

## **STATEMENT OF ACCOUNTS**

**For the year ended 31<sup>st</sup>  
March 2012**

# STATEMENT OF ACCOUNTS 2011/2012 CONTENTS

	<b>PAGE</b>
Section 1 Explanatory Foreword	3
Section 2 Statement of Responsibilities for the Statement of Accounts	13
Section 3 Independent Auditor's report	15
Section 4 Core Financial Statements	
- Movement in Reserves Statement	19
- Comprehensive Income & Expenditure Account	21
- Balance Sheet	23
- Cash flow	24
Section 5 Notes to the Accounts	25
Section 6 Supplementary Single Entity Financial Statements	
- Housing Revenue Account	119
- Collection Fund	126
Section 7 Group Accounts	131
Section 8 Annual Governance Statement	145
Section 9 Glossary of Terms	152

# **SECTION 1**

## **EXPLANATORY FOREWORD**

## **1.0 INTRODUCTION**

These accounts have been prepared in accordance with the Accounts and Audit (England) Regulations 2011 and the current *Code of Practice on Local Authority Accounting in the United Kingdom*, based on International Financial Reporting Standards.

These accounts set out the main features of the Council's financial performance for the year ended 31<sup>st</sup> March 2012 and provide information relating to the Council's financial position as at that date.

The statements presented on the following pages comprise:-

### **Movement in Reserves Statement**

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

### **Comprehensive Income and Expenditure 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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

### **Balance Sheet**

This sets out the overall financial position of the Council as at 31<sup>st</sup> March 2012. It shows the reserves and balances of the Council, its long-term indebtedness and the value of fixed and net current assets.

### **Cash Flow Statement**

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

### **Housing Revenue Account**

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

### **Collection Fund**

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

### **Group Accounts**

The summarised group financial statements are prepared in order to show the overall financial position and results of the local authority group.

### **Statement of Responsibilities for the Statement of Accounts**

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

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

## 1.1 SUMMARY OF THE FINANCIAL YEAR

The Council incurs expenditure on both revenue and capital items. Revenue spending is generally on items that are consumed within a year and is financed from council tax, non-domestic rates, government grants, charges for services and other income. Capital expenditure relates to work, services and acquisitions whose benefits extend beyond one year.

### 1.1.1 REVENUE SUMMARY

Central Government support (Formula Grant) towards the Council consists of the Revenue Support Grant (RSG), Council Tax Freeze Grant and a share of the National Non-Domestic Rate pool. The table below shows the year-on-year increase in the government support.

The ABG ceased in 2010/11. The Council Tax Freeze Grant was introduced in 2011/12 and was paid to authorities who did not increase council tax in 2011/2012.

	<u>2011/2012</u> <u>£'000</u>	<u>2010/2011</u> <u>£'000</u>
Revenue Support Grant	20,404	10,372
Area Based Grant	0	25,483
Council Tax Freeze Grant	1,492	0
Non-Domestic Rates	66,012	71,425
<b>TOTAL</b>	<b>87,908</b>	<b>107,280</b>

There was no change in the level of council tax in 2011/12 (Band D £1,516.01).

The original estimates assumed there would be a contribution from the Council's unallocated revenue reserves of £465,000. The actual contribution from the Council's unallocated revenue reserves in 2011/2012 was £180,000, further details are provided in paragraph 1.1.2.

### 1.1.2 INCOME AND EXPENDITURE ACCOUNT

The table below shows an overall comparison of the Council's Income and Expenditure Account between the approved budget for 2011/2012 and the outturn position.

	Approved Budget £m	Actual £m	(Favourable)/ Adverse £m
Net Operating Expenditure	174.3	174.3	0.0
Capital Financing Costs	(26.1)	(26.4)	(0.3)
Income from Government Grants	(87.9)	(87.9)	0
Income from Local Taxpayers	(59.8)	(59.8)	0
<b>(Surplus)/Deficit for the year</b>	<b>0.5</b>	<b>0.2</b>	<b>(0.3)</b>
(Surplus) brought forward at 1 <sup>st</sup> April 2011	(6.2)	(6.2)	0
<b>(Surplus) carried forward at 31<sup>st</sup> March 2012</b>	<b>(5.7)</b>	<b>(6.0)</b>	<b>(0.3)</b>

*The Comprehensive Income and Expenditure Statement is shown in Section 4*

The provisional revenue outturn for 2011/12 (before allowing for changes to working balances) is £145,010,000 compared with the approved budget of £146,632,000 – a net under spending of £1,622,000.

The year-end variance position for each directorate (i.e. excluding contingencies and transfers to Earmarked Revenue Reserves) is set out as follows:

Directorate	2011/12 £000
Chief Executive	(148)
Tourism, Regeneration and Culture	808
Human Resources and Transformation	(608)
Democratic Services	(108)
Resources	(266)
Built Environment	361
Children, Adult and Family Services	(1,637)
Blackpool Services	(7)
<b>Sub-total</b>	<b>(1,605)</b>
Area Panel and Ward Budgets	(708)
<b>Total</b>	<b>(2,313)</b>

The main reasons for this net service underspend are:-

<b>Service</b>	<b>Reasons</b>	<b>£000</b>
Tourism, Regeneration and Culture – Strategic Leisure Assets	A programme of additional and accelerated capital investment in Blackpool Tower was approved by Executive on 7th February 2011 to be funded by the authorised and managed short-term utilisation of working balances. The outturn position is less than the authorised £1.578m as capital investment has been reprofiled.	936
Built Environment	A reduction in earned fee income resulted in an adverse variance of £286k in Capital Projects. This was coupled with a £75k adverse variance in Transportation as a result of the Hire-A-Bike scheme not realising its income target.	361
Blackpool Services	Although a breakeven position overall, pressures on Car Parking and Catering have been offset by Waste PFI tonnages and other operational savings.	(7)
Tourism, Regeneration and Culture	This favourable variance mainly represents additional income generated through the Investment Portfolio with small under and overspends in other service areas.	(128)
Area Panel and Ward Budgets	Scheme commitments of £350k are being carried forward to 2012/13 which reduces the true surplus on budgets to £358k.	(708)
Chief Executive / Human Resources and Transformation / Democratic Services / Resources	The majority of this underspend consists of unused 2010/11 brought forward underspends of £836k. The remainder is due to in-year staff vacancies and good housekeeping.	(1,130)
Children, Adult and Family Services	An underspend on Adult Social Care has been achieved through stricter adherence to eligibility criteria, and the work of the Review Team Plus to re-assess the social care needs of service users, along with a reduction in the number of referrals. The £2.0m underspend in this area, together with other savings and efficiencies, has more than offset the £580k pressure on the Children's Placement budget due to continuing increases in the number of Looked After Children	(1,637)
<b>Total</b>		<b>(2,313)</b>

The 2011/12 figures include underspendings brought forward of £1,763,000 from the previous financial year. After allowing for these sums, the provisional outturn shows directorate budgets were underspent in-year by £550,000.

The financial outturn for budgets 'outside the cash limit' shows an aggregate underspending of £1,231,000. The main reasons for this are:-

<b>Service</b>	<b>Reasons</b>	<b>£000</b>
Treasury Management	Higher cash balances during the year resulted in increased temporary investment income. The use of temporary borrowing and internal financing in lieu of long-term borrowing and the passing on of reduced interest by LCC on the Local Government Reorganisation debt achieved significant savings in interest payable.	(1,406)
Concessionary Fares	The main reasons for this surplus are because of the reduced reimbursement rate from 59.5% to 57.25% and also a reduction in passenger numbers.	(306)
Subsidiary Companies	Primarily the good performance of Blackpool Operating Company, which manages and operates the Sandcastle Waterpark, has led to reduced subsidy requirement.	(142)
Other	Reduction in subscription fees and grants not used.	(95)
Housing Benefits	Worst case scenario reduction in subsidy on overpayments relating to the previous year's claim, which the Council is currently challenging.	718
<b>Total</b>		<b>(1,231)</b>

As part of the year end process, an analysis of budget variances is undertaken in order to determine the treatment of under/overspendings on service budgets. The current approach provides that:

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

Having considered the Provisional Revenue Outturn 2011/12 in detail

- the planned overspending of £936,000 on the Strategic Leisure Assets, in accordance with the original decision for this scheme by Executive on 07/02/11, is carried forward to 2012/13 in full;
- the underspending of £708,000 on Area Panel and Ward Budgets is carried forward to 2012/13 in full;
- the following service underspendings are carried forward at 50% with the remaining 50% forming a new reserve to mitigate against the higher risks prevalent in setting next year's budget:

	<b>£000</b>
Chief Executive	74.0
Asset and Estate Management	79.0
Human Resources and Transformation	304.0
Democratic Services	54.0
ICT	50.0
Resources (excluding ICT)	83.0
Children, Adult and Family Services	818.5
Blackpool Services	3.5
<b>Sub-total</b>	<b>1,466.0</b>



- the following service overspendings are deemed non-recoverable and are to be written off:

	£000
Tourism, Regeneration and Culture (excluding Asset and Estate Management)	30.0
Built Environment	361.0
<b>Sub-total</b>	<b>391.0</b>

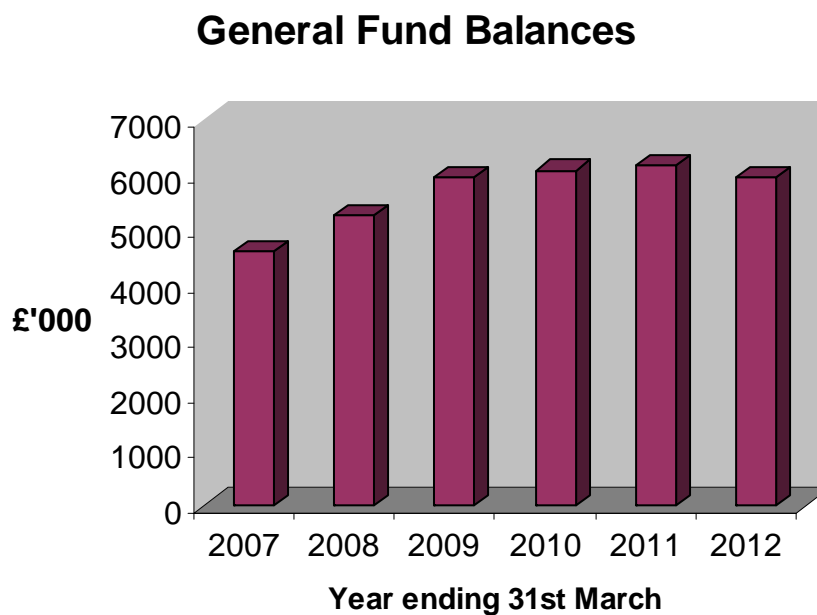
This will continue to assist services in meeting budget savings targets for the current year whilst allowing overspent services to enter the new financial year from a balanced position, but furthermore will create an earmarked Corporate Reserve for the purpose of addressing the significant financial risks that lie ahead.

### 1.1.3 GENERAL FUND WORKING BALANCES

In setting the Council's original budget for 2011/2012 the target General Fund working balances as at 31<sup>st</sup> March 2012 were £5.7m. However the outturn position means that the actual General Fund working balances as at 31<sup>st</sup> March 2012 were £6.0m.

Although the whole purpose of reserves is to “cushion the impact of unexpected events or emergencies.... and help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing”, they are not an inexhaustive contingency.

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



**1.1.4 CAPITAL**

The total of the Council's capital spending in 2011/2012 was £94.6m, which is a 14% decrease from the previous year. The main reason for the decrease in capital spending is that many of the towns larger schemes are nearing completion eg Seafront and Tramway. The net book value of the Council's fixed assets as at 31<sup>st</sup> March 2012 is £804.3m.

The continued Tramway renewal programme, promenade regeneration and improvement works to the Winter Gardens, Tower and associated assets account for a significant proportion of the 2011/2012 expenditure.

The main areas of capital spending during the year were:

	<b>2011/2012 £m</b>	<b>2010/2011 £m</b>
Children, Adults and Family Services	19.6	9.9
Blackpool Services	1.3	3.9
Built Environment, Regeneration, Tourism and Culture:		
Asset Management, Capital Programme and Illuminations	14.2	27.5
Transport	28.0	39.7
Coast Protection	0	3.7
Culture, Libraries, Heritage and Art	15.5	1.3
Housing - HRA	10.6	19.6
Housing Private Sector	3.2	3.7
Other	2.2	0.4
<b>Total</b>	<b>94.6</b>	<b>109.7</b>

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

	<b>2011/2012 £m</b>	<b>2010/2011 £m</b>
Capital receipts	1.1	0.7
Grants	47.4	80.0
Borrowing	27.2	5.0
Other	18.9	24.0
<b>Total</b>	<b>94.6</b>	<b>109.7</b>

As at 31<sup>st</sup> March 2012 the Council held a balance of usable capital receipts amounting to £0.2m. Most of these capital receipts are committed towards future schemes such as the Second Gateway and Tramway projects.

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

- A coastal defence programme totalling £62m and funded by DEFRA commenced in 2005/2006 and is phased over 5 years. This has since attracted additional funding of £37.9m from NWDA, ERDF and CABE for enhancements to the original scheme in order to “dovetail” with other proposed sea front regeneration schemes, including Tramway works. The seafront scheme is almost complete and the tramway is now functioning at a limited capacity.
- £34m of investment was made in Blackpool Tower and Winter Gardens in 2010/2011 with funding made available by ERDF, NWDA and Homes and Communities Agency. The Council is also making a significant contribution to improve and develop the facilities in order to meet the requirements of the current market. The attractions were fully opened during 2011/2012, although further investment is necessary to complete the attractions to the desired standard.
- Project 30 commenced in 2011/2012 and will continue into 2012/2013. This is an investment of £30m over 4 years to update the road network and infrastructure to a level considered adequate for a town of Blackpool's stature. The investment made will provide significant long term benefits for the town whose current roads require upgrading.

### 1.1.5 HOUSING REVENUE ACCOUNT

The summary position on the Housing Revenue Account comparing the original budget to the outturn position is as follows:

	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Difference £'000</b>
Gross Expenditure	18.6	26.9	8.3
Income	(19.0)	(27.6)	(8.6)
<b>(Surplus) for the Year</b>	<b>(0.4)</b>	<b>(0.7)</b>	<b>(0.3)</b>
Balance (Surplus) Brought Forward 1 <sup>st</sup> April 2011	(1.3)	(1.6)	(0.3)
<b>Balance (Surplus) Carried Forward 31<sup>st</sup> March 2012</b>	<b>(1.7)</b>	<b>(2.3)</b>	<b>(0.6)</b>

## 1.2 PENSION LIABILITY

In accordance with best accounting practice the Council must show the surplus or deficit position on its share of the Pension Fund. For Blackpool the net position showed a liability of £174.564m for 2011/2012 compared to a liability of £136.262m for 2010/2011. The increase in liability is £38.302m.

The liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on the assumptions about mortality rates, salary levels, etc. The assets and liabilities have been assessed by Mercer Human Resource Consulting Ltd, an independent firm of actuaries. The liabilities will not become due immediately or all at once, as they relate to pensions payable to current scheme members on their normal retirement dates. The position at the end of the financial year is based on prevailing market and other economic conditions. As such it may fluctuate significantly from one year to the next.

### 1.3 ACCOUNTING PRACTICE COMPLIANCE

These accounts have been prepared in accordance with the Accounts and Audit Regulations 2011 and the current *Code of Practice on Local Authority Accounting in the United Kingdom*, based on International Financial Reporting Standards.

In accordance with the latest *CIPFA Code of Practice on Local Authority Accounting in the United Kingdom*, which is applicable to financial reporting from 1<sup>st</sup> April 2011, the Comprehensive Income and Expenditure Account is presented using a Service Expenditure Analysis (SEA) reflecting the Service Reporting Accounting Code of Practice approach to consistent financial reporting. The accounting policies adopted by the Council are explained fully in Section 5.

### 1.4 COMPLIANCE WITH STATUTORY CONTROLS & TARGETS

In 2011/2012 the Council did not apply any supported capital expenditure (SCE) approvals in order to borrow for capital purposes. It is government policy to gradually replace SCEs with Capital Grant. In addition the Council also has authority to prudentially borrow to fund schemes. The costs of this borrowing must be met from the service revenue budget over the useful life of the asset and it is the Council's policy that the cost of the capital scheme using prudential borrowing must have a nil effect on the council tax. Therefore, increased income/savings must be achievable before the scheme can go ahead.

The Council set aside a minimum revenue provision (MRP) of £4.5m representing 4% of the capital financing requirement, as adjusted in respect of the commutation of certain Government housing grants. In addition to the statutory minimum of 4%, £3.4m has been set aside to repay debt relating to shorter life assets that have been funded by prudential borrowing.

### 1.5 FURTHER INFORMATION

The Statement of Accounts forms one element of the Council's financial reporting to local taxpayers, employees and other interested parties. Further information can be found in the following publications, which are produced each year:

<b>Revenue Budget</b>	available for inspection in local libraries or on the Council's website
<b>Schedule of Fees &amp; Charges</b>	obtainable from the Treasurer
<b>Council Tax Leaflet</b>	distributed to all households with council tax bills

Information can also be found on the Council's website [www.blackpool.gov.uk](http://www.blackpool.gov.uk)

#### Transparency

The Government's Transparency Agenda encourages local authorities to make public data openly available. Details of the Council's spend over £500 and senior managers' salaries can be found on the above website.

Further information about this Statement of Accounts is available from:

Treasurer  
Blackpool Council  
P O Box 4  
Town Hall  
Blackpool  
FY1 1NA

#### Public Inspection of Accounts

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. This inspection will take place from 2nd July 2012 until 27<sup>th</sup> July 2012 for the 2011/2012 Statement of Accounts. The availability of the accounts for inspection was advertised in the local press in June 2012.

## **SECTION 2**

# **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

## 2.1 THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

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

 Cllr Don Blayham B.Sc. (Hons)

Chair – Finance and Audit Committee  
20<sup>TH</sup> September 2012

## 2.2 THE TREASURER'S RESPONSIBILITIES

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

In preparing this Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

- ☐ kept proper accounting records which were up to date; and
- ☐ taken reasonable steps for the prevention and detection of fraud and other irregularities.

## 2.3 THE TREASURER'S CERTIFICATE

The Statement of Accounts represents fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2012.



S Thompson  
Treasurer  
29<sup>th</sup> June 2012

## **SECTION 3**

# **INDEPENDENT AUDITOR'S REPORT**





### **Independent auditor's report to the members of Blackpool Council**

We have audited the financial statements of Blackpool Council for the year ended 31 March 2012 on pages 25 to 173. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Treasurer's and auditor**

As explained more fully in the Statement of the Treasurer's Responsibilities, set out on page 19, the Treasurer is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2012 and of the Authority's and the Group's expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 159 to 164 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.



**Conclusion on Blackpool Council's arrangements for securing economy, efficiency and effectiveness in the use of resources****Authority's responsibilities**

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

**Auditor's responsibilities**

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Basis of conclusion**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, we are satisfied that, in all significant respects, Blackpool Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

**Certificate**

We certify that we have completed the audit of the financial statements of Blackpool Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.



**Trevor Rees**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
St James Square, Manchester, M2 6DS

27 September 2012

# **SECTION 4**

## **CORE FINANCIAL STATEMENTS**

## MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net (Increase)/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

2011/2012	General Fund Balance	Earmarked General Fund Reserves	HRA	Capital Receipts Reserve	Major Repairs Reserve	Capital Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Restated Balance at 31<sup>st</sup> March 2011</b>	<b>(10,290)</b>	<b>(30,517)</b>	<b>(1,614)</b>	<b>(3,277)</b>	<b>0</b>	<b>(6,067)</b>	<b>(51,765)</b>	<b>(418,393)</b>	<b>(470,158)</b>
<b>Movements in Reserves in 2011/2012</b>									
Surplus or (deficit) on the provision of services	52,083	0	(33,116)	0	0	0	18,967	0	18,967
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(578)	(578)
<b>Total Comprehensive Income and Expenditure</b>	<b>52,083</b>	<b>0</b>	<b>(33,116)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18,967</b>	<b>(578)</b>	<b>18,389</b>
Adjustments between accounting basis and funding basis under regulations (Note 7)	(58,684)	0	41,523	(49,907)	0	219	(66,849)	66,849	0
<b>Net (Increase) or Decrease before Transfers to Earmarked Reserves</b>	<b>(6,601)</b>	<b>0</b>	<b>8,407</b>	<b>(49,907)</b>	<b>0</b>	<b>219</b>	<b>(47,882)</b>	<b>66,271</b>	<b>18,389</b>
Transfers (to)/from Earmarked Reserves	4,911	(4,811)	(9,098)	50,621	0	(100)	41,523	(41,523)	0
<b>(Increase) or Decrease in 2011/2012</b>	<b>(1,690)</b>	<b>(4,811)</b>	<b>(691)</b>	<b>714</b>	<b>0</b>	<b>119</b>	<b>(6,359)</b>	<b>24,748</b>	<b>18,389</b>
<b>Balance as at 31<sup>st</sup> March 2012 c/f</b>	<b>(11,980)</b>	<b>(35,328)</b>	<b>(2,305)</b>	<b>(2,563)</b>	<b>0</b>	<b>(5,948)</b>	<b>(58,124)</b>	<b>(393,645)</b>	<b>(451,769)</b>

Restated 2010/2011	General Fund Balance	Earmarked General Fund Reserves	HRA	Capital Receipts Reserve	Major Repairs Reserve	Capital Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31<sup>st</sup> March 2010</b>	<b>(10,110)</b>	<b>(24,493)</b>	<b>(1,350)</b>	<b>(3,676)</b>	<b>(1,979)</b>	<b>(6,534)</b>	<b>(48,142)</b>	<b>(355,631)</b>	<b>(403,773)</b>
<b>Movements in Reserves in 2010/2011</b>									
Surplus or (deficit) on the provision of services	(66,768)	0	(264)	0	0	0	(67,032)	0	(67,032)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	647	647
<b>Total Comprehensive Income and Expenditure</b>	<b>(66,768)</b>	<b>0</b>	<b>(264)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(67,032)</b>	<b>647</b>	<b>(66,385)</b>
Adjustments between accounting basis and funding basis under regulations (Note 7)	60,614	0	0	399	1,979	417	63,409	(63,409)	0
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(6,154)</b>	<b>0</b>	<b>(264)</b>	<b>399</b>	<b>1,979</b>	<b>417</b>	<b>(3,623)</b>	<b>(62,762)</b>	<b>(66,385)</b>
Transfers to/from Earmarked Reserves	5,974	(6,024)	0	0	0	50	0	0	0
<b>Increase or Decrease in 2010/2011</b>	<b>(180)</b>	<b>(6,024)</b>	<b>(264)</b>	<b>399</b>	<b>1,979</b>	<b>467</b>	<b>(3,623)</b>	<b>(62,762)</b>	<b>(66,385)</b>
<b>Balance as at 31<sup>st</sup> March 2011 c/f</b>	<b>(10,290)</b>	<b>(30,517)</b>	<b>(1,614)</b>	<b>(3,277)</b>	<b>0</b>	<b>(6,067)</b>	<b>(51,765)</b>	<b>(418,393)</b>	<b>(470,158)</b>

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012

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

2010/2011			2011/2012			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
18,270	13,501	4,769	Central Services to the Public	15,004	15,353	(349)
33,209	14,097	19,112	Cultural and Related Services	48,203	9,503	38,700
38,527	8,183	30,344	Environmental and Regulatory Services	26,400	7,018	19,382
20,514	15,400	5,114	Planning Services	30,640	16,697	13,943
197,421	149,675	47,746	Education and Children's Services	173,916	136,750	37,166
40,598	24,205	16,393	Highways and Transport Services	36,143	15,143	21,000
16,104	18,921	(2,817)	Local Authority Housing (HRA)	57,780	18,532	39,248
94,911	87,964	6,947	Other Housing Services	96,491	91,584	4,907
61,115	18,615	42,500	Adult Social Care	69,863	23,365	46,498
6,238	3,953	2,285	Corporate and Democratic Care	3,252	4,003	(751)
3,214	1,548	1,666	Non Distributed Costs - Other	7,735	909	6,826
0	28,217	(28,217)	Non Distributed Costs – Change in inflation factor for retirement benefits*	0	0	0
<b>530,121</b>	<b>384,279</b>	<b>145,842</b>	<b>Cost of Services</b>	<b>565,427</b>	<b>338,857</b>	<b>226,570</b>
		3,937	Other Operating Expenditure (Note 9)			5,253
		17,750	Financing and Investment Income and Expenditure – Other (Note 10)			20,063
		0	Financing and Investment Income and Expenditure – Settlement from DCLG for HRA Self Financing premiums upon early repayment of debt ** (Note 10)			9,098
		1,532	Income & Expenditure in relation to Investment Properties and changes in their fair value (Note 13)			1,291
		(236,093)	Taxation and Non-Specific Grant Income - Other (Note 11)			(192,687)
		0	Taxation and Non-Specific Grant Income – Settlement Payment from Government for HRA Self Financing (Note 11)			(50,621)
		<b>(67,032)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>18,967</b>

2010/2011			2011/2012			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
		34,601	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(33,884)
		1,770	(Surplus) or deficit on revaluation of available for sale financial assets			(200)
		833	Movement on financial instruments adjustment account			18
		(35,421)	Actuarial (gains) and losses on pension assets and liabilities			33,172
		(1,136)	Other Movements			316
		647	Other Comprehensive Income and Expenditure			(578)
		(66,385)	Total Comprehensive Income and Expenditure			18,389

**\* Change from RPI to CPI for pensions increases**

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This had the effect of reducing the Authority's liabilities in the Lancashire Pension Fund by £28,217,000 in 2010/2011 and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement, there is no impact upon the General Fund or Housing Revenue Account.

The gain of £28,217,000 is recognised in the Comprehensive Income and Expenditure Account Gross Income within Non-Distributed Costs in 2010/2011.

**\*\* HRA Self Financing Settlement**

The Housing Revenue Account subsidy is central government's contribution towards the cost of council housing in Blackpool. It is calculated as the amount required to balance a notional Housing Revenue Account, based on government estimates of the income and expenditure which should be earned and spent by the Authority on council housing.

The Housing Subsidy system will cease on 1 April 2012 when the HRA self-financing system is introduced, as a result of the Localism Act 2011. The purpose of this Act is to put all local authorities in a position where they can manage their council houses from their own income in future.

As a receiver of subsidy, Blackpool received a capital sum of £41,523,000 on 28<sup>th</sup> March 2012, in order to exit the subsidy system on 1<sup>st</sup> April 2012. The Secretary of State made a payment of £41,523,000 to the Public Works Loan Board (PWLb) to redeem PWLB debt on behalf of Blackpool. This early debt repayment led to a premium payment of £9,098,000 which, in accordance with the Settlement Payment Determination, was also met by the Secretary of State. The total receipt of £50,621,000 is shown within the HRA under Capital grants and contributions and the immediate redemption of the debt and premium is also reflected in the Accounts.

## BALANCE SHEET FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012

The Balance Sheet shows the value as at the Balance Sheet date 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. The first category of reserves are usable reserves, i.e. 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 may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Restated 1 <sup>st</sup> April 2010	Restated 31 <sup>st</sup> March 2011		Notes	31 <sup>st</sup> March 2012
£'000	£'000			£'000
747,046	777,850	Property, Plant and Equipment	12, 15	782,035
7,624	7,304	Heritage Assets	12	7,764
10,560	10,374	Investment Property	13	12,137
6	0	Intangible Assets	16	0
3,488	3,495	Assets Held for Sale	14	3,104
10,370	8,600	Long Term Investments	19	8,800
1,339	6,890	Long Term Debtors	20	7,221
<b>780,433</b>	<b>814,513</b>	<b>Long Term Assets</b>		<b>821,061</b>
0	0	Short Term Assets Held for Sale		550
508	659	Inventories	18	737
77,035	54,373	Short Term Debtors	21	34,734
1,850	2,830	Payments in Advance	22	2,781
9,147	8,799	Cash and Cash Equivalents	23	6,362
<b>88,540</b>	<b>66,661</b>	<b>Current Assets</b>		<b>45,164</b>
(4,061)	0	Bank Overdraft		0
(32,470)	(5,667)	Short Term Borrowing		(7,394)
(44,724)	(51,396)	Short Term Creditors	25	(55,274)
(12,715)	(14,210)	Receipts in Advance	24	(12,202)
(4,829)	(4,874)	Provisions	26	(7,185)
<b>(98,799)</b>	<b>(76,147)</b>	<b>Current Liabilities</b>		<b>(82,055)</b>
(4,387)	(5,460)	Long Term Creditors		(12,708)
(126,429)	(135,232)	Long Term Borrowing		(92,675)
(217,794)	(165,767)	Other Long Term Liabilities		(204,481)
(17,791)	(28,410)	Capital Grants Receipts in Advance		(22,537)
<b>(366,401)</b>	<b>(334,869)</b>	<b>Long Term Liabilities</b>		<b>(332,401)</b>
<b>403,773</b>	<b>470,158</b>	<b>Net Assets</b>		<b>451,769</b>
(48,142)	(51,765)	Usable Reserve	27	(58,124)
(355,631)	(418,393)	Unusable Reserves	28	(393,645)
<b>(403,773)</b>	<b>(470,158)</b>	<b>Total Reserves</b>		<b>(451,769)</b>



**CASH FLOW STATEMENT****FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012**

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, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the 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 authority'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.

<b>2010/2011 £'000</b>		<b>2011/2012 £'000</b>	<b>2011/2012 £'000</b>	<b>Notes</b>
<b>(67,032)</b>	<b>(Surplus)/Deficit on Provision of Services</b>		<b>18,967</b>	
66,839	Adjustments to net (surplus) or deficit on provision of services for non-cash movements	(30,279)		
<u>(29,972)</u>	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<u>(20,612)</u>		
<b>36,867</b>	<b>Net Cash Flows from Operating Activities</b>		<b>(50,891)</b>	29
<b>35,028</b>	<b>Total Investing Activities</b>		<b>28,407</b>	30
<b><u>22,265</u></b>	<b>Total Financing Activities</b>		<b><u>41,408</u></b>	31
<b>27,128</b>	<b>Net (Increase)/Decrease in Cash and Cash Equivalents</b>		<b>37,891</b>	32
(154,953)	Cash and Cash Equivalents at the beginning of the reporting period		(127,825)	
<b>(127,825)</b>	<b>Cash and Cash Equivalents at the end of the reporting period</b>		<b>(89,934)</b>	



## **SECTION 5**

### **NOTES TO THE ACCOUNTS**

## 1. ACCOUNTING POLICIES

### 1.1 GENERAL PRINCIPLES

The Statement of Accounts summarises the transactions for the 2011/2012 financial year and its position at the year end 31<sup>st</sup> March 2012. The Council is required to prepare an annual statement of accounts by the Accounts and Audit (England) Regulations 2011, 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 2011/2012 and the Service Reporting Code of Practice 2011/2012 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.

### 1.2 ACCRUALS OF INCOME AND EXPENDITURE

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

- ❑ Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- ❑ Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- ❑ Supplies and services are recorded as expenditure when they are received. Items received but not consumed are included within the balance sheet as inventories (paragraph 1.15). The only significant exceptions are in respect of wages, bonuses and related costs which are included in the accounts on the basis of the nearest payment date to the year end, and housing rents which are included on the basis of the number of weeks which commence within the financial year. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.
- ❑ Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- ❑ Interest payable on borrowing and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- ❑ 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected (bad debt provision).
- ❑ Dividend income is recognised in the accounts in the year that it is declared rather than the year to which it relates.

### 1.3 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature within 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. Bank overdrafts are presented within current liabilities.

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.

## **1.4 EXCEPTIONAL ITEMS**

When items of income and expense are material, their nature and amount is disclosed separately on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

## **1.5 PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS**

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable and relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively 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.

## **1.6 CHARGES TO REVENUE FOR NON-CURRENT ASSETS**

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

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

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

## **1.7 EMPLOYEE BENEFITS**

### **Benefits Payable During Employment**

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

**Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

**Post Employment Benefits**

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

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

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

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

**The Local Government Pension Scheme**

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

- The liabilities of the Lancashire County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by the employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.9% (5.5% in 2010/2011) (based on the weighted average of "spot yields" on AA rated corporate bonds).
- The assets of the Lancashire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value

- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts for services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost- the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
  - contributions paid to the Lancashire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### **Discretionary Benefits**

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

## **1.8 EVENTS AFTER THE BALANCE SHEET DATE**

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.

## 1.9 FINANCIAL INSTRUMENTS

### Financial Liabilities

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

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

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

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

### Financial Assets

Financial assets are classified into two types:

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

#### Loans and Receivables

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

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

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

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

### **Available-for-Sale Assets**

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

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

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

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

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



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

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

### **1.10 FOREIGN CURRENCY TRANSACTIONS**

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

### **1.11 GOVERNMENT GRANTS AND CONTRIBUTIONS**

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

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

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

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

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

#### **Business Improvement District**

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

### **1.12 INTANGIBLE ASSETS**

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

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



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

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

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

### **1.13 HERITAGE ASSETS**

#### **Tangible and Intangible Heritage Assets**

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

##### **Illuminations Historic Collection**

This is a collection of illuminations that have been on display in the past but no longer form part of the annual display (ie non operational). They are kept for their historical significance. These items are reported in the balance sheet at insurance valuations that are based on market values. These insurance valuations are reviewed on an annual basis.

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

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

##### **Art Collection**

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

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

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

##### **Tower Company Collection and Local and Family History Collections**

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

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

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

**Civic Regalia**

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

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

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

**Cenotaph**

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

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

**Stanley Park Statues**

These are being held for purposes of knowledge and culture and are therefore considered to be heritage assets. Due to the cost of obtaining external valuations, they have been reported in the balance sheet based on insurance valuations. They are to be revalued every four years by external valuers.

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

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

**1.14 INTERESTS IN COMPANIES AND OTHER ENTITIES**

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

**1.15 INVENTORIES AND LONG TERM CONTRACTS**

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

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

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

**1.16 INVESTMENT PROPERTY**

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

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

Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

**1.17 JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS**

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of Property, Plant or Equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

**1.18 LEASES**

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

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

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

**The Authority as Lessee****Finance Leases**

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the Property, Plant or Equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

### **Operating Leases**

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

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

### **The Authority as Lessor**

#### **Finance Leases**

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

Lease rentals receivable are apportioned between:

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

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

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

## Operating Leases

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

## 1.19 OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the *CIPFA Service Reporting Code of Practice 2011/2012*. The total absorption costing principle is used – full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in Service Reporting Code of Practice and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

The main basis for charging of overhead costs is: -

<b>Percentage Time –</b>	Management
	Financial Services
	Payroll (also number of employees/payslips)
	Debtors & Creditors (also number of transactions)
	Human Resources
	Information Technology (also Direct Allocation/No of PCs)
	Corporate Leadership Team
<b>Desk Numbers -</b>	Administrative Buildings
<b>Actual Time Allocation –</b>	Property Services, Legal Services, Highways, Transportation, Streetscene and Capital Projects Division

## 1.20 PROPERTY, PLANT AND EQUIPMENT

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

### Recognition

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

**Measurement**

Assets are initially measured at cost, comprising

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

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

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

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

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

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

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

Assets included in the balance sheet at fair value are revalued as part of a rolling programme every four years to ensure that their carrying amount is not materially different from their fair value at the year end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

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

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

**Impairment**

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



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

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

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

## **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction), with a determinable finite life, by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use. The economic life of the asset is reviewed at least every four years as is the likely residual value.

Depreciation is calculated on the following bases:

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

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

## **Disposals and Non-current Assets Held for Sale**

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of the receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or

set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of fixed 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.

## **1.21 PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS**

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

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

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

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

- fair value of services received during the year debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge of a percentage of the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- lifecycle replacement costs- proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

### **Waste Disposal PFI**

Blackpool Council has entered into a Joint Working Agreement with Lancashire County Council to co-operate in the provision of certain waste disposal functions. The Council has authorised Lancashire County Council to enter into a PFI contract with Global Renewables Lancashire Limited and administer all matters under that contract on behalf of Blackpool Council. This arrangement is a continuing commitment until March 2036.

### **Street Lighting PFI**

This project will be for 30 years and includes the replacement of approximately 2,500 streetlights in the first 12 months. The service provider will be responsible for all management and maintenance of street lights. The project commenced on 4<sup>th</sup> January 2010. The total value of the project is £130m.

## **1.22 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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

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



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

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

### **Landfill Allowance Trading Scheme (LATS)**

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities (WDAs) to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. It also provides the legal framework for LATS, which commenced operation on 1<sup>st</sup> April 2005.

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

In 2011/2012 Blackpool did not buy or sell any allowances. The value of the landfill allowances is nil for 2011/2012.

### **Contingent Liabilities**

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

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

### **Contingent Assets**

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

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

## **1.23 RESERVES**

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

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

### 1.24 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

### 1.25 VAT

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

### 1.26 ACCOUNTING FOR THE COSTS OF THE CARBON REDUCTION COMMITMENT SCHEME

The authority is required to participate in the Carbon Reduction (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31<sup>st</sup> March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of the energy consumption.

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

Amendments to IFRS7 Financial Instruments:

The amendments to IFRS7 – Financial Instruments : Disclosures (transfers of financial assets issued October 2010) are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the Authority's financial position.

Relevant circumstances would arise where an authority retains ownership of a financial asset but contracts to reassign or otherwise pay over the cashflows generated by the instrument, at the same time as retaining substantially all the risks and rewards of ownership.

The Code requires this amended disclosure to be implemented on 1 April 2012. Following a review of the Authority's financial assets and liabilities it is considered unlikely that the IFRS7 amended accounting standard will have an impact on the financial statements.

## 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not 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.
- The Council is deemed to control the services provided under the agreement for the replacement and upgrade of street lighting and also to control the residual value of the lighting at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied

to the arrangements and the assets are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

- The following claims have potentially significant settlement values:
  - There are a number of claims against the Authority regarding accidents and injuries sustained on Council land.
  - There are a number of claims against the Authority regarding injuries sustained on roads and footpaths.

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

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

The items in the Authority's Balance Sheet at 31<sup>st</sup> March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are shown below:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
Property Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £430,000 for every year that useful lives had to be reduced.</p>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 1% increase in the discount rate assumption would result in a decrease in the pension liability of £8,792,000.</p> <p>However, the assumptions interact in complex ways. During 2011/2012, the Authority's actuaries advised the budgeted surplus/(deficit) would be (£138,943,000). However as a result of estimates being corrected the actual net finance costs was £172,005,000.</p>
Arrears	At 31/3/12 the Authority had a balance of sundry debtors of £4.9m. A review of significant balances suggested that an impairment of doubtful debts of 38% was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate a doubling of the impairment of doubtful debts would require an additional £1.8m to be set aside as an allowance.

## **5. MATERIAL ITEMS OF INCOME AND EXPENSE**

The change in inflation factor for retirement benefits and settlement for HRA self financing have been shown separately on the face of the Comprehensive Income and Expenditure Statement.

In addition there were losses on disposal of Property, Plant and Equipment posted to the Comprehensive Income and Expenditure Statement totalling £5,134,889 in 2011/2012 (2010/2011 gains of £2,790,997) which are considered material.

## **6. EVENTS AFTER THE REPORTING PERIOD**

The Statement of Accounts was authorised for issue by the Treasurer on 29th June 2012. Events taking place after this date are not reflected in the financial statements and notes. Where events taking place before this date provide information about conditions existing at 31<sup>st</sup> March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## **7. ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

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

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

### **General Fund Balance**

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

### **Housing Revenue Account**

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

### **Major Repairs Reserve**

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

### **Capital Receipts Reserve**

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

**Capital Grants Unapplied**

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

2011/2012	USABLE RESERVES					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Reserves £'000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	(105,452)					105,452
Capital grants and contributions unapplied	44,811					(44,811)
Revenue expenditure funded from capital under statute	(3,480)					3,480
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,255)					1,255
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Statutory provision for the financing of investment	7,900					(7,900)
Capital expenditure charged against the General Fund and HRA balances	4,992					(4,992)

2011/2012	USABLE RESERVES					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Reserves £'000	
<b>Adjustments primarily involving the Capital Receipts Reserve</b>  Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement  Use of Capital Receipts Reserve to finance new capital expenditure  Capital receipt towards settlement of HRA self financing  Contribution from Capital Reserves	(45)		(423)  1,137  (50,621)		219	468  (1,137)  9,098  (219)
<b>Adjustment primarily involving the Major Repairs Reserve</b>						
Use of the Major Repairs Reserve to finance new capital expenditure				(3,711)		3,711
Reversal of MRA credited to HRA				3,711		(3,711)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>  Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(18)					18

2011/2012	USABLE RESERVES					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Reserves £'000	
<b>Adjustments primarily involving the Pensions Reserve</b>  Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement  Employer's pension contributions and direct payments to pensioners payable in the year	(17,850)					17,850
<b>Adjustments primarily involving the Available for Sale Reserve</b>  Gain/loss on revaluation of investments	200					(200)
<b>Adjustment primarily involving the Collection Fund Adjustment Account</b>  Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements	(316)					316
<b>Adjustments primarily involving the Accumulated Absences Account</b>  Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(891)					891
<b>TOTAL</b>	<b>(58,684)</b>	<b>41,523</b>	<b>(49,907)</b>	<b>0</b>	<b>219</b>	<b>66,849</b>



Restated 2010/2011	USABLE RESERVES					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Reserves £'000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	(26,473)					26,473
Capital grants and contributions unapplied	72,655					(72,655)
Revenue expenditure funded from capital under statute	(5,791)					5,791
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,791)					2,791
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Statutory provision for the financing of investment	6,265					(6,265)
Capital expenditure charged against the General Fund and HRA balances	361					(361)

2010/2011	USABLE RESERVES					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Reserves £'000	
<b>Adjustments primarily involving the Capital Receipts Reserve</b>  Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement  Use of Capital Receipts Reserve to finance new capital expenditure  Contribution from the capital receipts reserve towards administrative costs of non-current asset disposals  Contribution from the Capital Reserve	(142)		399		417	142   (399)   (417)
<b>Adjustment primarily involving the Major Repairs Reserve</b>						
Use of the Major Repairs Reserve to finance new capital expenditure				1,979		(1,979)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>  Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(377)					377

2010/2011	USABLE RESERVES					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Reserves £'000	
<b>Adjustments primarily involving the Pensions Reserve</b>  Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement  Employer's pension contributions and direct payments to pensioners payable in the year	3,580					(3,580)
<b>Adjustments primarily involving the Available for Sale Reserve</b>  Gain/loss on revaluation of investments	(1,770)					1,770
<b>Adjustment primarily involving the Collection Fund Adjustment Account</b>						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements	(134)					134
<b>Adjustments primarily involving the Accumulated Absences Account</b>  Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(84)					84
Transfer to Capital Reserve	(100)					100
Other	17					(17)
<b>TOTAL</b>	<b>60,614</b>		<b>399</b>	<b>1,979</b>	<b>417</b>	<b>(63,409)</b>

## 8. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund and HRA expenditure in 2011/2012.

	Balance at 31 <sup>st</sup> March 2010	Transfers Out 2010/2011	Transfers In 2010/2011	Balance at 31 <sup>st</sup> March 2011	Transfers Out 2011/2012	Transfers In 2011/2012	Balance at 31 <sup>st</sup> March 2012
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund:</b>							
Balances held by schools under scheme of delegation (1)	(4,106)	952	(969)	(4,123)	1,354	(3,224)	(5,993)
Unallocated Reserves	(6,004)	0	(163)	(6,167)	180	0	(5,987)
<b>Total General Fund</b>	<b>(10,110)</b>	<b>952</b>	<b>(1,132)</b>	<b>(10,290)</b>	<b>1,534</b>	<b>(3,224)</b>	<b>(11,980)</b>
<b>Earmarked Reserves</b>							
Potential Pay Liabilities	(7,747)	6,865	(8,726)	(9,608)	4,745	(3,547)	(8,410)
Waste PFI	(6,225)	920	(429)	(5,734)	50	(320)	(6,004)
Street Lighting PFI	(188)	0	(2,099)	(2,287)	0	(1,928)	(4,215)
Council Tax & NNDR	(1,701)	699	0	(1,002)	663	(2,522)	(2,861)
Deficits							
Service Underspends	0	0	(4,000)	(4,000)	3,175	(1,996)	(2,821)
Specific Settlements in Dispute	0	62	(920)	(858)	356	(1,950)	(2,452)
Budget 2013/2014	0	0	0	0	0	(1,466)	(1,466)
Strategic Investments	0	0	0	0	0	(1,287)	(1,287)
Financial systems upgrade, renewals & replacements	(271)	5	0	(266)	45	(323)	(544)
Financial Instruments	(823)	290	0	(533)	0	(14)	(547)
Other	(7,538)	9,951	(8,642)	(6,229)	12,146	(10,638)	(4,721)
<b>Total Earmarked Reserves</b>	<b>(24,493)</b>	<b>18,792</b>	<b>(24,816)</b>	<b>(30,517)</b>	<b>21,180</b>	<b>(25,991)</b>	<b>(35,328)</b>
<b>HRA</b>							
Housing Revenue Account	(1,350)	0	(264)	(1,614)	0	(691)	(2,305)

(1) Such balances are committed to be spent on the Education Service

(2) All reserves with balances over £500,000 are shown separately

**9. OTHER OPERATING EXPENDITURE**

2010/2011 £'000		2011/2012 £'000
73	Flood Defence Levy	73
142	Payment to the Government Housing Capital Receipts Pool	45
3,722	Losses on the disposal of non-current assets	5,135
<b>3,937</b>	<b>Total</b>	<b>5,253</b>

**10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

2010/2011 £'000		2011/2012 £'000
9,913	Interest payable and similar charges	9,150
8,284	Pensions interest cost and expected return on pensions assets	4,168
(447)	Interest receivable and similar income	(625)
<u>0</u>	Waste PFI financing charges	<u>7,370</u>
<b>17,750</b>	<b>Sub Total</b>	<b>20,063</b>
0	Settlement payment from Government for HRA Self Financing - Premiums	9,098
<b>17,750</b>	<b>Total</b>	<b>29,161</b>

**11. TAXATION AND NON SPECIFIC GRANT INCOMES**

2010/2011 £'000		2011/2012 £'000
(58,700)	Council tax income	(59,963)
(71,425)	Non domestic rates	(66,012)
(33,313)	Non-ring fenced government grants	(21,900)
<u>(72,655)</u>	Capital grants and contributions – Other	<u>(44,812)</u>
<b>(236,093)</b>	<b>Sub Total</b>	<b>(192,687)</b>
0	Capital grants and contributions – HRA Self Financing	(50,621)
<b>(236,093)</b>	<b>Total</b>	<b>(243,308)</b>

## **12. PROPERTY PLANT AND EQUIPMENT**

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

	Council Dwellings	Other HRA	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets under Construction	TOTAL	Street Lighting PFI
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b> At 1 <sup>st</sup> April 2011	134,630	1,894	337,859	26,698	363,710	2,885	11,116	878,792	9,409
Additions	10,605	0	36,703	3,115	44,705	10	4,623	99,761	7,721
Revaluation increase/(decreases) recognised in Revaluation Reserve	0	0	12,155	0	314	0	0	12,469	314
Revaluation increases/(decreases) recognised in Surplus/Deficit on Provision of Services	(45,743)	13	(53,612)	(356)	0	(346)	0	(100,044)	0
Derecognition – disposals	(4,012)	0	(1,539)	0	0	0	0	(5,551)	0
Other movements in cost or valuation	0	0	5,534	807	(2,804)	(2,520)	(1,306)	(289)	0
<b>At 31<sup>st</sup> March 2012</b>	<b>95,480</b>	<b>1,907</b>	<b>337,100</b>	<b>30,264</b>	<b>405,925</b>	<b>29</b>	<b>14,433</b>	<b>885,138</b>	<b>17,444</b>
Accumulated Depreciation and Impairment									
At 1 <sup>st</sup> April 2011	2,982	61	22,508	16,618	58,649	4	0	100,822	259
Depreciation charge	3,402	61	3,872	3,402	12,715	4	0	23,456	393
Depreciation written out to Revaluation Reserve	0	0	(8,293)	0	0	0	0	(8,293)	0
Depreciation written out to Surplus/Deficit on Provision of Services	(2,982)	(61)	(9,545)	0	0	0	0	(12,588)	0
Other movements in depreciation and impairment	0	0	(206)	0	(80)	(8)	0	(294)	0
Accumulated Depreciation c/f	3,402	61	8,336	20,020	71,284	0	0	103,103	652
<b>Net Book Value</b> <b>At 31<sup>st</sup> March 2012</b>	<b>92,078</b>	<b>1,846</b>	<b>328,764</b>	<b>10,244</b>	<b>334,641</b>	<b>29</b>	<b>14,433</b>	<b>782,035</b>	<b>16,792</b>
<i>Restated Net Book Value</i> <i>2010/2011</i>	<i>131,648</i>	<i>1,833</i>	<i>315,351</i>	<i>10,080</i>	<i>305,061</i>	<i>2,761</i>	<i>11,116</i>	<i>777,850</i>	<i>9,150</i>

**Depreciation**

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

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

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

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

**Capital Commitments**

At 31<sup>st</sup> March 2012, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/2012 and future years budgeted to cost £18m. Similar commitments at 31<sup>st</sup> March 2011 were £4.5m. The major commitments are:

St Mary's High School BSF Programme

Leisure Assets Re-Development

**Effects of Changes in Estimates**

In 2010/2011, the Council made a material change to its accounting estimates for Property, Plant and Equipment in relation to the implementation of IFRS. This manifested itself in the following process being undertaken.

- 1) Identifying properties with a value in excess of de minimis levels (£1m)
- 2) Separating these properties into components
- 3) These components were to account for at least 20% of the value of the property
- 4) A component is identified where it meets the above criteria and has a different useful economic life than the main structure.

The valuation of these properties entailed valuers breaking the property down into components, so that differing depreciation rates could be applied to the elements of a property according to their own particular useful economic life.

**Revaluations**

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every four years. Valuations were carried out both internally and externally during 2011/2012. These valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.



The significant assumptions in estimating fair values are:-

	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Carried at historical cost	0	0	25,216	6,223	31,439
Valued at fair value as at:					
31/3/12	93,924	165,825	0	13,647	273,396
31/3/11	0	73,356	0	611	73,967
31/3/10	0	57,883	0	3,655	61,538
31/3/09	0	85,030	0	917	85,947
<b>Total Cost or Valuation</b>	<b>93,924</b>	<b>382,094</b>	<b>25,216</b>	<b>25,053</b>	<b>526,287</b>

### Component Accounting

#### Council Dwellings

The following assets with a net book value of £91.3m (included in Note12) have been accounted for on a component basis. This means they are written off according to their own unique economic life.

<b>Asset Type</b>	<b>Land</b>	<b>Kitchens and Bathrooms</b>	<b>Structure</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Houses/Bungalows	16,052	3,380	22,211	41,643
Flats	22,949	7,803	18,910	49,662
<b>TOTAL</b>	<b>39,001</b>	<b>11,183</b>	<b>41,121</b>	<b>91,305</b>

## Other Land and Buildings

Items valued at £1m and above have been subject to component accounting. A component must be worth at least 20% of the value of the asset. As the valuations are on a 4 year rolling programme only the items below which have been revalued since 2010/2011 have been considered for component accounting. This represents over 30% of the total land and buildings.

Asset	Land £'000	Building £'000	Machinery/ Equipment £'000	Roofs £'000	Total £'000
St George's School	880	4,560	2,740	1,820	10,000
Devonshire Primary	320	3,840	2,300	1,540	8,000
Municipal Buildings	420	1,890	1,130	760	4,200
Progress House	970	1,590	950	640	4,150
Thames Primary	300	1,905	1,140	765	4,110
Queen Street	170	1,830	1,100	720	3,820
Marton Primary	120	1,565	940	625	3,250
St Nicholas Primary	140	1,530	920	610	3,200
Baines Endowed	270	1,410	840	560	3,080
Mereside Primary	430	1,235	740	495	2,900
Bispham Endowed Primary	320	1,270	760	510	2,860
Town Hall	210	1,325	660	665	2,860
St Cuthbert's Primary	400	1,010	610	400	2,420
St John Vianney	170	1,115	670	445	2,400
Kincraig Primary	210	1,050	630	420	2,310
Holy Family Primary	280	810	490	320	1,900
St Teresa's Primary	300	690	410	280	1,680
St Bernadette's Primary	160	750	450	300	1,660
Highfurlong	210	720	430	290	1,650
Stanley Park Arena	150	740	500	0	1,390
Stanley Park All Weather	160	630	420	0	1,210
Christ the King Primary	210	495	300	195	1,200
St Kentigern's Primary	130	530	320	210	1,190
Our Lady of Assumption	160	510	300	200	1,170
Illuminations Depot	0	1,908	1,261	1,600	4,769
Sandcastle	250	2,200	2,765	3,310	8,525
Blackpool Tower	2,000	8,325	4,625	5,550	20,500
Madame Tussauds	1,000	4,525	500	75	6,100
Golden Mile	2,100	4,300	500	100	7,000
South King St Offices	510	476	357	357	1,700
Talbot Rd Multi Storey	249	2,400	75	25	2,749
<b>TOTAL</b>	<b>13,199</b>	<b>57,134</b>	<b>29,833</b>	<b>23,787</b>	<b>123,953</b>
Depreciation rates	Nil	2%	8%	4%	

## Heritage Assets

Reconciliation of the carrying value of heritage assets held by the Authority

	Art Collection	Civic Regalia	Cenotaph	Tower & Local History Collection	Illuminations	Statues	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation 1<sup>st</sup> April 2010</b>	<b>5,000</b>	<b>381</b>	<b>440</b>	<b>900</b>	<b>250</b>	<b>653</b>	<b>7,624</b>
Additions	0	0	2	0	0	0	2
Impairment Losses recognised in CIES	0	0	(322)	0	0	0	(322)
<b>31<sup>st</sup> March 2011</b>	<b>5,000</b>	<b>381</b>	<b>120</b>	<b>900</b>	<b>250</b>	<b>653</b>	<b>7,304</b>

	Art Collection	Civic Regalia	Other	Tower & Local History Collection	Illuminations	Statues	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation 1<sup>st</sup> April 2011</b>	<b>5,000</b>	<b>381</b>	<b>120</b>	<b>900</b>	<b>250</b>	<b>653</b>	<b>7,304</b>
Revaluations	0	210	0	0	250	0	460
<b>31<sup>st</sup> March 2012</b>	<b>5,000</b>	<b>591</b>	<b>120</b>	<b>900</b>	<b>500</b>	<b>653</b>	<b>7,764</b>

## Art Collection

The Authority's Art Collection has not been formally valued for a number of years but insurance valuations have been used for the balance sheet.

## Civic Regalia

The Authority's civic regalia was valued as at 31<sup>st</sup> March 2012 by an external valuer. The valuations were based on commercial markets.

## Cenotaph

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

## Tower &amp; Local Historical Collection

This has been valued by the Head of Heritage as at 31<sup>st</sup> March 2012.

## Illuminations

These assets have been valued by the Illuminations Manager as at 31<sup>st</sup> March 2012

## Statues

Insurance valuations have been used for the purposes of valuing these assets. The valuations are as at 31<sup>st</sup> March 2012.

**13. 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.

<b>2010/2011 £'000</b>		<b>2011/2012 £'000</b>
(810)	Rental income from investment property	(1,132)
2,342	Direct operating expenses arising from investment property	2,423
<b>1,532</b>	<b>Net Loss</b>	<b>1,291</b>

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

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

<b>2010/2011 £'000</b>		<b>2011/2012 £'000</b>
<b>10,560</b>	<b>Balance at start of the year</b>	<b>10,374</b>
0	Additions: Subsequent expenditure	62
(186)	Other changes	1,701
<b>10,374</b>	<b>Balance at end of year</b>	<b>12,137</b>

**14. ASSETS HELD FOR SALE**

	<b>Non Current Assets</b>	
	<b>2011/2012</b>	<b>2010/2011</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance outstanding at start of year</b>	<b>3,495</b>	<b>3,488</b>
Assets classified as held for sale:		
Property, plant & equipment	145	0
Revaluation gains	222	38
Impairment losses	(723)	(31)
Assets declassified as held for sale		
Property, plant and equipment	(35)	0
<b>Balance outstanding at year end</b>	<b>3,104</b>	<b>3,495</b>

**15. NON CURRENT ASSETS ANALYSIS**

	<b>31<sup>st</sup> March 2012 (Number of Assets)</b>	<b>31<sup>st</sup> March 2011 (Number of Assets)</b>
<b>Operational Assets</b>		
Primary Schools	27	28
Secondary Schools	8	8
Specials Schools	3	3
Playing Fields	9	9
Children's Family Centres	3	3
Children's Homes	4	4
Children's Resource Centre	7	7
Children's Respite Centre	1	1
Sure Start Centres	3	3
Youth Centres	2	2
Youth Justice Centres	1	1
Assessment Centres for Elderly	2	2
Day Centres for Elderly	1	1
Homes for the Elderly	2	2
LD Respite Centres	2	2
LD Day Care Centres	1	1
MH Resource Centre	1	1
MH Residential	1	1
PD Resource Centres	1	1
Other Social Services	1	1
Cemeteries	4	4
Refuse Disposal Site	1	1
Civic Centres	2	2
Conveniences	28	28
Depots/Workshop/Storage	14	14
Gypsy Sites	1	1
Showgrounds	1	1
Town Hall & Other Offices	25	26
War Memorials	1	1
Allotments	8	8
Art Gallery	1	1
Bowling Greens and Related Assets	20	20
Golf Courses and Related Assets	2	2
Gymnasium	1	1
Leisure Centres and Buildings	46	46
Libraries	8	8
Parks & Open Spaces	80	80
Playgrounds/Recreation Grounds	53	53
Sports Pitches/Courts etc	59	59
Swimming Pools	4	4
Tourist Information Centres	2	2
Bus Stations	1	1
Car Parks	31	31
Roof Masts	2	2
Other	17	17
Council Dwellings	5,325	5,298
<b>Non Operational Assets</b>		
Business Park Assets	38	39
Caravan Park	1	1
Non operational Buildings and Assets	304	304

**16. INTANGIBLE ASSETS**

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

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

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

	<b>2011/2012</b>	<b>2010/2011</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at start of year:</b>		
Gross carrying amounts	0	872
Accumulated amortisation	0	(866)
<b>Net carrying amount at start of year</b>	<b>0</b>	<b>6</b>
Amortisation for the period	0	(6)
<b>Net carrying amount at end of year</b>	<b>0</b>	<b>0</b>
Comprising:		
Gross carrying amounts	0	872
Accumulated amortisation	0	(872)
	<b>0</b>	<b>0</b>



## 17. FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	£'000	£'000	£'000	£'000
<b>Investments</b>				
Loans and receivables	0	0	6,930	6,500
Unquoted equity investment at cost *	8,800	7,900	0	0
<b>Total Investments</b>	<b>8,800</b>	<b>7,900</b>	<b>6,930</b>	<b>6,500</b>
<b>Debtors</b>				
Financial assets carried at contract amounts	0	0	37,478	57,203
<b>Total Debtors</b>	<b>0</b>	<b>0</b>	<b>37,478</b>	<b>57,203</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	92,675	135,232	7,395	5,667
<b>Total Borrowings</b>	<b>92,675</b>	<b>135,232</b>	<b>7,395</b>	<b>5,667</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	(12,708)	(5,460)	(67,476)	(65,606)
<b>Total creditors</b>	<b>(12,708)</b>	<b>(5,460)</b>	<b>(67,476)</b>	<b>(65,606)</b>

- The fair value of Blackpool Transport Services

### Material Soft Loan made by the Authority to Lancashire County Developments

Upon Local Government Reorganisation in 1998 the Authority took over a 10% share in a loan made to Lancashire County Developments by Lancashire County Council. The loan was due to be repaid in full in 2010/2011 but Lancashire County Council re-negotiated the loan and it is now due to be repaid in 2031. Under requirements of IAS 32 this loan has been revalued to fair value. The original amount of the loan was £721,000. The fair value of the loan in 2011/2012 was £310,000 (£297,000 in 2010/2011).

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

The authority makes loans for car purchase to 27 employees in the authority who are in posts that require them to drive regularly on the authority's business. Interest is charged on the loans at 5.5%

	2011/2012		2010/2011	
	£'000	£'000	£'000	£'000
Balance at start of the year:				
<b>Opening Balance</b>		<b>148</b>		<b>146</b>
New loans granted in year	48		71	
Loans Repaid	<u>(83)</u>	(35)	<u>(69)</u>	2
<b>Closing balance</b>		<b>113</b>		<b>148</b>

**Income, Expense, Gains and Losses**

2011/2012	Financial Liabilities measured at amortised cost £'000	Financial Assets: loans and receivables £'000	Financial Assets: Available for Sale £'000	Total £'000
Interest expense	(6,773)	0	0	(6,773)
Losses on derecognition *	(9,098)	0	0	(9,098)
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(15,871)</b>	<b>0</b>	<b>0</b>	<b>(15,871)</b>
Interest income	0	177	0	177
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>177</b>	<b>0</b>	<b>177</b>
Gains on revaluation	0	0	200	200
<b>Surplus/deficit arising on revaluation of financial assets in other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>200</b>	<b>200</b>
<b>Net gain/(loss) for the year</b>	<b>(15,871)</b>	<b>177</b>	<b>200</b>	<b>(15,494)</b>

\* = premia arising on PWLB loans repaid early by DCLG as part of the £41.523m HRA Self Financing settlement

2010/2011	Financial Liabilities measured at amortised cost £'000	Financial Assets: loans and receivables £'000	Financial Assets: Available for Sale £'000	Total £'000
Interest expense	(7,721)	0	0	(7,721)
Losses on Derecognition *	(200)	0	0	(200)
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(7,921)</b>	<b>0</b>	<b>0</b>	<b>(7,921)</b>
Interest income	0	447	0	447
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>447</b>	<b>0</b>	<b>447</b>
Gains on revaluation	0	0	200	200
<b>Surplus/deficit arising on revaluation of financial assets in other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>200</b>	<b>200</b>
<b>Net gain/(loss) for the year</b>	<b>(7,921)</b>	<b>447</b>	<b>200</b>	<b>(7,274)</b>

(1) Available for Sale Assets – The Council holds all of the shares in Blackpool Transport Services Ltd which operates buses and trams within the Blackpool area. The shares cost £2,789,000. The fair value of the shares, based on the audited accounts to 30<sup>th</sup> March 2012 is £8.1m.

## Fair Values of Assets and Liabilities

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

- Estimated ranges of interest rates at 31<sup>st</sup> March 2012 of 0.23% to 3.26% for loans from the PWLB and 0.54% to 3% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to be approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated as follows:

	31 <sup>st</sup> March 2012		31 <sup>st</sup> March 2011	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
<b>Financial Liabilities</b>	100,070	123,490	140,899	157,309
<b>Long-term Creditors</b>	49,780	49,780	60,255	60,255

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2012) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2012		31 March 2011	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and receivables	7,680	7,680	6,500	6,500
Long-term debtors	7,632	7,221	7,314	6,890
Short term debtors	37,515	37,515	57,203	57,203

The fair value of the assets is lower than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2012) attributable to the commitment to receive interest below current market rates.

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

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

**18. INVENTORIES**

<b>2011/2012</b>	<b>Consumables £'000</b>	<b>Materials £'000</b>	<b>Work In Progress £'000</b>	<b>Total £'000</b>
<b>Balance outstanding at start of the year</b>	<b>174</b>	<b>347</b>	<b>138</b>	<b>659</b>
Purchases	40	2,806	44	2,890
Recognised as an expense in the year	(33)	(2,775)	(4)	(2,812)
<b>Balance outstanding at year end</b>	<b>181</b>	<b>378</b>	<b>178</b>	<b>737</b>

<b>2010/2011</b>	<b>Consumables £'000</b>	<b>Materials £'000</b>	<b>Work In Progress £'000</b>	<b>Total £'000</b>
<b>Balance outstanding at start of the year</b>	<b>177</b>	<b>238</b>	<b>93</b>	<b>508</b>
Purchases	66	2,374	45	2,485
Recognised as an expense in the year	(69)	(2,265)	0	(2,334)
<b>Balance outstanding at year end</b>	<b>174</b>	<b>347</b>	<b>138</b>	<b>659</b>

**19. LONG TERM INVESTMENTS**

<b>31 March 2011 £'000</b>		<b>31 March 2012 £'000</b>
	<b>Ordinary Shares (£1 per share) in:-</b>	
7,900	Blackpool Transport Services Ltd	8,100
700	5% Share in Blackpool Airport	700
<b>8,600</b>	<b>TOTAL</b>	<b>8,800</b>

**BLACKPOOL TRANSPORT SERVICES LIMITED**

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

The quoted market share prices, similar comparative companies and the audited accounts of Blackpool Transport Services have been used as the basis upon which to arrive at a formal valuation for the Council's shareholding of the company. The investment value included within the Council's balance sheet represents the value of Total Equity Shareholder Funds. In 2011/2012 there was an increase in value of £200,000. All profit and losses on revaluation are credited or charged to the Available for Sale Reserve via the Movement in Reserves Statement.

**BLACKPOOL AIRPORT**

Upon the sale of Blackpool Airport to City Hopper Airports the Council retained a 5% share in the Airport.

**BLACKPOOL OPERATING COMPANY LTD (SANDCASTLE WATERPARK)**

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

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

**20. LONG-TERM DEBTORS**

Long-term debtors relate to amounts that are due to be repaid in over twelve months time. These include a share in land held for use under the Lancashire Waste Private Finance Initiative, care and repair loans and staff car loans.

<b>31<sup>st</sup> March 2011</b>		<b>31<sup>st</sup> March 2012</b>
<b>£'000</b>		<b>£'000</b>
552	Waste PFI	552
221	Care & Repair Loans	221
148	Car Loans	113
40	Lancashire & Blackpool Tourist Board	40
297	Lancashire County Developments	310
489	Business Loans	411
5,000	Blackpool Pleasure Beach	4,450
88	HRA – Loan	88
55	Council mortgages (Right to Buy)	36
0	Local Authority Mortgage Scheme	1,000
<b>6,890</b>	<b>TOTAL</b>	<b>7,221</b>

**Waste PFI**

The total value of land held under the PFI contract at current market value is estimated at £4.415m. Under the terms of the Joint Working Agreement, Blackpool Council will be due a 12.5% share of this at the end of the PFI contract.

**Care and Repair Loans**

These are loans to council tenants for home improvements and repairs to be paid back over a number of years

**Car Loans**

The number of outstanding long-term car loans at 31st March 2012 was 27 (26 as at 31 March 2011). See note 17 for breakdown.

**Lancashire and Blackpool Tourist Board**

The loan to Lancashire and Blackpool Tourist Board was issued in January 2008. The loan is interest free and due to be repaid in January 2018.

**Lancashire County Developments**

The loan to Lancashire County Developments was due to be repaid in full in 2010/2011. Lancashire County Council re-negotiated the loan which is now due to be repaid in 2031. Under requirements of IAS 32 this loan has been revalued to fair value. The original amount of the loan was £721,000. The fair value of the loan in 2011/2012 was £310,000 (£297,000 in 2010/2011). The movement in fair value of £13,000 has been charged to the Comprehensive Income and Expenditure Account and then transferred to the Financial Instruments Adjustment Account via Movement in Reserves. This does not affect the loan repayment due to the authority in 2031.

The car loans and loan to Lancashire and Blackpool Tourist Board have not been recalculated to fair value due to the immaterial amounts.

**Business Loans**

In 2009/2010 the Council set up a £3m fund for businesses to safeguard and create jobs and help Blackpool get through the recession. The aim of the fund is to provide a lifeline for local, normally sound businesses that are currently experiencing difficulty in getting finance from the banks because of the global slow down. These loans have been divided into four categories:

- Retail – loans of £5,000 to assist businesses and premises in a defined Town Centre Area
- Promenade – loans of £5,000 to help businesses situated between Central and North Pier
- Investment Fund – up to £150,000 loans for businesses that are growing or planning to invest in Blackpool thereby bringing new jobs to the town.
- Credit Crunch – this loan fund applies to good and sound businesses experiencing cash flow problems but not within other categories.

There were no new loans issued in 2011/2012.

**Blackpool Pleasure Beach**

In 2010/2011 the authority granted a loan of £5m to Blackpool Pleasure Beach towards the development of Nickolodean Land. The loan is due to be repaid by September 2018 and interest is charged at the market rate.



**Local Authority Mortgage Scheme**

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

**21. DEBTORS**

<b>31<sup>st</sup> March 2011</b>		<b>31<sup>st</sup> March 2012</b>
<b>£'000</b>		<b>£'000</b>
23,319	Central government bodies	12,325
892	Other local authorities	1,992
277	NHS bodies	250
34,353	Other entities and individuals	25,537
7,112	Council Tax Debtors	6,760
(11,580)	Total Impairment	(12,130)
<b>54,373</b>	<b>NET VALUE OF DEBTORS</b>	<b>34,734</b>

In 2011/2012 debtors relating to the Collection Fund included council tax arrears of £7.9m (£8.3m in 2010/2011) of which £1.1m was attributable to precept authorities. Non-domestic rate arrears were £4.7m (£4.6m in 2010/11).

**22. PAYMENTS IN ADVANCE**

<b>31 March 2011</b>		<b>31 March 2012</b>
<b>£000</b>		<b>£000</b>
2,233	Children, Adults and Family Services	2,263
144	Built Environment, Regeneration, Tourism and Culture	189
122	Corporate and Democratic	81
180	Blackpool Services	242
151	Other	6
<b>2,830</b>	<b>TOTAL PAYMENTS IN ADVANCE</b>	<b>2,781</b>

**23. CASH AND CASH EQUIVALENTS**

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

<b>31 March 2011</b> <b>£'000</b>		<b>31 March 2012</b> <b>£'000</b>
219	Cash held by the Authority	234
1,830	Bank current accounts	(802)
6,750	Short-term deposits with institutions	6,930
<b>8,799</b>	<b>Total cash and cash equivalents</b>	<b>6,362</b>

**24. RECEIPTS IN ADVANCE**

<b>31<sup>st</sup> March 2011</b> <b>£'000</b>		<b>31<sup>st</sup> March 2012</b> <b>£'000</b>
(4,888)	Children, Adults and Families	(4,590)
(2,632)	Built Environment, Regeneration, Tourism and Culture	(1,258)
(377)	Housing Revenue Account	(240)
(3,734)	Capital	(2,906)
(529)	Collection Fund	(428)
(591)	Blackpool Services	(1,536)
(1,459)	Other	(1,244)
<b>(14,210)</b>	<b>TOTAL</b>	<b>(12,202)</b>

**25. SHORT TERM CREDITORS**

<b>31<sup>st</sup> March 2011</b> <b>£'000</b>		<b>31<sup>st</sup> March 2012</b> <b>£'000</b>
(5,162)	Central Government Bodies	(8,235)
(4,096)	Other Local Authorities	(14,173)
(522)	NHS Bodies	(26)
(41,616)	Other entities and individuals	(32,840)
<b>(51,396)</b>	<b>TOTAL VALUE OF CREDITORS</b>	<b>(55,274)</b>

**26. PROVISIONS**

<b>2011/2012</b>	<b>Injury and Damage Compensation Claims £'000</b>	<b>Other Provisions £'000</b>	<b>Total £'000</b>
<b>Balance at 1 April 2011</b>	<b>(1,380)</b>	<b>(3,494)</b>	<b>(4,874)</b>
Additional provisions made in 2011/2012	(569)	(4,685)	(5,254)
Amounts used in 2011/2012	0	2,848	2,848
Unused amounts reversed in 2011/2012	0	95	95
<b>Balance at 31 March 2012</b>	<b>(1,949)</b>	<b>(5,236)</b>	<b>(7,185)</b>

<b>2010/2011</b>	<b>Injury and Damage Compensation Claims £'000</b>	<b>Other Provisions £'000</b>	<b>Total £'000</b>
<b>Balance at 1 April 2010</b>	<b>(2,100)</b>	<b>(2,729)</b>	<b>(4,829)</b>
Additional provisions made in 2010/2010	0	(6,542)	(6,542)
Amounts used in 2010/2011	720	5,529	6,249
Unused amounts reversed in 2010/2011	0	248	248
<b>Balance at 31 March 2011</b>	<b>(1,380)</b>	<b>(3,494)</b>	<b>(4,874)</b>

**Outstanding legal cases****Injury Compensation Claims**

Most of the injury compensation claims are individually insignificant. Significant claims are detailed in Note 3. They relate to personal injuries sustained where the Authority is alleged to be at fault (e.g. through failure to repair a road or pavement properly). Provision is made for those claims where it is deemed probable that the Authority will have to make settlement, based on past experience of court decisions about liability and the amount of damages payable. All outstanding claims are expected to be settled by 2012/2013. The Authority may be reimbursed by its insurers, but until claims are actually settled no income is recognised.

**Other provisions**

All other provisions are individually insignificant.

**27. USABLE RESERVES**

<b>31<sup>st</sup> March 2011 £'000</b>		<b>31<sup>st</sup> March 2012 £'000</b>
(4,123)	Schools Reserves	(5,994)
(6,167)	Unallocated General Fund Reserves	(5,987)
(1,614)	Housing Revenue Account	(2,305)
(30,517)	Earmarked Revenue Reserves	(35,327)
(3,277)	Capital Receipts Reserve	(2,563)
0	Major Repairs Reserve	0
(6,067)	Capital Reserves	(5,948)
<b>(51,765)</b>	<b>Total Usable Reserves</b>	<b>(58,124)</b>

**28. UNUSABLE RESERVES**

<b>Restated 31<sup>st</sup> March 2011 £'000</b>		<b>31 March 2012 £'000</b>
(71,451)	Revaluation Reserve	(89,583)
(5,811)	Available for Sale Financial Instrument Reserve	(6,011)
(482,075)	Capital Adjustment Account	(478,522)
836	Financial Instruments Adjustment Account	854
136,262	Pensions Reserve	174,564
119	Collection Fund Adjustment Account	435
3,727	Accumulated Absences Account	4,618
<b>(418,393)</b>	<b>Total Unusable Reserves</b>	<b>(393,645)</b>

**Revaluation Reserve**

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

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

<b>Restated 2010/2011 £'000</b>		<b>2011/2012 £'000</b>
<b>(57,450)</b>	<b>Balance at 1 April</b>	<b>(71,451)</b>
(12,223)	Upward revaluation of assets	(16,844)
2,420	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	4,938
0	Difference between fair value depreciation and historical cost depreciation	(8,385)
1,184	Accumulated gains on assets sold or scrapped	672
1,802	Amount written off to the Capital Adjustment Account	1,487
(7,184)	Heritage Assets brought onto Balance Sheet	0
<b>(71,451)</b>	<b>Balance at 31 March</b>	<b>(89,583)</b>

### Available for Sale Financial Instruments Reserve

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

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

2010/2011 £'000		2011/2012 £'000
(7,581)	<b>Balance at 1 April</b>	(5,811)
0	Upward revaluation of investments	(200)
1,770	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0
(5,811)	<b>Balance at 31 March</b>	(6,011)

### 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 Authority as finance for the costs of acquisition, construction and enhancement.

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

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

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2010/2011 £'000		2011/2012 £'000	2011/2012 £'000
<b>(478,979)</b>	<b>Balance at 1 April</b>		<b>(482,075)</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
81,124	▪ Charges for depreciation and impairment of non-current assets	101,485	
0	▪ Revaluation losses on PPE	(2,462)	
<u>(1,678)</u>	▪ Revenue expenditure funded from capital under statute	<u>82</u>	
79,446		99,105	
<u>(1,443)</u>	Adjusting amounts written out of the Revaluation Reserve	<u>5,268</u>	
78,003	Net written out amount of the cost of non-current assets consumed in year		104,373
	Capital financing applied in the year		
(771)	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	(1,074)	
(5,682)	▪ Use of the Major Repairs Reserve to finance new capital expenditure	(3,711)	
0	▪ Capital grants and contributions credited to the Comprehensive Income and expenditure Statement that have been applied to HRA Self Financing	(41,523)	
(72,655)	▪ Application of grants to capital financing from the Capital grants Unapplied Account	(44,812)	
<u>(1,991)</u>	▪ Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	<u>(9,700)</u>	
(81,099)			(100,820)
<b>(482,075)</b>	<b>Balance at 31 March</b>		<b>(478,522)</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.

2010/2011 £'000		2011/2012 £'000
3	<b>Balance at 1 April</b>	<b>836</b>
833	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	18
<b>836</b>	<b>Balance at 31 March</b>	<b>854</b>

### Pensions Reserve

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



2010/2011 £'000		2011/2012 £'000
<b>190,661</b>	<b>Balance at 1 April</b>	<b>136,262</b>
(35,421)	Actuarial gains and losses on pensions assets and liabilities	33,172
8,303	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	4,454
(27,281)	Employer's pension contributions and direct payments to pensioners payable in the year	676
<b>136,262</b>	<b>Balance at 31 March</b>	<b>174,564</b>

### Collection Fund Adjustment Account

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

2010/2011 £'000		2011/2012 £'000
<b>1,255</b>	<b>Balance at 1 April</b>	<b>119</b>
(1,136)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	316
<b>119</b>	<b>Balance at 31 March</b>	<b>435</b>

**Accumulated Absences Account**

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

<b>2010/2011 £'000</b>		<b>2011/2012 £'000</b>
<b>3,644</b>	<b>Balance at 1 April</b>	<b>3,727</b>
(3,644)	Settlement or cancellation of accrual made at the end of the preceding year	(3,727)
3,727	Amounts accrued at the end of the current year	4,618
<b>3,727</b>	<b>Balance at 31 March</b>	<b>4,618</b>

**29. CASH FLOW STATEMENT – OPERATING ACTIVITIES**

2010/2011 £'000		2011/2012 £'000
	<b>Net cash flows from operating activities includes the following amounts:</b>	
(206)	Interest Received	(420)
8,049	Interest Paid	7,198
	<b>Adjustments to net (surplus)/deficit on provision of services for non cash movements</b>	
980	Movement in Payments in Advance	(49)
(22,662)	Movement in Debtors	(19,639)
151	Movement in Inventories	78
(45)	Movement in Provisions	(2,311)
(6,139)	Movement in Creditors	(3,878)
(1,073)	Movement in Creditors over 1 year	(7,248)
(1,495)	Movement in Receipts in Advance	2,008
309	Other	760
<b>(29,972)</b>	<b>Total</b>	<b>(30,279)</b>
	<b>Adjustment for items included in the net surplus/deficit on the provision of services that are investing and financing activities</b>	
(26,473)	Depreciation & Impairment	(73,919)
72,655	Capital Grants	44,812
(5,791)	Revenue funded from capital by statute	(3,480)
(84)	Movement in Accumulated Absence Account	(891)
3,580	Net charge for retirement benefits in accordance with IAS 19	(17,850)
6,265	Minimum revenue provision	7,900
15,398	Employer contribution payable to the Pension Fund directly to pensioners	12,720
5,892	Transfers to/from Earmarked Revenue Reserves	4,672
361	Capital expenditure in year charged to General Fund Balance	4,993
(4,964)	Other	431
<b>66,839</b>	<b>Total</b>	<b>(20,612)</b>

**30. CASH FLOW STATEMENT - INVESTING ACTIVITIES**

<b>2010/2011 £'000</b>		<b>2011/2012 £'000</b>
115,513	Purchase and enhancement of property, plant and equipment, investment property and intangible assets	99,820
(716)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,138)
(79,769)	Other receipts from investing activities	(70,275)
<b>35,028</b>	<b>Net cash flows from investing activities</b>	<b>28,407</b>

**31. CASH FLOW STATEMENT – FINANCING ACTIVITIES**

<b>2010/2011 £'000</b>		<b>2011/2012 £'000</b>
(67,322)	Cash receipts of short and long term borrowing	(35,060)
(1,250)	Other receipts from financing activities	(628)
90,837	Repayments of short and long term borrowing	75,916
0	Other payments for financing activities	1,180
<b>22,265</b>	<b>Net cash flows from financing activities</b>	<b>41,408</b>

**32. CASH FLOW STATEMENT – CASH & CASH EQUIVALENTS**

	<b>31<sup>st</sup> March 2011 £'000</b>	<b>31<sup>st</sup> March 2012 £'000</b>	<b>Movement £'000</b>
Cash in Hand & at Bank	1,949	234	(1,715)
Bank Overdrawn	0	(802)	(802)
Short term borrowing	(5,667)	(7,000)	(1,333)
Short term Investments	6,750	6,930	180
Long term borrowing	(136,446)	(94,257)	42,189
Loan to BID	100	100	0
Business Loans	5,489	4,861	(628)
<b>TOTAL</b>	<b>(127,825)</b>	<b>(89,934)</b>	<b>37,891</b>

**33. AMOUNTS REPORTED FOR RESOURCES ALLOCATION DECISIONS**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Councils Executive Committee on the basis of budget reports analysed across the directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Authority's directorates recorded in the budget reports for the year is as follows:

Income and Expenditure 2011/2012	Resources Directorate £'000	Blackpool Services £'000	BERTC * Directorate £'000	Childrens Family & Adult Services £'000	Chief Executive £'000	Democratic Services £'000	HR & Transform £'000	Budgets outside the cash limit £'000	Total £'000
Fees, charges & other income	2,812	19,795	14,323	31,251	14	323	30	2,850	71,398
Government grants	524	2,815	3,720	122,233	0	0	1,135	110,077	240,504
Recharges to the services	14,379	9,351	9,360	2,366	75	0	4,863	3,397	43,791
<b>Total Income</b>	<b>17,715</b>	<b>31,961</b>	<b>27,403</b>	<b>155,850</b>	<b>89</b>	<b>323</b>	<b>6,028</b>	<b>116,324</b>	<b>355,693</b>
Employee expenses	11,022	16,546	13,047	123,156	396	1,054	3,693	75	168,989
Other expenses	3,513	50,371	30,993	100,795	26	1,328	1,371	132,443	320,840
Support services recharges	4,157	4,945	4,848	11,434	20	429	540	4,181	30,554
<b>Total Expenditure</b>	<b>18,692</b>	<b>71,862</b>	<b>48,888</b>	<b>235,385</b>	<b>442</b>	<b>2,811</b>	<b>5,604</b>	<b>136,699</b>	<b>520,383</b>
<b>Net Expenditure</b>	<b>977</b>	<b>39,901</b>	<b>21,485</b>	<b>79,535</b>	<b>353</b>	<b>2,488</b>	<b>(424)</b>	<b>20,375</b>	<b>164,690</b>

\* = Built Environment, Regeneration, Tourism and Culture

Income and Expenditure 2010/2011	Resources Directorate £'000	Blackpool Services £'000	Places Directorate £'000	Childrens , Family & Adult Services £'000	Chief Executive £'000	Policy, Transform. & Comms £'000	HR & Organisation Development £'000	Budgets outside the cash limit £'000	Total £'000
Fees, charges & other income	3,233	24,523	11,883	46,673	0	139	642	2,044	89,137
Government grants	521	422	6,355	129,113	0	72	24	108,869	245,376
Recharges to the services	14,084	11,326	11,161	2,551	766	1,103	3,158	2,441	46,590
<b>Total Income</b>	<b>17,838</b>	<b>36,271</b>	<b>29,399</b>	<b>178,337</b>	<b>766</b>	<b>1,314</b>	<b>3,824</b>	<b>113,354</b>	<b>381,103</b>
Employee expenses	13,630	21,004	15,098	130,579	513	909	3,359	79	185,171
Other expenses	6,342	49,770	36,534	123,551	74	234	759	126,806	344,070
Support services recharges	3,429	4,392	4,362	11,880	34	60	178	4,531	28,866
<b>Total Expenditure</b>	<b>23,401</b>	<b>75,166</b>	<b>55,994</b>	<b>266,010</b>	<b>621</b>	<b>1,203</b>	<b>4,296</b>	<b>131,416</b>	<b>558,107</b>
<b>Net Expenditure</b>	<b>5,563</b>	<b>38,895</b>	<b>26,595</b>	<b>87,673</b>	<b>(145)</b>	<b>(111)</b>	<b>472</b>	<b>18,062</b>	<b>177,004</b>

### Reconciliation of the Directorates Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

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

2010/2011 £'000		2011/2012 £'000
177,004	Net expenditure in the directorate analysis	164,690
9,677	Net expenditure of services and support services not included in the analysis	9,600
(40,839)	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	52,280
<b>145,842</b>	<b>Cost of Service in Comprehensive Income and Expenditure Statement</b>	<b>226,570</b>

### Reconciliation to the Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2011/2012	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not included in I&E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other income	71,398	2,840	91,597	165,835	1,132	166,967
Interest and investment income	0	0	(420)	(420)	625	205
Income from Council Tax	0	0	0	0	59,963	59,963
Government Grants & Other Contributions	240,504	0	0	240,504	183,346	423,850
Support Services	43,791	0	0	43,791	0	43,791
<b>Total Income</b>	<b>355,693</b>	<b>2,840</b>	<b>91,177</b>	<b>449,710</b>	<b>245,066</b>	<b>694,776</b>
Employee expenses	168,989	16	5,815	174,820	0	174,820
Other service expenses	320,840	12,424	11,281	344,545	9,793	354,338
Support services recharges	30,554	0	0	30,554	0	30,554
Depreciation, amortisation and impairment	0	0	123,213	123,213	0	123,213
Interest Payments	0	0	1,900	1,900	18,249	20,149
Precepts and Levies	0	0	0	0	73	73
Payments to Housing Capital Receipts Pool	0	0	0	0	45	45
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	5,135	5,135
Pensions	0	0	1,248	1,248	4,168	5,416
<b>Total Expenditure</b>	<b>520,383</b>	<b>12,440</b>	<b>143,457</b>	<b>676,280</b>	<b>37,463</b>	<b>713,743</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>164,690</b>	<b>9,600</b>	<b>52,280</b>	<b>226,570</b>	<b>(207,603)</b>	<b>18,967</b>

2010/2011	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not included in I&E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other income	89,137	460	18,352	107,949	810	108,759
Interest and investment income	0	0	(206)	(206)	447	241
Income from Council Tax	0	0	0	0	58,700	58,700
Government Grants & Other Contributions	245,376	0	0	245,376	178,208	423,584
Recharges to support services	46,590	2,200	0	48,790	0	48,790
<b>Total Income</b>	<b>381,103</b>	<b>2,660</b>	<b>18,146</b>	<b>401,909</b>	<b>238,165</b>	<b>640,074</b>
Employee expenses	185,171	(23)	(5)	185,143	5	185,148
Other service expenses	344,070	12,343	8,438	364,851	2,336	367,187
Support services recharges	28,866	17	0	28,883	0	28,883
Depreciation, amortisation and impairment	0	0	4,166	4,166	815	4,981
Interest Payments	0	0	(8,049)	(8,049)	9,914	1,865
Precepts and Levies	0	0	0	0	73	73
Payments to Housing Capital Receipts Pool	0	0	0	0	142	142
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	3,722	3,722
Pensions	0	0	(27,243)	(27,243)	8,284	(18,959)
<b>Total Expenditure</b>	<b>558,107</b>	<b>12,337</b>	<b>(22,693)</b>	<b>547,751</b>	<b>25,291</b>	<b>573,042</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>177,004</b>	<b>9,677</b>	<b>(40,839)</b>	<b>145,842</b>	<b>(212,874)</b>	<b>(67,032)</b>



**34. TRADING OPERATIONS**

The Authority has 3 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations.

	2011/2012	2010/2011
	£'000	£000
<b>Building Maintenance</b>		
Expenditure	3,315	3,432
Income	<u>(3,416)</u>	<u>(3,497)</u>
<b>Net Expenditure</b>	<b>(101)</b>	<b>(65)</b>
<b>Vehicle Maintenance</b>		
Expenditure	1,192	1,207
Income	<u>(1,179)</u>	<u>(1,192)</u>
<b>Net Expenditure</b>	<b>13</b>	<b>15</b>
<b>Building Cleaning</b>		
Expenditure	821	1,101
Income	<u>(1,118)</u>	<u>(1,143)</u>
<b>Net Expenditure</b>	<b>(297)</b>	<b>(42)</b>

**35. ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000**

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

	2011/2012	2010/2011
	£000	£000
On-street parking operation surplus	(1,506)	(1,627)
<b>Utilised to Fund:</b>		
Public Transport	5,583	3,400
Traffic Management and Road Safety	396	416
<b>Total Qualifying Expenditure</b>	<b>5,979</b>	<b>3,816</b>

### 36. AGENCY SERVICES

The Authority provides payroll services for Chorley Borough Council, Fylde Borough Council, High Peak Community Housing, Blackpool Coastal Housing, Baines School, Claremont First Step Centre and Westcliff Academy Primary School. These organisations pay a management fee to the Council for the service. The total management fee received by the Council in 2011/2012 was £80,103 (2010/2011 £96,153). The management fee is based on the number of employees paid.

### 37. POOLED BUDGETS

Section 31 of the Health Act 1999 allows the establishment of joint working arrangements between National Health Service bodies and local authorities in order to improve and co-ordinate services.

Each partner makes a contribution to a pooled budget, with the aim of providing integrated services and activities for a client group. Funds contributed are those normally used for services represented in the pooled budget and allow the organisations involved to act in a more cohesive way.

The Council together with NHS Blackpool has established from 1<sup>st</sup> April 2003 a partnership for the purposes of commissioning services for Adults with Learning Disabilities.

This partnership was disestablished on 31<sup>st</sup> March 2011. The budget has been disaggregated and included in Blackpool Council and the NHS's own budgets.

	2011/2012	2010/2011
	£'000	£000
<b>Expenditure</b>		
In house provision	0	8,257
External providers	0	8,674
<b>Total Expenditure</b>	<b>0</b>	<b>16,931</b>
<b>Income</b>		
Blackpool Council	0	(10,903)
NHS Blackpool	0	(6,028)
Supporting People	0	0
Nibbles project income	0	0
<b>Total Income</b>	<b>0</b>	<b>(16,931)</b>
<b>SURPLUS CARRIED FORWARD</b>	<b>0</b>	<b>0</b>
<b>Surplus split:</b>		
Blackpool Council 58%	0	0
NHS Blackpool 42%	0	0

**38. MEMBERS ALLOWANCES**

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

	<b>2011/2012</b>	<b>2010/2011</b>
	<b>£'000</b>	<b>£'000</b>
Allowances	441	460
Expenses	32	33
<b>Total</b>	<b>473</b>	<b>493</b>

**39. OFFICERS' REMUNERATION**

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

	<b>Number in 2011/2012</b>	<b>Number in 2010/2011</b>
£50,000 - £54,999	49	69
£55,000 - £59,999	31	36
£60,000 - £64,999	22	17
£65,000 - £69,999	17	16
£70,000 - £74,999	11	18
£75,000 - £79,999	8	9
£80,000 - £84,999	7	5
£85,000 - £89,999	7	4
£90,000 - £94,999	2	3
£95,000 - £99,999	1	1
£100,000 - £104,999	0	1
£105,000 - £109,999	0	1
£110,000 - £114,999	0	1
£125,000 - £129,999	0	1
£130,000 - £134,999	4	1
£145,000 - £149,999	0	1
£170,000 - £174,999	0	1
<b>TOTAL</b>	<b>64 Council employees 95 teachers</b>	<b>83 Council employees 102 teachers</b>

*The above includes salary, redundancy and minor allowances*

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

<b>Salaries of leavers 2011/2012</b>							
<b>POST HOLDER INFORMATION</b>	<b>SALARY</b>	<b>EXPENSE ALLOWANCE</b>	<b>COMPENSATION FOR LOSS OF OFFICE (Note A)</b>	<b>BENEFITS IN KIND (Note B)</b>	<b>TOTAL EXCLUDING PENSIONS</b>	<b>EMPLOYER PENSION CONTRIBUTION</b>	<b>TOTAL INCLUDING PENSION</b>
	£	£	£	£	£	£	£
Chief Executive – Left 23/9/11 (Note C)	46,146	2,314	28,752	(357)	76,855	7,935	84,790
Assistant Chief Executive – Left 30/6/11 (Note E)	17,248	12	49,919	(865)	66,314	2,829	69,143
Director of Resources – Left 29/2/12 (Note F)	81,944	4,414	41,583	2,301	130,242	135,864	266,106
Director of Places – Left 30/6/11 (Note H)	26,750	241	58,157	(457)	84,691	4,511	89,202
Director of Blackpool Services - left 17 <sup>th</sup> April 2012	90,820	2,538	0	(635)	92,723	14,919	107,642
<b>Employees in Post 2011/2012</b>							
<b>POST HOLDER INFORMATION</b>	<b>SALARY</b>	<b>EXPENSE ALLOWANCE</b>	<b>COMPENSATION FOR LOSS OF OFFICE (Note A)</b>	<b>BENEFITS IN KIND (Note B)</b>	<b>TOTAL EXCLUDING PENSIONS</b>	<b>EMPLOYER PENSION CONTRIBUTION</b>	<b>TOTAL INCLUDING PENSION</b>
	£	£	£	£	£	£	£
Chief Executive – Commenced 19/9/11 (Note D)	53,626	2,568	0	594	56,788	8,795	65,583
Assistant Chief Executive – Treasurer Services – From 1/3/12	6,667	0	0	30	6,697	970	7,667
Director of Children's Adults and Families	126,525	2,889	0	791	130,205	20,750	150,955
Assistant Chief Executive – Human Resources, Communication & Engagement	70,119	0	0	(224)	69,895	11,499	81,394
Assistant Chief Executive – Regeneration, Tourism & Culture	72,353	2,889	0	1,641	76,883	11,865	88,748
Assistant Chief Executive – Organisation, Property & Information Technology – From February 2012 (Note I)	13,752	160	0	419	14,331	2,255	16,586
Assistant Chief Executive – Leisure & Operational Services – From February 2012 (Note J)	11,499	160	0	(55)	11,604	1,967	13,571
Assistant Chief Executive – Built Environment – From February 2012 (Note K)	14,288	0	0	(265)	14,023	2,343	16,366
Assistant Chief Executive – Children's Services – From February 2012 (Note L)	14,057	160	0	(350)	13,867	2,303	16,170
Assistant Chief Executive – Adult Services – From February 2012 (Note M)	16,312	0	0	0	16,312	0	16,312
Monitoring Officer (Note N)	10,544	0	0	57	10,601	1,658	12,259
<b>TOTAL</b>	<b>672,650</b>	<b>18,345</b>	<b>178,411</b>	<b>2,625</b>	<b>872,031</b>	<b>230,463</b>	<b>1,102,494</b>

The number of Chief Officers in the Authority has decreased from 22 in April 2011 to 12 by April 2012. This figure will reduce further to 10 by the end of August 2012. However the remaining team of 12 are all part of the new Corporate Leadership Team and therefore are now the most senior group of employees in the organisation and therefore all those staff feature in this summary above.

**NOTES – 2011/2012**

**A** – Compensation for loss of office includes statutory redundancy pay. Statutory pension strain is included within employer pension contributions.

**B** – Benefits in kind include travel & subsistence expenses, professional fees. It also includes reductions in pay for 4 days unpaid leave and car parking which commenced 1<sup>st</sup> April 2011.

**C** – Chief Executive – The post holder left on 23/9/11. Their contracted salary was £143,832.

**D** – Chief Executive – The post holder took office on 19/9/11. Their contracted salary was £100,550.

**E** – The post of Assistant Chief Executive Policy and Communications was disestablished on 30/6/11. Their contracted salary was £68,994.

**F** – The post of Director of Resources was disestablished on 29/2/11. Their contracted salary was £89,394.

**G** – The Chief Financial Officer became Assistant Chief Executive - Treasurer Services on 20/2/12. Their contracted salary was £80,000.

**H** – The post of Director of Places was disestablished on 30/6/11. Their contracted salary was £107,000.

**J** – The post of Assistant Chief Executive – Organisation, Property and Information Technology joined the Corporate Leadership Team in February 2012. Their contracted salary was £82,512.

**I** - The post of Assistant Chief Executive – Leisure and Operational Services joined the Corporate Leadership Team in February 2012. Their contracted salary was £68,994.

**K** - The post of Assistant Chief Executive – Built Environment joined the Corporate Leadership Team in February 2012. Their contracted salary was £85,728.

**L** - The post of Assistant Chief Executive – Children's Services joined the Corporate Leadership Team in February 2012. Their contracted salary was £84,346.

**M** - The post of Assistant Chief Executive – Adult Services joined the Corporate Leadership Team in February 2012. The post holder is employed by NHS Blackpool and the Authority is recharged the cost of their salary each month.

**N** – The post of Monitoring Officer joined the Corporate Leadership Team in February 2012. Their contracted salary was £63,263

**O** - In addition to the Employer's Pension Contributions shown above the employees contribute 7.2% - 7.5% of superannuable pay.

**P** – Expense Allowances include essential car user payments.

2010/2011							
POST HOLDER INFORMATION	SALARY £	EXPENSE ALLOWANCE £	COMPENSATION FOR LOSS OF OFFICE (Note A) £	BENEFITS IN KIND (Note B) £	TOTAL EXCLUDING PENSIONS £	EMPLOYER PENSION CONTRIBUTIONS £	TOTAL INCLUDING PENSION £
Chief Executive	143,832	963	0	1,254	146,049	23,301	169,350
Assistant Chief Executive	68,994	0	0	173	69,167	11,177	80,344
Director of Resources	93,486	963	0	522	94,971	15,145	110,116
Director of Children's Adults and Families	126,525	963	0	669	128,157	20,497	148,654
Director of Places	110,027	963	0	282	111,272	17,824	129,096
Director of Blackpool Services – Resigned 23/7/10 (Note D)	32,504	386	0	502	33,392	5,266	38,658
Acting Director Of Blackpool Services from 1/8/10 (Note D)	60,547	846	0	461	61,854	9,809	71,663
Assistant Chief Executive – Human Resources & Organisation Development	70,119	0	0	1,061	71,180	11,359	82,539
Chief Executive – Re-Blackpool – Left 31/3/11 (Note C)	138,891	7,200	21,220	5,493	172,804	22,500	195,304
<b>TOTAL</b>	<b>844,925</b>	<b>12,284</b>	<b>21,220</b>	<b>10,417</b>	<b>888,846</b>	<b>136,878</b>	<b>1,025,724</b>

**NOTES – 2010/2011**

**A** – Compensation for loss of office includes statutory redundancy pay. Statutory pension strain is included within employer pension contributions.

**B** – Benefits in kind include travel & subsistence expenses, professional fees and reductions in pay for 4 days unpaid leave and car parking.

**C** – The post of Chief Executive – Re Blackpool was disestablished on 31<sup>st</sup> March 2011.

**D** – The Director of Blackpool Services resigned on 23<sup>rd</sup> July 2010, their annualised salary was £102,469. The Head of Neighbourhoods became Acting Director of Blackpool Services on 1<sup>st</sup> August 2010 their annualised salary was £90,820.

**E** - In addition to the Employers Pension Contributions shown above the employees contribute 7.2% - 7.5% of superannuable pay.

**F** – Expense Allowances include essential car user payments.

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

Exit Package Cost by Band (incl Special Payments)	Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2010/2011	2011/2012	2010/2011 £'000	2011/2012 £'000
£0 - £20,000	186	353	1,019	1,907
£20,001 - £40,000	18	34	486	827
£40,001 - £60,000	9	11	458	522
£60,001 - £80,000	3	6	192	403
£80,001 - £100,000	0	2	0	174
£100,001 - £150,000	0	1	0	101
£150,001 - £200,000	0	1	0	163
<b>TOTAL</b>	<b>216</b>	<b>408</b>	<b>2,155</b>	<b>4,097</b>

#### 40. EXTERNAL AUDIT COSTS

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

	2011/2012 £'000	2010/2011 £'000
Fees payable to the Auditors with regard to external audit services carried out by the appointed auditor	242	268
Fees payable to the Auditors in respect of statutory inspection	15	17
Fees payable to the Auditors for the certification of grant claims and returns	90	100
<b>TOTAL</b>	<b>347</b>	<b>385</b>



**41. DISCLOSURE OF DEPLOYMENT OF DEDICATED SCHOOLS GRANT**

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

Details of the deployment of DSG receivable for 2011/2012 are as follows:

Note		Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
A	Final DSG for 2011/2012			100,236
B	Brought forward from 2010/2011			0
C	Carry forward to 2012/2013 agreed in advance			0
D	Agreed initial budgeted distribution in 2011/2012	17,000	83,236	100,236
E	In year adjustments	0	(462)	(462)
F	Final budget distribution for 2011/2012	17,000	82,774	99,774
G	Actual central expenditure	17,340		
H	Actual ISB deployed to schools		82,774	82,774
I	Local authority contribution for 2011/2012	340	0	340
J	Carry forward to 2012/2013	0	0	0

**Notes**

**A** – DSG figure as issued by the Department in July 2011.

**B** – Figure brought forward from 2010/2011 as agreed with the Department.

**C** – Any amount which the authority has decided after consultation with schools to carry forward to 2012/2013 rather than distribute in 2011/2012 – this will be the difference between estimated and final DSG for 2011/2012, or a figure (positive or negative) brought forward from 2010/2011 which the authority is carrying forward again.

**D** – Budgeted distribution of DSG, adjusted for carry-forward, as agreed with the schools. If the budgeted central expenditure exceeded the statutory limit, and this was agreed by the Secretary of State rather than the schools forum, a footnote should be added to that effect.

**E** – Changes to the initial distribution. For example, adjustments for exclusions or contingency allocations.

**F** - Budgeted distribution of DSG as at the end of the financial year.

**G** – Actual amount of central expenditure items in 2011/2012 – amounts not actually spent, eg money that is moved into earmarked reserves.

**H** – Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the authority once it is deployed to schools' budget shares).

**I** – Any contribution from the local authority in 2011/2012 which will have the effect of substituting for DSG in funding the Schools Budget.

**J** – Carry forward to 2012/2013 ie:

- For central expenditure, difference between final budgeted distribution of DSG and actual expenditure, plus any local authority contributions.
- For ISB, difference between final budgeted distribution and amount actually deployed to schools plus any local authority contribution.
- Total is carry forward on central expenditure plus carry forward on ISB plus/minus any carry forward to 2012/2013 already agreed.

## 42. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/2012.

	2011/2012	2010/2011
	£'000	£'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Area Based Grant	0	25,483
Revenue Support Grant	20,404	10,372
Council Tax Freeze Grant	1,492	0
NNDR	66,012	71,425
Capital Grants – Other	44,812	72,655
Capital Grants – HRA Self Financing	50,621	0
<b>Total</b>	<b>183,341</b>	<b>179,935</b>
<b>Credited to Services</b>		
Dedicated Schools Grant	99,774	86,733
Standards Fund	0	16,467
Sure Start	0	6,541
Early Intervention Grant	8,423	0
Pupil Premium Grant	2,375	0
Learning Disability & Health Reform Grant	4,643	0
Housing benefit and Council Tax Benefit Administration Subsidy	1,955	2,009
Council Tax Benefit Subsidy	19,809	19,212
Rent Allowance Subsidy	76,102	71,669
Rent Rebates	13,462	14,311
Other Grants and contributions	39,645	54,482
<b>Total</b>	<b>266,188</b>	<b>271,424</b>

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the provider. The balances at year end are as follows:

	2011/2012 £'000	2010/2011 £'000
<b>Capital Grants Receipts in Advance</b>		
Primary Capital Programme	4,129	12,066
BSF Funding	6,730	5,143
HCA	1,007	1,321
Tramway	445	1,284
Seafront	0	1,138
Other Grants	5,228	5,874
NHS Grants	1,266	0
Contributions	3,732	1,584
<b>Total</b>	<b>22,537</b>	<b>28,410</b>

### 43. RELATED PARTIES

In accordance with IAS 24 the Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

#### Related party transactions include:-

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in Note 42.

#### Lancashire Police Authority and Lancashire Fire Authority

The level of council tax set by the Council each year includes a precept element, which the Council pays to Lancashire Police Authority and Lancashire Fire Authority. (See Collection Fund – Precepts).

#### Subsidiary and Associated Companies

The Council has an interest in three wholly owned companies: Blackpool Transport Services Ltd, Blackpool Operating Company (Sandcastle Waterpark) and Blackpool Coastal Housing. The Council also has a 20% share in Connexions, a 43% share in Lancashire and Blackpool Tourist Board and 50% in the Blackpool, Fylde and Wyre Economic Development Company. In addition the Council has a 5% share in Blackpool Airport. More detailed information on the group companies can be found in the Group Accounts section of the Statement of Accounts.

#### Shared Service

On 1<sup>st</sup> April 2008 the Council entered into a shared service arrangement with Fylde Borough Council for the provision of a Benefits and Revenues Service. The full cost of the service in 2011/2012 was £4,495,100 of which £3,520,400 related to Blackpool.

## Members

A Member of the Council has a private interest in a local taxi firm. The Council made payments to this organisation amounting to £189,002 in 2011/2012 to meet the Council's transport requirements.

A Member of the Council has a private interest in a leisure company. The Council made payments to this organisation amounting to £100,935 in 2011/2012 to support its tourism initiatives.

A Member of the Council has a private interest in a homeless charity. The Council made payments to this charity amounting to £338,354 in 2011/2012 to meet the Council's homelessness requirements.

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

## Chief Officers

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

## Assisted Organisations

The Council has entered into a number of service level agreements with a number of local voluntary organisations and provides material financial assistance to them. In 2010/2011 two new service level agreements were set up with the Volunteer Centre and Groundworks. In previous years these organisations received a general grant from the Council under Section 137.

	2011/2012	2010/2011
	£	£
Blackpool Council for Voluntary Services	33,003	33,003
Blackpool Citizens Advice Bureau	69,820	69,820
Lancashire Disability Information Federation	24,461	24,461
PIP Integration	18,677	18,677
PIP Link	18,677	18,677
Streetlife Trust	43,650	43,650
Blackpool Centre for the Unemployed	28,419	28,419
Relate Blackpool	3,340	3,340
Blackpool Boys and Girls Club	15,606	15,606
Disability Services	15,300	15,300
Volunteer Centre	30,600	30,600
Groundworks	35,700	35,700
<b>TOTAL</b>	<b>337,253</b>	<b>337,253</b>

**44. CAPITAL EXPENDITURE AND CAPITAL FINANCING**

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

	2011/2012 £'000	2010/2011 £'000
<b><u>Capital Financing Requirement</u></b>		
<b>Opening Capital Financing Requirement</b>	<b>215,293</b>	<b>195,136</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	94,436	103,417
Investment Properties	62	13
Assets under Construction	4,622	6,292
Revenue Expenditure funded from Capital under Statute	3,480	5,791
<b>Sources of Finance</b>		
Capital Receipts	(1,138)	(716)
Government Grants & Other Contributions	(47,404)	(79,769)
Sums set aside from Revenue	(22,871)	(14,871)
HRA Self Financing Settlement	(41,523)	0
<b>Closing Capital Financing Requirement</b>	<b>204,957</b>	<b>215,293</b>
<b>Explanations of Movements in Year</b>		
Increase in underlying need to borrow (supported by Government Financial Assistance)	(45,220)	9,460
Increase in underlying need to borrow (unsupported by Government financial assistance)	27,163	4,992
Assets acquired under PFI contracts	7,721	5,705
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(10,336)</b>	<b>20,157</b>

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

The Council has acquired a number of vehicles, plant and equipment under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	<b>2011/2012</b>	<b>2010/2011</b>
	<b>£'000</b>	<b>£'000</b>
Vehicles, Plant and Equipment	2,069	2,622

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

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

	<b>Finance Lease Payments</b>	
	<b>31<sup>st</sup> March 2012</b>	<b>31<sup>st</sup> March 2011</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	636	757
Later than one year and not later than five years	727	1,479
Later than five years	14	0
<b>Total</b>	<b>1,377</b>	<b>2,236</b>

**Operating Leases**

The Authority has acquired assets by entering into operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

	31 <sup>st</sup> March 2012	31 <sup>st</sup> March 2011
	£'000	£'000
Not later than one year	11	39
Later than one year and not later than five years	0	0
Later than five years	0	0
<b>Total</b>	<b>11</b>	<b>39</b>

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

	2011/2012	2010/2011
	£'000	£'000
Minimum lease payments	32	63
Contingent rents	0	0
<b>Total</b>	<b>32</b>	<b>63</b>

### The Authority as Lessor

The Council has granted various property leases including the lease of the Sandcastle to Blackpool Operating Company. The rentals received in 2011/2012 amounted to £662,000 (2010/2011 £662,000). The gross value of the assets held for use in leases was £8.275m at 31<sup>st</sup> March 2012 (2010/2011 £5.15m).

All assets where the Council acts as lessor are considered operating leases in nature. The key determinations of the nature of a lease are :

1. Restriction on use
2. Risks and rewards are not transferred
3. Value of lease payment does not amount to significant proportion of the fair value of the property
4. The lease related to land only.

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

	<b>31<sup>st</sup> March 2012 £'000</b>	<b>31<sup>st</sup> March 2011 £'000</b>
Not later than one year	1,224	1,226
Later than one year and not later than five years	4,449	4,567
Later than five years	9,460	9,783
<b>Total</b>	<b>15,133</b>	<b>15,576</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.

#### **46. PRIVATE FINANCE INITIATIVE (PFI)**

##### **Waste Disposal PFI**

The Council has entered into a Joint Working Agreement with Lancashire County Council (LCC) to co-operate in the provision of certain waste disposal functions. The Council has authorised Lancashire County Council to enter into a PFI contract with Global Renewables Lancashire Ltd and administer all matters under that contract on behalf of Blackpool Council.

The County Council signed a PFI (Private Finance Initiative) contract with Global Renewables Lancashire (GRL) Limited in March 2007. The contract provides for waste treatment facilities at two central locations, Farington and Thornton.

The facilities will receive and process 'green' garden and kitchen waste, 'recyclable' waste such as paper, glass, aluminium cans and textiles, and residual 'black bag' rubbish from households in Lancashire and Blackpool. As the County Council's partner for the project, Blackpool Council will contribute towards the costs. The basis of the partnership is set out in the Joint Working Agreement. Thornton Waste Recovery Park reached full service commencement on 10<sup>th</sup> May 2011. Farington Waste Recovery Park is scheduled to reach full service commencement in May 2012.

£90m PFI credits were awarded to the project. The PFI credits enable LCC to receive PFI special grant for the life of the project. The payments of PFI grant commenced in 2007/08. Payments to the PFI contractor also commenced in 2007/08. The payments to the PFI contractor were met from the PFI special grant, however the payments to the PFI contractor were less than the amount of PFI grant received (this is a short term position – as the construction period progresses over the next couple of years and the facilities start to process waste the payments to the contractor will exceed the PFI grant received). The unspent balance of PFI special grant has been transferred to the Waste PFI reserve. The reserve will be used to fund the future costs of the Waste PFI project.



**Street Lighting and Signals PFI**

This project will be for 30 years with the service provider now responsible for the management and maintenance of street lights and signals within Blackpool. The project commenced on 4<sup>th</sup> January 2010. The contract was awarded to Community Lighting Partnership. The total sum payable to the contractor over the term of the contract is £130m, being met from Government Grant and Authority contributions. The scheme, supported by the Department for Transport, was signed in December 2009, and provides for the design, maintenance and replacement of Street Light and Signals across the town.

The assets relating to the Street lighting and signals PFI are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on Property, Plant and Equipment balance in Note 12.

**Payments**

The Council makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31<sup>st</sup> March 2012 (excluding any estimation of inflation and availability/performance deductions) are as follows:

		<b>£'000</b>
2012/2013	Repayment of Liability	586
	Interest	834
	Service Charge	1,943
	<b>Sub Total</b>	<b>3,363</b>
2013/2014 to 2016/2017	Repayment of Liability	2,848
	Interest	5,153
	Service Charge	8,180
	<b>Sub Total</b>	<b>16,181</b>
2017/2018 to 2021/2022	Repayment of Liability	4,326
	Interest	6,064
	Service Charge	9,611
	<b>Sub Total</b>	<b>20,001</b>
2022/2023 to 2026/2027	Repayment of Liability	6,159
	Interest	5,923
	Service Charge	5,702
	<b>Sub Total</b>	<b>17,784</b>
2027/2028 to 2031/2032	Repayment of Liability	7,298
	Interest	6,127
	Service Charge	12,006
	<b>Sub Total</b>	<b>25,431</b>
2032/2033 to 2036/2037	Repayment of Liability	9,017
	Interest	4,709
	Service Charge	9,078
	<b>Sub Total</b>	<b>22,804</b>
2037/2038 to 2041/2042	Repayment of Liability	8,912
	Interest	4,498
	Service Charge	-
	<b>Sub Total</b>	<b>13,410</b>
	<b>TOTAL</b>	<b>118,974</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 liability to the contractor for capital expenditure incurred is as follows:

	2011/2012	2010/2011
	£'000	£'000
Balance outstanding at start of year	(7,041)	(3,417)
Payments during the year	3,380	2,032
Capital expenditure incurred in year	(2,925)	(5,656)
Other movements		
<b>Balance outstanding at year end</b>	<b>(6,586)</b>	<b>(7,041)</b>

#### 47. IMPAIRMENT LOSSES

During 2011/2012, the Authority has recognised an impairment loss of £43,392,189 in relation to land and buildings. The impairment loss has been charged to the following lines in the Comprehensive Income and Expenditure Statement:

Adult Social Care	£ 2,681,060
Education and Children's Services	£ 3,838,759
Environmental & Regulatory Services	£ 274,074
Cultural Services	£27,712,200
Planning Services	£ 834,888
Highways Services	£ 7,695,443
Central Services	£ 355,765

## **48. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES**

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

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2011/2012 the Council paid £5,908,812 (2010/11 £5,918,831) to the Department for Education in respect of teachers retirement benefits, representing 14.10% (2010/2011 14.10%) of teachers' pensionable pay. In addition the Council is responsible for all pension payments relating to awards of added years and other related increases. In 2011/2012 these amounted to £124,811 (£116,004 in 2010/2011), which represents 0.30% of pensionable pay.

## **49. DEFINED BENEFIT PENSION SCHEMES**

### **Participation in Pension Schemes**

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

The Council participates in the following post employment scheme:

- The Local Government Pension Scheme, administered by Lancashire County Council this is a funded scheme, which means that the Council and employees pay contributions into the fund, calculated at a level intended to balance pension liabilities with the investment assets.

The Lancashire County Pension Fund (LCPF) scheme is a defined benefit scheme. This means that the retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits.

### **Transactions Relating to Post-Employment Benefits**

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

	Combined effect of the LCPF and unfunded teacher's pensions	
	2011/2012	2010/2011
	£'000	£'000
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Cost of Services:</i>		
o Current Service Cost	12,434	15,379
o Past Service Costs *	210	(27,804)
o Settlements and Curtailments	1,038	561
<i>Financing and Investment Income and Expenditure</i>		
o Interest Cost	25,027	26,922
o Expected Return on Scheme Assets	(20,859)	(18,638)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>17,850</b>	<b>(3,580)</b>
<i>Movement in Reserves Statement</i>		
o Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(5,130)	18,978
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
o <b>Employers contributions payable to scheme</b>	<b>12,720</b>	<b>15,398</b>

**\* Change from RPI to CPI for pensions increases**

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing the Authority's liabilities in the Lancashire Pension Fund by £28,217,000 and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement, there is no impact upon the General Fund or Housing Revenue Account.

The gain of £28,217,000 is recognised in the Comprehensive Income and Expenditure Account Gross Income within Non-Distributed Costs.

**Assets and Liabilities in relation to Post-Employment Benefits**

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

	Combined effect of the LCPF and unfunded teacher's pensions	
	2011/2012 £'000	2010/2011 £'000
<b>Opening Balance at 1<sup>st</sup> April</b>	<b>(136,262)</b>	<b>(190,661)</b>
Current Service Cost	(12,434)	(15,379)
Interest Cost	(25,027)	(26,922)
Contributions by scheme participants	12,720	15,398
Actuarial gains and losses	(33,172)	35,421
Return on assets	20,859	18,638
Past service costs	(410)	27,804
Entity commitments	0	0
Curtailments	(1,265)	(561)
Settlements	427	0
<b>Closing balance at 31<sup>st</sup> March</b>	<b>(174,564)</b>	<b>(136,262)</b>

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

	2011/2012	2010/2011
	£'000	£'000
<b>Opening Balance 1<sup>st</sup> April</b>	<b>319,805</b>	<b>287,487</b>
Expected rate of return	20,859	18,638
Actuarial gains and losses	(15,620)	8,404
Employer contributions	12,720	15,398
Contributions by scheme participants	4,565	5,218
Benefits paid	(18,604)	(15,340)
Settlements	(100)	0
<b>Closing balance at 31<sup>st</sup> March</b>	<b>323,625</b>	<b>319,805</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investment reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £5,239,000 (2010/2011 - £23,413,000).

### Scheme History

<b>LCPF Scheme</b>	<b>2007/2008 £'000</b>	<b>2008/2009 £'000</b>	<b>2009/2010 £'000</b>	<b>2010/2011 £'000</b>	<b>2011/2012 £'000</b>
Present Value of Liabilities	(395,386)	(338,245)	(478,148)	(456,067)	(498,189)
Fair Value of Assets	262,152	212,474	287,487	319,805	323,625
Surplus/(Deficit) in the Scheme	(133,234)	(125,771)	(190,661)	(136,262)	(174,564)

The liabilities show the underlying commitments that the authority has in the long term to pay post-employment (retirement) benefits. The total pension liability of £174,564,000 has a substantial impact on the net worth of the authority. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- The deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31<sup>st</sup> March 2012 is £12,720,000.

### 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 both in future years dependent upon assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme liabilities have been assessed by Mercer Limited an independent firm of actuaries. The last full actuarial valuation of the scheme was at 31 March 2007.

The principal assumptions used by the actuary have been:

	2011/2012	2010/2011
Long term expected rate of return on assets in the scheme:		
Equity Investments	7.00%	7.50%
Government Bonds	3.10%	4.40%
Other Bonds	4.10%	5.10%
Property	6.00%	6.50%
Cash/Liquidity	0.50%	0.50%
Other	Dependent on asset type	Dependent on asset type
Mortality Assumptions		
Longevity at 65 for current pensioners		
Men	21.7 years	21.6 years
Women	24.3 years	24.2 years
Longevity at 65 for future pensioners		
Men	23.1 years	23.0 years
Women	25.9 years	25.8 years
Rate of CPI inflation	2.50%	2.90%
Rate of increase in salaries	4.50%	4.90%
Rate of increase in pensions	2.50%	2.90%
Rate for discounting scheme liabilities	4.90%	5.50%
Take up option to convert annual pension into retirement lump sum	50%	50%

### History of Experience Gains and Losses

The actuarial gains/(losses) identified as movements on the pension reserve in 2011/2012 can be analysed into the following categories measured as a percentage of assets of liabilities as at 31<sup>st</sup> March 2012.

	2007/2008 %	2008/2009 %	2009/2010 %	2010/2011 %	2011/2012 %
Differences between the expected and actual return on assets	(14)	7.6	(20)	2.6	4.8
Experience gains and (losses) on liabilities	1	0	0	5.8	0

## **50. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

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

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

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

### **Credit risk**

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

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

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

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

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

Investments in UK Government – permitted due to overall security

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

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

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

The Authority's potential maximum exposure to credit risk in relation to its investments in banks and building societies of £62m cannot be assessed generally as the risk of any institution failing to make the interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits but there was no evidence at 31<sup>st</sup> March 2012 that this was likely to crystallize.



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

	Amount at 31 March 2012	Historical experience of default	Historical experience adjusted for market conditions at 31 <sup>st</sup> March 2012	Estimated maximum exposure to default and uncollectability At 31 March 2012	Estimated maximum exposure at 31 March 2011
	£'000	%	%	£'000	£'000
Deposits with Banks and financial institutions	6,930	0	0	0	0
Customers	44,699	35%	0	15,645	27,610

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

The Authority does not generally allow credit for its customers, such that £1,127,000 of the £44.7m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 <sup>st</sup> March 2012 £'000	31 <sup>st</sup> March 2011 £'000
Three to six months	162	235
Six months to one year	188	273
1-2 years	358	450
2-3 years	212	135
Over 3 years	207	743
<b>Total</b>	<b>1,127</b>	<b>1,836</b>

## Liquidity risk

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

	<b>31<sup>st</sup> March 2012 £'000</b>	<b>31<sup>st</sup> March 2011 £'000</b>
Less than one year	7,395	5,667
Between one and two years	1,283	2,667
Between two and five years	13,729	20,000
Between five and ten years	9,035	14,171
Between ten and fifteen years	9,833	18,608
Between fifteen and twenty years	14,696	13,000
More than twenty years	45,089	68,000
<b>Total</b>	<b>101,060</b>	<b>142,113</b>

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

## Market risk

### Interest rate risk

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

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

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

The Authority has a number of strategies for managing interest rate risk policy is to aim to keep a maximum of 25% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

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

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

### **Price Risk**

The Authority does not invest in equity shares but does have shareholdings to the value of £8,800,002 in a number of subsidiaries.

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

The £8.8m shares are classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £440,000 gain or loss being recognised in the Other Comprehensive Income and Expenditure for 2011/2012.

### **Foreign Exchange Risk**

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

## **51. CONTINGENT LIABILITIES / ASSETS**

### **Blackpool Airport**

Upon the sale of Blackpool Airport from City Hopper Airports to Balfour Beatty in May 2008 the agreement provides for a payment of £250,000 to the Council which will be received dependent upon passenger numbers.

### **Municipal Mutual Insurance**

In January 1994, The Council's then insurer, Municipal Mutual insurance (MMI), made a scheme of Arrangement with its creditors. Under this scheme claims are initially paid out in full, but if the eventual winding up of the company results in insufficient assets to meet all liabilities, a claw back clause will be triggered, which could affect claims already paid.

The Council may be liable to make a contribution towards any deficits incurred by MMI Ltd both in relation to the Council pre-unitary status and Lancashire County Council.

As at June 2010 the MMI Annual Report and Accounts stated that the Directors are of the view that if a positive outcome can be achieved in the current litigation case a solvent run off with full payment of claims will be achieved. In the Autumn of 2011, the litigation case had been considered by the Supreme Court and the judgement was released on 28<sup>th</sup> March 2012.

As at June 2012, MMI has yet to determine whether or not the Supreme court ruling means that they have to formally trigger the Supreme Arrangement. The latest information from MMI acknowledges the Supreme Court ruling but does not yet give advice as to whether or not the Scheme will be formally triggered. MMI say that they are "now seeking legal, financial and actuarial advice from its professional advisers in order to determine the full implications of the judgement and the most appropriate way forward".

At the present time it is not known whether the claw back clause will be invoked.

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

## 52.HERITAGE ASSETS: FIVE YEAR SUMMARY OF TRANSACTIONS

	2007/2008 £'000	2008/2009 £'000	2009/2010 £'000	2010/2011 £'000	2011/2012 £'000
Balance B/Fwd					
Cenotaph	60	232	450	440	120
Civic Regalia	0	0	0	381	381
Illuminations	0	0	0	250	250
<b>Total Balance B/fwd</b>	<b>60</b>	<b>232</b>	<b>450</b>	<b>1,071</b>	<b>751</b>
Additions					
Cenotaph	172	218	0	2	0
Civic Regalia	0	0	0	0	0
Illuminations	0	0	0	0	0
<b>Total Additions</b>	<b>172</b>	<b>218</b>	<b>0</b>	<b>2</b>	<b>0</b>
Impairment/Revaluation					
Cenotaph	0	0	(10)	(322)	0
Civic Regalia	0	0	0	0	210
Illuminations	0	0	0	0	250
<b>Total Impairment/Revaluation</b>	<b>0</b>	<b>0</b>	<b>(10)</b>	<b>(322)</b>	<b>460</b>
Balance C/Fwd					
Cenotaph	232	450	440	120	120
Civic Regalia	0	0	0	381	591
Illuminations	0	0	0	250	500
<b>Total Balance C/Fwd</b>	<b>232</b>	<b>450</b>	<b>440</b>	<b>751</b>	<b>1,211</b>

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

**53.HERITAGE ASSETS: FURTHER INFORMATION ON THE COLLECTION****Art Collection**

The Art Collection is stored at the Grundy Art Gallery and consists of Victorian oils and watercolours, modern British paintings, contemporary prints, jewellery and video, oriental ivories, ceramics and photographs and souvenirs of Blackpool. The Council commissioned the building of the Grundy Art Gallery in 1908 following a bequest of 33 artworks from brothers John and Cuthbert Grundy, both of whom were artists. The Gallery displays artwork loaned from major UK institutions as well as its own permanent collection.

**Family and Local History Collection**

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

**Tower Company Collection**

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

**Illuminations**

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

**Cenotaph**

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

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

**Civic Regalia**

Civic Regalia includes the following items:

Mayor's Chain –Made in 1875.

Mayoress' Chain – Made in 1897.

Deputy Mayoress' Chain – Made in 1897.

Deputy Mayor's Chain – Made 1937.

Mayoral Mace – Made in 1897.

**Stanley Park Statues**

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

## 54.HERITAGE ASSETS: CHANGE IN ACCOUNTING POLICY REQUIRED BY THE CODE OF PRACTICE FOR LOCAL AUTHORITY ACCOUNTING IN THE UK

The *Code of Practice on Local Authority Accounting in the United Kingdom 2011/2012* introduced a change to the treatment in accounting for heritage assets held by the Authority. As set out in the summary of significant accounting policies, the Authority now requires heritage assets to be carried in the balance sheet at valuation.

### Heritage Assets

For 2011/2012 the Authority is required to change its accounting policy for heritage assets and recognise them at valuation. Previously heritage assets were either recognised as community assets (at cost) in the Property, Plant and Equipment classification in the balance sheet or were not recognised in the balance sheet as it was not possible to obtain cost information on the assets. Community assets (that are now to be classified as heritage assets) that were donated to the authority were held at valuation as a proxy for historical cost. The Authority's accounting policies for recognition and measurement of heritage assets are set out in the authority's summary of significant accounting policies (Note 1).

In applying new accounting policy, the Authority has identified that the assets that were previously held as community assets within Property, Plant and Equipment at £0.4m should now be recognised as heritage assets and measured at £0.4m. This asset is the Cenotaph. The Authority will also recognise an additional £7.2m for the recognition of heritage assets that were not previously recognised in the balance sheet. This increase is also recognised in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 balance sheet and 2010/2011 comparative figures have been restated in the 2011/2012 Statement of Accounts to apply the new policy.

The effects of the restatement are:

- At 1 April 2010 the carrying amount of heritage assets is presented at its valuation of £7.6m. The element that was previously recognised in Property, Plant and Equipment has been reclassified and written down by £0.4m. The revaluation reserve has been increased by £7.2m
- The fully restated 1 April 2010 balance sheet is provided on page 29. The adjustments that have been made to that balance sheet over the version published in 2010/2011 Statement of Accounts are as follows:

	Opening balances as at 1 April 2010	Restated Opening Balances at 1 April 2010	Change to opening balances as at 1 April 2010
	£'000	£'000	£'000
Property, Plant and Equipment	747,486	747,046	(440)
Heritage Assets	0	7,624	7,624
<b>Long Term Assets</b>	<b>773,249</b>	<b>780,433</b>	<b>7,184</b>
<b>Total Net Assets</b>	<b>396,589</b>	<b>403,773</b>	<b>7,184</b>
Unusable Reserves	(348,447)	(355,631)	(7,184)
<b>Total Reserves</b>	<b>(396,589)</b>	<b>(403,773)</b>	<b>(7,184)</b>

**Comprehensive Income and Expenditure Statement**

During 2010/2011 an impairment of £0.3m was recognised on the Cenotaph. However, as the asset was included in the balance sheet under community assets the impairment had already been recognised in the comprehensive income and expenditure statement and thus no restatement was required.

**Movement in Reserves Statement – Unusable Reserves 2010/2011**

The restatement of the relevant lines of the Movement in Reserves Statement as of 31 March 2011, as a result of the application of this new accounting policy is presented below:

	<b>As Previously Stated 31 March 2011 £'000</b>	<b>As Restated 31 March 2011 £'000</b>	<b>Restatement 2011 £'000</b>
Balance as at the end of the previous reporting period – 31 March 2010	(348,447)	(355,631)	(7,184)
Other Comprehensive Income and Expenditure	647	647	0
Adjustments between the accounting basis and the funding basis under regulations	(62,762)	(62,762)	0
<b>Increase or Decrease in 2010/2011</b>	<b>(62,762)</b>	<b>(62,762)</b>	<b>0</b>
<b>Balance as at 31 March 2011</b>	<b>(411,209)</b>	<b>(418,393)</b>	<b>(7,184)</b>

The resulting restated balance sheet for 31 March 2011 is provided on page 29. The adjustments that have been made to that Balance Sheet over the version published in the 2010/2011 Statement of Accounts are as follows:

	<b>As Previously Stated 31 March 2011 £'000</b>	<b>As Restated 31 March 2011 £'000</b>	<b>Restatement 2011 £'000</b>
Property, Plant & Equipment	777,970	777,850	(120)
Heritage Assets	0	7,304	7,304
Long Term Assets	807,329	814,513	7,184
<b>Total Net Assets</b>	<b>462,974</b>	<b>470,158</b>	<b>7,184</b>
Unusable Reserves	(411,209)	(418,393)	(7,184)
<b>Total Reserves</b>	<b>(462,974)</b>	<b>470,158</b>	<b>7,184</b>

The effect of the change in accounting policy in 2010/2011 has been that the heritage assets are recognized at £7.3m on the Balance Sheet resulting in an increase to the Revaluation Reserve of £7.3m and Property, Plant and Equipment being restated by the amount of heritage assets previously recognized at cost in community assets of £0.1m.

## **SECTION 6**

### **SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS**



## HOUSING REVENUE ACCOUNT

### INCOME AND EXPENDITURE STATEMENT

	2011/2012 £'000	2010/2011 £'000
<b>EXPENDITURE</b>		
Repairs & maintenance	5,386	5,124
Supervision and management	5,815	6,461
Rents, rates, taxes and other charges	91	98
Sums directed by the Secretary of State that are expenditure	0	412
Depreciation and impairments of fixed assets	46,198	61,005
Debt management costs	128	126
Movement in the allowance for bad or doubtful debts	162	212
<b>TOTAL EXPENDITURE</b>	<b>57,780</b>	<b>73,438</b>
<b>INCOME</b>		
Dwelling rents (gross)	(15,612)	(15,866)
Non-dwelling rents (gross)	(218)	(196)
Charges for services and facilities	(1,781)	(1,514)
Contributions towards expenditure	(109)	(149)
HRA Subsidy receivable (including MRA)	(812)	(1,196)
<b>TOTAL (INCOME)</b>	<b>(18,532)</b>	<b>(18,921)</b>
<b>NET COST OF HRA SERVICES AS INCLUDED IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b>	<b>39,248</b>	<b>54,517</b>
<b>HRA SHARE OF THE OPERATING INCOME AND EXPENDITURE INCLUDED IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b>		
Interest payable and similar charges	11,051	1,864
Interest and Investment income	(205)	(241)
Gains and losses on sale of HRA non-current assets	3,879	931
Capital grants and contributions	(50,621)	0
<b>(SURPLUS) / DEFICIT FOR THE YEAR ON HRA SERVICES</b>	<b>3,352</b>	<b>57,071</b>

**MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT**

	2010/2011 £'000		2010/2011 £'000	
<b>Balance on HRA as at 31<sup>st</sup> March 2011</b>		<b>(1,614)</b>		<b>(1,350)</b>
Surplus/deficit for the year on HRA Income and Expenditure Statement	3,352		57,071	
Adjustments between accounting basis and funding basis under statute	<u>(45,814)</u>		<u>(57,993)</u>	
<b>Net increase or decrease before transfers to/from reserves</b>	<b>(42,462)</b>		<b>(922)</b>	
Transfers to/from reserves	<u>41,771</u>		<u>658</u>	
Increase or decrease in year on HRA		(691)		(264)
<b>Balance on the HRA as at 31<sup>st</sup> March 2012</b>		<b>(2,305)</b>		<b>(1,614)</b>

## NOTES TO THE HRA STATEMENT

### 1. HOUSING REVENUE ACCOUNT STOCK

The Council owned 5,325 dwellings at 31<sup>st</sup> March 2012 which are analysed below:-

	2011/2012	2010/2011
Low rise flats	2,235	2,236
Medium rise flats	979	978
High rise flats	383	383
Houses and bungalows	1,687	1,660
Multi occupied dwellings	41	41
<b>TOTAL</b>	<b>5,325</b>	<b>5,298</b>

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

	2011/2012	2010/2011
Stock at 1 <sup>st</sup> April	<b>5,298</b>	<b>5,362</b>
Less		
- Sales to tenants	1	5
- Disposal to Housing Association	3	70
- Property Conversion	2	1
Add		
- Right-To-Buy Buy-Backs	2	1
- New Build	31	11
<b>Stock at 31<sup>st</sup> March</b>	<b>5,325</b>	<b>5,298</b>

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

	2011/2012 £'000	2010/2011 £'000
Operational assets:		
Council dwellings	92,078	131,648
Other HRA	1,846	1,833
<b>TOTAL</b>	<b>93,924</b>	<b>133,481</b>

## 2. DWELLING RENTS

This is the total rent due for the year after allowance is made for voids etc. During the year 4.9% of lettable properties, including hostels, were vacant (2010/11: 3.0%). The average rent was £58.88 a week in 2011/12, an increase of 0.03% over the previous year.

	2011/2012 £'000	2010/2011 £'000
Vacant possession value of properties	261,644	330,814

The vacant possession value of dwellings held on 31<sup>st</sup> March 2012 was £261,644,400. The difference between this and the Existing Use Value (Social Housing) valuation of £92,078,315 represents the economic cost to the Government of providing council housing at less than the open market rents.

## 3. MAJOR REPAIRS RESERVE

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

	2011/2012 £'000	2010/2011 £'000
<b>Balance as at 1<sup>st</sup> April</b>	<b>0</b>	<b>1,980</b>
Transferred to MRR during the year	3,463	3,042
Transfer between MRR and HRA during the year	248	659
Debits to MRR during the financial year in respect of capital expenditure: Houses held within HRA	(3,711)	(5,681)
<b>Balance as at 31<sup>st</sup> March</b>	<b>0</b>	<b>0</b>

**4. HOUSING REPAIRS ACCOUNT**

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

	2011/2012 £'000	2010/2011 £'000
<b>Balance as at 1<sup>st</sup> April</b>	<b>0</b>	<b>0</b>
Add Revenue Contribution	5,386	5,124
Less Expenditure in the Year		
Responsive repairs	(2,424)	(2,306)
Planned maintenance	(2,962)	(2,818)
<b>Balance as at 31<sup>st</sup> March</b>	<b>0</b>	<b>0</b>

**5. CAPITAL EXPENDITURE WITHIN HOUSING REVENUE ACCOUNT**

	2011/2012 £'000	2010/2011 £'000
<b>Total Capital Expenditure within the Housing Revenue Account on Land, Housing, Other Property.</b>	<b>10,605</b>	<b>19,588</b>
Sources of funding for the above Capital Expenditure:		
- Decent Homes Funding	5,296	11,154
- Usable Capital Receipts	106	117
- Revenue contributions (as defined in Local Government and Housing Act 1989)	800	900
- Major repairs reserve	3,711	5,682
- Grants and other funding	692	1,735
<b>TOTAL CAPITAL EXPENDITURE WITHIN THE HRA</b>	<b>10,605</b>	<b>19,588</b>

Usable capital receipts totalling £106,000 were received during the year.

**6. DEPRECIATION CHARGE WITHIN THE HRA**

	2011/2012 £'000	2010/2011 £'000
Depreciation charges for:		
- Operational Assets, comprising dwellings and other land and buildings	3,402	2,981
- Non-Operational Assets	61	61
<b>TOTAL</b>	<b>3,463</b>	<b>3,042</b>

**7. IMPAIRMENT**

	<b>2011/2012 £'000</b>	<b>2010/2011 £'000</b>
Impairment charges in respect of land, houses and other property within the HRA	42,735	57,962

**8. GOVERNMENT RULES**

The Housing Revenue Account has been compiled in accordance with the Local Government and Housing Act 1989 as follows:

**a) Housing Subsidy and HRA Self-Financing**

The Housing Revenue Account subsidy is central government's contribution towards the cost of council housing in Blackpool. It is calculated as the amount required to balance a notional Housing Revenue Account, based on government estimates of the income and expenditure which should be earned and spent by the Authority on council housing.

The Housing Subsidy system will cease on 1 April 2012 when the HRA self-financing system is introduced, as a result of the Localism Act 2011. The purpose of this Act is to put all local authorities in a position where they can manage their council houses from their own income in future.

As a receiver of subsidy, Blackpool received a capital sum of £41,523,000 on 28<sup>th</sup> March 2012, in order to exit the subsidy system on 1<sup>st</sup> April 2012. The Secretary of State made a payment of £41,523,000 to the Public Works Loan Board (PWLb) to redeem PWLB debt on behalf of Blackpool. This early debt repayment led to a premium payment of £9,098,000 which, in accordance with the Settlement Payment Determination, was also met by the Secretary of State. The total receipt of £50,621,000 is shown within the HRA under Capital grants and contributions and the immediate redemption of the debt and premium is also reflected in the HRA.

**b) The Ringfence**

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

**c) Control**

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

**d) Annual Report**

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

A breakdown of the Housing Subsidy received for 2011/2012 is shown below:

<b>Housing Subsidy</b>	<b>2011/2012 £'000</b>	<b>2010/2011 £'000</b>
Management allowance	4,658	4,364
Maintenance allowance	5,932	5,803
Capital charges	2,586	2,470
Specified debt management	74	66
Net premiums	44	55
Assumed interest on receipts	(3)	(3)
Major repairs allowance	3,711	3,702
Notional rent income	(16,190)	(15,261)
<b>TOTAL SUBSIDY</b>	<b>812</b>	<b>1,196</b>

## 8. RENT ARREARS

Rent Arrears for 2011/2012 amounted £641,000 compared to £772,000 in the previous year. During the year 2011/2012 rent arrears as a proportion of gross collectable rent (including service charges) were 3.5% (2010/2011 4.2%).

Amounts written off during the year amounted to £141,000 (2010/2011 £264,000). The total provision for bad and doubtful rental debts in the Housing Revenue Account at 31st March 2012, is £569,000 (£658,000 at 31<sup>st</sup> March 2011). This provision has been calculated in accordance with the Housing Revenue Account (Arrears of Rents and Charges) Directions 1990.

## 9. SUMS DIRECTED BY THE SECRETARY OF STATE

Rent Rebates are no longer accounted for in the HRA. This has implications for the method of controlling local authority rents used by the Department of Communities and Local Government. Local Authority rents are controlled by the Government through the use of Rent Rebate Subsidy Limitation. This reduces the level of grant the authority receives from the Department of Work and Pensions to fund the housing benefit payments if the average rent for the authority is above the limit set by the DCLG.

As Rent Rebates are no longer part of the Housing Subsidy, this amount is now reclaimed through the General Fund, but is still calculated on the same basis. As this loss of grant is suffered on the General Fund the HRA transfers funds to the General Fund to cover the loss of grant. This loss in 2011/2012 was nil (2010/2011 - £412,000) as the average rent was below the set limit.

## **COLLECTION FUND 2011/2012**



## COLLECTION FUND 2011/2012

2010/2011 £'000	INCOME AND EXPENDITURE ACCOUNT	2011/2012 £'000	2011/2012 £'000
	<b>INCOME</b>		
51,309	Income from Council Tax	50,487	
(72)	Write Offs	(1,930)	
	Transfers from General Fund		
18,934	- Council Tax Benefits	19,632	
42,269	Income collectable from Business Ratepayers	45,411	
<b>112,440</b>	<b>TOTAL INCOME</b>		<b>113,600</b>
	<b>EXPENDITURE</b>		
	Precepts and Demands on Collection Fund:		
2,901	- Lancashire Fire Authority	2,917	
6,667	- Lancashire Police Authority	6,702	
59,533	- Blackpool Council	59,849	
	Business Rates:		
41,687	- Payment to national pool	45,148	
282	- Costs of NNDR Collection	284	
845	Provision for Bad and Doubtful Debts	(156)	
(811)	Contributions towards previous year's estimated Collection Fund surplus	(775)	
<b>111,104</b>	<b>TOTAL EXPENDITURE</b>		<b>113,969</b>
	<b>COLLECTION FUND BALANCE</b>		
<b>(1,336)</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR</b>		<b>369</b>
1,474	Fund balance as at 1 <sup>st</sup> April (Surplus)/Deficit		138
<b>138</b>	<b>DEFICIT/(SURPLUS) AS AT 31<sup>ST</sup> MARCH</b>		<b>507</b>
	<b>Allocated to:</b>		
6	Lancashire Fire Authority		21
13	Lancashire Police Authority		51
119	Blackpool Council		435
<b>138</b>	<b>Total</b>		<b>507</b>

## NOTES TO THE COLLECTION FUND

### 1. GENERAL

The Collection Fund was established under the Local Government Finance Act 1988 but the operation of the fund was changed substantially with the introduction of Council Tax in April 1993 under the Local Government Finance Act 1992.

The surplus or deficit on the Collection Fund is distributed between billing and precepting authorities on the basis of estimates made on 15<sup>th</sup> January of each year. The Collection Fund is operated on an accruals basis and the accounts are consolidated into the Council's Balance Sheet.

### 2. INCOME FROM BUSINESS RATEPAYERS

The Council collects Non-Domestic Rates in respect of business premises by applying a rate poundage set by central Government to the rateable value of its premises. For 2011/2012 this was 43.3p (41.4p in 2010/2011). The rate for Small Business Rate Relief was 42.6p in 2011/2012 (40.7p for 2010/2011) Total non-domestic rateable value as at 31<sup>st</sup> March 2012 was £131m (6,815 properties).

The total amount, less certain reliefs and reductions, is paid to a central pool (the NNDR pool) managed by Central Government. The Government pay into the General Fund of the Council a share of the pool based on population.

### 3. COUNCIL TAX 2011/2012

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

The effect of the variation between the actual tax base during the year and the estimated tax base has resulted in a deficit on the Collection Fund relating to Council Tax as follows:-

	2011/2012 £'000	2010/2011 £'000
Amount estimated council tax receivable in year	68,831	69,764
Actual council tax received in year		
Council tax	(48,557)	(51,237)
Council tax benefit	(19,632)	(18,934)
Increase/(decrease) in Bad Debt Provision	(135)	545
<b>Deficit on Collection Fund in respect of Council Tax</b>	<b>507</b>	<b>138</b>

**4. COUNCIL TAX BASE CALCULATION 2011/2012**

	Disabled Band A	A	B	C	D	E	F	G	H	TOTALS
Total No of Dwellings on Valuation List		31,346	20,491	11,189	4,595	1,833	543	269	31	70,297
No Of Exempt Dwellings		1,458	526	306	83	37	14	5	0	2,429
<b>No of Chargeable Dwellings</b>		<b>29,888</b>	<b>19,965</b>	<b>10,883</b>	<b>4,512</b>	<b>1,796</b>	<b>529</b>	<b>264</b>	<b>31</b>	<b>67,868</b>
Chargeable Dwellings subject to Disabled Relief		50	125	76	61	29	24	15	9	389
Dwellings Subject to this band due to Disabled Relief	50	125	76	61	29	24	15	9	0	389
<b>No of adjusted Chargeable Dwellings</b>	<b>50</b>	<b>29,963</b>	<b>19,916</b>	<b>10,868</b>	<b>4,480</b>	<b>1,791</b>	<b>520</b>	<b>258</b>	<b>22</b>	<b>67,868</b>
No of Dwellings with 25% Single Adult Discount	20	16,258	7,473	3,325	1,142	337	94	46	2	28,697
No of Dwellings with 25% Disregard Discount	0	311	294	152	61	19	4	5	0	846
No of Dwellings with 50% Disregard Discount	0	12	15	15	15	13	17	15	3	105
No of Dwellings classed as empty	0	1,352	452	272	100	43	10	5	1	2,235
Total no of Dwellings entitled to 50% discount	0	1,364	467	287	115	56	27	20	4	2,340
Number of Dwellings with Liability to pay 100%	30	12,030	11,682	7,104	3,162	1,379	395	187	16	35,985
Equivalent no of Dwellings	45	25,139	17,741	9,855	4,122	1,674	482	235	20	59,313
Allowances for changes in valuation, discount, disablement and exemptions	0	64	45	25	10	4	1	1	0	150
<b>Adjusted no of Dwellings</b>	<b>45</b>	<b>25,075</b>	<b>17,696</b>	<b>9,830</b>	<b>4,112</b>	<b>1,670</b>	<b>481</b>	<b>234</b>	<b>20</b>	<b>59,163</b>
Band D Ratio	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	
<b>No. of Band D Equivalents</b>	<b>25</b>	<b>16,717</b>	<b>13,763</b>	<b>8,738</b>	<b>4,112</b>	<b>2,041</b>	<b>695</b>	<b>390</b>	<b>40</b>	<b>46,521</b>
Allowances for losses on collection										698
<b>Recommended Tax Base for 2011/2012</b>										<b>45,823</b>

**Council Tax Base 2011/2012**

Amount to be met from Council Tax 2011/2012 = £69,468,000 (2010/2011 = £69,101,000)

Divided by Tax base (see above) = 45,823 (2010/2011 = 45,581)

Amount to be met from Council Tax divided by tax base gives Band D of £1,516.01 (2010/2011 = £1,516.01)

The amount to be met from Council Tax of £69,468,000 includes Lancashire Police Authority Precept of £6,702,000 (2010/2011 = £6,667,000) and the Lancashire Fire Authority Precept of £2,917,000 (2010/2011 = £2,901,000).

The tax base is not constant. The number of properties eligible for discounts varies during the year. The number of properties on the valuation list also varies during the year owing to new properties being occupied and others being demolished. As a result the amount receivable from Council Tax payers in the year varies from the estimated amount. This will result in a surplus or deficit on the Collection Fund in respect of Council Tax.

	<b>2011/2012 £'000</b>	<b>2010/2011 £'000</b>
Fund balance at 1 <sup>st</sup> April	138	1,474
Contribution towards previous year's estimated collection fund surplus/deficit	369	(1,336)
<b>Fund Balance at 31<sup>st</sup> March</b>	<b>507</b>	<b>138</b>

Surplus and deficits on the Collection Fund are shared between the Council and the other precepting authorities in proportion to their budgets. The Council's share of any surplus or deficit is used to reduce or increase the level of council tax bills in later years.

# **SECTION 7**

## **GROUP ACCOUNTS**

## **7.0 INTRODUCTION**

The Group Accounts show the combined overall financial position of the Council, of its subsidiary companies Blackpool Transport Services Limited, Blackpool Operating Company Limited and Blackpool Coastal Housing Ltd and of its associated companies CX Limited now renamed The Via Partnership, Lancashire & Blackpool Tourist Board and Blackpool, Fylde and Wyre Economic Development Company (EDC).

The Council has 100% shareholding in Blackpool Transport Services Limited, Blackpool Operating Company Limited and Blackpool Coastal Housing Ltd.

CX Limited (CXL) is limited by guarantee and therefore has no share capital. The Council has 30% of the voting rights. CXL supplies outsourced careers and personal development services to young people and adults and provides workforce training and development. In July 2011 CX Limited was renamed The Via Partnership.

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

The EDC ceased to be an associate as at 31<sup>st</sup> March 2011. Any costs relating to the EDC are now included within the Council's single entity accounts from 1<sup>st</sup> April 2011. In 2010/2011 the EDC was limited by guarantee and therefore had no share capital. The Council had 50% of the voting rights. EDC is responsible for delivering the towns Masterplan, a large regeneration project.

The Group Comprehensive Income and Expenditure Statement shows the surpluses generated by the trading activities of the above companies and their effect on the overall balances of the Group.

The balance sheet shows the combined assets and liabilities of the Group.

## **7.1 BASIS OF CONSOLIDATION**

The consolidation of the Companies in the Group with those of the Council has been based on the degree of control exercised by the Council over the operations of each company. The extent of control exercised by the Council is determined by the share of the total voting rights held by the Council representatives on the boards of the companies. The percentage shares of voting rights have been applied to the transactions and balances of the companies to produce the amounts to be consolidated. This is in accordance with recommended practice.

## GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Earmarked General Fund Reserves	HRA	Capital Receipts Reserve	Major Repairs Reserve	Capital Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Group Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Restated Balance at 31 <sup>st</sup> March 2011	(10,290)	(30,517)	(1,614)	(3,277)	0	(6,067)	(51,765)	(418,393)	(470,158)	(3,457)	(473,615)
<b>Movements in Reserves in 2010/2011</b>											
Surplus or (deficit) on the provision of services	52,083	0	(33,116)	0	0	0	18,967	0	18,967	(194)	18,773
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(578)	(578)	(1,439)	(2,017)
<b>Total Comprehensive Income and Expenditure</b>	<b>52,083</b>	<b>0</b>	<b>(33,116)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18,967</b>	<b>(578)</b>	<b>18,389</b>	<b>(1,633)</b>	<b>16,756</b>
Adjustments between accounting basis and funding basis under regulations (Note )	(58,684)	0	41,523	(49,907)	0	219	(66,849)	66,849	0	0	0
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(6,601)</b>	<b>0</b>	<b>8,407</b>	<b>(49,907)</b>	<b>0</b>	<b>219</b>	<b>(47,882)</b>	<b>66,271</b>	<b>18,389</b>	<b>(1,633)</b>	<b>16,756</b>
Transfers to/from Earmarked Reserves	4,911	(4,811)	(9,098)	50,621	0	(100)	41,523	(41,523)	0	0	0
<b>Increase or Decrease in 2011/2012</b>	<b>(1,690)</b>	<b>(4,811)</b>	<b>(691)</b>	<b>714</b>	<b>0</b>	<b>119</b>	<b>(6,359)</b>	<b>24,748</b>	<b>18,389</b>	<b>(1,633)</b>	<b>16,756</b>
<b>Balance as at 31<sup>st</sup> March 2012 c/f</b>	<b>(11,980)</b>	<b>(35,328)</b>	<b>(2,305)</b>	<b>(2,563)</b>	<b>0</b>	<b>(5,948)</b>	<b>(58,124)</b>	<b>(393,645)</b>	<b>(451,769)</b>	<b>(5,090)</b>	<b>(456,859)</b>

	General Fund Balance	Earmarked General Fund Reserves	HRA	Capital Receipt Reserve	Major Repairs Reserve	Capital Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Group Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Restated Balance at 31 <sup>st</sup> March 2010	(10,110)	(24,493)	(1,350)	(3,676)	(1,979)	(6,534)	(48,142)	(355,631)	(403,773)	2,220	(401,593)
<b>Movements in Reserves in 2010/2011</b>											
Surplus or (deficit) on the provision of services	(66,768)	0	(264)	0	0	0	(67,032)	0	(67,032)	(1,763)	(68,795)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	647	647	(3,914)	(3,267)
<b>Total Comprehensive Income and Expenditure</b>	<b>(66,768)</b>	<b>0</b>	<b>(264)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(67,032)</b>	<b>647</b>	<b>(66,385)</b>	<b>(5,677)</b>	<b>(72,062)</b>
Adjustments between accounting basis and funding basis under regulations (Note )	60,614	0	0	399	1,979	417	63,409	(63,409)	0	0	0
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(6,154)</b>	<b>0</b>	<b>(264)</b>	<b>399</b>	<b>1,979</b>	<b>417</b>	<b>(3,623)</b>	<b>(62,762)</b>	<b>(66,385)</b>	<b>(5,677)</b>	<b>(72,062)</b>
Transfers to/from Earmarked Reserves	5,974	(6,024)	0	0	0	50	0	0	0	0	0
<b>Increase or Decrease in 2010/2011</b>	<b>(180)</b>	<b>(6,024)</b>	<b>(264)</b>	<b>399</b>	<b>1,979</b>	<b>467</b>	<b>(3,623)</b>	<b>(62,762)</b>	<b>(66,385)</b>	<b>(5,677)</b>	<b>(72,062)</b>
<b>Restated Balance as at 31<sup>st</sup> March 2011 c/f</b>	<b>(10,290)</b>	<b>(30,517)</b>	<b>(1,614)</b>	<b>(3,277)</b>	<b>0</b>	<b>(6,067)</b>	<b>(51,765)</b>	<b>(418,393)</b>	<b>(470,158)</b>	<b>(3,457)</b>	<b>(473,615)</b>



## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2010/2011				2011/2012		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
18,270	13,501	4,769	Central Services to the Public	15,004	15,353	(349)
36,293	17,100	19,193	Cultural and Related Services	51,343	12,616	38,727
38,527	8,183	30,344	Environmental and Regulatory Services	26,400	7,018	19,382
20,514	15,400	5,114	Planning Services	30,640	16,697	13,943
197,421	149,675	47,746	Education and Children's Services	173,916	136,750	37,166
59,796	45,377	14,419	Highways and Transport Services	37,498	16,418	21,080
16,104	18,921	(2,817)	Local Authority Housing (HRA)	57,780	18,532	39,248
95,258	88,694	6,564	Other Housing Services	96,399	91,794	4,605
61,115	18,615	42,500	Adult Social Care	69,863	23,365	46,498
6,238	3,953	2,285	Corporate and Democratic Care	3,252	4,003	(751)
3,214	1,548	1,666	Non Distributed Costs - Other	7,735	909	6,826
0	28,217	(28,217)	Non Distributed Costs – Change in inflation factor for retirement benefits*	0	0	0
<b>522,750</b>	<b>409,183</b>	<b>143,567</b>	<b>Cost of Services</b>	<b>569,830</b>	<b>343,455</b>	<b>226,375</b>
		3,936	Other Operating Expenditure (Note 9)			5,253
		18,263	Financing and Investment Income and Expenditure – Other (Note 10)			20,063
		0	Financing and Investment Income and Expenditure – Settlement from DCLG for HRA Self Financing premiums upon early repayment of debt ** (Note 10)			9,098
		1,532	Income & Expenditure in relation to Investment Properties and changes in their fair value (Note 13)			1,291
		(236,093)	Taxation and Non-Specific Grant Income - Other (Note 11)			(192,687)
		0	Taxation and Non-Specific Grant Income – Settlement Payment from Government for HRA Self Financing (Note 11)			(50,621)
		<b>(68,795)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>18,772</b>

<b>Gross Expenditure £'000</b>	<b>Gross Income £'000</b>	<b>Net Expenditure £'000</b>		<b>Gross Expenditure £'000</b>	<b>Gross Income £'000</b>	<b>Net Expenditure £'000</b>
		34,601	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(35,322)
		1,770	Surplus or deficit on revaluation of available for sale financial assets			(200)
		833	Movement on Financial Instruments Adjustment Account			18
		(35,421)	Actuarial (gains) and losses on pension assets and liabilities			33,172
		(1,136)	Other Movements			316
		<b>(3,237)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(2,016)</b>
		<b>(72,062)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>16,756</b>

## GROUP BALANCE SHEET

Restated 1 <sup>st</sup> April 2010 £'000	Restated 31 <sup>st</sup> March 2011 £'000		Notes	31 <sup>st</sup> March 2012 £'000
757,145	788,259	Property, Plant and Equipment		791,466
7,624	7,304	Heritage Assets		7,764
10,560	10,374	Investment Property		12,137
6	0	Intangible Assets		0
3,488	3,562	Assets Held for Sale		3,104
(1,647)	494	Net share of Associates		0
7,866	6,097	Long Term Investments		6,297
1,399	6,890	Long Term Debtors		7,221
<b>786,381</b>	<b>822,980</b>	<b>Long Term Assets</b>		<b>827,989</b>
0	0	Short Term Assets Held for Sale		550
959	1,088	Inventories		1,173
75,895	52,870	Short Term Debtors		34,682
1,850	2,830	Payments in Advance		3,141
14,307	13,777	Cash and Cash Equivalents		13,220
<b>93,011</b>	<b>70,565</b>	<b>Current Assets</b>		<b>52,766</b>
(4,061)	0	Bank Overdraft		0
(32,470)	(5,667)	Short Term Borrowing		(7,394)
(49,283)	(54,775)	Short Term Creditors		(60,693)
(12,715)	(14,210)	Receipts in Advance		(12,202)
(6,505)	(6,566)	Provisions		(7,185)
<b>(105,034)</b>	<b>(81,218)</b>	<b>Current Liabilities</b>		<b>(87,474)</b>
(5,383)	(6,858)	Long Term Creditors		(12,708)
(126,429)	(135,232)	Long Term Borrowing		(92,675)
(223,202)	(168,212)	Other Long Term Liabilities		(208,502)
(17,791)	(28,410)	Capital Grants Receipts in Advance		(22,537)
<b>(372,805)</b>	<b>(338,712)</b>	<b>Long Term Liabilities</b>		<b>(336,422)</b>
<b>401,553</b>	<b>473,615</b>	<b>Net Assets</b>		<b>456,859</b>
(48,142)	(51,765)	Usable Reserve		(58,124)
(353,411)	(421,850)	Unusable Reserves		(398,735)
<b>(401,553)</b>	<b>(473,615)</b>	<b>Total Reserves</b>		<b>(456,859)</b>

## GROUP CASH FLOW STATEMENT

2010/2011 £000		2011/2012 £000	2011/2012 £000
<b>(68,795)</b>	<b>(Surplus)/Deficit on Provision of Services</b>		<b>18,772</b>
(29,541)	Adjustments to net (surplus) or deficit on provision of services for non-cash movements	(27,265)	
68,255	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<u>(22,564)</u>	
<b>38,714</b>	<b>Net Cash Flows from Operating Activities</b>		<b>(49,829)</b>
<b>34,862</b>	<b>Total Investing Activities</b>		<b>28,518</b>
<b>22,265</b>	<b>Total Financing Activities</b>		<b>41,408</b>
<b>27,046</b>	<b>Net (Increase)/Decrease in Cash and Cash Equivalents</b>		<b>38,869</b>
(149,793)	Cash and Cash Equivalents at the beginning of the reporting period		(122,747)
<b>(122,747)</b>	<b>Cash and Cash Equivalents at the end of the reporting period</b>		<b>(83,878)</b>

## NOTES TO GROUP ACCOUNTS

The income and expenditure of the Authority's Group recorded in the budget reports for the year is as follows:

Income and Expenditure 2011/2012	Resources Directorate £'000	Blackpool Services £'000	BERTC * Directorate £'000	Childrens, Family & Adult Services £'000	Chief Executive £'000	Democratic Services £'000	HR & Transform £'000	Budgets outside the cash limit £'000	Total £'000	Group Companies £'000	Total £'000
Fees, charges & other income	2,812	19,795	14,323	31,251	14	323	30	2,850	71,398	13,388	84,786
Government grants	524	2,815	3,720	122,233	0	0	1,135	110,077	240,504	0	240,504
Recharges to the services	14,379	9,351	9,360	2,366	75	0	4,863	3,397	43,791	2,843	46,634
<b>Total Income</b>	<b>17,715</b>	<b>31,961</b>	<b>27,403</b>	<b>155,850</b>	<b>89</b>	<b>323</b>	<b>6,028</b>	<b>116,324</b>	<b>355,693</b>	<b>16,231</b>	<b>371,924</b>
Employee expenses	11,022	16,546	13,047	123,156	396	1,054	3,693	75	168,989	6,371	175,360
Other expenses	3,513	50,371	30,993	100,795	26	1,328	1,371	132,443	320,840	9,664	330,504
Support services recharges	4,157	4,945	4,848	11,434	20	429	540	4,181	30,554	0	30,554
<b>Total Expenditure</b>	<b>18,692</b>	<b>71,862</b>	<b>48,888</b>	<b>235,385</b>	<b>442</b>	<b>2,811</b>	<b>5,604</b>	<b>136,699</b>	<b>520,383</b>	<b>16,035</b>	<b>536,418</b>
<b>Net Expenditure</b>	<b>977</b>	<b>39,901</b>	<b>21,485</b>	<b>79,535</b>	<b>353</b>	<b>2,488</b>	<b>(424)</b>	<b>20,375</b>	<b>164,690</b>	<b>(196)</b>	<b>164,494</b>

**Blackpool Council**
**Statement of Accounts 2011/2012**

Income and Expenditure 2010/2011	Resources	Blackpool Services	Places	Childrens Family & Adult Services	Chief Exec	Policy, Trans & Comm.	HR & Org. Dev.	Budgets outside the cash limit	Total	Group Companies	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other income	3,233	24,523	11,883	46,673	0	139	642	2,044	<b>89,137</b>	36,675	125,812
Government grants	521	422	6,355	129,113	0	72	24	108,869	<b>245,376</b>	0	245,376
Recharges to the services	14,084	11,326	11,161	2,551	766	1,103	3,158	2,441	<b>46,590</b>	0	46,590
<b>Total Income</b>	<b>17,838</b>	<b>36,271</b>	<b>29,399</b>	<b>178,337</b>	<b>766</b>	<b>1,314</b>	<b>3,824</b>	<b>113,354</b>	<b>381,103</b>	36,675	417,778
Employee expenses	13,630	21,004	15,098	130,579	513	909	3,359	79	<b>185,171</b>	17,473	202,644
Other expenses	6,342	49,770	36,534	123,551	74	234	759	126,806	<b>344,070</b>	16,927	360,997
Support services recharges	3,429	4,392	4,362	11,880	34	60	178	4,531	<b>28,866</b>	0	28,866
<b>Total Expenditure</b>	<b>23,401</b>	<b>75,166</b>	<b>55,994</b>	<b>266,010</b>	<b>621</b>	<b>1,203</b>	<b>4,296</b>	<b>131,416</b>	<b>558,107</b>	34,400	592,507
<b>Net Expenditure</b>	<b>5,563</b>	<b>38,895</b>	<b>26,595</b>	<b>87,673</b>	<b>(145)</b>	<b>(111)</b>	<b>472</b>	<b>18,062</b>	<b>177,004</b>	(2,275)	174,729

**Reconciliation of the Directorates Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement**

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

<b>2010/2011 £'000</b>		<b>2011/2012 £'000</b>
174,729	Net expenditure in the directorate analysis	164,494
9,677	Net expenditure of services and support services not included in the analysis	9,601
(40,839)	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	52,280
<b>143,567</b>	<b>Cost of Service in Comprehensive Income and Expenditure Statement</b>	<b>226,375</b>

**Reconciliation to the Subjective Analysis**

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of Surplus or Deficit on the Provision of Services included in the Group Comprehensive Income and Expenditure Statement.

2011/2012	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not included in I&E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000	Group Amounts £'000	Total £'000
Fees, charges & other income	71,398	2,840	91,597	165,835	1,132	166,967	197	167,164
Interest and investment income	0	0	(420)	(420)	625	205	2	207
Income from Council Tax	0	0	0	0	59,964	59,964	0	59,964
Government Grants & Other Contributions	240,504	0	0	240,504	183,345	423,849	0	423,849
Support Services	43,791	0	0	43,791	0	43,791	0	43,791
<b>Total Income</b>	<b>355,693</b>	<b>2,840</b>	<b>91,177</b>	<b>449,710</b>	<b>245,066</b>	<b>694,776</b>	<b>199</b>	<b>694,975</b>
Employee expenses	168,989	16	5,815	174,820	0	174,820	0	174,820
Other service expenses	320,840	12,425	11,281	344,546	9,793	354,339	0	354,339
Support services recharges	30,554	0	0	30,554	0	30,554	0	30,554
Depreciation, amortisation and impairment	0	0	123,213	123,213	0	123,213	0	123,213
Interest Payments	0	0	1,900	1,900	18,249	20,149	3	20,152
Precepts and Levies	0	0	0	0	73	73	0	73
Payments to Housing Capital Receipts Pool	0	0	0	0	45	45	0	45
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	5,135	5,135	0	5,135
Pensions	0	0	1,248	1,248	4,168	5,416	0	5,416
<b>Total Expenditure</b>	<b>520,383</b>	<b>12,441</b>	<b>143,457</b>	<b>676,281</b>	<b>37,463</b>	<b>713,744</b>	<b>3</b>	<b>713,747</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>164,690</b>	<b>9,601</b>	<b>52,280</b>	<b>226,571</b>	<b>(207,603)</b>	<b>18,968</b>	<b>(196)</b>	<b>18,772</b>



2010/2011	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not included in I&E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000	Group Amounts £'000
Fees, charges & other income	125,812	460	18,352	144,624	810	145,434	0
Interest and investment income	0	0	(206)	(206)	447	241	0
Income from Council Tax	0	0	0	0	58,700	58,700	0
Government Grants & Other Contributions	245,376	0	0	245,376	178,208	423,584	0
Support Services	46,590	2,200	0	48,790	0	48,790	0
<b>Total Income</b>	<b>417,778</b>	<b>2,660</b>	<b>18,146</b>	<b>438,584</b>	<b>238,165</b>	<b>676,749</b>	<b>0</b>
Employee expenses	202,644	(23)	(5)	202,616	5	202,621	0
Other service expenses	360,997	12,343	8,438	381,778	2,336	384,114	512
Support services recharges	28,866	17	0	28,883	0	28,883	0
Depreciation, amortisation and impairment	0	0	4,166	4,166	815	4,981	0
Interest Payments	0	0	(8,049)	(8,049)	9,914	1,865	0
Precepts and Levies	0	0	0	0	73	73	0
Payments to Housing Capital Receipts Pool	0	0	0	0	142	142	0
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	3,722	3,722	0
Pensions	0	0	(27,243)	(27,243)	8,284	(18,959)	0
<b>Total Expenditure</b>	<b>592,507</b>	<b>12,337</b>	<b>(22,693)</b>	<b>582,151</b>	<b>25,291</b>	<b>607,442</b>	<b>512</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>174,729</b>	<b>9,677</b>	<b>(40,839)</b>	<b>143,567</b>	<b>(212,874)</b>	<b>(69,307)</b>	<b>512</b>

## 2. LIABILITY FOR LOSSES AND DEFICITS OF COMPANIES WITHIN THE GROUP

Blackpool Transport Services Limited, Blackpool Operating Company Limited and Blackpool Coastal Housing Ltd are wholly owned subsidiaries therefore the Council is responsible for any losses and deficits relating to the companies.

The Associated Companies are limited by guarantee but on winding up the Council would be responsible for the following amounts of any remaining debts or liabilities of the companies.

Lancashire & Blackpool Tourist Board	43%
ReBlackpool	50%
The Via Partnership	30%

## 3. TRANSPORT COMPANY REVENUE RESERVES

The revenue reserves relating to the Transport Company are not available to the Council.

## 4. INTERNAL BALANCES

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

- i) The Council owns shares to the value of £2,789,000 in Blackpool Transport. This has been taken out of long term investments and capital and reserves
- ii) An amount of £115,065 representing amounts outstanding between the Council and Blackpool Transport has been taken out of debtors and creditors.
- iii) An amount of £496,070 representing amounts outstanding between the Council and Blackpool Operating Company has been taken out of debtors and creditors

## **SECTION 8**

### **ANNUAL GOVERNANCE STATEMENT**

**Blackpool Council  
Annual Governance Statement – 2011/2012**

**Scope of responsibility**

Blackpool Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Blackpool Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Blackpool Council is responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk and the prevention and detection of fraud and corruption.

This statement explains how Blackpool Council achieves effective governance and also how the Council meets the requirements of regulation 4 of the Accounts and Audit Regulations 2003 in relation to the publication of a statement of internal control.

**The purpose of the governance framework**

The governance framework comprises the system and processes for the direction and control of Blackpool Council and its activities through which it accounts to, engages with and leads the community.

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

The governance framework has been in place at Blackpool Council for the year ended 31 March 2012 and up to the date of the approval of the statement of accounts for that year.

**The governance environment**

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

*Establishing and monitoring the achievement of the Blackpool Council's objectives*

Following the change in administration, Blackpool Council has refreshed its priorities and values. Blackpool Council's Vision is:

"We will build a Blackpool where aspiration and ambition are encouraged and supported. We will seek to narrow the gap between the richest members of our society and the poorest and deliver a sustainable and fairer community, of which our communities will be proud."

Blackpool Council's slogan is:

*"'Blackpool: A fair place where aspiration and ambition are encouraged'.*

Blackpool Councils Values are:

- We are **accountable** for delivering on the promises we make and take responsibility for our actions and the outcomes achieved
- We are committed to being **fair** to people and treat everyone we meet with dignity and respect
- We take pride in delivering **quality** services that are community focused and are based on listening carefully to what people need
- We act with integrity and we are **trustworthy** in all our dealings with people and we are open about the decisions we make and the services we offer
- We are **compassionate**, caring, hard-working and committed to delivering the best services that we can with a positive and collaborative attitude

The vision and values set out a high level vision of how the Council will address the ten priorities of the Council. These will be developed in the Council's Plan which is a key element of Blackpool's business planning process.

The Council's priorities are:

- Tackle child poverty, raise aspirations and improve educational achievement
- Safeguard and protect the most vulnerable
- Expand and promote our tourism, arts, heritage and cultural offer
- Improve health and well-being especially for the most disadvantaged
- Attract sustainable investment and create quality jobs
- Encourage responsible entrepreneurship for the benefit of our communities
- Improve housing standards and the environment we live in by using housing investment to create stable communities
- Create safer communities and reduce crime and anti-social behavior
- Deliver quality services through a professional, well-rewarded and motivated workforce

The priorities seek to address the big issues and policy drivers facing local government. The Council priorities feed into directorate business plans and are a key tool for managers to use when developing business plans for the coming year. The strong golden thread from community aspirations continues through to individual performance appraisals as they are developed based on Council's vision, values and priorities.

More work will be undertaken in 2012 to make the Council Plan more robust by identifying key projects, milestones, measures and outcome targets and assigning lead responsibilities for delivery. This will be taken to Full Council in September 2012 for consideration and approval.

#### *Behaviour and conduct*

A member-officer protocol is incorporated in the Council's constitution, and there is also a Planning Committee protocol. Training is also provided to officers and members to enable them to better understand the roles of each other. There are registers of interests and hospitality for both elected members and officers and the process for collating this information has been strengthened in 2011/2012. Members must register and declare interests on appropriate occasions, supported by appropriate professional advice at any time where this is required.

The Council's Standards Committee has specific regard to probity and high standards of ethical conduct. This process will be subject to significant changes in 2012/2013 following the introduction of the Localism Act and the consequent changes to the Code of Conduct for members. Steps will need to be taken to ensure that effective controls are maintained. Any development needs in terms of conduct are identified through officer individual performance appraisal or member self assessment as appropriate, a regular programme of training is also provided.

#### *Facilitation of policy and decision-making*

The Constitution sets out the functions and responsibilities of the Council, the Executive and other committees. All Executive decisions contain all relevant policy implications including financial, risk management, HR issues including equality analysis and legal considerations. Records of decisions and supporting materials are maintained, with public disclosure of decisions on the Council's internet site.

*Ensuring compliance with established policies, procedures, laws and regulations*

The Council has designated a Monitoring Officer with appropriate qualifications and experience and a deputy has also been appointed. The Monitoring Officer is responsible to Blackpool Council for ensuring that agreed procedures are followed and all applicable statutes and regulations are complied with.

The Council has a Finance and Audit Committee. This is independent of the scrutiny framework, and as a full committee of the Council is able to discharge all the core functions of a Finance and Audit Committee identified by the relevant CIPFA guidance including approval of the annual Statement of Accounts. An ongoing programme of training on finance, audit and corporate governance topics is in place to ensure members have all the skills required to undertake their role.

A whistleblowing procedure is in place. All complaints received under this procedure are investigated by appropriate officers. A corporate complaints procedure also operated during the period to ensure that any issues raised by members of the public were fully investigated.

The Council has appropriate procedures in place to deal with the risk of money laundering. Significant work has been undertaken through 2011/2012 to address the implications of the Bribery Act which came into force in July 2011. A work programme has been agreed to continue to raise awareness of the risk of bribery throughout 2012/2013.

Employees abide by the terms of the Council's officers Code of Conduct. Where appropriate staff are expected to comply with the Constitution and Financial Regulations, these are both updated regularly and appropriate training offered on changes.

*Embedding risk management in the activity of Blackpool Council*

An officer Corporate Risk Management Group meets quarterly to co-ordinate and promote risk management activity, it includes elected member representation and going forward the Council Leader will be involved in this group. It is supported by directorate and thematic risk management groups. All directorates have nominated risk champions to promote best practice in their areas and risk registers are maintained for major projects and partnerships.

*Ensuring economical, efficient and effective use of resources and securing continuous improvement*

The Council is committed to ensuring that it delivers value for money. Significant changes have been made to the Council structure and working practices to ensure that delivery of significant budget cuts as a result of the Comprehensive Spending Review. The Council continually considers ways in which further efficiency can be made to reduce costs whilst maintaining the delivery of a quality service and also considers how to effectively manage change.

*Effective financial management and reporting*

The Council has designated a Section 151 Officer with appropriate qualifications and experience. The section 151 Officer, known in Blackpool as the 'Statutory Finance Officer', has arrangements in place for financial management and financial reporting which are assessed as satisfactory by the Council's external auditors. Monthly financial reporting summaries are made available to the Corporate Leadership Team, the Executive and the Finance and Audit Committee.

*Effective performance management and reporting*

The Corporate Leadership Team, members and partners continue to receive robust financial and performance information to support decision making. More work will be undertaken in 2012 to develop a more intelligent framework which focuses on local priorities and measuring outcomes.

**Review of effectiveness**

Blackpool Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of executive management within Blackpool Council, who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual

opinion on the control environment and also by the work of the external auditors and other review agencies and inspectorates.

Coming out of the review of the effectiveness of the governance framework and system of internal control within Blackpool Council some areas for further improvement have been identified. These are detailed below, and plans are in place to address the issues arising.

<b>Issues</b>	<b>Action to be taken</b>	<b>Responsible Officer</b>
Welfare Reform	<p>Implement an effective system to address the localisation of council tax support.</p> <p>Manage the transition to universal credit.</p> <p>Implement processes for the transition of social funds to the Council.</p> <p>Ensure that the Council has the resource available to investigate corporate fraud after the introduction of the Single Fraud Investigation Service.</p>	Treasurer
Delivery of corporate savings programme	<p>Directorates to adhere to agreed savings targets, identifying alternative savings or income generation where pressures develop.</p> <p>Progress on achieving savings monitored from month 0.</p>	Treasurer
Project management	<p>Undertake an advisory role to ensure effective project management leads to successful project outcomes across all Council projects.</p> <p>Ensure effective project management leads to successful project outcomes within sphere of influence.</p> <p>Ensure project management training is available.</p>	<p>Assistant Chief Executive Organisation, Property and Information Technology</p> <p>Assistant Chief Executive Organisation, Property and Information Technology</p> <p>Assistant Chief Executive Human Resources, Communication and Engagement</p>
Facilities management	<p>Deliver Council's accommodation strategy and reduce desk footprint by delivery of the Central Business District project.</p> <p>Ensure that the Council's property estate is operated to maximise rental income or disposal values as appropriate.</p> <p>Ensure that all the recommendations in relation to property services review are implemented to avoid unnecessary duplication.</p>	<p>Assistant Chief Executive Organisation, Property and Information Technology</p> <p>Assistant Chief Executive Leisure and Operational Services</p>
Procurement	<p>Ensure all services comply with Contract Procedure Rules.</p> <p>Completion of e-procurement and e-invoicing rollout.</p> <p>Development of integrated commissioning frameworks with economies of scale.</p> <p>Delivery of Personalisation</p>	<p>Treasurer</p> <p>Assistant Chief Executive Adults and Families</p>



	agenda.	
Governance arrangements for subsidiary companies, leisure assets and key partnerships	<p>Ensure adequate governance arrangements are in place for subsidiary companies.</p> <p>Ensure adequate financial governance arrangements for leisure assets and new marketing company.</p>	Head of Democratic Services and Monitoring Officer
Member involvement	<p>Ensure that members are fully supported in their constituency work by the continued roll out of the EBF member enquiry system.</p> <p>Ensure that there is a Member Development Strategy and Member Training Programme and the continuation of briefing sessions between Council meetings.</p> <p>Implement the new Standards Framework and train elected members and co-opted members accordingly.</p> <p>Ensure that Officers are aware of the decision making process and that this is adhered too.</p>	Head of Democratic Services and Monitoring Officer
Complaints and Requests for Information.	<p>Deliver the new corporate complaints process across the Council.</p> <p>Ensure that Freedom of Information requests are dealt with in a timely manner.</p>	Assistant Chief Executive Human Resources, Communications and Engagement
Staff development	<p>Ensure that all staff complete mandatory training requirements.</p> <p>Ensure that senior managers complete the Working with Members training programme.</p> <p>Ensure that staff appraisals are carried out across the Council.</p>	Assistant Chief Executive Human Resources, Communications and Engagement
Public Health Transition	<p>Ensure that effective governance arrangements are in place for public health.</p> <p>Ensure that the public health transition project is effectively managed.</p>	Assistant Chief Executive Adults and Families
Protect vulnerable adults and children	<p>Ensure that adequate controls are put in place to safeguard vulnerable children and adults.</p> <p>Ensure that steps are taken to address the control failings identified in the recent Ofsted report.</p>	Assistant Chief Executive Adults and Families / Assistant Chief Executive Children and Younger Adults

## **SECTION 9**

### **GLOSSARY OF TERMS**

**ACCOUNTING POLICIES**

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- i) recognising,
- ii) selecting measurement bases for; and
- iii) presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

**ACCRUALS**

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

**ACQUIRED OPERATIONS**

Operations comprise services and divisions of service as defined in Service Reporting Code of Practice. Acquired operations are those operations of the local authority that are acquired in the period.

**ACTUARIAL GAINS AND LOSSES**

For a defined benefit scheme the changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experienced gains and losses); or
- (b) the actuarial assumptions have changed.

**AREA BASED GRANT (ABG)**

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring fenced and is credited to Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement.

**ASSOCIATE COMPANY**

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

**CAPITAL CHARGE**

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

**CAPITAL EXPENDITURE**

Expenditure above £15,000 on the acquisition of a non current asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

**CAPITAL RECEIPTS**

Proceeds above £10,000 from the sale of capital assets. Such income may only be used for capital purposes, ie to repay existing loan debt or to finance new capital expenditure. Any receipts which have not yet been utilised as described are referred to as "capital receipts unapplied".

**CIPFA**

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

## **CLASS OF NON CURRENT ASSETS**

The classes of non current assets required to be included in the accounting statements are:

### **Operational assets**

- council dwellings
- other land and buildings
- vehicles, plant, furniture and equipment
- infrastructure assets
- community assets

### **Non-operational assets**

- Investment properties
- Assets under construction
- Surplus assets, held for disposal

## **COLLECTION FUND**

A statutory account which billing authorities have to maintain for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates.

## **COMMUNITY ASSETS**

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

## **CONSISTENCY**

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

## **CONTINGENT ASSET**

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

## **CONTINGENT LIABILITY**

A contingent liability is either:

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

## **CORPORATE AND DEMOCRATIC CORE**

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

## **COUNCIL TAX**

A banded property tax which is levied on domestic properties throughout the country. The banding is based on estimated property values as at 1<sup>st</sup> April 1991. The level of tax is set annually by each local authority for the properties in its area.

## **CREDITORS**

Amounts owed by the Council for work done, goods received or services rendered to it during the accounting period, but for which payment has not been made by the balance sheet date.

## **CURRENT ASSETS**

Assets which will be consumed or cease to have value within the next accounting period, e.g. inventories and debtors.

## **CURRENT LIABILITIES**

Amounts which will become payable or could be called in within the next accounting period, e.g. creditors and cash overdrawn.

**CURRENT SERVICE COST (PENSIONS)**

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

**CURTAILMENT**

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

- termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and
- termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

**DEBTORS**

Amounts due to the Council which relate to the accounting period and have not been received by the balance sheet date.

**DEFINED BENEFIT SCHEME**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

**DEFINED CONTRIBUTION SCHEME**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

**DEPRECIATION**

The measure of the cost or revalued amount of the benefits of the non current asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset, whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

**DISCONTINUED OPERATIONS**

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all the following conditions are met:

- the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved.
- The activities relating to the operations have ceased permanently.
- The termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations.
- The assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes..

Operations not satisfying all these conditions are classified as continuing.

**DISCRETIONARY BENEFITS**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers, such as the Local Government (Discretionary Payments) Regulations 1996.

**EMOLUMENTS**

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

**ESTIMATION TECHNIQUES**

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- Methods of depreciation, such as straight line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a non current asset consumed in period.
- Different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

**EXCEPTIONAL ITEMS**

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

**EXPECTED RATE OF RETURN ON PENSIONS ASSETS**

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

**EXTRAORDINARY ITEMS**

Material items possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur.

**FINANCE LEASE**

A lease that transfers substantially all of the risks and rewards of ownership of a non current asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

**FINANCIAL YEAR**

The Council's financial year runs from the 1<sup>st</sup> April through to the following 31<sup>st</sup> March.

**FORMULA GRANT**

Grant distributed by formula through the local government finance settlement. It comprises Revenue Support Grant and redistributed business rates (NNDR). It is a general subsidy towards council spending and is not ringfenced for specific services.

**GENERAL FUND**

The main revenue account of the Council which brings together all income and expenditure other than that recorded in the Housing Revenue Account and the Collection Fund.

**HOUSING REVENUE ACCOUNT**

A statutory account which local authorities have to maintain if they provide public housing and which includes all income and expenditure relating to the administration and maintenance of council dwellings and related properties.

**IMPAIRMENT**

A reduction in the value of a fixed asset below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

**INFRASTRUCTURE ASSETS**

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

**INTEREST COST (PENSIONS)**

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

**INTERNATIONAL ACCOUNTING STANDARDS (IAS)**

Accounting standards developed by the International Accounting Standards Board that are primarily applicable to general purpose company accounts. These standards are adopted by the CIPFA Code of Practice except where the standards conflict with specific statutory requirements.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

Financial reporting standards developed by the International Accounting Standards Board.

**INVENTORIES**

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories: goods or other assets purchased for resale, consumable stores, raw materials and components purchased for incorporation into products for sale, products and services in intermediate stages of completion, long-term contract balances and finished goods.

**INVESTMENTS (NON-PENSIONS FUND)**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pensions fund, that do not meet the above criteria should be classified as current assets.

**LEA**

Local Education Authority – a local authority with the statutory responsibility for securing the provision of education in its area.

**MINIMUM REVENUE PROVISION**

Minimum revenue provision is the minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

**NATIONAL NON-DOMESTIC RATES (NNDR)**

A tax levied on business properties and sometimes known as Business Rates. An NNDR poundage is set annually by the Government. Sums based on rateable values are collected by billing authorities and paid into a national pool. The proceeds are then redistributed by central government as a grant to local authorities in proportion to adult population.

**NET BOOK VALUE**

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

**NET CURRENT REPLACEMENT COST**

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

**NET REALISABLE VALUE**

The open market value of an asset in its existing use less the expenses to be incurred in realising the asset.

**NON CURRENT ASSETS (previously fixed assets)**

Assets that yield benefits to the local authority and the services it provides for a period of more than one year.

**OPERATING LEASES**

Leases which do not meet the definition of a finance lease, ie where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the property, plant and equipment from the lessor to the lessee, are accounted for as operating leases.

**PAST SERVICE COST**

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

**PRIVATE FINANCE INITIATIVE (PFI)**

A central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage Authority's participation.

**PROVISION**

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

**PRUDENTIAL CODE FOR CAPITAL FINANCE**

The Code was introduced from 1<sup>st</sup> April 2004. The basic principle of the Code is that local authorities will be free to invest so long as their capital spending plans are affordable, prudent and sustainable. The Code sets out indicators that the authority must use and factors that they must take account to demonstrate that they have fulfilled this objective.

**RESERVES**

Amounts set aside in the accounts to meet expenditure which the Council may be committed to in future periods, but not allocated to specific liabilities which are certain or very likely to occur.

Earmarked reserves are allocated to a specific purpose or area of spending. Unallocated reserves are often described as balances.

**REVENUE ACCOUNT**

An account which records all annual running costs and the associated income.

**REVENUE EXPENDITURE**

Expenditure incurred on the day-to-day running of the Council.

**REVENUE SUPPORT GRANT**

A central government grant paid to each local authority to help to finance its general expenditure. The distribution of the grant between authorities is intended to allow the provision of similar standards of service throughout the country for a similar council tax levy.

**RINGFENCED SUPPORTED CAPITAL EXPENDITURE (REVENUE) (SCE(R))**

Replaces Supplementary Credit Approvals from 2004/2005 under the Local Government Act 2003. A specific amount of capital expenditure to be used under Government support is available to cover borrowing costs.

**SERVICE REPORTING CODE OF PRACTICE**

A code of practice prepared to provide accounting guidance on financial reporting to stakeholders which is designed to enhance the comparability of local authority financial information. The code represents proper accounting practice for the purpose of best value reporting.

**SINGLE POT SUPPORTED CAPITAL EXPENDITURE (REVENUE) (SCE(R))**

Replaces Basic Credit Approvals from 2004/2005 under the Local Government Act 2003. A specific amount of capital expenditure for which the Government will support the borrowing by RSG grant.



**WORK IN PROGRESS**

The cost of work undertaken up to a specified date on an uncompleted revenue project.