other similar charges	0	19,270	19,270
0	248	248	Precepts and levies	0	248	248
0	(451)	(451)	Gain or loss on disposal of non-current assets	0	1,790	1,790
376,461	19,006	395,467	<b>Total expenditure</b>	<b>396,898</b>	<b>21,315</b>	<b>418,213</b>
			<b>Income</b>			
(39,592)	(6)	(39,598)	Fees, charges and other service income	(39,269)	(6)	(39,275)
0	(2,872)	(2,872)	Interest and investment income	0	(2,692)	(2,692)
0	(71,063)	(71,063)	Income from Council Tax and Non-Domestic Rates	0	(84,744)	(84,744)
(194,474)	(75,199)	(269,673)	Government grants and other contributions	(186,876)	(69,251)	(256,127)
(234,066)	(149,140)	(383,206)	<b>Total income</b>	<b>(226,145)</b>	<b>(156,693)</b>	<b>(382,838)</b>
<b>142,395</b>	<b>(130,134)</b>	<b>12,261</b>	<b>Surplus or Deficit on the Provision of Services</b>	<b>170,753</b>	<b>(135,378)</b>	<b>35,375</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 3 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

Adjustments in 2019/20	Usable Reserves			Unusable Reserves
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	£000
Depreciation, impairment and revaluation losses of non-current assets (charged to the surplus or deficit on the provision of services)	(26,908)	0	0	26,908
Movements in the fair value of investment properties	(7)	0	0	7
Amortisation of intangible assets	(513)	0	0	513
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	12,186	0	(3,036)	(9,150)
Revenue expenditure funded from capital under statute (REFCUS)	(3,288)	0	0	3,288
Net gain or (loss) on sale or de-recognition of non-current assets	(1,790)	(1,866)	0	3,656
Statutory provision for repayment of debt	6,526	0	0	(6,526)
Capital expenditure charged to the General Fund balance	1,073	0	0	(1,073)
Use of the capital receipts reserve - set aside to reduce the net indebtedness of the Council	0	2,116	0	(2,116)
Use of grants and contributions received in prior year to finance new capital expenditure	0	0	4,122	(4,122)
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash	(2)	0	0	2
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	58	0	0	(58)
Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS19) are different from the contributions due under the pension scheme regulations	(26,370)	0	0	26,370
Amount by which council tax income and non-domestic rate income included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	634	0	0	(634)
Amount by which officer remuneration calculated in accordance with the Code (i.e. including an accrual for holiday pay) is different from amounts payable in the year in accordance with relevant statutory provisions	148	0	0	(148)
<b>Total adjustments</b>	<b>(38,253)</b>	<b>250</b>	<b>1,086</b>	<b>(36,917)</b>

## NOTES TO THE FINANCIAL STATEMENTS

Comparative adjustments in 2018/19	Usable Reserves			Unusable Reserves
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	£000
Depreciation, impairment and revaluation losses of non-current assets (charged to the surplus or deficit on the provision of services)	(14,670)	0	0	14,670
Movements in the fair value of investment properties	(23)	0	0	23
Amortisation of intangible assets	(858)	0	0	858
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	13,000	0	(3,241)	(9,759)
Revenue expenditure funded from capital under statute (REFCUS)	(2,605)	0	0	2,605
Net gain or (loss) on sale or de-recognition of non-current assets	451	(2,962)	0	2,511
Statutory provision for repayment of debt	6,163	0	0	(6,163)
Capital expenditure charged to the General Fund balance	689	0	0	(689)
Use of the capital receipts reserve - set aside to reduce the net indebtedness of the Council	0	2,712	0	(2,712)
Use of grants and contributions received in prior year to finance new capital expenditure	0	0	3,362	(3,362)
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash	(1)	0	0	1
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	57	0	0	(57)
Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS19) are different from the contributions due under the pension scheme regulations	(13,797)	0	0	13,797
Amount by which council tax income and non-domestic rate income included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	1,173	0	0	(1,173)
Amount by which officer remuneration calculated in accordance with the Code (i.e. including an accrual for holiday pay) is different from amounts payable in the year in accordance with relevant statutory provisions	(810)	0	0	810
<b>Total adjustments</b>	<b>(11,231)</b>	<b>(250)</b>	<b>121</b>	<b>11,360</b>

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

#### 4 OTHER OPERATING EXPENDITURE

2018/19 £000		2019/20 £000
184	Parish council funding	183
64	Levies	65
(451)	(Gains)/losses on the disposal of non-current assets	1,790
<b>(203)</b>	<b>Total</b>	<b>2,038</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 5 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2018/19 £000		2019/20 £000
12,473	Interest and other similar charges	12,468
6,713	Pensions net interest and administration costs	6,802
(2,872)	Interest receivable and similar income	(2,692)
17	Income and expenditure in relation to investment properties and changes in their fair value	1
<b>16,331</b>	<b>Total</b>	<b>16,579</b>

### 6 TAXATION AND NON-SPECIFIC GRANT INCOME

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

2018/19 £000		2019/20 £000
(63,506)	Non-ring fenced Government grants	(59,056)
(11,693)	Capital grants and contributions	(10,195)
<b>(75,199)</b>	<b>Total non-specific grant income</b>	<b>(69,251)</b>
(50,481)	Council tax income	(53,115)
(20,582)	Non-domestic rates income	(31,629)
<b>(146,262)</b>	<b>Total</b>	<b>(153,995)</b>

For 2019/20 Blackburn with Darwen Council, joined with 13 of the other 14 councils across Lancashire to form a 75% Business Rates Retention (BRR) Pool Pilot. As a condition of the pilot model, Revenue Support Grant (RSG) was foregone in favour of retention of an increase in the level of Business Rates retained locally from 50% to 75%.

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

#### Non-ring fenced Government grants

2018/19 £000		2019/20 £000
(17,837)	Revenue support grant	0
(23,499)	Top-up grant (business rates retention scheme)	(27,209)
(4,210)	Compensation for loss of business rates income	(6,685)
(1,228)	New Homes Bonus grant	(941)
(768)	Housing Benefits and Local Council Tax Support administration grant	(707)
(8,471)	Private finance initiative (PFI) revenue grant	(8,471)
(5,901)	Improved Better Care Fund	(7,339)
(1,242)	Social Care grant	(2,070)
0	COVID-19 Support grant	(5,212)
(350)	Other	(422)
<b>(63,506)</b>	<b>Total</b>	<b>(59,056)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Capital grants and contributions

2018/19 £000		2019/20 £000
(1,540)	Education capital	(1,546)
(5,111)	Transport	(4,489)
(688)	Other Government grants	(165)
(4,354)	Other contributions	(3,995)
<b>(11,693)</b>	<b>Total</b>	<b>(10,195)</b>

### 7 GRANT INCOME AND CONTRIBUTIONS CREDITED TO COST OF SERVICES

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

2018/19 £000		2019/20 £000
(103,614)	Dedicated schools grant	(100,091)
(6,530)	Pupil premium grant	(6,233)
(14,827)	Public health grant	(14,435)
(44,009)	Rent allowances / Rent rebate subsidy and Discretionary housing payments (DHP)	(37,677)
(10,510)	Other government grants	(14,047)
(1,825)	Contributions from other local authorities	(1,579)
(7,793)	Contributions from other public sector bodies	(6,716)
(4,059)	Other contributions	(4,107)
(1,307)	Funding of REFCUS expenditure from grants and contributions	(1,991)
<b>(194,474)</b>	<b>Total</b>	<b>(186,876)</b>

### Dedicated Schools Grant

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

The Schools Budget includes elements for a range of educational services provided on an authority wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2018/19 and 2019/20 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2018/19 before academy and high needs recoupment			<b>(154,008)</b>
Academy and high needs figure recouped for 2018/19			<b>50,394</b>
<b>Total DSG after academy and high needs recoupment for 2018/19</b>			<b>(103,614)</b>
Brought forward from 2017/18			<b>(8,731)</b>
<b>Final budgeted distribution for 2018/19</b>	<b>(28,424)</b>	<b>(83,921)</b>	<b>(112,345)</b>
Actual central expenditure relating to DSG	21,234	0	<b>21,234</b>

## NOTES TO THE FINANCIAL STATEMENTS

Actual ISB deployed to schools	0	84,118	<b>84,118</b>
<b>Carry forward to 2019/20</b>	<b>(7,190)</b>	<b>197</b>	<b>(6,993)</b>
Final DSG for 2019/20 before academy and high needs recoupment			<b>(155,175)</b>
Academy and high needs figure recouped for 2019/20			<b>55,084</b>
<b>Total DSG after academy and high needs recoupment for 2019/20</b>			<b>(100,091)</b>
Brought forward from 2018/19			<b>(6,993)</b>
<b>Agreed initial budgeted distribution in 2019/20</b>	<b>(40,747)</b>	<b>(66,337)</b>	<b>(107,084)</b>
In year adjustments	860	0	860
<b>Final budgeted distribution for 2019/20</b>	<b>(39,887)</b>	<b>(66,337)</b>	<b>(106,224)</b>
Actual central expenditure relating to DSG	36,046	0	<b>36,046</b>
Actual ISB deployed to schools	0	66,337	<b>66,337</b>
<b>Carry forward to 2020/21</b>	<b>(3,841)</b>	<b>0</b>	<b>(3,841)</b>

## 8 OFFICERS' REMUNERATION

The Council is required to disclose remuneration for all employees earning over £50,000 with additional disclosures for senior officers. The number of other employees whose remuneration, excluding pension contributions, exceeded £50,000 during the year is set out in the following tables. The total of 184 includes 112 teachers (170 including 110 teachers in 2018/19).

No of Employees 2018/19	Remuneration Banding	No of Employees 2019/20
56	50,000 to 54,999	61
48	55,000 to 59,999	45
30	60,000 to 64,999	34
23	65,000 to 69,999	21
4	70,000 to 74,999	12
3	75,000 to 79,999	4
1	80,000 to 84,999	2
0	85,000 to 89,999	1
0	90,000 to 94,999	0
2	95,000 to 99,999	0
0	100,000 to 104,999	1
1	105,000 to 109,999	2
1	110,000 to 114,999	1
1	115,000 to 119,999	0
<b>170</b>	<b>Total</b>	<b>184</b>

## NOTES TO THE FINANCIAL STATEMENTS

The following tables provide an analysis by job title of the remuneration and employer's pension scheme contributions in respect of senior officers, which includes the Council's Chief Executive and all Chief Officers who report directly to the Chief Executive, for 2019/20 and 2018/19. These posts are in addition to those included in the previous table.

### 2019/20

Post holder	Note	Salary, Fees and Allowances £000	Benefits in Kind £000	Compensation for Loss of Office £000	Total Remuneration excluding Pension Contributions £000	Pension Contribution £000	Total Remuneration including Pension Contribution £000
Chief Executive – Head of Paid Service – Denise Park	1	155	0	0	155	21	176
Former Chief Executive - Harry Catherall	2	13	0	130	143	2	145
Director of Adults & Prevention		112	0	0	112	17	129
Director of Public Health & Wellbeing		115	0	0	115	17	132
Director of Children's Services & Education		113	0	0	113	17	130
Director of Environment & Operations		98	0	0	98	14	112
Director of Finance & Customer Services		95	1	0	96	14	110
Director of HR, Legal & Governance	1	103	0	0	103	15	118
Director of Digital & Business Change		94	0	0	94	14	108
Director of Growth & Development		98	0	0	98	14	112
Growth Programme Director		114	1	0	115	17	132

1. The government determines and funds the election fees for Returning Officers that are related to election duties for National, European and Police and Crime Commissioner Elections and these are subject to full reimbursement and paid to officers as appropriate. The fees for Local Elections are based on a County wide formula.
2. The former Chief Executive left the Council's employment with effect from 30 April 2019.

## NOTES TO THE FINANCIAL STATEMENTS

**2018/19**

Post holder	Note	Salary, Fees and Allowances £000	Benefits in Kind £000	Compensation for Loss of Office £000	Total Remuneration excluding Pension Contributions £000	Pension Contribution £000	Total Remuneration including Pension Contribution £000
Chief Executive – Head of Paid Service - Harry Catherall	1	159	0	0	159	21	<b>180</b>
Deputy Chief Executive – Denise Park	1	133	0	0	133	18	<b>151</b>
Director of Adults & Prevention		104	0	0	104	14	<b>118</b>
Director of Public Health & Wellbeing		119	0	0	119	17	<b>136</b>
Director of Children’s Services	2	37	0	0	37	5	<b>42</b>
Director of Children’s Services & Education	2	76	0	0	76	10	<b>86</b>
Director of Environment & Operations		96	0	0	96	13	<b>109</b>
Director of Finance & Customer Services		94	0	0	94	13	<b>107</b>
Director of HR, Legal & Corporate Services	1	96	0	0	96	12	<b>108</b>
Director of Digital & Business Change	3	72	0	0	72	10	<b>82</b>
Director of Growth & Development	4	24	0	0	24	3	<b>27</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

### Termination benefits

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

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

Banding	No. Compulsory Redundancies		No. Other Exit Packages		Total Number		Total Cost £000	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
0 to 20,000	42	7	77	56	119	63	578	360
20,001 to 40,000	3	2	5	2	8	4	226	86
40,001 to 60,000	1	0	1	0	2	0	88	0
60,001 to 80,000	0	0	0	0	0	0	0	0
80,001 to 100,000	1	0	1	0	2	0	187	0
100,001 to 150,000	0	0	1	0	1	0	130	0
<b>Total</b>	<b>47</b>	<b>9</b>	<b>85</b>	<b>58</b>	<b>132</b>	<b>67</b>	<b>1,209</b>	<b>446</b>

The total cost of termination benefits for 2019/20 shown in the table above includes £24,121 for exit packages that have been charged to the Council's comprehensive Income and Expenditure Account but relate to individuals that left prior to 31 March 2019.

### 9 MEMBERS' ALLOWANCES

2018/19 £000		2019/20 £000
559	Allowances payable to Members	579
5	Expenses payable to Members	3
<b>564</b>	<b>Total</b>	<b>582</b>

### 10 EXTERNAL AUDIT COSTS

The Council incurred the following fees relating to external audit.

2018/19 £000		2019/20 £000
83	Fees incurred with regard to external audit services provided by Grant Thornton	85
8	Fees incurred for the certification of grant claims and returns by Grant Thornton	10
0	Fees incurred for other audit work undertaken by Grant Thornton	0
<b>91</b>	<b>Total</b>	<b>95</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

### 11 TRADING OPERATIONS

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

2018/19 £000		2019/20 £000
(1,323)	Turnover	(1,369)
2,263	Expenditure	2,741
940	(Surplus)/deficit	1,372

### 12 EVENTS AFTER THE BALANCE SHEET DATE

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

As described in the Narrative Report, the direct financial impact to the Council of its response to the coronavirus pandemic will be reflected in the 2020/21 accounts. However, this global event has impacted financial markets in many sectors, resulting in an unprecedented set of circumstances on which to base the various judgements reflected in the 2019/20 accounting statements, including valuations for the Council's property and financial assets, and its share of the Pension Fund assets and liabilities.

### 13 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### Property, plant and equipment - movements in 2019/20

	Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total	PFI Assets included in property, plant and equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>								
<b>At 1 April 2019</b>	<b>248,967</b>	<b>30,029</b>	<b>171,993</b>	<b>7,509</b>	<b>11,170</b>	<b>12,371</b>	<b>482,039</b>	<b>23,569</b>
Additions	2,446	499	2,027	0	24	17,982	22,978	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	783	0	0	0	0	0	783	(300)
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(22,860)	0	0	0	4,809	0	(18,051)	(20,399)
Derecognition / disposals	(3,338)	(922)	0	0	(569)	0	(4,829)	0
Assets reclassified	1,468	60	4,962	0	7	(6,840)	(343)	299
Other movements	0	0	0	0	0	(383)	(383)	0
<b>At 31 March 2020</b>	<b>227,466</b>	<b>29,666</b>	<b>178,982</b>	<b>7,509</b>	<b>15,441</b>	<b>23,130</b>	<b>482,194</b>	<b>3,169</b>
<b>Accumulated depreciation</b>								
<b>At 1 April 2019</b>	<b>(14,202)</b>	<b>(17,253)</b>	<b>(37,692)</b>	<b>0</b>	<b>(1)</b>	<b>0</b>	<b>(69,148)</b>	<b>(4,375)</b>
Depreciation charge	(4,345)	(1,616)	(5,652)	0	(1)	0	(11,614)	(196)
Depreciation written out to the Revaluation Reserve	6,606	0	0	0	0	0	6,606	0
Depreciation written out to the surplus/deficit on the provision of services	2,757	0	0	0	0	0	2,757	1,402
Derecognition / disposals	438	824	0	0	1	0	1,263	0
Assets reclassified	343	0	0	0	0	0	343	0
Other movements	0	0	0	0	0	0	0	0
<b>At 31 March 2020</b>	<b>(8,403)</b>	<b>(18,045)</b>	<b>(43,344)</b>	<b>0</b>	<b>(1)</b>	<b>0</b>	<b>(69,793)</b>	<b>(3,169)</b>
<b>Net book value</b>								
<b>At 1 April 2019</b>	<b>234,765</b>	<b>12,776</b>	<b>134,301</b>	<b>7,509</b>	<b>11,169</b>	<b>12,371</b>	<b>412,891</b>	<b>19,194</b>
<b>At 31 March 2020</b>	<b>219,063</b>	<b>11,621</b>	<b>135,638</b>	<b>7,509</b>	<b>15,440</b>	<b>23,130</b>	<b>412,401</b>	<b>0</b>



## NOTES TO THE FINANCIAL STATEMENTS

### Property, plant and equipment - comparative movements in 2018/19

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

## NOTES TO THE FINANCIAL STATEMENTS

### Property, plant and equipment revaluations

	Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infra-structure	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	25	29,666	178,982	7,509	0	23,130	239,312
Valued at current value (fair value for surplus assets) at:							
2019/2020	115,523	0	0	0	15,441	0	130,964
2018/2019	40,001	0	0	0	0	0	40,001
2017/2018	18,813	0	0	0	0	0	18,813
2016/2017	24,794	0	0	0	0	0	24,794
2015/2016	28,310	0	0	0	0	0	28,310
<b>Total cost or valuation</b>	<b>227,466</b>	<b>29,666</b>	<b>178,982</b>	<b>7,509</b>	<b>15,441</b>	<b>23,130</b>	<b>482,194</b>

### Revaluation losses / (gains)

For 2019/20, revaluation decreases / (increases) recognised in the surplus or deficit on the provision of services include the following items at or in excess of £1 million.

Property	£000
Blackburn Central High School with Crosshill – following transfer to academy status, this asset is now recognised on the Council’s Balance sheet at a value of £1	20,399
Higher House Farm	(4,500)

### Surplus Assets – Fair Value Hierarchy

Details of the authority’s surplus assets and information about the fair value hierarchy as at 31 March 2020 and 2019 are as follows:

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2020
	£000	£000	£000	£000
Residential land	0	14,606	0	14,606
Office units	0	90	0	90
Retail	0	745	0	745
<b>Total</b>	<b>0</b>	<b>15,441</b>	<b>0</b>	<b>15,441</b>

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2019
	£000	£000	£000	£000
Residential land	0	10,135	0	10,135
Office units	0	935	0	935
Retail	0	99	0	99
<b>Total</b>	<b>0</b>	<b>11,169</b>	<b>0</b>	<b>11,169</b>

### Transfers between Levels of the Fair Value Hierarchy

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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

## 14 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

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

31 March 2019 £000		31 March 2020 £000
299,860	<b>Opening capital financing requirement</b>	297,594
	<b>Capital investment</b>	
17,456	Property, plant and equipment	22,978
178	Intangible assets	243
2,275	Revenue expenditure funded from capital under statute	2,905
510	Capital investments / loans	10
<b>20,419</b>	<b>Total capital investment</b>	<b>26,136</b>
	<b>Sources of finance</b>	
(2,712)	Capital receipts – set aside to reduce net indebtedness	(2,116)
(13,121)	Government grants and other contributions	(13,272)
	<b>Sums set aside from revenue:</b>	
(689)	Direct revenue contributions	(1,073)
(6,163)	Minimum revenue provision (MRP) for debt repayment	(6,526)
<b>297,594</b>	<b>Closing capital financing requirement</b>	<b>300,743</b>
	<b>Explanation of movement in year</b>	
(2,266)	Increase / (reduction) in underlying need to borrow (unsupported by Government financial assistance)	(3,149)
<b>(2,266)</b>	<b>Total movement</b>	<b>(3,149)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Capital Commitments

At 31 March 2020 the Council had entered into numerous contracts for the construction or enhancement of property, plant and equipment in 2020/21 or future years. The most significant of these is:

- Blackburn Cinema – an ongoing development in Blackburn town centre comprising a cinema, undercroft car parking and terracing - £2.693 million

### 15 SCHOOLS ASSETS

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

#### Schools on the Council's Balance Sheet

31 March 2019			31 March 2020	
Number of Schools	Value of Land and Buildings £000		Number of Schools	Value of Land and Buildings £000
20	67,196	Community schools (excluding PFI schools)	20	67,944
1	2,230	Foundation schools (excluding PFI schools)	1	2,230
2	19,493	Community and foundation schools subject to PFI contracts	0	0
1	3,772	Pupil referral units (PRU)	1	4,003
<b>24</b>	<b>92,691</b>	<b>Total</b>	<b>22</b>	<b>74,177</b>

#### Schools off the Council's Balance Sheet

2018/19 £000		2019/20 £000
14	Academy	16
0	Foundation	0
5	Free	5
25	Voluntary aided	25
4	Voluntary controlled	4
<b>48</b>	<b>Total</b>	<b>50</b>

There have been academy conversions during the financial year 2019/20, in relation to the following schools:

- Blackburn Central High School
- Crosshill Special School

The Building Schools for Future programme included the construction and operation of four schools under PFI contracts. Initially, the assets for all four community and foundation schools subject to PFI contracts were shown on the Council's Balance Sheet together with the related liability. Subsequently all four of the schools, Pleckgate, Witton Park and Blackburn Central High Schools, and Crosshill Special School, have converted to academy status. The assets relating to these four schools have been removed from the

## NOTES TO THE FINANCIAL STATEMENTS

Council's Balance Sheet however the PFI liabilities for all PFI schools remain on as the Council is the party to the contract with the PFI operator.

The Council receives grant funding from Central Government to cover the capital cost of the PFI liability. There is a formal agreement with the Academy Trust to cover the shortfall between the full liability and the grant, therefore, there is no change in the nature of the existing liability and hence no adjustments were made in 2019/20. Should there be changes in Government policy or the status or viability of the Academies in the future that impact on how the existing guarantees operate, the accounting policy will be reviewed and amended if necessary. Based on current information and projections of pupil numbers no changes are likely over the short to medium term.

### 16 HERITAGE ASSETS

Heritage assets are non-current assets held principally for their contribution to knowledge and culture. In particular such assets increase the understanding and appreciation of the Council's history and that of the local area.

	Civic Regalia and Other artefacts	Art Collections (including public/street art)	Manuscripts and Books	Total Heritage Assets
	£000	£000	£000	£000
<b>Cost or valuation</b>				
<b>At 31 March 2019</b>	259	8,215	10,970	19,444
Net gains/(losses) from fair value adjustments	0	0	0	0
<b>At 31 March 2020</b>	259	8,215	10,970	19,444

There have been no additions or disposals during the year and the values remain unchanged from 2018/19. Individual items valued at £25,000 or more are included at insurance valuation, which is based on market values.

#### Civic regalia and other artefacts

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

#### Manuscripts and books

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

#### Art collections

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

### 17 INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement:

2018/19 £000		2019/20 £000
(6)	Rental income from investment property	(6)
23	Changes in the fair value of investment property	7
<b>17</b>	<b>Net (gain)/loss</b>	<b>1</b>

## NOTES TO THE FINANCIAL STATEMENTS

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

2018/19 £000		2019/20 £000
80	<b>Balance at 1 April</b>	57
(23)	Net gains/(losses) from fair value adjustments	(7)
0	Transfer to Property, Plant & Equipment	0
57	<b>Balance at 31 March</b>	50

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

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

## 18 INTANGIBLE ASSETS

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

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

2018/19 £000		2019/20 £000
	<b>Gross carrying amount</b>	
2,832	Balance at 1 April	3,438
178	Purchases	243
428	Assets reclassified from assets under construction	0
0	Disposals	(606)
3,438	<b>Balance at 31 March</b>	3,075
	<b>Accumulated amortisation</b>	
(1,018)	Balance at 1 April	(1,876)
(858)	Amortisation	(513)
0	Disposals	526
0	Other movements in amortisation	0
(1,876)	<b>Balance at 31 March</b>	(1,863)
	<b>Net carrying amount</b>	
1,814	Balance at 1 April	1,562
1,562	<b>Balance at 31 March</b>	1,212

## NOTES TO THE FINANCIAL STATEMENTS

### 19 LONG TERM INVESTMENTS

31 March 2019 £000		31 March 2020 £000
712	Blackburn with Darwen and Bolton Local Education Partnership	702
500	Joint Venture Development Company	500
50	Local Capital Finance Company Plc	50
<b>1,262</b>	<b>Total</b>	<b>1,252</b>

### 20 LONG TERM DEBTORS

31 March 2019 £000		31 March 2020 £000
26,275	Shopping centre lease	26,273
957	Nursing/residential property charges	972
363	Loan to Lancashire County Developments Limited	380
10	Car loans to Council employees	0
5	Cycle scheme loans to Council employees	4
10	Property Refurbishment loans	19
1	Other loans	4
<b>27,621</b>	<b>Total</b>	<b>27,652</b>

### 21 INVENTORIES

2018/19 £000		2019/20 £000
<b>302</b>	<b>Balance at 1 April</b>	<b>355</b>
1,236	Purchases	1,119
(1,186)	Recognised as an expense in the year	(1,195)
3	Written off / reversal of prior year write-offs	(4)
<b>355</b>	<b>Balance at 31 March</b>	<b>275</b>

### 22 SHORT TERM DEBTORS

31 March 2019 £000		31 March 2020 £000
	<b>Debtors classed as Financial Instruments</b>	
10,526	Trade receivables	12,256
(2,602)	Impairment allowance	(3,622)
<b>7,924</b>		<b>8,634</b>
	<b>Debtors not classed as Financial Instruments</b>	
10,624	Council tax	11,890
1,400	Non-domestic rates	2,424
687	Payments in advance	1,855

## NOTES TO THE FINANCIAL STATEMENTS

12,159	Other receivables	9,962
	Impairment allowance:	
(8,474)	Council tax	(9,441)
(901)	Non-domestic rates	(1,606)
(2,840)	Overpaid housing benefit	(2,640)
<b>20,579</b>	<b>Total</b>	<b>21,078</b>

### 23 CASH AND CASH EQUIVALENTS

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

31 March 2019 £000		31 March 2020 £000
57	Cash held by the Council	35
6,548	Bank current accounts	7,530
19,029	Short term deposits with banks and building societies	19,534
<b>25,634</b>	<b>Total</b>	<b>27,099</b>
(616)	Bank overdraft	(1,899)
<b>25,018</b>	<b>Total</b>	<b>25,200</b>

### 24 SHORT TERM CREDITORS

31 March 2019 £000		31 March 2020 £000
	<b>Creditors classed as Financial Instruments</b>	
(18,829)	Trade payables	(18,049)
(1,717)	Other payables – PFI arrangement	(1,811)
<b>(20,546)</b>		<b>(19,860)</b>
	<b>Creditors not classed as Financial Instruments</b>	
(1,007)	Council tax	(1,231)
(260)	Non-domestic rates	(300)
(2,391)	Receipts in advance	(6,354)
(11,206)	Other payables	(6,468)
<b>(35,410)</b>	<b>Total</b>	<b>(34,213)</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 25 PROVISIONS

	Non-domestic Rates Appeals  £000	Insurance Claims  £000	Municipal Mutual Insurance Limited (MMI) £000	Other Provisions  £000	Total  £000
<b>Balance at 1 April 2019</b>	<b>(1,673)</b>	<b>(655)</b>	<b>(324)</b>	<b>(400)</b>	<b>(3,052)</b>
Additional provisions made	(561)	(429)	0	0	(990)
Amounts used	1,470	182	4	0	1,656
Unused amounts reversed	0	275	0	400	675
Other adjustment	(836)	0	0	0	(836)
<b>Balance at 31 March 2020</b>	<b>(1,600)</b>	<b>(627)</b>	<b>(320)</b>	<b>0</b>	<b>(2,547)</b>

Further details of the individual provisions are shown below.

Provision	
Non-domestic rates appeals	<p>The Council, as Billing Authority for the Blackburn with Darwen area, is required to make provisions for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. The total provision is calculated by the Billing Authority on behalf of the major preceptors (Lancashire Combined Fire Authority, Central Government and the Council). The amount appearing in the Balance Sheet has been adjusted to include only the Council's share of the provision.</p> <p>A further adjustment reflects the impact of a change in the Council's share from 49% to 73.5% for 2019/20, due to it joining with 13 of the other 14 councils across Lancashire to form a 75% Business Rates Retention (BRR) Pool Pilot.</p>
insurance claims	Funds are set aside to cover liability claims in respect of highways third party liability, vehicle insurance, employer's liability, public liability and buildings insurance claims which are below the insurance excess and self-insured limit.
Municipal Mutual Insurance Limited (MMI)	Provision in respect of MMI for costs due to be paid under the Scheme of Arrangement for managing the outstanding liabilities resulting from claims being made.
Other Provisions	A provision had been set aside to meet any potential future liabilities in respect of the aftercare costs for closed landfill sites within the Borough for which the Council has responsibility. As resources included in the capital programme to fund ongoing remediation measures are deemed to be sufficient the provision is no longer required.

### 26 FINANCIAL INSTRUMENTS

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

#### Financial assets - balances

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

## NOTES TO THE FINANCIAL STATEMENTS

**Amortised cost**, comprising:

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

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

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

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

31 March 2019 £000			Category	31 March 2020 £000		
Long term	Short term	Total		Long term	Short term	Total
1,262	6,000	<b>7,262</b>	Loans and receivables - investments (principal)	1,252	38,000	<b>39,252</b>
0	163	<b>163</b>	Accrued interest on the above	0	45	<b>45</b>
<b>1,262</b>	<b>6,163</b>	<b>7,425</b>	<b>Total investments</b>	<b>1,252</b>	<b>38,045</b>	<b>39,297</b>
0	6,069	<b>6,069</b>	Loans and receivables - cash and cash equivalents (including bank accounts)	0	5,578	<b>5,578</b>
0	2	<b>2</b>	Accrued interest on the above	0	0	<b>0</b>
0	12,950	<b>12,950</b>	Available for sale assets - cash and cash equivalents (Money Market Funds)	0	13,950	<b>13,950</b>
0	8	<b>8</b>	Accrued interest on the above	0	6	<b>6</b>
<b>0</b>	<b>19,029</b>	<b>19,029</b>	<b>Total cash and cash equivalents</b>	<b>0</b>	<b>19,534</b>	<b>19,534</b>
26,275	0	<b>26,275</b>	Shopping centre lease - long term debtor	26,273	0	<b>26,273</b>
1,346	10,526	<b>11,872</b>	Other trade receivables	1,379	12,256	<b>13,635</b>
0	(2,602)	<b>(2,602)</b>	Loss allowance against trade receivables	0	(3,622)	<b>(3,622)</b>
<b>27,621</b>	<b>7,924</b>	<b>35,545</b>	<b>Total trade receivables</b>	<b>27,652</b>	<b>8,634</b>	<b>36,286</b>
<b>28,883</b>	<b>33,116</b>	<b>61,999</b>	<b>Total financial assets</b>	<b>28,904</b>	<b>66,213</b>	<b>95,117</b>

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

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

- long-term loans from the Public Works Loan Board (PWLB)
- short-term loans from other local authorities
- bank overdraft
- lease payables, detailed in Note 29
- Private Finance Initiative (PFI) contracts, detailed in Note 28
- trade payables for goods and services received

## NOTES TO THE FINANCIAL STATEMENTS

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

31 March 2019 £000			Category	31 March 2020 £000		
Long term	Short term	Total		Long term	Short term	Total
(136,904)	(60,361)	<b>(197,265)</b>	Principal sum borrowed	(137,670)	(60,361)	<b>(198,031)</b>
0	(2,720)	<b>(2,720)</b>	Accrued interest	0	(2,720)	<b>(2,720)</b>
(147)	(240)	<b>(387)</b>	Effective interest rate (EIR) adjustments **	(145)	(233)	<b>(378)</b>
<b>(137,051)</b>	<b>(63,321)</b>	<b>(200,372)</b>	<b>Total borrowing</b>	<b>(137,815)</b>	<b>(63,314)</b>	<b>(201,129)</b>
0	(616)	<b>(616)</b>	Bank overdraft	0	(1,899)	<b>(1,899)</b>
(63,414)	(1,717)	<b>(65,131)</b>	PFI arrangements	(61,603)	(1,811)	<b>(63,414)</b>
0	(18,829)	<b>(18,829)</b>	Trade payables	0	(18,049)	<b>(18,049)</b>
<b>(200,465)</b>	<b>(84,483)</b>	<b>(284,948)</b>	<b>Total financial liabilities</b>	<b>(199,418)</b>	<b>(85,073)</b>	<b>(284,491)</b>

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

### Financial instruments - gains and losses

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

2018/19					2019/20			
Financial Liabilities at amortised cost £000	Financial Assets at amortised cost £000	Financial Assets at fair value through profit & loss £000	Total £000		Financial Liabilities at amortised cost £000	Financial Assets at amortised cost £000	Financial Assets at fair value through profit & loss £000	Total £000
6,230	0	0	6,230	Interest on PFI payments	6,057	0	0	6,057
6,243	0	0	6,243	Interest on loans	6,411	0	0	6,411
<b>12,473</b>	<b>0</b>	<b>0</b>	<b>12,473</b>	<b>Total expense</b>	<b>12,468</b>	<b>0</b>	<b>0</b>	<b>12,468</b>
0	(1,445)	0	<b>(1,445)</b>	Shopping centre lease interest	0	(1,445)	0	<b>(1,445)</b>
0	(314)	(42)	<b>(356)</b>	Other interest	0	(140)	(92)	<b>(232)</b>
0	(1,071)	0	<b>(1,071)</b>	Dividend income	0	(1,015)	0	<b>(1,015)</b>
<b>0</b>	<b>(2,830)</b>	<b>(42)</b>	<b>(2,872)</b>	<b>Total income</b>	<b>0</b>	<b>(2,600)</b>	<b>(92)</b>	<b>(2,692)</b>
<b>12,473</b>	<b>(2,830)</b>	<b>(42)</b>	<b>9,601</b>	<b>Net impact on surplus / deficit on provision of services</b>	<b>12,468</b>	<b>(2,600)</b>	<b>(92)</b>	<b>9,776</b>

### Fair value of financial instruments

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

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at of the instrument at 31 March 2020, using the following methods and assumptions:

## NOTES TO THE FINANCIAL STATEMENTS

- Loans taken by the Council, including PWLB loans, have been valued at market rates reflecting local authority credit-worthiness.
- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lenders’ options to propose an increase to the interest rate on the loan have been valued according to a standard commercial model. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of PFI scheme liabilities were prepared by discounting the contractual cash flows (excluding service charges) at the appropriate AA corporate bond yield.
- For the shopping centre lease debtor, the £26.273 million carrying value on the Balance Sheet was based on discounting the anticipated net income stream at the interest rate implicit in the lease. The fair values were prepared by discounting the same income at the long term gilt yield plus a credit risk margin.
- The fair values of other long-term loans and investments were estimated using market rates for similar instruments with similar remaining terms to maturity.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.
- No early repayment or impairment is recognised for any financial instrument.

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

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

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

31 March 2019			Fair value level	Financial Assets	31 March 2020		
Carrying Value	Fair Value	Difference			Carrying Value	Fair Value	Difference
£000	£000	£000		£000	£000	£000	
26,275	53,524	27,249	2	Shopping centre lease long term debtor	26,273	71,982	45,709
(140,382)	(178,103)	(37,721)	2	PWLB loans	(131,652)	(170,694)	(39,042)
(18,618)	(27,158)	(8,540)	2	Market loans (some with call options)	(18,613)	(27,905)	(9,292)
(265)	(265)	0	2	Other stock	(265)	(265)	0
(41,106)	(41,106)	0	2	Short term borrowing	(84,126)	(84,128)	(2)
<b>(200,371)</b>	<b>(246,632)</b>	<b>(46,261)</b>		<b>Total Borrowing</b>	<b>(234,656)</b>	<b>(282,992)</b>	<b>(48,336)</b>
(65,130)	(112,202)	(47,072)	2	PFI liabilities	(63,414)	(101,844)	(38,430)

## NOTES TO THE FINANCIAL STATEMENTS

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

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

### Risks arising from financial instruments

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

The main risks are:

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

#### Credit risk

#### Investments

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

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

- high rated money market funds – instant access (upper limit £5 million per fund)
- credit rated banks and building societies – limits ranging from minimum rating A- (limits £3 million and 4 months) to minimum rating AA (limits £5 million and 9 months)
- the Council's current bank (minimum BBB) or unrated building societies (maximum £1 million and 4 months), both subject to additional credit-worthiness assessments
- deposits with other local authorities (limits £5 million and 364 days)
- deposits with the Government's Debt Management Office (no limit)

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

## NOTES TO THE FINANCIAL STATEMENTS

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

31 March 2019 £000	Investment Portfolio	31 March 2020 £000
	<b>Short term investments</b>	
0	Debt Management Office	0
5,000	Other local authorities	38,000
0	A rated banks/building societies	0
1,000	Low rated building societies	0000
<b>6,000</b>	<b>Total short term investments</b>	<b>38,000</b>
	<b>Short term deposits with banks and building societies</b>	
12,950	AAA rated Money Market Funds	13,950
2,500	AA- rated bank	0
2,975	A+ rated bank	3,001
0	A rated bank	0
50	Council's own current account bank	2,502
<b>18,475</b>	<b>Total short term deposits</b>	<b>19,453</b>

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

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

### Trade receivables

Credit risk for trade receivables is managed in various ways. Risk on lease income is mitigated by legal ownership of the assets leased, with the option to repossess in the event of debtor default. Arrears are managed by encouraging payment by direct debit and taking recovery action in respect of arrears that do arise. The Council nonetheless recognises the risk of exposure to non-payment and makes provision accordingly, as shown in the following table:

31 March 2019 £000			31 March 2020 £000	
Value of debt	Provision		Value of debt	Provision
10,526	(2,602)	Trade receivables	12,256	(3,662)

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

31 March 2019 £000	Aged of Debt	31 March 2020 £000
5,892	Less than 3 months	7,228
1,301	3 – 12 months	1,195
1,673	1 to 2 years	1,300
1,660	Over 2 years	2,533
<b>10,526</b>	<b>Total</b>	<b>12,256</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Liquidity risk

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

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

The maturity analysis of principal sums borrowed is as follows:

31 March 2019 £000		31 March 2020 £000
(63,229)	Under 1 year	(97,079)
<b>(63,229)</b>	<b>Total short term borrowing</b>	<b>(97,079)</b>
(4,234)	Maturing in 1 to 2 years	(3,890)
(10,804)	Maturing in 3 to 5 years	(22,098)
(37,264)	Maturing in 6 to 10 years	(33,952)
(84,841)	Maturing in more than 10 years	(77,875)
<b>(137,143)</b>	<b>Total long term borrowing</b>	<b>(137,815)</b>
<b>(200,372)</b>	<b>Total borrowing</b>	<b>(234,894)</b>

*The Council has £13 million of "Lender's Option, Borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council would then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, it is likely that these options will not be taken up, but the above table assumes they may be taken at the first call option date.*

### Market risk

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

In 2019/20, if interest rates had been 1% higher with all other variables held constant the financial effect would have been:

	2019/20 £000
Interest gained on investments	(285)
Increased cost of borrowing	424
<b>Impact on Comprehensive Income and Expenditure Statement</b>	<b>139</b>

A 1% change in interest rates would also impact on the fair value of fixed rate investments and borrowings, which can be considered by varying the discount rates used in their estimation. In the case of the fair values of investments this would remain relatively immaterial. It would be more significant for the fair value of borrowings where a 1% increase in rates would decrease the fair value by over £32.5 million. A decrease in rates would correspondingly increase the fair value of borrowings. This would not impact on either surplus or deficit on the provision of services or the Movement in Reserves Statement.

## 27 OTHER LONG TERM LIABILITIES

31 March 2019 £000		31 March 2020 £000
(264,662)	Pension scheme liability *	(253,074)
(14,738)	Council's share of debt administered by Lancashire County Council under local Government reorganisation regulations	(14,148)
(63,414)	Building schools for the future PFI liability	(61,603)
<b>(342,814)</b>	<b>Total</b>	<b>(328,825)</b>

## 28 PRIVATE FINANCE INITIATIVE (PFI)

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

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

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

All four of those schools have subsequently converted to academy status, and the assets are no longer recognised in the Council's Balance Sheet, although the PFI liability continues to be reported as the obligation to pay remains with the Council.

During recent years, the Council has been approached by the PFI Company's financial advisers to consider a proposal for the refinancing of Blackburn with Darwen's senior debt within the PFI deals of the two PFI agreements. The refinancing in relation to the Phase 1 and Phase 2 agreements was completed during 2018/19 and 2019/20 respectively and has resulted in the Council receiving a share of the refinancing gains.

The Council makes an agreed annual payment which is increased by inflation each year. Payments remaining to be made under the PFI contract at 31 March 2020 are as follows:



## NOTES TO THE FINANCIAL STATEMENTS

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
<b>Phase 1 - Pleckgate school</b>				
Payment in 2020/21	(928)	(617)	(2,459)	(4,004)
Payment within 2 to 5 years	(3,377)	(3,503)	(9,135)	(16,015)
Payment within 6 to 10 years	(4,766)	(6,158)	(9,095)	(20,019)
Payment within 11 to 15 years	(5,178)	(9,428)	(5,414)	(20,020)
Payment within 16 to 20 years	(1,295)	(3,608)	(773)	(5,676)
<b>Total Phase 1</b>	<b>(15,544)</b>	<b>(23,314)</b>	<b>(26,876)</b>	<b>(65,734)</b>
<b>Phase 2 - Witton Park / Blackburn Central with Crosshill schools</b>				
Payment in 2020/21	(1,634)	(1,194)	(3,203)	(6,031)
Payment within 2 to 5 years	(6,503)	(5,773)	(11,848)	(24,124)
Payment within 6 to 10 years	(7,987)	(10,390)	(11,778)	(30,155)
Payment within 11 to 15 years	(8,690)	(14,149)	(7,316)	(30,155)
Payment within 16 to 20 years	(4,398)	(8,594)	(1,655)	(14,647)
<b>Total Phase 2</b>	<b>(29,212)</b>	<b>(40,100)</b>	<b>(35,800)</b>	<b>(105,112)</b>
<b>Total</b>	<b>(44,756)</b>	<b>(63,414)</b>	<b>(62,676)</b>	<b>(170,846)</b>

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

	Phase 1 £000	Phase 2 £000	Total
<b>Balance outstanding at 31 March 2019</b>	<b>(23,859)</b>	<b>(41,271)</b>	<b>(65,130)</b>
Payments during the year	545	1,171	1,716
<b>Balance outstanding at 31 March 2020</b>	<b>(23,314)</b>	<b>(40,100)</b>	<b>(63,414)</b>

## 29 LEASES

### Council as Lessee

#### Operating Leases

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

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

31 March 2019 £000		31 March 2020 £000
1,320	Not later than one year	1,862
4,303	Later than one year and not later than 5 years	5,743
17,725	Later than 5 years	22,122
<b>23,348</b>	<b>Total</b>	<b>29,727</b>

## NOTES TO THE FINANCIAL STATEMENTS

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

31 March 2019 £000		31 March 2020 £000
1,720	Minimum lease payments	1,874
309	Contingent rents	172
<b>2,029</b>	<b>Total</b>	<b>2,046</b>

### Council as Lessor

#### Finance Leases

The Council leases out land in respect of the shopping centre under a finance lease with a remaining term of 123 years.

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

31 March 2019 £000		31 March 2020 £000
26,275	Finance lease debtor (net present value of minimum lease payments)	26,273
153,154	Unearned finance income	151,708
<b>179,429</b>	<b>Gross investment in the lease</b>	<b>177,981</b>

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

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

31 March 2019			31 March 2020	
Gross Investment £000	Minimum Lease Payments £000		Gross Investment £000	Minimum Lease Payments £000
1,447	2	Not later than one year	1,447	2
5,788	9	Later than one year and not later than 5 years	5,788	9
172,194	26,264	Later than 5 years	170,746	26,262
<b>179,429</b>	<b>26,275</b>	<b>Total</b>	<b>177,981</b>	<b>26,273</b>

#### Operating Leases

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

## NOTES TO THE FINANCIAL STATEMENTS

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

31 March 2019 £000		31 March 2020 £000
(2,326)	Not later than one year	(2,241)
(7,476)	Later than one year and not later than 5 years	(6,568)
(53,536)	Later than 5 years	(60,962)
<b>(63,338)</b>	<b>Total</b>	<b>(69,771)</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20 income generated from leases was £2,841,000 with £1,816,000 of contingent rents receivable by the Council (£2,498,000 and £1,430,600 respectively in 2018/19).

### 30 RESERVES

#### Usable reserves

The Council sets aside specific amounts as reserves for future policy purposes (earmarked reserves) or to cover contingencies (unallocated balances). Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no charge against council tax for the expenditure. This note sets out the amounts set aside from the General Fund in its usable reserves to provide financing for future spending plans and the amounts posted back from usable reserves to meet general fund expenditure in 2018/19 and 2019/20.

## NOTES TO THE FINANCIAL STATEMENTS

	Balance at 31 March 2018 £000	Transfers out 2018/19 £000	Transfers in 2018/19 £000	Balance at 31 March 2019 £000	Transfers out 2019/20 £000	Transfers in 2019/20 £000	Balance at 31 March 2020 £000
<b>Earmarked reserves</b>							
<b>Reserves held for discretionary use by the Council</b>							
Welfare, council tax and business rate reforms	(268)	90	0	(178)	15	0	(163)
Investments in assets and infrastructure	(1,169)	75	(19)	(1,113)	108	(71)	(1,076)
Other resources and transformation projects	(228)	2	(105)	(331)	0	(210)	(541)
Support for people services	(2,924)	151	(1,693)	(4,466)	2,320	(1,193)	(3,339)
Town centre, special events and economic development	(619)	0	0	(619)	50	0	(569)
Contingent sums to support future downsizing and transformation (including redundancy and pension strain costs)	(3,768)	888	0	(2,880)	276	0	(2,604)
Amounts carried forward in respect of unspent grants and contributions	(1,838)	1,183	(1,598)	(2,253)	1,739	(7,451)	(7,965)
Other amounts committed in future years budgets	(203)	121	(205)	(287)	109	(167)	(345)
Reserves held for specified purposes	(2,090)	489	(735)	(2,336)	1,395	(1,608)	(2,549)
<b>Total earmarked reserves for discretionary purposes</b>	<b>(13,107)</b>	<b>2,999</b>	<b>(4,355)</b>	<b>(14,463)</b>	<b>6,012</b>	<b>(10,700)</b>	<b>(19,151)</b>
<b>Details of other earmarked reserves</b>							
Reserves held in respect of joint arrangements and charitable bodies	(411)	9	(14)	(416)	58	(7)	(365)
Reserves held in relation to schools	(8,731)	1,738	0	(6,993)	2,293	860	(3,840)
LMS schools balances	(5,652)	501	0	(5,151)	736	(860)	(5,275)
<b>Total of non-discretionary reserves</b>	<b>(14,794)</b>	<b>2,248</b>	<b>(14)</b>	<b>(12,560)</b>	<b>3,087</b>	<b>(7)</b>	<b>(9,480)</b>
<b>Total earmarked reserves</b>	<b>(27,901)</b>	<b>5,247</b>	<b>(4,369)</b>	<b>(27,023)</b>	<b>9,099</b>	<b>(10,707)</b>	<b>(28,631)</b>
<b>Unallocated reserves</b>	<b>(6,055)</b>	<b>3,553</b>	<b>(3,401)</b>	<b>(5,903)</b>	<b>4,759</b>	<b>(6,029)</b>	<b>(7,173)</b>
<b>Capital receipts reserve</b>	<b>0</b>	<b>2,712</b>	<b>(2,962)</b>	<b>(250)</b>	<b>2,116</b>	<b>(1,866)</b>	<b>0</b>
<b>Capital grants unapplied</b>	<b>(7,050)</b>	<b>13,121</b>	<b>(13,000)</b>	<b>(6,929)</b>	<b>13,272</b>	<b>(12,186)</b>	<b>(5,843)</b>
<b>Total Council usable reserves</b>	<b>(41,006)</b>	<b>24,633</b>	<b>(23,732)</b>	<b>(40,105)</b>	<b>29,246</b>	<b>(30,788)</b>	<b>(41,647)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Unusable reserves

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

31 March 2019 £000		31 March 2020 £000
(84,241)	Revaluation Reserve	(89,704)
(53,389)	Capital Adjustment Account	(43,930)
1,868	Financial Instruments Adjustment Account	1,810
(26,275)	Deferred Capital Receipts Reserve	(26,273)
269,165	Pensions Reserve	253,074
(1,414)	Collection Fund Adjustment Account	(2,048)
2,851	Accumulated Absences Adjustment Account	2,703
<b>108,565</b>	<b>Total</b>	<b>95,632</b>

### Revaluation Reserve

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

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

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

2018/19 £000		2019/20 £000
<b>(84,809)</b>	<b>Balance at 1 April</b>	<b>(84,241)</b>
(6,758)	Upward revaluation of assets	(10,322)
5,338	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	2,933
<b>(1,420)</b>	<b>(Surplus) or deficit on the revaluation of non-current assets not posted to the surplus or deficit on the provision of services</b>	<b>(7,389)</b>
902	Difference between fair value depreciation and historical cost depreciation	911
1,086	Accumulated gains on assets sold or scrapped	1,015
<b>1,988</b>	<b>Amount written off to the capital adjustment account</b>	<b>1,926</b>
<b>(84,241)</b>	<b>Balance at 31 March</b>	<b>(89,704)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Capital Adjustment Account

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

The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2018/19 £000		2019/20 £000
(49,383)	<b>Balance at 1 April</b>	(53,389)
	<b>Reversal of items relating to capital expenditure charged to the Comprehensive Income and Expenditure Statement</b>	
11,900	Charges for depreciation and impairment of non-current assets	11,614
2,770	Revaluation losses on property, plant and equipment	15,294
858	Amortisation of intangible assets	513
2,605	Revenue expenditure funded from capital under statute	3,288
2,511	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal calculation	3,656
(1,988)	Adjusting amount written out of the Revaluation Reserve	(1,926)
<b>18,656</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>32,439</b>
	<b>Capital financing applied in the year</b>	
(2,712)	Use of the capital receipts reserve to finance new capital expenditure or set aside to reduce the net indebtedness of the Council	(2,116)
(9,759)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(9,150)
(3,362)	Application of grants to capital financing from the Capital Grants Unapplied Account	(4,122)
(6,163)	Statutory provision for the financing of capital investment charged against the General Fund	(6,526)
(689)	Capital expenditure charged against the General Fund	(1,073)
23	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	7
<b>(53,389)</b>	<b>Balance at 31 March</b>	<b>(43,930)</b>

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council uses the Financial Instruments Adjustment Account to manage premiums paid on the early redemption of loans. Premiums are initially debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund balance to the Financial

## NOTES TO THE FINANCIAL STATEMENTS

Instruments Adjustment Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on council tax. Similarly, further statutory provisions allow the “effective” interest rate charges in respect of soft loans and stepped interest loans to be reversed out of the General Fund balance to the Financial Instruments Adjustment Account.

2018/19 £000		2019/20 £000
1,925	<b>Balance at 1 April</b>	<b>1,868</b>
(33)	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(33)
	<b>Effective interest rate adjustments in respect of:</b>	
(16)	Soft loans	(17)
(8)	Stepped loan rates	(8)
(57)	<b>Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance cost chargeable in the year in accordance with statutory requirements</b>	<b>(58)</b>
<b>1,868</b>	<b>Balance at 31 March</b>	<b>1,810</b>

### Deferred Capital Receipts Reserve

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

2018/19 £000		2019/20 £000
(26,276)	<b>Balance at 1 April</b>	<b>(26,275)</b>
1	Transfer to the capital receipts reserve upon receipt of cash	2
<b>(26,275)</b>	<b>Balance at 31 March</b>	<b>(26,273)</b>

### Pensions Reserve

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

The debit balance on the Pensions Reserve, therefore, shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

## NOTES TO THE FINANCIAL STATEMENTS

2018/19 £000		2019/20 £000
258,222	<b>Balance at 1 April</b>	269,165
(2,854)	Remeasurement of the net defined benefit liability	(42,461)
13,797	Amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under the pension scheme regulations.	26,370
269,165	<b>Balance at 31 March</b>	253,074

### Collection Fund Adjustment Account

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

2018/19 £000		2019/20 £000
(241)	<b>Balance at 1 April</b>	(1,414)
(1,173)	Amount by which the council tax income and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement differs to the amount calculated in accordance with statutory requirements	(634)
(1,414)	<b>Balance at 31 March</b>	(2,048)

### Accumulated Absences Adjustment Account

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

2018/19 £000		2019/20 £000
2,041	<b>Balance at 1 April</b>	2,851
(2,041)	Settlement of cancellation of accrual made at the end of the preceding year	(2,851)
2,851	Amounts accrued at the end of the current year	2,703
810	<b>Amount by which remuneration charge to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements</b>	(148)
2,851	<b>Balance at 31 March</b>	2,703



## 31 POST-EMPLOYMENT BENEFITS

### Pension Schemes accounted for as defined contribution schemes

#### Teachers' pension scheme

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

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

In 2019/20, the Council paid £6,987,612 (£5,881,948 in 2018/19) to the Teachers Pensions Agency in respect of teachers' retirement benefits. The percentage of pensionable pay increased to 23.68% from September 2019 (16.48% in 2018/19).

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

#### National Health Service (NHS) pension scheme

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

In 2019/20, the Council paid £47,911 (£76,020 in 2018/19) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.38% (14.38% in 2018/19) of pensionable pay. During 2019/20, the Council was notified of an increase in the contribution rate to 20.68% with effect from 1<sup>st</sup> April 2019. It was agreed that Government would fund the unforeseen element of the increase (3.8%) with the foreseen costs being met by a 2.5% increase in employers' contributions. The transitional arrangements for 2019/20 are that employers in the scheme continue to pay the existing rate of 14.38% under their normal arrangements, with the additional cost being recouped by way of twice yearly invoices. For Blackburn with Darwen Council these additional costs totalled £8,329 for 2019/20.

#### Defined benefit pension schemes

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

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

The Lancashire County Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension costs, liabilities and funding risks relating to its own employees and former

## NOTES TO THE FINANCIAL STATEMENTS

employees. Each employer's contributions to the Fund are calculated in accordance with the LGPS Regulations, which require an actuarial valuation to be carried out every 3 years.

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

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

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

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

For the next three year period, commencing 1<sup>st</sup> April 2020, it has been agreed that the Council will take advantage of a discount offered for early payment of both the three year deficit amount and the (monthly) employer contributions in relation to current staff who are members of the LGPS. A payment of just over £38 million was made in April 2020, which will result in a net saving, after accounting for interest on borrowing, of approximately £1.5 million across the 3 year period.

### **Discretionary benefits**

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

### **Transactions in relation to post-employment benefits**

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

## NOTES TO THE FINANCIAL STATEMENTS

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of services</b>				
Current service cost	20,910	23,698	0	0
Past service cost	0	10,928	0	0
(Gain)/loss from settlements and curtailments	291	85	0	0
<b>Financing and Investment Income and Expenditure</b>				
Net Interest expense and administration costs	6,530	6,635	183	167
<b>Total post-employment benefit charged to the surplus or deficit on the provision of services</b>	<b>27,731</b>	<b>41,346</b>	<b>183</b>	<b>167</b>
<b>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>				
Remeasurement of the net defined benefit liability comprising:				
Remeasurement - assets	(51,283)	(27,904)	0	0
Remeasurement - liabilities				
- Experience (gain) / loss	0	34,687	0	(1,067)
- (Gains)/losses on financial assumptions	48,188	(15,727)	241	(75)
- (Gains)/losses on demographic assumptions	0	(32,216)	0	(159)
<b>Total re-measurement recognised in Other Comprehensive Income</b>	<b>(3,095)</b>	<b>(41,170)</b>	<b>241</b>	<b>(1,301)</b>
<b>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>24,636</b>	<b>186</b>	<b>424</b>	<b>(1,134)</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the surplus/deficit on the provision of services for post-employment benefits in accordance with the Code	(14,172)	(26,739)	375	369
<b>Actual amount charged against the General Fund balance for pensions in the year</b>				
<b>Employers' contributions payable to the scheme</b>	<b>13,559</b>	<b>14,607</b>		
<b>Retirement benefits payable to pensioners</b>			<b>558</b>	<b>536</b>

### Pensions assets and liabilities recognised in the Balance Sheet

The lump sum early payment of £13.508 million made by the Council in April 2017, has been reflected in each of the three years' accounts 2017/18 to 2019/20 at around £4.503 million. In the 2018/19 comparative figures, the final £4.503 million is offset against the Pension scheme net liability in the Council's Balance Sheet. The Pension scheme net liability at 31<sup>st</sup> March 2019 as assessed by the Fund Actuary was £269.165 million (as detailed in the tables below), however, the corresponding amount included within the Council's Balance Sheet has been reduced by the £4.503 million advance payment resulting in a reported Pension scheme liability of £264.662 million (see Note 27 *Other Long Term Liabilities*). As 2019/20 is the final year of the three year arrangement, the actuarial figures in the tables below are included in the Balance Sheet with no adjustment.

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

## NOTES TO THE FINANCIAL STATEMENTS

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities Discretionary Benefits Arrangements	
	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000
Present value of the defined benefit obligation	(903,002)	(928,785)	(7,197)	(5,527)
Fair value of plan assets	641,034	681,238	0	0
<b>Net liability arising from defined benefit obligation</b>	<b>(261,968)</b>	<b>(247,547)</b>	<b>(7,197)</b>	<b>(5,527)</b>

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000
<b>Opening balance at 1 April</b>	<b>(827,708)</b>	<b>(903,002)</b>	<b>(7,331)</b>	<b>(7,197)</b>
Current service cost	(20,910)	(23,698)	0	0
Interest cost	(21,321)	(21,627)	(183)	(167)
Contributions by scheme participants	(4,156)	(4,346)	0	0
Remeasurement - liabilities				
- Experience (gain) / loss	0	(34,687)	0	1,067
- (Gains)/losses on financial assumptions	(48,188)	15,727	(241)	75
- (Gains)/losses on demographic assumptions	0	32,216	0	159
Past service (cost)/gain	0	(10,928)	0	0
(Losses)/gains on curtailment	(291)	(85)	0	0
Liabilities extinguished on settlements	0	0	0	0
Benefits paid	19,572	21,645	558	536
<b>Closing balance at 31 March</b>	<b>(903,002)</b>	<b>(928,785)</b>	<b>(7,197)</b>	<b>(5,527)</b>

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000
<b>Opening balance at 1 April</b>	<b>576,817</b>	<b>641,034</b>	<b>0</b>	<b>0</b>
Interest income	15,121	15,405	0	0
Remeasurement (gains) / losses - assets	51,283	27,904	0	0
Settlements	0	0	0	0
Contributions from employer	13,559	14,607	558	536
Contributions from employees into the scheme	4,156	4,346	0	0
Benefits paid	(19,572)	(21,645)	(558)	(536)
Other	(330)	(413)	0	0
<b>Closing balance at 31 March</b>	<b>641,034</b>	<b>681,238</b>	<b>0</b>	<b>0</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Local Government Pension Scheme assets comprised:

31 March 2019 £000	Asset category	Quoted in active markets (Y/N)	31 March 2020 £000
3,728	Cash and cash equivalents etc.	N	7,494
	<b>Bonds (by sector):</b>		
4,350	UK Corporate	Y	8,174
3,167	Overseas Corporate	N	8,856
22,533	UK index linked	Y	0
<b>30,050</b>	<b>Sub-total bonds</b>		<b>17,030</b>
	<b>Property (by type):</b>		
15,432	Retail	N	681
44,316	Commercial	N	8,856
<b>59,748</b>	<b>Sub-total property</b>		<b>9,537</b>
	<b>Private equity:</b>		
0	UK	N	0
49,266	Overseas	N	54,499
<b>49,266</b>	<b>Sub-total private equity</b>		<b>54,499</b>
	<b>Other investment funds:</b>		
90,617	Infrastructure	N	94,011
9,811	Indirect Property Funds	N	48,368
45,516	Credit Funds	N	107,636
69,726	Pooled Fixed Income	N	36,106
282,572	Overseas Pooled Equity Funds	N	306,557
<b>498,242</b>	<b>Sub-total other investment funds</b>		<b>592,678</b>
<b>641,034</b>	<b>TOTAL ASSETS</b>		<b>681,238</b>

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method; an estimate of the pensions that will be payable in future years, dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Mercer Limited, an independent firm of actuaries.

Estimates for the Lancashire County Fund are based on the latest full valuation of the scheme as at 31 March 2019. The principal assumptions used by the actuary are as follows:

2018/19		2019/20
<b>Mortality assumptions</b>		
<b>Longevity at 65 for current pensioners</b>		
22.8	Male	22.3
25.5	Female	25.0
<b>Longevity at 65 for future pensioners</b>		
25.1	Male	23.8
28.2	Female	26.8

## NOTES TO THE FINANCIAL STATEMENTS

Financial assumptions		
2.2%	Rate of CPI inflation	2.1%
3.7%	Rate of increase in salaries	3.6%
2.3%	Rate of increase in pensions (payment / deferment)	2.2%
2.4%	Rate for discounting scheme liabilities	2.4%

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

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

Change in assumptions at 31 March 2020	Impact on the net Defined Benefit Liability	Impact on the projected Service Cost for next year	Impact on the projected Net Interest Cost for next year
	£000	£000	£000
Longevity - 1 year increase in member life expectancy	+ 25,187	+ 650	+ 611
Rate of inflation - increase by 0.1%	+ 16,468	+ 635	+ 402
Rate of increase in salaries – increase by 0.1%	+ 1,771	0	+ 49
Rate for discounting scheme liabilities – increase by 0.1%	- 16,183	- 609	- 158
Change in 2019/20 investment returns:			
- increase by 1%	- 6,821	0	- 164
- decrease by 1%	+ 6,821	0	+ 164

### Impact on the Council's cash flows

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

The Regulations also require actuarial valuations to be carried out every 3 years. The most recent valuation, at 31 March 2019, showed a surplus of £12 million against the Fund's solvency funding target. An alternative way of expressing the position is that the Fund's assets were sufficient to cover just over 100% of its liabilities – this percentage is known as the solvency funding level of the Fund. The previous valuation at 31 March 2013 showed a shortfall of £690 million, equivalent to a solvency funding level of 90%.

The LGPS Regulations require the next 3 years' contributions to be set so as to secure the Fund's solvency and long-term cost efficiency. The "Primary rate" of the employers' contribution is the contribution rate required to meet the cost of the future accrual of benefits including ancillary, death in service and ill health benefits together with administration costs. The "Secondary rate" of an individual employer's contribution is an adjustment to the primary contribution rate to reflect any past service deficit or surplus, based on an average recovery period of 16 years. Funding levels are monitored on an annual basis, with the next triennial valuation due to be completed on 31 March 2022.

The Council's projected contributions to the scheme in 2020/21 are £12.480 million.

## NOTES TO THE FINANCIAL STATEMENTS

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

### Developments in relation to the McCloud judgement

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government announced in 2019 that this needs to be remedied for all schemes including the LGPS. This is likely to result in increased costs for some employers. This remedy is not yet agreed but guidance issued requires that each Fund sets out its policy on addressing the implications.

The Fund's Funding Strategy Statement (FSS) includes an implicit allowance for the estimated cost of the McCloud judgment. At the overall Fund level it is estimated that the stand-alone cost of the judgment is an increase in past service liabilities of broadly £68million and an increase in the Primary Contribution rate of 1.0% of Pensionable Pay per annum.

Once the final remedy for McCloud is known, the position will be reviewed. Whilst it is possible that the Fund may require additional contributions from employers at that point in time, based on the Administering Authority's current knowledge and understanding of the likely outcome, it is more likely that contributions will not be reviewed until the next actuarial valuation unless this is a requirement of the final remedy process.

For 2018/19, the actuarial calculation of the potential additional pension liability for the Council of the McCloud judgement was assessed as at 31 March 2019 as an additional past service cost of £5.855 million. However, as the calculations were made after the accounting statements were largely complete, and as the additional amount was not considered to be material to the accounts, no additional charge was made against the Comprehensive Income and Expenditure Account in 2018/19.

For 2019/20, the actuarial figures do include the estimated additional liabilities arising from the judgement, based on calculations carried out on the individual member data supplied for the 2019 round of actuarial valuations. As Blackburn with Darwen council did not include an estimate of the McCloud liabilities in their accounts in 2018/19, the increase in past service liabilities is shown as a "past service cost" calculated as at 1<sup>st</sup> April 2019. The current service cost for 2019/20 also includes an allowance for the additional costs which arise from the judgement.

## 32 CASH FLOW STATEMENT NOTES

### Operating activities

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

**The cash flows for operating activities include the following items:**

31 March 2018 £000		31 March 2020 £000
2,771	Interest received	2,818
(12,399)	Interest paid	(14,595)

## NOTES TO THE FINANCIAL STATEMENTS

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

31 March 2019 £000		31 March 2020 £000
11,926	Depreciation	11,614
2,744	Impairment and downward valuations	15,294
858	Amortisation	513
6,595	Increase/(decrease) in creditors	(1,497)
(5,046)	(Increase)/decrease in debtors	(468)
(54)	(Increase)/decrease in inventories	81
18,300	Movement in pension liability	30,873
2,821	Carrying amount of non-current assets, non-current assets held for sale, sold or derecognised	4,021
(158)	Other non-cash items charged to the surplus or deficit on the provision of services	(522)
<b>37,986</b>	<b>Total</b>	<b>59,909</b>

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

31 March 2019 £000		31 March 2020 £000
10	Proceeds from short-term and long-term investments	10
(2,962)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,116)
(13,000)	Any other items for which the cash effects are investing or financing cash flows	(12,186)
<b>(15,952)</b>	<b>Total</b>	<b>(14,292)</b>

### Investing activities

31 March 2019 £000		31 March 2020 £000
(17,634)	Purchase of property, plant and equipment, investment property and intangible assets	(23,221)
(344,750)	Purchase of short term and long term investments	(241,140)
1,766	Other payments for investing activities	(1,651)
2,962	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,118
355,850	Proceeds from short term and long term investments	209,140
13,025	Other receipts from investing activities	12,160
<b>(11,219)</b>	<b>Net cash flows from investing activities</b>	<b>(42,594)</b>



## NOTES TO THE FINANCIAL STATEMENTS

### Financing activities

31 March 2019 £000		31 March 2020 £000
76,000	Cash receipts of short term and long term borrowing	111,000
0	Other receipts from financing activities	0
(1,718)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(1,716)
(89,690)	Repayment of short term and long term borrowing	(74,940)
779	Other payments for financing activities	(1,810)
<b>(14,629)</b>	<b>Net cash flows from financing activities</b>	<b>(32,534)</b>

### 33 RELATED PARTIES

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

#### Central Government

Central Government has effective control over the general operations of the Council as it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax). Grant income from Government departments is shown in Note 7.

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

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

The Council continues to work closely with its major Health partner, Blackburn with Darwen Clinical Commissioning Group (CCG) to jointly deliver integrated health and adult social care services under NHS Section 75 and Section 256 agreements and under strategic direction of the local Health and Wellbeing Board. This includes joint strategic needs assessments and a joint health and wellbeing strategy to increase and improve integrated health and social care for residents of the Borough.

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

The Council and the Clinical Commissioning Group (CCG) received £11.992 million revenue ring fenced grant in 2019/20 (£11.381 million in 2018/19) towards the Better Care Fund (BCF), of which £6.287 million expenditure (£5.552 million in 2018/19) was incurred by the CCG on health related initiatives and the remaining £5.705 million (£5.829 million) was retained by the Council to spend on health and social care schemes, in accordance with the pooled budget arrangements. The BCF brings together NHS and Local Government resources, and operates as a pooled budget (Section 75 agreement) with Blackburn with Darwen Council identified as the pooled budget host. The BCF provides an opportunity through pooled budget arrangements to transform local services so that people are provided with better integrated care

## NOTES TO THE FINANCIAL STATEMENTS

and support. The Fund provides a real opportunity to create a shared plan for the totality of health and social care activity, to improve services and value for money, and protecting and improving social care services by shifting resources from acute services into community and preventive settings.

The Council received £14.4 million of Public Health Grant in 2019/20 (£14.8 million in 2018/19) for the delivery of Public Health services aimed at improving health outcomes for all ages and removing health inequalities across the borough population. The Public Health Grant is allocated to the authority as a ring fenced grant.

The Council hosts a joint building control service with Burnley Borough Council. Under a service level agreement both authorities contribute towards the net running cost of the service, with Burnley contributing 35.5% (£88,776) and Blackburn with Darwen contributing 64.5% (£161,297) in 2019/20. In 2018/19 the corresponding figures were 35.5% (£85,272) and 64.5% (£154,931) respectively.

### Members

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

The total of Members' allowances paid in 2019/20 is shown in Note 9.

Details of Members' interests are recorded in the Register of Members' Interests, which is open to public inspection. The table below contains transactions during 2019/20 for services delivered to / from organisations in which members have declared interests:

	Income received £	Income owed to the Council £	Payments made £	Payments owed by the Council £
Blackburn Bus Company / Lancashire United	(23,637)	(73,682)	62,230	10,045
East Lancashire Hospital Trust	(347,810)	(123,009)	604,973	38,238
Blackburn College	(52,282)	(184)	405,514	114,514
Home Care For You Limited	(4,412)	0	1,897,819	0
Lancashire County Council	(6,098,1191)	(2,034,537)	3,147,924	477,215
Virgin Media	(160,084)	(31,705)	125,221	0

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

### Officers

Officers are appointed by the Council to boards or committees of various organisations to act on behalf of the Council in their official capacities. All officers are also required to declare any relevant interests in a departmental register of interest, gifts and hospitality. In 2019/20 one senior officer made the following additional declarations:

- a family relationship with a senior officer in one of the Council's major precepting authorities. Although there are significant transactions between the two parties in relation to business rates and council tax, the administration of these is strictly defined by a statutory framework.

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

## NOTES TO THE FINANCIAL STATEMENTS

### Interests in companies and other entities

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

#### **Blackburn with Darwen and Bolton Local Education Partnership Limited**

The Council has a 5% shareholding in Blackburn with Darwen and Bolton Local Education Partnership Limited, which was formed in order to deliver the capital investment elements of the Building Schools for the Future programme. The Council has also invested in Blackburn with Darwen and Bolton Phase 1 Holdings Limited, Blackburn with Darwen and Bolton Phase 1 Limited, Blackburn with Darwen and Bolton Phase 2 Holdings Limited, Blackburn with Darwen and Bolton Phase 2 Limited, which are special purpose companies established solely to deliver the new schools at Pleckgate, Witton Park and Blackburn Central with Crosshill under the Private Finance Initiative (Note 28). Payments made in 2019/20 to the Blackburn with Darwen and Bolton Local Education Partnership Limited amounted to £13.850 million (£13.524 million in 2018/19).

#### **Growth Lancashire Limited**

The Council is one of 6 local authorities with an interest in Growth Lancashire Limited (formerly Regenerate Pennine Lancashire Limited), an economic development company designed to help increase prosperity and life choices for people living and working in Pennine Lancashire. By working alongside businesses to boost Lancashire's economy, the company is able to create new job opportunities and access local funds, Government grants and European funding. The company delivers a Gateway Service to support businesses throughout Lancashire, Blackpool and Blackburn with Darwen, and provides funding to assist business growth.

The company is limited by guarantee. Lancashire County Council is the accountable body, providing the company secretary and audit services at no cost. Blackburn with Darwen Borough Council acts as the employing body for staff and provides finance, IT and related support.

#### **Barnfield Blackburn Limited**

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

### Entities controlled or significantly influenced by the Council

The Council made payments in respect of the commissioning of services under either a Service Level Agreement or contractual agreement totalling £2,491,583 to seven organisations during the year where the amounts concerned provided a significant proportion of those organisations' income. The details are as follows:

- Spring North (Formerly Families, Health & Wellbeing Consortium) - £988,750
- Blackburn with Darwen Council for Voluntary Service (CVS) - £276,042
- Care Network (BWD) Limited - £253,236
- Age UK Blackburn with Darwen - £515,593
- Lancashire Women's Centre - £103,835
- Blackburn with Darwen Carers SVC - £89,583
- Child Action North West - £264,543

Similar payments totalling £1,541,253 were made in 2018/19. In these cases, there is a presumption that there is substantial reliance upon such income for the future continuation or otherwise of the organisations concerned.

### 34 CONTINGENT ASSETS AND LIABILITIES

#### Contingent Asset

The Council is currently pursuing the recovery of costs incurred in respect of a service user within Adult Social Care. The case involves a dispute between three local authorities over the responsibility for the social care costs for an individual service user. Legal services have been involved in this case to pursue recovery of the costs and after numerous attempts over six years the case has been to ADASS for mediation and will now be referred to the Secretary of State for resolution. The amount to be recovered in respect of the service user amounts to £330,000 as at end of March 2020.

#### Contingent Liability

Following the liquidation of Municipal Mutual Insurance (MMI) in 1992/93 there are a number of claims outstanding which may not be resolved for many years. The "Scheme of Arrangement" between local authorities and the administrators of MMI was invoked in 2012/13 and the Council has a liability both in relation to the former Blackburn Borough Council and Lancashire County Council (in relation to transferred services). The total potential liability in relation to the former Blackburn Borough Council as at 31 March 2020 remains uncertain. A Levy has been paid at a rate of 25% on established scheme liabilities - amounting to a total of £499,000 for the Council. In considering the most likely remaining financial impact, the Council has set aside a provision of £320,000, with a further £250,000 being held in an earmarked reserve. However, there is a risk that the Council's financial liability could increase from this level.

## COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

2018/19				2019/20		
Non-domestic rates	Council tax	Total		Non-domestic rates	Council tax	Total
£000	£000	£000	Income	£000	£000	£000
	(59,823)	(59,823)	Council tax receivable (net of benefits, discounts for prompt payment and transitional relief)		(64,018)	(64,018)
(46,471)	0	(46,471)	Non-domestic rates receivable (net of discretionary and mandatory reliefs)	(46,396)	0	(46,396)
			Contribution towards previous year's Collection Fund deficit			
0	0	0	- Central Government	0	0	0
0	(512)	(512)	- Blackburn with Darwen Borough Council	0	(284)	(284)
0	(61)	(61)	- Police & Crime Commissioner for Lancashire	0	(34)	(34)
0	(24)	(24)	- Lancashire Combined Fire Authority	0	(13)	(13)
<b>0</b>	<b>(597)</b>	<b>(597)</b>	<b>Total contribution to previous year's Collection Fund deficit</b>	<b>0</b>	<b>(331)</b>	<b>(331)</b>
<b>(46,471)</b>	<b>(60,420)</b>	<b>(106,891)</b>	<b>Total income</b>	<b>(46,396)</b>	<b>(64,349)</b>	<b>(110,745)</b>
			<b>Expenditure</b>			
			<b>Precepts and demands from major preceptors and the Council (Council tax)</b>			
0	50,501	50,501	- Blackburn with Darwen Borough Council	0	52,758	52,758
0	6,094	6,094	- Lancashire Police Authority	0	7,018	7,018
0	2,317	2,317	- Lancashire Combined Fire Authority	0	2,421	2,421
<b>0</b>	<b>58,912</b>	<b>58,912</b>	<b>Total council tax precepts</b>	<b>0</b>	<b>62,197</b>	<b>62,197</b>
			<b>Shares of non-domestic rating income to major preceptors and the Council (billing authority)</b>			
19,677	0	19,677	- Blackburn with Darwen Borough Council	30,843	0	30,843
402	0	402	- Lancashire Combined Fire Authority	630	0	630
<b>20,079</b>	<b>0</b>	<b>20,079</b>	<b>Total non-domestic rates precepts</b>	<b>31,473</b>	<b>0</b>	<b>31,473</b>
20,080	0	20,080	Payment with respect to central share (including allowable deductions) of the non-domestic rating income to be paid to Central Government	10,491	0	10,491
3,220	0	3,220	Transitional Protection Payments payable	1,925	0	1,925
998	939	1,937	Impairment of debt/appeals	1,190	1,393	2,583
250	0	250	Charge to General Fund for allowable collection costs	248	0	248
			Contribution towards previous year's Collection Fund surplus			
225	0	225	- Central Government	810	0	810
221	0	221	- Blackburn with Darwen Borough Council	794	0	794

## COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

0	0	0	- Police & Crime Commissioner for Lancashire	0	0	0
5	0	5	- Lancashire Combined Fire Authority	16	0	16
<b>45,078</b>	<b>59,851</b>	<b>104,929</b>	<b>Total expenditure</b>	<b>46,947</b>	<b>63,590</b>	<b>110,537</b>
<b>(1,393)</b>	<b>(569)</b>	<b>(1,962)</b>	<b>Movement on fund balance</b>	<b>551</b>	<b>(759)</b>	<b>(208)</b>
<b>(1,570)</b>	<b>616</b>	<b>(954)</b>	<b>Fund balance brought forward</b>	<b>(2,963)</b>	<b>47</b>	<b>(2,916)</b>
(1,393)	(569)	(1,962)	Movement on fund balance	551	(759)	(208)
<b>(2,963)</b>	<b>47</b>	<b>(2,916)</b>	<b>Fund balance carried forward</b>	<b>(2,412)</b>	<b>(712)</b>	<b>(3,124)</b>

## NOTES TO THE COLLECTION FUND STATEMENT

### Allocation of Collection Fund balance

31 March 2019		(Surplus)/deficit carried forward	31 March 2020	
Non-domestic rates £000	Council tax £000		Non-domestic rates £000	Council tax £000
		<b>Allocated to:</b>		
(1,452)	40	Blackburn with Darwen Borough Council	(1,444)	(604)
0	5	Police & Crime Commissioner for Lancashire	0	(80)
(30)	2	Lancashire Combined Fire Authority	(29)	(28)
(1,481)	0	Central Government	(939)	0
<b>(2,963)</b>	<b>47</b>	<b>Total</b>	<b>(2,412)</b>	<b>(712)</b>

### Non-domestic rates

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

The non-domestic rating multiplier was 50.4p for 2019/20 (49.3p for 2018/19), which was made up of a small business rating multiplier of 49.1p plus a supplement of 1.3p. The total non-domestic rateable value at 31 March 2020 was £120,571,869 (£120,164,399 at 31 March 2019).

For 2019/20 Blackburn with Darwen Council, joined with 13 of the other 14 councils across Lancashire to form a 75% Business Rates Retention (BRR) Pool Pilot. The pilot model resulted in an increase in the level of Business Rates retained locally from 50% to 75% - the local share being split between Lancashire Combined Fire Authority (1.5%) and the Council as Billing Authority (73.5%).

### Calculation of the council tax base

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

In 2019/20 the calculation of the tax base for council tax setting purposes was based on a total of 61,646 (61,395 in 2018/19) residential properties (taken from a list prepared by the Government's Valuation Office). After taking account of discounts, exemptions and disabled relief these equate to 44,652 chargeable dwellings or 35,733 band D equivalent properties, as analysed in the table below.

Valuation Band	Total equivalent number of dwellings after discounts, exemptions and disabled relief	Chargeable Band D Equivalents
A	22,842	15,219
B	7,443	5,789
C	7,138	6,345
D	4,036	4,036
E	1,876	2,293
F	720	1,040
G	546	909
H	51	102
<b>Total</b>	<b>44,652</b>	<b>35,733</b>

# ACCOUNTING POLICIES

## General Principles

The Statement of Accounts summarises the Council's transactions for the financial year 2019/20 and its position at the year-end of 31 March 2020. The Council is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2019/20* (the Code), supported by International Financial Reporting Standards (IFRS).

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

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

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

## Accruals of income and expenditure

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

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

## Cash and cash equivalents

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

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



## ACCOUNTING POLICIES

### Charges to revenue for non-current assets

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

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

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

### Council tax and non-domestic rates

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

#### Accounting for council tax and NDR

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

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

### Employee benefits

#### Benefits payable during employment

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

## ACCOUNTING POLICIES

### Termination benefits

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

### Post-employment benefits

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

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

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as if they were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The *Schools and Education DSG* line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The *Public Health and Wellbeing* line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projected earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate of 2.4% (based on the indicative rate of return on high quality corporate bonds).
- The assets of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value

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

## ACCOUNTING POLICIES

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

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

### Discretionary benefits

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

## ACCOUNTING POLICIES

### Events after the reporting period

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

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

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

### Financial Instruments

#### Financial liabilities

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

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

However, the Council has taken some market loans subject to “stepped” interest rates, where the initial rates payable were lower than over the rest of the loan. Interest charges for these loans are averaged out over the life of each loan and effective interest rates are used to calculate their amortised cost for the Balance Sheet. As the loans were taken before 9 November 2007, however, there is no impact on the General Fund Balance as reconciling adjustments are made to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

## ACCOUNTING POLICIES

### Financial assets

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

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

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

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

### Financial assets measured at amortised cost

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

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

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

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

### Expected credit loss model

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

Impairment losses are calculated to reflect the expectation that future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses.

## ACCOUNTING POLICIES

Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. In practice, for trade receivables, unless it is known that a counterparty is at risk of going into administration the calculation is largely based on age of debt and amount of debt overdue.

### **Financial assets measured at fair value through other comprehensive income (FVOCI)**

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

Cumulative gains and losses are charged to the Surplus or Deficit on the Provision of Services when they are disposed of. Under capital accounting regulations, where these assets are treated as capital expenditure any gains or losses are reversed to an unusable reserve – the Financial Instruments Revaluation Reserve.

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

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

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

### **Fair value measurements of financial assets**

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

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

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

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

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

### **Fair value measurement of non-financial assets**

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

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

## ACCOUNTING POLICIES

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

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

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

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

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

### Government grants and contributions

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

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

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

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

Where capital grants and contributions are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant or contribution has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### Heritage Assets

The Council's Heritage assets are largely held in Blackburn museum. They are held by the Council in support of the primary objective of increasing the knowledge, understanding and appreciation of the Borough's history and local area. Heritage assets are recognised and measured largely in accordance with the Council's accounting policies on property, plant and equipment although valuation of the Council's heritage assets has included a degree of estimation. These assets have an indeterminate life and are subject to appropriate conservation measures, therefore, depreciation is not charged on heritage assets.

## ACCOUNTING POLICIES

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

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

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

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

### Intangible Assets

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

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

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

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



## ACCOUNTING POLICIES

### Inventories and Long-term contracts

The Council's inventories are valued on a variety of bases depending on the nature of the items involved. These bases include cost, average cost and first in first out. The Code requires inventories to be included in the Balance Sheet at the lower of cost and net realisable value. The different treatment of stocks is not considered to be material.

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

### Investment Property

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

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

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

### Leases

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

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

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

#### The Council as lessee

##### Finance leases

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

## ACCOUNTING POLICIES

on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

### Operating leases

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

### The Council as lessor

#### Finance leases

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where 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.

## ACCOUNTING POLICIES

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

### Operating leases

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

### Private Finance Initiatives (PFI) and similar contracts

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

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

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

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

- **fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- **finance cost** – an interest charge on the outstanding Balance Sheet liability, debited to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement
- **contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement
- **payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator
- **lifecycle replacement costs** – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

### Prior period adjustments, changes in accounting policies and estimates, and errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions

## ACCOUNTING POLICIES

on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

### Property, Plant and Equipment (PPE)

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

#### Recognition

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

#### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- Infrastructure and community assets - depreciated historical cost
- Assets under construction - historical cost
- Surplus Assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- Land and buildings and other operational assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

## ACCOUNTING POLICIES

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

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

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

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

### Impairment

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

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

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

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

### Depreciation

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

Depreciation is calculated on the following bases:

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

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

## ACCOUNTING POLICIES

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

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

### **Disposals and derecognition**

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

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

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

## **Provisions, Contingent Liabilities and Contingents Assets**

### **Provisions**

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

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

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

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

### **Contingent liabilities**

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

## ACCOUNTING POLICIES

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

### Contingent assets

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

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

### Reserves

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

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

### Revenue expenditure funded from capital under statute (REFCUS)

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

### Schools

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

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

The land and buildings of voluntary aided, voluntary controlled, foundation (not subject to a PFI contract), academy and free schools are owned and controlled by the trustees of the schools or the foundation body and are, therefore, not shown on the Council's Balance Sheet.

## ACCOUNTING POLICIES

Capital expenditure on community schools is added to the balances for those schools as reported in the property, plant and equipment note. Capital expenditure on voluntary aided and foundation schools is treated as Revenue Expenditure Funded from Capital under Statute (REFCUS) and written off each year to the Comprehensive Income and Expenditure Statement within School's and Education Services (Non-DSG). Dedicated Schools Grant (DSG) is credited to the Comprehensive Income and Expenditure Statement within taxation and non-specific grant income based on amounts due from the Department for Education. (Further details are provided in Note 7).

DSG is allocated between centrally retained Council budget and budgets delegated to individual schools. Expenditure from centrally retained budgets and delegated schools budgets is charged to the Comprehensive Income and Expenditure Statement under School's and Education Services (DSG). Academies are funded directly from the Government, not via the local authority apart from funding for pupils with high needs. Income and expenditure in relation to academies is therefore not charged to the Comprehensive Income and Expenditure Statement.

Individual schools' balances for local authority maintained schools at 31 March 2019 are included in reserves in the Council's Balance Sheet.

### Value Added Tax (VAT)

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

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

The Council is required to disclose the impact of an accounting change required by a new accounting standard that has been issued on or before 1 January 2019 but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2020/21 Code will introduce the following amendments:

#### ***Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in associates and Joint Ventures***

IFRS 9, Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with IAS 28. In this amendment the IASB clarifies that the exclusion in IFRS 9 applies only to interests a company accounts for using the equity method. A company applies IFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

#### **Annual Improvements to IFRS Standards 2015-2017 Cycle**

As part of its process to make non-urgent but necessary amendments to IFRS, the IASB has issued amendments to:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements
- IAS 12 Income Taxes
- IAS 23 Borrowing Costs

#### ***Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement***

This addresses the accounting when a plan amendment, curtailment or settlement occurs during the reporting period. The amendments:

- require entities to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after such an event;



## ACCOUNTING POLICIES

- clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements;
- do not address the accounting for 'significant market fluctuations' in the absence of a plan amendment, curtailment or settlement.

### SIGNIFICANT JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- **Funding** - there continues to be a high degree of uncertainty about future levels of funding for local government. The risks and uncertainty that underpin the assumptions within the Council's Medium Term Financial Strategy (MTFS) was initially due to the lack of information provided by central Government in relation to: the mechanisms for Business Rates Retention; the outcome of the Fair Funding Review and the resulting redistribution of resource; the Government's plan to address the future of social care; and the impact of Brexit. The substantial impacts of the COVID-19 pandemic have increased the level of uncertainty, and the Council has undertaken detailed costing and forecasting to project both the additional expenditure incurred and the loss of income. Although the projected financial impact significantly exceeds the initial support received from Government, the projections are under constant review and are updated and reported to Members and Management Board regularly. Executive Members and their Directors continue to work to develop further savings options for consideration, therefore the Council continues to believe that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of the need to close facilities and reduce levels of service provision.
- **Mall market lease** – the Council considers that the terms of the lease agreement in respect of Blackburn Market within the shopping centre does not transfer substantially all the risks and rewards incidental to ownership of the property, plant and equipment. The primary factors in determining this treatment were the non-specialist nature of the space rented, the separate accounting treatment of the specialist fixtures and fittings within the space, and the duration of the lease compared to the full economic life of the asset. The lease has, therefore, been treated as an operating lease and rentals paid under the terms of the lease are charged to the Comprehensive Income and Expenditure Statement.
- **Accounting for schools** – in assessing the most appropriate accounting treatment for balances and transactions in relation to schools, the Council has considered the circumstances of each of the categories of school, such as ownership, control and access to economic benefits and service potential. Further details are included in Note 15

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

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

The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

## ACCOUNTING POLICIES

Uncertainties	Effect if actual results differ from assumptions
<b>Property, plant and equipment – valuation</b>	
<p>PPE assets included in the Balance Sheet at current value, are valued by the Council’s in-house valuer on a five year rolling programme, unless events indicate that a more frequent interval is required to assess the impact of: material capital work completed in year; impairment of specific properties; significant movement in property price indices on those assets not valued in the current year. Surplus and Investment assets are included in the Balance Sheet at fair value and are valued annually.</p>	<p>The total gross valuation of PPE assets included in the Balance Sheet at current or fair value at 31 March 2020 is £242.9 million (see note 13 for further analysis).</p> <p>Since valuations are compiled by an expert using recognised measurement techniques and based on professional guidance, the underlying data is considered to be reliable and the scope to use judgement and change assumptions limited.</p> <p>However, given the unknown future impact that COVID-19 might have on the real estate market, the valuers are faced with an unprecedented set of circumstances on which to base a judgement. Consequently, less certainty and a higher degree of caution should be attached to their valuations than would normally be the case for this financial year. The current response to COVID-19 means that valuations could be reported on the basis of ‘Material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global.</p>
<b>Property, plant and equipment/intangible assets – depreciation/amortisation</b>	
<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful life assigned to assets.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £176,435 for every year that useful lives had to be reduced.</p>
<b>Fair value measurements</b>	
<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. 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 fair value. For example for investment properties - the Council’s in-house valuer, and for financial instruments - the Council uses its professional treasury advisers, Arlingclose.</p>	<p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment / surplus properties) and discount rates – adjusted for regional factors (for both investment / surplus properties and some financial assets)</p> <p>Significant changes 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> <p>For investment and surplus properties, the impact of COVID-19 is as detailed in the PPE valuation section above.</p>

## ACCOUNTING POLICIES

<b>Arrears</b>	
<p>At 31 March 2020, the Council had a balance of sundry debtors, including council tax and business rates arrears, of £38.4 million. Against this debtor balance there is a total impairment allowance of £17.3 million. In the current economic climate it is not certain that such an allowance would be sufficient as the Council cannot assess with certainty which debts will be collected or not</p>	<p>The impairment allowances held are based on policies adapted to the nature of the debt and service area, historic experience and current debt recovery performance data.</p> <p>The assessment of credit losses is based on information about past events, current conditions but also future forecasts. The economic outlook for an authority's financial assets as a result of the COVID-19 pandemic must be taken into account when considering:</p> <ul style="list-style-type: none"> <li>• the risk of default of its financial assets</li> <li>• the exposure to that default risk, and</li> <li>• the estimated loss as a result of the default.</li> </ul> <p>As current circumstances are unprecedented, it will be difficult for local authorities to make such assessments, as the Code requires that calculations are made on the basis of reasonable and supportable information that is available without undue cost or effort at the reporting date.</p>
<b>Provisions</b>	
<p>The council has made a combined provision of £0.947 million for the settlement of potential damage or injury claims being made against the Council, based on the number of claims made, an average settlement amount and the value of any policy excess.</p> <p>A further provision of £1.6 million relates to the Council's share of the cost of refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list, calculated using data from the Valuation Office Agency (VOA) and an analysis of successful appeals to date.</p>	<p>The main cause of estimation uncertainty relates to the timing and outcome of claims made against the Council.</p>
<b>Pensions liability</b>	
<p>Estimation of the liability to pay pensions within the Local Government Pension Scheme 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 actuaries is engaged, via the Lancashire County Pension Fund, to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £16.2 million</p> <p>However, the assumptions interact in complex ways. In March 2020 there have been substantial falls in equity markets around the world due to the COVID-19 pandemic, which will reduce asset values. These market falls have also extended to corporate bonds, resulting in yields on AA-rated corporate bonds rising by around 0.5% p.a. As the discount rate for accounting purposes is based on corporate bond yields, this rise in yields will have caused a reduction in accounting liabilities.</p> <p>With regard to the McCloud judgement, as details of the remedy for the schemes has not been drafted this creates a lot of uncertainty about the basis for valuing the impact of the Judgements on the pension schemes. To mitigate this, estimation has been undertaken by the actuary based on the membership profile and other assumptions specific to the Council, rather than the scheme or Fund as a whole.</p>

## **ANNUAL GOVERNANCE STATEMENT**

This version of the Statement of Accounts is presented in advance of Audit and Governance Committee's review of the Annual Governance Statement. When this review is complete, the published version will be updated to include the Annual Governance Statement on these pages.

## GLOSSARY

### **Accounting policies**

Those principles, bases, conventions, rules and practices applied by the Council, which define the process by which transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or loss is to be recognised, the basis on which it is to be measured and where in the revenue account or Balance Sheet it is to be presented.

### **Accruals concept**

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

### **Actuarial gains and losses**

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

### **Associate company**

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

### **Approved budget**

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

### **CIPFA**

Chartered Institute of Public Finance and Accountancy. The Institute provides financial and statistical information for local government and other public sector bodies and advises central government and other bodies on local government and public finance matters.

### **Capital charges**

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

### **Capital expenditure**

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

### **Capital receipts**

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

## GLOSSARY

### **Collection Fund**

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

### **Contingent asset**

A possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events, not wholly within the Council's control.

### **Contingent liability**

Either a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control or a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

### **Corporate and democratic core**

Comprises all activities which local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single-purpose, nominated bodies managing the same services. There is, therefore, no logical basis for apportioning these costs to services.

### **Current service cost (pensions)**

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

### **Curtailment**

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

### **Defined benefit scheme**

A pension or other retirement benefits scheme where the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

### **Depreciation**

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

## GLOSSARY

### **Expected rate of return on pensions assets**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

### **Fair Value**

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

### **Finance lease**

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

### **Financial asset**

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

### **Financial liability**

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

### **General fund**

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

### **International accounting standards**

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

### **Impairment**

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

### **Infrastructure assets**

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

## GLOSSARY

### **Interest costs (pensions)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

### **Joint venture**

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

### **Minimum Revenue Provision**

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

### **Net book value**

The amount at which non-current assets are included in the Balance Sheet, i.e. their historic cost or current value less the cumulative amounts provided for depreciation.

### **Net current replacement cost**

The cost of replacing or recreating the particular asset in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

### **Net expenditure**

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

### **Net realisable value**

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

### **Operating lease**

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

### **Operational assets**

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



## GLOSSARY

### **Past service cost**

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

### **Post-employment benefits**

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

### **Precept**

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

### **Property, plant and equipment**

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

### **Provision**

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

### **Public Works Loan Board (PWLB)**

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

### **Related parties**

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

### **Related party transactions**

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

## GLOSSARY

### **Remuneration**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

### **Reserve**

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

### **Revenue expenditure funded from capital under statute**

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

### **Revenue support grant**

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

### **Termination benefits**

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

### **The Code**

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