STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED

31ST MARCH 2016

Fylde Council

CONTENTS

INDEPENDENT AUDITORS REPORT

Independent auditors' report to the Members of Fylde Borough Council

We have audited the financial statements of Fylde Borough Council for the year ended 31 March 2016 on pages 25 to 86. 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 2015/16.

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

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements 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 Practices 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 Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 as at 31 March 2016 and of the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

INDEPENDENT AUDITORS REPORT

Matters on which we are required to report by exception

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

- the Annual Governance Statement which accompanies the financial statements does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or

- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or

- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or

- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters

INDEPENDENT AUDITORS REPORT

Conclusion on Fylde Borough 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 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2015, as to whether Fylde Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Fylde Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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 respect, Fylde Borough Council 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 issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Fylde Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Delay in certification of completion of the audit

Due to work on the WGA Return not being completed by the date of our audit report, we cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Andrew Smith
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

July 2016

NARRATIVE REPORT BY CHIEF FINANCIAL OFFICER

1. INTRODUCTION

The Council is statutorily required to produce annual accounts, and this document sets out the Council's Statement of Accounts for the financial year ending 31st March 2016. The Accounts and Audit Regulations 2015 require me, as the Council's responsible financial officer, to certify that they 'present a true and fair view of the financial position of the authority'. The Council is then formally required to approve and publish the Statement of Accounts no later than 30th September 2016. This function is delegated at Fylde to the Audit and Standards Committee. Following approval, the Statement of Accounts must be signed and dated by the member presiding at the meeting at which approval is given.

The accounts are audited by the Council's External Auditors, KPMG, who also review whether the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and issue a conclusion on this, as part of their report to those charged with governance, to the Council's Audit and Standards Committee at the conclusion of the audit.

In my role as Chief Financial Officer and the Council's statutory Section 151 Officer, I am required to prepare a narrative report (previously referred to as the 'explanatory foreword') to accompany the Statement of Accounts. This narrative report is prepared in a style that aims to enable readers to understand and interpret the accounting statements. By producing this report, I aim to give electors, local residents, Council Members, partners, stakeholders and other interested parties confidence that public money which has been received and spent, has been properly accounted for and that the financial standing of the Council is secure.

Capitalising on the good practice now established in closing the accounts, the style and format of the accounts that has been used for 2015/16 is similar to that used last year. The purpose of this report is to assist the readers' interpretation of the accounts and to provide an overall summary of the Council's financial performance for 2015/16, to explain the Council's financial position as at 31st March 2016, and to give a summary insight into what the financial future holds for the Council.

The format of the Statement of Accounts is heavily prescribed and follows the requirements as set out by the Chartered Institute of Public Finance and Accountancy (CIPFA), Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), and the Service Reporting Code of Practice for Local Authorities 2015/16 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

2. MEDIUM TERM FINANCIAL STRATEGY

The Council has established and embedded sound and improving financial management practices, the cornerstone of which is a Medium Term Financial Strategy (MTFS). The strategy is updated and reported to Members on a regular basis, with the latest update being approved at the Council meeting of 2nd March 2016. In that report I concluded, having taken account of the major items of expenditure and income and their sensitivity to change, together with the risks detailed in the report, that the finances of the Council are robust.

The purpose of the MTFS is set out in detail in that document, together with details of: the Vision for the Borough; the Council's Strategic Planning and Performance Management Framework; the Council's Capital Strategy and Asset Management Plan; Savings and Growth proposals; Reserves and Balances provision; details of the Council's Capital Programme; key areas of financial risk facing the Council; and a five year financial forecast for the Council. One aim of the MTFS is to ensure that the resources available to the Council are aligned with the priorities set out within the Council's approved Corporate Plan. Both the MTFS and the Corporate Plan are available at www.fylde.gov.uk.

3. CHANGES INTRODUCED BY THE CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING 2015/16 (THE CODE)

For 2015/16 'The Code' (and a later update to the Code) have introduced the following key accounting changes:

- The introduction of the concept of 'current value' for the measurement of property, plant and equipment:

- Clarification and additional guidance on the disclosure requirements under the new 'Fair Value' framework governing the assessment of the value of assets and liabilities;

- Changes arising from the bringing into law of the Accounts and Audit Regulations 2015, particularly in relation to the Narrative Report and amendments to the publication requirements for the Statement of Accounts.

Further details on these changes are included in the notes to the Accounts and are set out in the Accounting Policies.

4. THE FINANCIAL STATEMENTS

To assist in the interpretation and understanding of the Statement of Accounts, I set out below the purpose of each of the core financial statements contained within this document.

The Core Financial Statements include: -

- *Movement in Reserves Statement* – this is a summary of the movement in year on the different reserves held by the Authority analysed into 'usable reserves' (those which can be applied to fund expenditure) and un-usable reserves (those which cannot be used to fund expenditure).
- *Comprehensive Income and Expenditure Statement* – this consists of two sections: the first section showing entries for income and expenditure arising from day to day operational services and the second section showing the increase or decrease to net worth as a movement in fair value of assets.
- *Balance Sheet* – this sets out the Council's assets and liabilities as at 31st March 2016 and how these are funded (by reserves, borrowing, provisions and other balances).
- *Cash Flow Statement* – this summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- *Notes to the Core Financial Statements* – these assist in the interpretation of the accounts by comprising a summary of significant accounting policies and other explanatory information.

Additional statements accompanying the accounts:
- *Statement of Responsibilities for the Statement of Accounts* – this identifies the officer who is responsible for the proper administration of the Council's financial affairs.
- *Collection Fund* - this was established to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates, as a requirement for all billing authorities under the Local Government Finance Act 1988.
- *Glossary* – an explanation of some of the key technical terms used in these accounts.

In line with the Code of Practice on Local Authority Accounting 2015/16 the Annual Governance Statement is included within the Statement of Accounts.

5. THE COUNCIL'S SPENDING

The Council effectively has two types of expenditure:

- **Revenue expenditure** – this is essentially the day to day costs incurred by the Council in providing services, including for example, employee costs, premises running costs, transport related costs and supplies and services.
- **Capital expenditure** – this is essentially one-off major items of expenditure relating to the purchase of new assets or expenditure which materially improves the working life of existing assets.

At the Annual Budget Setting Council meeting, the Council plans and approves how much it is going to spend in the coming year and reflects these spending plans as budgets. It calculates how much money needs to be raised from Council Tax having allowed for income and government grants, and determines how much it can raise from existing resources, contributions from outside sources or borrowing to fund its capital expenditure.

5.1 REVENUE EXPENDITURE

This part of the report deals with the revenue outturn position for the Council.

Net Budget Requirement

On the 2nd March 2016, Council approved a Revised Revenue Budget net requirement of £8.673m for 2015/16.

Throughout 2015/16, in response to the uncertainty surrounding the nature and level of current and future income streams as a consequence of changes in national funding arrangements there has been close control of expenditure. Officers with budget holder responsibility were instructed to remain prudent and minimise expenditure commitments and maximise efficiencies and savings wherever possible. That instruction remains in place, and has resulted in the generation of in-year savings throughout the majority of 2015/16.

The outturn position for 2015/16 was a net budget requirement of £8.297m, resulting in a favourable variance (before financing and slippage) of £0.376m. The underlying underspend in relation to the net budget requirement, after adjusting for financing and for slippage is reduced to £0.196m.

At its meeting on 20th June 2016 the Finance and Democracy Committee approved the transfer of the sum of £0.196m to the Capital Investment Reserve. This is in addition to the budgeted transfer to the reserve of £0.032m approved by Budget Council on 2nd March 2016. The purpose of this reserve is to fund capital investment in the future and to minimise the need for additional borrowing. Following this additional transfer the balance on the reserve stands at £2.182m (after slippage of £0.093m). The Council, at previous Budget Council meetings from 2013 to date, has already approved commitments of £1.986m from this reserve spread between 2016/17 and 2019/20, leaving an uncommitted balance of £0.196m for future capital investment.

Financing

In relation to financing, the outturn position for 2015/16 was net financing received during the year of £10.068m compared to a budget of £9.966m, resulting in a favourable variance of £0.102m.

The Council accounts for the Business Rates income that it collects through a 'Collection Fund'. As a result of the increase in the provision for outstanding appeals against the Valuation Office assessment of the Rateable Value of business properties, the total deficit on the NNDR Collection Fund at the end of 2015/16 is £5.286m. This deficit is the difference between the total amounts estimated to be paid into the Collection Fund and the actual amounts collected, net of changes in the amount of the appeals provision. Under the accounting arrangement for non-domestic rates (NDR) this deficit is split between the Government, LCC, the Fire Authority, and the Council, with the Council's share being £2.114m. The Collection Fund accounting processes mean that there are significant timing differences between when a deficit or surplus on the collection fund occurs and when the relevant payments or receipts are made to or from the relevant parties to the collection fund. At its meeting on 20th June 2016 the Finance and Democracy Committee approved the transfer of the sum of £1.485m to the Collection Fund Deficit Reserve in order to meet the Council's share of the 2015/16 collection fund deficit when the payment is due to be made.

A Summary of the outturn position and the transfers to reserves described above are shown in Table 1 below:

Table 1 – General Fund Revenue Outturn Position and Transfers to Reserves 2015/16

	Budget	Actual	Variance	
	£m	£m	£m	
Net expenditure for the year	8.673	8.297	(0.376)	(Fav)
Financing for the year	(9.966)	(10.068)	(0.102)	(Fav)
Surplus of resources for the year	**(1.293)**	**(1.771)**	**(0.478)**	(Fav)
Less :				
budgeted transfer to Accommodation Project Reserve	0.504	0.504	-	
budgeted transfer to Capital Investment Reserve	0.032	0.032	-	
budgeted transfer to Funding Volatility Reserve	3.000	3.000	-	
budgeted transfer to/(from) General Fund Balances	(2.243)	(2.243)	-	
Balance - further transfers to reserves	**-**	**(0.478)**	**(0.478)**	(Fav)
Analysis of further transfers to reserves:				
- to General Fund revenue balances re slippage	-	(0.282)	(0.282)	(Fav)
- to Capital investment Reserve	-	(0.196)	(0.196)	(Fav)
Total further transfers to reserves	**-**	**(0.478)**	**(0.478)**	(Fav)

Full details and further analysis of expenditure, income and budget variances are set out in the Medium Term Financial Strategy (MTFS) Outturn Report as reported to the Finance and Democracy Committee on 20th June 2016. A copy of the report can be found at the Council's website at www.fylde.gov.uk.

Cost of Services 2015/16

The 2015/16 Gross Cost of General Fund Services is analysed by service area in Table 2 below:

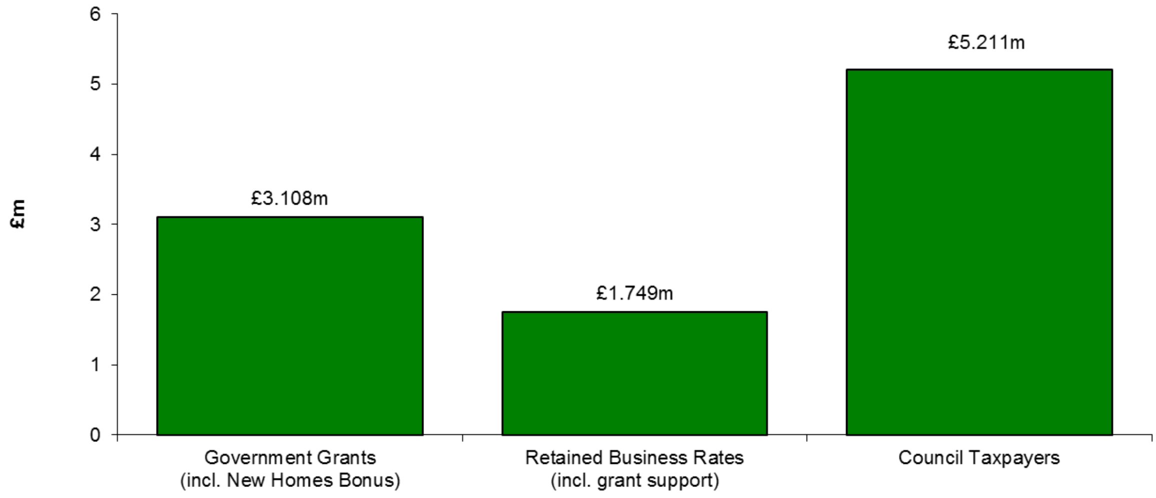
Table 2 – Gross Cost of General Fund Services 2015/16

	Outturn
	£'m
Service:	
Refuse Collection	2.501
Street Cleaning	0.865
Other Environmental Health	0.924
Development Control, Building Control and Local Plans	1.516
Tourism and Leisure	2.383
Housing	0.834
Housing Benefits	21.015
Local Tax Collection	0.747
Economic Development and Regeneration	0.223
Other	6.419
Gross Expenditure Totals	***37.427***
Income and Grants:	
Other Government Grants (incl Housing Benefit Subsidy Grant)	(20.110)
Other Grants and Contributions	(1.997)
Other Income, Fees and Charges etc.	(7.023)
Income and Grants Totals	***(29.130)***
Net Expenditure for the Year	**8.297** (as per Table 1)

5.2 INCOME

The Council finances its net operating expenditure from Council Tax, General Government Grants and Revenue Support Grant and, under revised arrangements since 2013/14, the local share of Business Rates. The contribution made by each is shown in the following graph:–

Source of Funding 2015/16



Council Tax
For 2015/16 the average Band D Council Tax charge for Fylde Borough Council was £185.79 (excluding Town and Parish Council Precepts), which is a 0.06% reduction from the 2014/15 average Band D charge. Individual year-on-year changes within the Borough varied due to the impact of Town and Parish Council precepts and the liability for Special Expense charges in Lytham and St Annes. The actual in-year rate of collection in 2015/16 was 96.4%. The in-year collection rates for 2014/15 and 2013/14 were 96.8% and 97.8% respectively. Ultimately the Council collects in the region of 99% of Council Tax. In 2015/16 the Council retained £5.211m of Council Tax income.

Government Grants and Non Domestic Rates
Income from government grants received in 2015/16, including New Homes Bonus, totalled £3.108m. The Council's share of local business rate income for 2015/16 (including a 'safety net' payment) totalled £1.749m.
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5.3 CAPITAL

In 2015/16 total capital expenditure was £2.969m as compared to a revised total programme of £2.970m (after adjusting for slippage of £0.410m). An analysis of how the money was spent, and financed, is shown in Table 3 below.

Table 3 – Capital Expenditure and Sources of Financing 2015/16

Expenditure by Scheme:	£'000	£'000
Finance & Democracy Committee:		
Accommodation Project (All Phases)	535	
sub-total		535
Tourism & Leisure Committee:		
Snowdon Road Depot	320	
Hope Street Pavilion Refurbishment - Phase 2	151	
Park View Playing Field - Sand & Water Play Facility	272	
Community Parks Imp. Programme - Frobisher Drive Play Eqpt.	33	
Replacement Boats Fairhaven	55	
Fairhaven Footway Improvements	48	
Lowther Pavilion Roof	5	
Fairhaven Toddlers Play Area	67	
Sand Dunes re-modelling at North Beach Car Park / Summerfields	3	
Lytham Hall	47	
sub-total		1,001
Operational Management Committee:		
Replacement Vehicles	488	
Car Park Improvements	30	
Fylde Headlands Preliminary Work	48	
Repair & Renewal - Flood Defences	17	
sub-total		583
Environment, Health & Housing Committee:		
Disabled Facilities Programme	571	
Rapid Deployment CCTV Replacement Projects	44	
Infant Memorial Garden - Phase 2	17	
Cemetery and Crematorium - Infrastructure Works	6	
Cemetery / Crematorium Pumping Station	4	
New memorial garden - Lytham Park Cemetery	8	
sub-total		650
Development Management Committee:		
Kirkham Regeneration Scheme - Town Centre Phase 4	50	
Woodlands Road Regeneration Scheme - Town Centre Phase 3	70	
Public Realm Regeneration - St Annes	80	
sub-total		200
Total Expenditure		**2,969**

Financing:	£'000	£'000
Grants & Contributions	1,194	
Capital Receipts	746	
Borrowing (Internal)	224	
Revenue Contribution	805	
Total Financing		**2,969**

6. TREASURY MANAGEMENT

The Council is bound by the requirements of the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both these Codes through Regulations issued under the Local Government Act 2003.

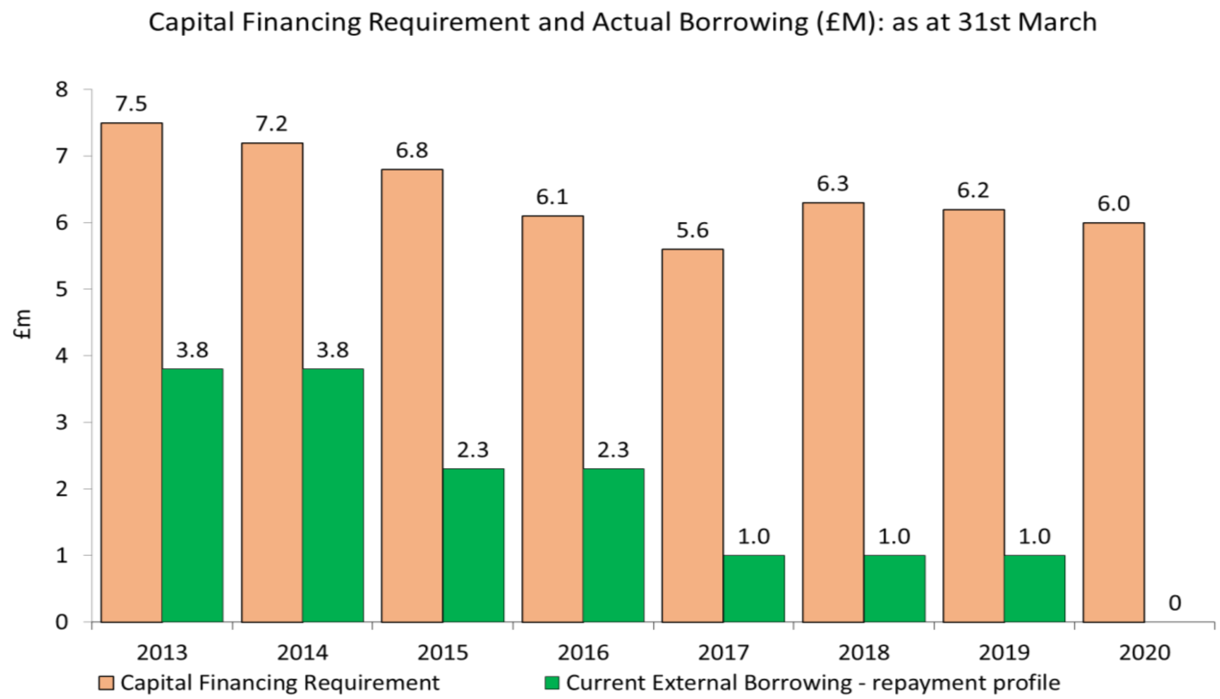
The Prudential Indicators and Treasury Management Strategy for 2015/16 to 2018/19 have been agreed by the Council. Performance is monitored and reported during the year. For 2015/16 the Council has complied with all agreed internal procedures and the Prudential Indicators set for borrowing have been managed within the limits set.

The security of investments is the Council's main investment objective. This is achieved by adhering to the Treasury Management Strategy, as approved by Council on 2nd March 2015 and subsequently revised and approved again by Council on 14th December 2015. The investment activity during the year conformed to the approved strategy and the Council had no liquidity difficulties.

A key Prudential Indicator for every Council is the Capital Financing Requirement (CFR). The CFR is the amount that the Council needs to borrow in order to fund its capital expenditure requirements: it is in effect the Council's underlying need to borrow. The CFR for Fylde Borough Council for the year ended 31st March 2016 was £6.0m. The Council is able to borrow money from either the Public Works Loans Board (PWLB) (an agency of HM Treasury), from banks, building societies, or from other public bodies. The Council's borrowing need as at 31st March 2016 was met by a combination of PWLB borrowing of £2.3m and internal cash balances. These amounts are analysed in the notes to the Balance Sheet. The interest paid in respect of the Council's external debt in 2015/16 was £67k (£97k in 2014/15).

The Authorised Limit for External Debt is a further key Prudential Indicator that controls the overall level of borrowing and is a statutory limit set by the Council that must not be breached. The Council's authorised limit for external debt for 2015/16 was £8.3m. The Council's actual total debt at 31st March 2015 of £2.3m was significantly below the Authorised Limit as a result of the use of internal borrowing (cash balances used to meet the CFR in place of external borrowing).

No new external borrowing has been taken since 2010/11 as internal borrowing has been the most effective means of funding capital expenditure. This has the effect of also lowering the overall treasury risk by reducing both external debt and temporary investments. Total external borrowing at 31st March 2016 was £2.3m. The chart below shows estimated external borrowing and the Capital Financing Requirement (CFR) from 2013 to 2020.



During the year, cash sums managed internally by the Council have been invested for periods of up to twelve months with approved banks, money market funds, and other Local Authorities. The Council held an average cash balance of £18.6m of internally managed funds. The overall performance was a gross return of 0.38%, compared with a benchmark return of 0.36%. Interest earned was £70.3k compared to a revised budget of £62.7k. The level of interest from investments was in excess of the revised budget as the actual level of external investments was higher than was anticipated due to the Council benefitting from a more favourable cash-flow position.

The rate of growth in the UK economy slowed during 2015 with annual growth falling to 2.3% from 3% in the previous year.

CPI inflation hovered around 0.0%. The low inflation was attributed to the fall in the price of oil, the increase in sterling pushing down import prices and weaker than anticipated wage growth.

The Bank of England maintained interest rates at 0.5% and reiterated that when interest rates do begin to rise it will be gradually and limited, and below historic levels.

Pension Fund

The pension fund deficit as at 31st March 2016 was £23.305m, which is a reduction of £3.930m against the previous year. Full details are included in Note 40 to the Accounts, on pages 74 to 78. The deficit has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. Statutory arrangements for funding the deficit mean that the deficit on the pension fund will be made good by increased contributions over the remaining working life of employees as assessed periodically by the pension fund actuary.

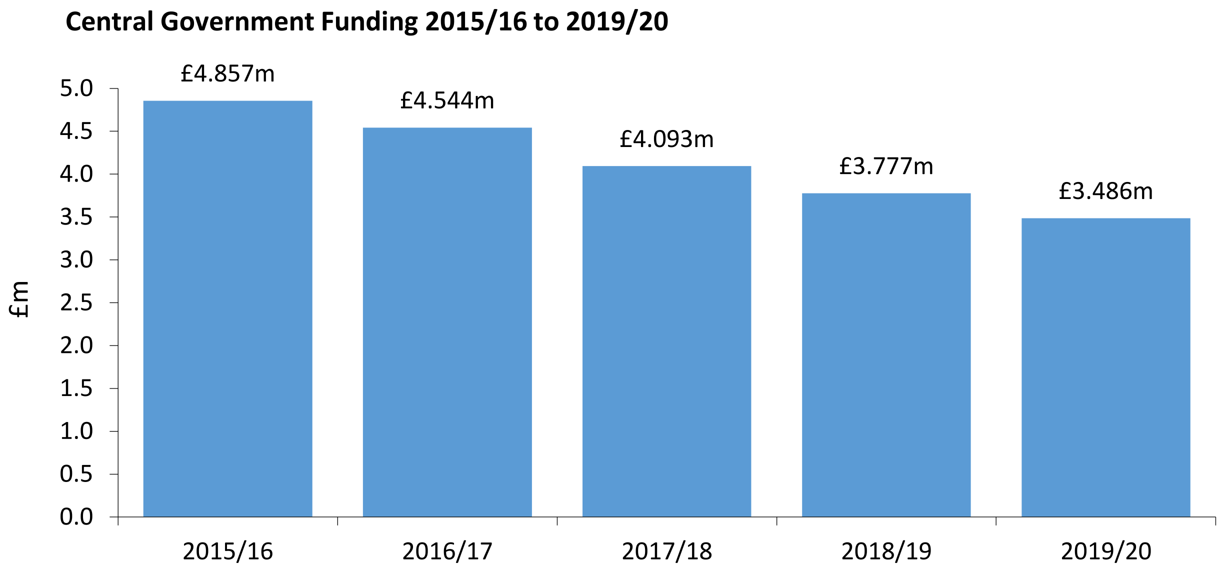
7. REVIEW OF THE COUNCIL'S FINANCIAL POSITION

Fylde Council has well-established and embedded sound financial management practices. The Council has adopted a planned and systematic approach to financial management and corporate governance, safeguarding public monies and ensuring accountability whilst delivering quality services. Over the last few years the Council has delivered significant efficiencies and savings which have seen general fund reserves grow to a level which allows the Council to deal with future challenges and pressures in a planned and effective way.

In 2014 KPMG audited the Council and gave an "unqualified opinion", which indicated that they were satisfied with the Council's financial and governance arrangements.

The cornerstone of the financial management framework is the Medium Term Financial Strategy (MTFS). The strategy is updated and reported to Members on a regular basis, with the latest update being approved at the Budget Council meeting of 2nd March 2016. The latest approved MTFS is accessible at http://www.fylde.gov.uk/council/finance/medium-term-financial-strategy-mtfs/

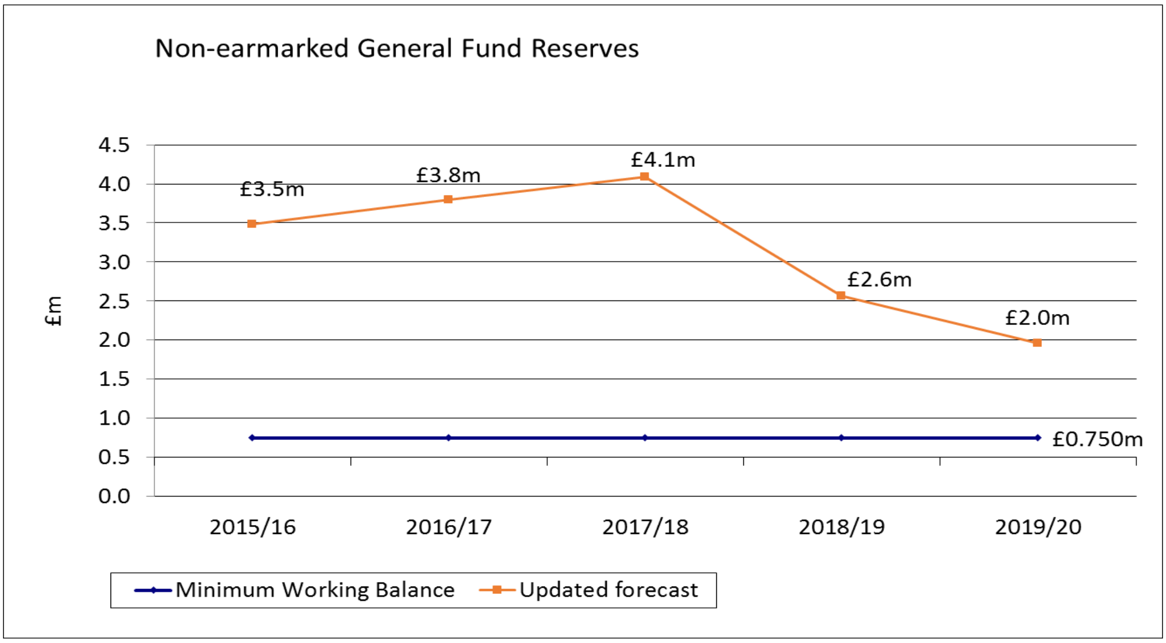
Earlier updates of the Financial Forecast over recent years have made reference to the risks and uncertainties to which all local government has become increasingly accustomed as we remain within a period of financial austerity following the financial crisis of 2008. In response the government has continued with its policy of reducing the quantum of public sector expenditure. Fylde Council has seen the effects of this in the form of significant reductions in future central government funding allocations. The chart below demonstrates the scale of the reduction in central government funding (comprising Revenue Support Grant, New Homes Bonus, Retained Business Rates and Transition Grant) to Fylde Council for the current forecast period.



The latest update to the MTFS includes a summary financial forecast which shows a substantial forecast surplus for 2015/16, a reduced surplus for 2016/17 and 2017/18, followed by a much more challenging scenario with a budgeted call on reserves in the latter years. This gap between in-year income and expenditure in the final years of the forecast will need to be addressed. However with balances at the current level and with the main call on reserves not arising until 2018/19 the Council is well-placed to take action in the intervening period to manage this position.

The outturn position for the net budget requirement for 2015/16, after accounting for both slippage and the planned transfers to reserves, was a favourable variance of £0.196m, which is proposed to be added to the Capital Investment Reserve. This is a helpful addition to the reserve and will provide an increased resource for additions to the Capital Programme whilst reducing the requirement for external borrowing.

After reflecting the impact of the favourable outturn position for 2015/16, revenue balances at the 31st March 2016 were £3.482m, which is higher than the recommended minimum balance of £750k. The graph shown below shows the forecast levels of non-earmarked General Fund Reserves for the next five years as reported in the March 2016 Medium Term Financial Strategy, updated to reflect the impact of outturn for 2015/16.



Reserves & Balances
In addition to the non-earmarked General Fund Reserve shown in the graph above the Council also has a number of earmarked revenue reserves, set-aside for specific purposes. The total of these earmarked reserves at 31st March 2016 is £8.7m. Full details of these reserves are shown in Note 7 on pages 50 and 51 of the Accounts.

The current Capital Programme is fully-funded. Furthermore, in order to provide a resource for future additions to the Capital Programme the Council has created a Capital Investment Reserve. Following favourable outturn positions in recent years it has been possible to transfer resources into that reserve which have provided funding for numerous capital schemes. For 2016/17 all of the additional capital projects approved at the March Budget Council will be funded from the Capital Investment Reserve. The consequence of Member decisions to limit capital scheme growth is a reduced overall requirement to borrow which in turn results in a reduction in borrowing costs.

Following the favourable outturn position for 2015/16 and the transfer of an additional £0.196m into the reserve (in addition to the budgeted transfer to the reserve of £0.032m approved by Budget Council on 2nd March 2016) the balance on the reserve stood at £2.182m. The Council, at previous Budget Council meetings from 2013 to date, has already approved commitments of £1.986m from this reserve spread between 2015/16 and 2019/20, leaving an uncommitted balance at the start of 2016/17 of £0.196m for future capital investment.

8. ORGANISATIONAL PERFORMANCE AND CULTURE

Fylde Council is currently performing well. The Council enjoys high levels of employee and resident satisfaction (see Residents Survey summary table below) that are measured every year, a robust Medium Term Financial Strategy and budget that currently requires no service reductions or redundancies over the next three years. The Council also has the lowest number of complaints and the highest number of compliments ever experienced, and has embarked on a culture change programme aimed at delivering continuous improvement.

The culture change at Fylde has been driven by the need to transform the Council from a traditional bureaucratic local authority to a modern efficient organisation. The Council was in a poor financial position in 2007/8 with general reserves forecast to fall below the £500,000 recommended lowest limit with further pressure on reserves if the Council continued to operate in the way that it was doing. The Council has reduced the number of direct employees by almost 50% in the last 10 years, general fund reserves are in excess of £3.2 million, with a forecast revenue surplus in the next two years which will add to this, and a further £7 million in earmarked reserves.

Key to transforming the Council has been employee engagement that has secured ownership of change and improvement. Competencies were developed in consultation with employees and have been placed at the core of behaviour across the Council. Every process, strategy and policy has been influenced by the competencies in order to embed the behaviours required to transform traditional public sector attitudes that had been developed over many years. The approach has been underpinned by a communication strategy that is reviewed regularly to ensure that every possible means of informing and supporting employees to demonstrate the required behaviours is in place.

The culture change programme has been delivered through ‘leadership from everywhere’ in the organisation, developing advocates through the ‘Ambassadors’ programme, mentoring, coaching, employee workshops, ‘open door’ policy, leadership by example, management by walkabout, and team working across the organisation. Simple mantras have made it easy for everyone to understand how they can make a difference such as; ‘more from less’ and ‘treat people how you would like to treated’. These have been demonstrated and reinforced through the online employee newsletter The Vine, the Chief Executive’s weekly Five Points, at Team Briefs and Team Talks.

The Resident Survey Results 2012 to 2015

QUESTIONS (Percentages figures are the percentage satisfied, good and excellent)	2015 (461 responses)	2014 (608 responses)	2013 (829 responses)	2012 (1583 responses)	Cumulative
How would you rate the refuse collection service at Fylde	**97%**	94%	95%	93%	**94%**
How would you rate the household recycling service at Fylde	**93%**	92%	93%	91%	**91%**
How would you rate the parks and open spaces in Fylde	**95%**	94%	94%	93%	**94%**
How would you rate the cleanliness of the streets in Fylde	**85%**	83%	83%	81%	**82%**
How would you rate the planning service at Fylde*	**69%**	63%	70%	71%	**69%**
How would you rate the customer service at Fylde*	**89%**	89%	88%	90%	**88%**
Overall I would rate the Fylde as a place to visit	**97%**	97%	97%	95%	**95%**
Overall I would rate Fylde as a place to live	**97%**	97%	97%	95%	**96%**
How would you rate the value for money I receive from Fylde Council	**84%**	85%	85%	81%	**82%**
Overall and taking everything into account, would rate Fylde Council	**92%**	90%	90%	88%	**89%**

*Only includes percentage of the respondents that **have used** the service

The Corporate Plan

The Council defines its key objectives through a three year Corporate Plan. The 2013 - 2016 Corporate Plan is in the form of a number of specific activities which sit within one of four policy strands:

- PLACE,
- PEOPLE,
- PROSPERITY, and
- PERFORMANCE.

The Corporate Plan is subject to regular review to measure progress on each of the defined activities. A summary of each of the actions, together with a statement of progress for each as at 31st March 2016, is shown below:

Corporate Plan 2013-16: Review as 31st March 2016

Actions listed on the Corporate Plan for 2013-16	Position as at 31st March 2016
To Promote the Enhancement Of The Natural & Built Environment (PLACE)	
Consult on the Preferred Option for the Local Plan	Consultation has been undertaken on the Preferred Option Local Plan which has informed the preparation of the Revised Preferred Option Local Plan, which was put out for consultation in October 2015. Responses to the Revised Preferred Option, together with evidence based updates and changes to government guidance, have informed the publication version which will put out for consultation in August 2016. The Local Plan is on course to be adopted in 2017.
Implement the actions from the LGA Planning Peer Review	All actions have been reviewed and implemented where possible. The planning service has undergone a thorough review of key processes which has resulted in significantly improved performance and a reduction in the level of complaints.
Implement dune management action plan including realignment activity	Implementation is on-going with excellent progress being made to date. An extension of 5 years is being applied for through Defra/Environment Agency.
Adoption by the Environment Agency of the Strategic Appraisal Report for the Fylde Coast Protection Strategy	The Strategic Appraisal Report has been adopted by the Environment Agency. This sets the strategic approach to coast defence replacement in Fylde Borough for the future. This has led to the adoption of the Project Appraisal Report for the Fairhaven and Church Scar Coast Defence Scheme.
Green Flag applications for Ashton Gardens, Promenade Gardens, Fairhaven Lake, Lowther Gardens & Lytham Memorial Gardens	Green Flag Management Plans have been updated and were submitted to the Keep Britain Tidy Organisation before the deadline of 31st January 2016. Site-based assessments of the sites will be undertaken in April and May 2016. A Green Flag application is also being made for Elswick Village Hall and Gardens.
Implement Route Smart system to improve efficiency of the waste service	Extensive scoping work has been carried out to optimise the efficiency of the existing collection rounds. However, this work has been put on hold given the uncertainty regarding future Lancashire-wide waste services and potential changes in tipping locations.
Increase wheeled bin service to as many properties as possible	Wheeled bins are provided to as many properties as practicable given the operational, storage and access issues. A small number of properties remain on weekly sack collections with a box/bag for recycling.
Maximise the use of all assets for the benefit of residents and visitors	Regular reviews of all of the Council's assets has ensured the most effective use of resources is achieved.

Upgrade and repair as much council owned infrastructure as possible e.g. bus shelters	Significant progress has been achieved in repairing and upgrading a number of Council owned-infrastructure assets to the benefit of residents and users. All appropriate revenue budgets are being fully utilised to support this work.
To Encourage Cohesive Communities (PEOPLE)	
Support and contribute to the Fylde Together partnership	Collaborative working is on-going and Fylde Council will continue to support the initiatives from the Fylde Together Community Network that has now emerged from the Fylde Together Partnership. Networking and engagement arrangements are established and are working effectively.
Improve public health and reduce health inequalities by developing and delivering a local health & wellbeing action plan with partners	Local partnerships are well-established including the Fylde & Wyre Health & Wellbeing Partnership and CCG partnership that have secured Test Bed pilots, Vanguard status and a national Healthy New Town Pilot.
Support the Community Safety Partnership Action Plan and canvass for resources	Concentration on the Community Safety Partnership priorities of Domestic Abuse, Anti-Social Behaviour, Road Safety Substance Misuse and Re-offending. Resources were successfully acquired from the Police and Crime Commissioner; LANPAC and the Fire Service.
Implement the review of the art service	Management of the art collection has been reviewed by Members, the outcome being a confirmation of the Council's role in continued management of the collection.
Deliver the capital redevelopment of St Anne's pool	Refurbishment and redevelopment of the St Anne's pool entrance/foyer and changing facilities has taken place to significantly improve the offer and experience for visitors/users.
Support community groups in the regional and national 'In Bloom' initiative and the regeneration of parks	Officers in the Parks & Greenspace team continue to work with 'In Bloom' groups and many subsidiary community groups in assisting with their submission in the annual 'In Bloom' competition. The Parks & Greenspace Team are currently working with several groups on community parks development projects in the Lytham St. Anne's area and also several rural areas such as Freckleton, Weeton, Warton and Staining.
Promote the Community Projects Fund to local groups to allow them access to funding	The fund has been very successful in 2015/16. A wide variety of community groups have made presentations to the Community Projects Fund Panel, and have been successful in being awarded with funding. A number of smaller grants of up to £500 have also been awarded through the Panel.
Develop and promote the Troubled Families and Children's Trust initiatives in Fylde	Fylde is a vital part of the Children's Trust Board. Health and well-being for children and young people are promoted via this channel alongside multi-agency working and safeguarding. Established practices are in place for shared working, co-operation, joint initiatives and further partnering where necessary. Networks, policies and guidelines have been developed with awareness training in place to disseminate these.

To Promote a Thriving Economy (PROSPERITY)	
Ensure that support for job creation in the local community is a priority for the Council and its partners	The Council continues to work closely with Lancashire County Council to support the delivery of the 'Business Boost' programme for Lancashire. New and alternative approaches to business support are always considered and engagement with partners is established and continues to work effectively.
Establish the Fylde Economic Forum and develop clear aims and objectives with the private sector partners	The Fylde Economic Forum has been established and continues to meet regularly to encourage discussion between the Council and representatives of businesses within the borough.
Work in partnership with the Lancashire Local Enterprise Partnership to secure the support available for local businesses	The Council engages with the Local Enterprise Partnership (LEP) through the Blackpool, Fylde and Wyre Economic Development Company. All opportunities to support employment and development are explored on an ongoing basis. Key projects in this period have been the Lancashire Growth Deal and the approval of an additional Enterprise Zone.
Provide all necessary support to ensure that the Warton Enterprise Zone attracts new businesses	The Council Continues to support the Lancashire LEP and BAE Systems in the development and delivery of the Warton Enterprise Zone. The Council drafted and adopted the latest Local Development Order in November 2015.
Maximise business rate income through an economic development and support framework that provides future growth for the Fylde economy	The Council adopted the Economic Development Strategy and Action Plan 2012-2030 in January 2013. The need for a subsequent document to maximise the impact of any business rate growth through re-investment in economic development activity is identified in the new Corporate Plan.
Complete the car parking review in Lytham and St Anne's including consideration of a resident scheme	A joint parking review with Lancashire County Council was proposed in 2012/13. However, when the consultants were identified and the proportion of costs associated with Fylde Council's car parks were determined it was considered that there would be little benefit to Fylde Council for the cost involved. Consequently Lancashire County Council proceeded with a study that only focussed on on-street parking. This public engagement exercise was supported by Fylde Council officers and Members. Separately various aspects of the car parks operation were reviewed and changes implemented. This included the introduction of the Fylde Residents Permit Scheme.
To Meet Expectations Of Our Customers (PERFORMANCE)	
Progress the accommodation project and develop the refurbishment plans	The Accommodation Project plan has been developed and has been agreed by members. Phases 1, 2 & 3 of the project are now completed and phases 4 & 5 are currently underway. Funding for the remaining phases is dependent upon the proceeds of the sale of the Public Offices site.

Develop employee competencies and skill set based on appraisal outcomes	The competency approach to culture change has been embedded and behaviours are consistent with the culture articulated by the employee work groups that developed the competency framework. The Local Government Association Peer Review Challenge recently commended Fylde for the exceptional work on culture change and the recognition that this is key to the way the organisation now operates.
Maintain and develop all budget management practices	Budget management practices and procedures are fully embedded and are reviewed and approved annually by Management Team at the start of each financial year. Monthly budget monitoring by budget holders is supplemented by periodic reporting of 'hot spots' to all Programme Committees periodically throughout the year for both Capital and Revenue budgets. Budget right-sizing also occurs annually and all budget changes are tracked through the Medium Term Financial Strategy which is presented to both Finance & Democracy Committee and Council at least twice per year.
Continue service reviews including consideration of alternative delivery methods i.e. shared / out source	Numerous service reviews have been carried out during the last 12 months and throughout the life of the Corporate Plan. These have been central to both process improvement and culture change that has resulted in significant levels of efficiency savings being realised. An 18 month review of all service areas has been developed and agreed, starting in May 2016, which will prepare the Council for the challenge of becoming self-sufficient in 2020.
Respond positively to the welfare reform agenda with measures that protect the most vulnerable	Savings from efficiency measures in the revenues and benefits partnership have been re-invested in the service to ensure that welfare reform has had a minimum impact on those most vulnerable in Fylde. The council has set aside a 'Hardship Fund' for those residents that have particular challenges. This is now well-established and has proven to be sufficient to meet the needs of such residents in Fylde.
Increase take up of direct debit, including paperless direct debits for both Council Tax and Business Rates	The facility to set up paperless direct debits has been introduced, and the percentage of Council Tax payers paying by direct debit has increased from 66.5% in 2013/14 to 71.2% in 2015/16. For Business Rates, the percentage paying by direct debit has remained static at around 40%. Direct debit will continue to be promoted as the preferred method of local tax collection by the Council.
Develop a clear strategy for managing localism and the associated challenges	Policy review throughout the life of the Corporate Plan has incorporated necessary regulatory and legislative changes as a result of the Localism Act i.e. assets of community interest, the transparency code, pay policy etc.

Review of policy service delivery to include consideration with our corporate objectives	Policy and strategy at Fylde is closely aligned to the corporate objectives. These are used as part of the template for reports to committee to ensure that all decisions that are made align with the agreed objectives that underpin the strategic direction of the new Corporate Plan. The recent Peer Review Challenge found that the corporate objectives were well-established and that, through the quality of the local environment and the levels of service delivery, stakeholders recognise that they are being achieved.

8. OUTLOOK FOR THE FUTURE

As well as the challenges that are presented by the latest Local Government Finance Settlement the Council also faces a number of further risks, namely:

- further proposed changes to the New Homes Bonus;
- the cost of historic business rates appeals and the potential future loss of business rates income;
- possible increased costs relating to Planning Appeals and Judicial Review;
- reduced levels of government grant for Housing Benefit Administration;
- the impact of the move to Universal Credit; and
- the threat that external grounds maintenance contracts may not be renewed.

Full details of the above is shown within the MTFS as presented to the Budget Council on 2nd March 2016. The Council's current stated approach to meet these challenges, contained within the latest MTFS, are summarised below:

1. To redouble the challenges to existing expenditure budgets through the regular budget right-sizing exercises which have produced significant levels of savings in recent years in order to seek to further reduce total expenditure;

2. To seek to maximise existing income streams and explore new sources of income generation and to review existing services for opportunities to generate new forms of income or increased levels of income;

3. To ensure that the Councils staffing structure is appropriate to the needs of the services that are delivered and to take advantage of opportunities to review establishment structures;

4. To transfer a significant sum from General Fund balances to the Funding Volatility Reserve in 2015/16 to set-aside resources that can be used to support the revenue budget in future years, as and when that becomes necessary.

CONCLUSION

In conclusion, the gap between in-year income and expenditure in the final years of the forecast will need to be addressed. However with balances at the current level and with the main risk not arising until 2018/19 the Council is well-placed to take action in the intervening period to minimise the scale of this issue. Prudent financial management has provided a level of reserves which allows the necessary time to determine how this Council can best respond to these increased challenges. Officers and Members will be continuously monitoring all areas of concern through established budget setting procedures and will work to ensure that the Council's Revenue Budget remains robust and sustainable.

The Council has a track record of making savings as dictated by resource availability. I am therefore confident that the Council will continue to maintain a balanced budget position in the medium term.

This is the Statement of Accounts upon which the auditor should enter his certificate and opinion, and has been prepared under the Local Government Finance Act 1982.

Signed

P. O'Donoghue, ACMA, CGMA
Chief Financial Officer, Section 151 Officer

Date: 28th July 2016

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA (Chartered Institute of Public Finance & Accountancy)/LASAAC (Local Authority (Scotland) Accounts Advisory Committee) Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Chief Financial Officer has:

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

The Chief Financial Officer 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.

The Chief Financial Officer's Certification

I certify that the Statement of Accounts present a true and fair view of the financial position of the Authority at the reporting date and its income and expenditure for the year ended 31st March 2016.

P. O'Donoghue, ACMA, CGMA
Chief Financial Officer, Section 151 Officer

Date: 28th July 2016

CORE FINANCIAL STATEMENTS

INTRODUCTION TO THE CORE FINANCIAL STATEMENTS

Introduction to the Core Financial Statements

Set out below is a brief explanation of the Core Financial Statements which are presented on the following pages:

- **The Comprehensive Income and Expenditure Statement (Page 25)**

  The Comprehensive Income and Expenditure 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.

- **The Movement in Reserves Statement (Page 26)**

  This statement shows the movement in the year on the different reserves held by the Authority, 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. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

- **The Balance Sheet (Page 27)**

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

- **The Cash Flow Statement (Page 28)**

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

- **The Collection Fund (Page 84)**

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2014/15 Gross Expenditure £'000	2014/15 Gross Income £'000	2014/15 Net Expenditure £'000		Notes	2015/16 Gross Expenditure £'000	2015/16 Gross Income £'000	2015/16 Net Expenditure £'000
1,446	(582)	864	Central Services to the Public		1,538	(506)	1,032
3,054	(1,073)	1,981	Cultural and Related Services		3,179	(1,149)	2,030
5,233	(2,925)	2,308	Environmental and Regulatory Services		5,375	(2,774)	2,601
1,612	(917)	695	Planning Services		1,859	(1,048)	811
451	(622)	(171)	Highways and Transport Services		594	(794)	(200)
22,617	(22,172)	445	Housing Services		21,849	(21,468)	381
1,756	(53)	1,703	Corporate and Democratic Core		1,774	-	1,774
606	-	606	Non distributed costs		624	-	624
36,775	**(28,344)**	**8,431**	**Cost of Services**		**36,792**	**(27,739)**	**9,053**
816	(184)	632	Other Operating Expenditure	**8**	830	(191)	639
1,224	(321)	903	Financing and Investment Income and Expenditure	**9**	1,070	(355)	715
-	(11,200)	(11,200)	Taxation and Non-Specific Grant Income and Expenditure	**10**	-	(11,177)	(11,177)
		(1,234)	**(Surplus)/Deficit on Provision of Services**				**(770)**
		(104)	(Surplus)/Deficit on Revaluation of Property, Plant and Equipment	**11**			(249)
		6,282	Remeasurement of the net defined benefit liability/(asset)	**40**			(4,815)
		6,178	**Other Comprehensive Income and Expenditure**				**(5,064)**
		4,944	**Total Comprehensive Income and Expenditure**				**(5,834)**

MOVEMENT IN RESERVES STATEMENT

	Note	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves (Note 24)	Unusable Reserves (Note 25)	Total Authority Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 01st April 2014		**5,089**	**3,151**	**898**	**85**	**9,223**	**(1,891)**	**7,332**
Movement in Reserves during 2014/15								
Surplus/(Deficit) on the Provision of Services		1,234	-	-	-	1,234	-	1,234
Other Comprehensive Income and Expenditure		-	-	-	-	-	(6,178)	(6,178)
Total Comprehensive Income and Expenditure		**1,234**	**-**	**-**	**-**	**1,234**	**(6,178)**	**(4,944)**
Adjustments between accounting basis and Funding under Regulations	**6**	421	-	19	161	601	(601)	-
Net Increase/(Decrease) before transfers to Earmarked Reserves		**1,655**	**-**	**19**	**161**	**1,835**	**(6,779)**	**(4,944)**
Transfers to/from Earmarked Reserves	**7**	(1,302)	1,302	-	-	-	-	-
Increase/(Decrease) Movement in 2014/15		**353**	**1,302**	**19**	**161**	**1,835**	**(6,779)**	**(4,944)**
Balance at 31st March 2015 carried forward		**5,442**	**4,453**	**917**	**246**	**11,058**	**(8,670)**	**2,388**
Movement in Reserves during 2015/16								
Surplus/(Deficit) on the Provision of Services		770	-	-	-	770	-	770
Other Comprehensive Income and Expenditure		-	-	-	-	-	5,064	5,064
Total Comprehensive Income and Expenditure		**770**	**-**	**-**	**-**	**770**	**5,064**	**5,834**
Adjustments between accounting basis and Funding under Regulations	**6**	1,571	-	(555)	(152)	864	(864)	-
Net Increase/(Decrease) before transfers to Earmarked Reserves		**2,341**	**-**	**(555)**	**(152)**	**1,634**	**4,177**	**5,834**
Transfers to/from Earmarked Reserves	**7**	(4,302)	4,302	-	-	-	-	-
Increase/(Decrease) Movement in 2015/16		**(1,961)**	**4,302**	**(555)**	**(152)**	**1,634**	**4,177**	**5,834**
Balance at 31st March 2016 carried forward		**3,481**	**8,755**	**362**	**94**	**12,692**	**(4,493)**	**8,199**

BALANCE SHEET

Balance As at 31st March 2015 £'000		Notes	Balance As at 31st March 2016 £'000
18,156	Property, Plant and Equipment	11	19,426
3,870	Heritage Assets	12	3,870
2,938	Investment Properties	13	2,962
5	Intangible assets	14	-
11	Long Term Debtors	16	7
24,980	**Long Term Assets**		**26,265**
-	Short Term Investments	15	7,019
700	Assets held for sale	17	700
91	Inventories	18	81
3,141	Short Term Debtors	19	3,010
11,328	Cash and Cash equivalents	20	8,159
15,260	**Current Assets**		**18,969**
(23)	Short Term Borrowing	15	(1,323)
(3,622)	Short Term Creditors	21	(4,822)
(1,424)	Provisions	22	(3,845)
(30)	Provision for Accumulated Absences	25	(32)
(5,099)	**Current Liabilities**		**(10,022)**
(3,218)	Long Term Creditors	23	(2,708)
(2,300)	Long Term Borrowing	15	(1,000)
(27,235)	Other Long Term Liabilities	25	(23,305)
(32,753)	**Long Term Liabilities**		**(27,013)**
2,388	**NET ASSETS**		**8,199**
11,058	Usable Reserves	24	12,692
(8,670)	Unusable Reserves	25	(4,493)
2,388	**TOTAL RESERVES**		**8,199**

CASH FLOW STATEMENT

2014/15 £'000		Notes	2015/16 £'000
1,234	Net Surplus / (Deficit) on the Provision of Services		770
2,706	Adjustments for non-cash movements	**26**	4,236
(281)	Adjust for movements relating to investing and financing activities	**26**	(326)
3,659	**Net Cash Flows from Operating Activities**		**4,680**
(242)	Investing Activities	**27**	(8,576)
(1,082)	Financing Activities	**28**	727
2,335	**Net Increase or (Decrease) in Cash and Cash Equivalents**		**(3,169)**
8,993	Cash and Cash Equivalents at the beginning of the reporting period		11,328
11,328	**Cash and Cash Equivalents at the end of the reporting period**	**20**	**8,159**

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

INDEX TO EXPLANATORY NOTES TO THE ACCOUNTS

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

INTRODUCTION

The Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the accounting policies set out at Note 1. The notes that follow set out supplementary information to assist readers of the accounts.

1 ACCOUNTING POLICIES

a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year-end of 31st March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require the accounts 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 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16 (SeRCOP), 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.

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

c) Acquisitions and Discontinued Operations

Where, and if, appropriate, income and expenditure directly relating to acquisitions or discontinued operations is shown separately on the face of the Comprehensive Income and Expenditure Statement under the appropriate heading.

d) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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 Authority's cash management.

e) Exceptional Items

Material items of income and expense are disclosed separately either 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 overall financial performance of the Authority.

f) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

g) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding Non-Current Assets during the year:

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

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

h) Employee Benefits

(i) **Benefits Payable During Employment**
Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the 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 in Reserves Statement so that holiday benefits are charged to revenue in which the holiday absence occurs.

(ii) **Termination Benefits**
Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the Non Distributed Costs line in the

Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the 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 year-end.

(iii) **Post-employment Benefits**
Employees of the Council are members of the Local Government Pension Scheme administered by Lancashire County Council. The scheme provides defined benefits to members, earned as employees worked for the Council.

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

- The liabilities of the Lancashire County Council scheme attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a real discount rate of 3.5% (2014/15 3.2%), based on the indicative rate of return on an AA corporate bonds.
- The assets of the 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 the following components:

  Service cost comprising:
    - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
    - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

  Remeasurements comprising:
    - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
    - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

Discretionary Benefits
The Authority 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 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.

i) <u>Events after the Reporting Period</u>

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 event 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.

j) <u>Financial Instruments</u>

(i) **<u>Financial Liabilities</u>**

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.

(ii) **<u>Financial Assets</u>**

Financial assets are classified into two types:

- ***<u>Loans and Receivables</u>*** – assets that have fixed or determinable payments but are not quoted in an active market.

  Loans and receivables 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. 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.

- ***Available for Sale Assets*** – assets that have a quoted market price and/or do not have fixed or determinable payments.

  Available-for-sale assets are recognised on the Balance Sheet when the Authority 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 Authority.

  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 any net gain or 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 asset 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 the acquisition cost of the instrument (net of any principal repayment and amortisation).

  Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or 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).

k) <u>Government Grants and Contributions</u>

Whether paid on account, by instalments 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 Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income (non-ringfenced 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 to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

l) Heritage Assets

Heritage assets are defined as assets which have historical, artistic or cultural qualities and that are held and maintained principally for their contribution to knowledge and culture.

The introduction of FRS 30 and subsequently FRS 102 Heritage Assets has resulted in the requirement for this standard to be included within the council's accounting policies from 2011/12. Prior to 2011/12 the Code did not require heritage assets to be reported separately. These will have previously been reported as part of Community Assets in the balance sheet.

There is no IFRS that deals with tangible heritage assets. Authorities are therefore required to account for tangible heritage assets in accordance with FRS 102.

Accounting for Heritage Assets in 2015/16

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 are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets are presented below.

Heritage assets should normally be included in the balance sheet at their current value. Where it is not practical to obtain a valuation at a reasonable cost heritage assets should be valued at cost.

Where the Council has information on the cost or value of a heritage asset that value has been used in compilation of the 2015/16 balance sheet. Where this information is not available and the historical cost information cannot easily be obtained the asset can be excluded from the balance sheet.

Valuations may be made by any method that is appropriate. There is no requirement for valuations to be carried out or certified by external valuers nor is there any prescribed minimum period between valuations. However where heritage assets are valued at their current value that value has to be reviewed with sufficient frequency to ensure the valuation is up to date.

Depreciation is not required on heritage assets with indefinite lives. However where there is evidence of physical deterioration to a heritage asset or doubts arise to its authenticity the value of the asset has to be reviewed.

The Authority's collections of heritage assets are as follows.

- ***Art Collection***
  - The art collection comprises approximately 200 paintings of a wide range of subjects most of which have been donated or bequeathed to the Council and a number of which are by local artists and depict scenes from around the local area. Prominent amongst the collection is a painting by Johann Heinrich Fuseli, R.A. entitled 'Vision of Catherine of Aragon'. This work is of significant merit and is periodically loaned to public galleries in order that it may be widely viewed.
  - The collection was professionally valued during 2012/13 in the sum of £3.2M.
  - The valuation will be regularly reviewed with a professional revaluation of the collection being obtained at intervals of not more than 5 years.
  - Public access to the collection is afforded by exhibition in a local gallery space and the loan of the more significant components to local, national and international galleries.
  - Donations are recognised at valuation with valuations provided by the external valuers.

- ***Memorials & Monuments***
  - The Council owns a range of memorials and monuments situated within the borough including a number of war memorials.

  - The Authority does not consider that reliable cost or valuation information can be obtained for all except one of the items within this category of heritage assets. This is because of the unique nature of the assets held and lack of comparable market values. Consequently the Authority recognises these assets on the balance sheet at a nominal value. The single item for which a value in included in the balance sheet is a memorial sculpture which is valued for insurance purposes in the sum of £80,000, the estimated replacement cost. This insurance valuation will be regularly reviewed and the value updated as necessary.

  - The Authority does not intend to extend the range of this class of assets.

  - Public access is afforded by the location of the items in prominent and accessible locations within the borough.

- ***Sculptures / Ivories***
  - The Council owns a range of sculptures including a collection of Japanese ivory figurines all of which have been donated or bequeathed.

  - The collection was professionally valued during 2012/13 in the sum of £136,000.

  - These valuations will be regularly reviewed with a professional revaluation of the collection being obtained at intervals of not more than 5 years.

  - Public access to the collection is afforded by exhibition in a local gallery space and loan of the more significant components to local galleries upon request.

  - Donations are recognised at valuation with valuations provided by the external Valuers.

- ***Trophies & Other Items***
  - The Council owns a number of trophies of a sporting heritage and other miscellaneous items of a ceremonial nature. These were professionally valued during 2012/13 in the sum of £52,000.

  - These valuations will be regularly reviewed with a professional revaluation of the collection being obtained at intervals of not more than 5 years.

  - Public access to these items is limited to the display of the items at civic events.

- ***Civic Regalia***
  - The Council owns a variety of chains, pendants and badges which together with the ceremonial mace comprise the civic regalia. These were professionally valued during 2012/13 in the sum of £376,000.

  - These valuations will be regularly reviewed with a professional revaluation of the collection being obtained at intervals of not more than 5 years.

  - Public access to these items is limited to the display of the items at civic events and occasionally as components of an exhibition.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority’s general policies on impairment – see accounting policy on page 40.

m) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority 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 Authority.

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 Authority 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 Authority's goods or 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(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

n) Interests in Companies and Other Entities

The Authority has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities that require it to prepare group accounts.

o) Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula.

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.

p) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used for the delivery of the Council's services 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.

q) Leases

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

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

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

The Authority as Lessee

Finance Leases
Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Premiums paid on entry into a lease are applied to writing down the lease liability.

Operating Leases
Rentals paid under operating leases are treated as revenue transactions and are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

r) Minimum Revenue Provision

The Council is not required to use Council Tax to fund depreciation, revaluation and impairment losses or amortisation of non-current assets. However, it is required to make an annual contribution from revenue towards provision for the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance**.**

s) 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 2015/16 (SeRCOP). The total absorption costing principle is used – the 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 Authority'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 SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement.

t) Property, Plant and Equipment

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

(i) 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; that the cost of the item can be measured reliably; and that the cost exceeds the 'de minimis' threshold of £10,000. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

(ii) **Measurement**

Non-Current Assets are valued on the basis recommended by CIPFA (Chartered Institute of Public Finance & Accountancy) and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the RICS (The Royal Institute of Chartered Surveyors). Non-Current Assets are classified into the groupings required by the Code of Practice on Local Authority Accounting.

All valuations have been undertaken in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards by our in house surveyor. The values have been arrived at by having regard to market evidence and the Surveyor's knowledge and experience of the properties involved.

Definitions of each of the valuation methodologies used are:

> **Market Value** - *"The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".*
>
> **Depreciated Replacement Cost -** "*The current cost of replacing an asset with its modern equivalent asset less deductions for the physical deterioration and all relevant forms of obsolescence and optimisation."*
>
> **Existing Use Value -** *"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost".*

Operational properties have been valued on the basis of Existing Use Value, unless they are Specialised, in which case they have been valued on the basis of Depreciated Replacement Cost. All Depreciated Replacement Cost valuations are subject to the prospect and viability of the continued occupation and use of the properties concerned.

Non-operational properties have been valued on the basis of Market Value. In the case of the ***Community assets*** they have been valued on either Existing Use Value or Market Value.

Heritage Assets
Valuation methodologies in respect of heritage assets are outlined in note l) on Heritage Assets above.

Revaluations of Non-Current Assets included in the balance sheet at current value are planned at intervals of not more than five years. Investment properties are reviewed every year to consider that the value of the assets are fairly reflected in the Balance Sheet. In addition material changes in asset values are recorded as they occur.

(iii) **Impairment**

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

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

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

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

(iv) **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment with a finite useful life. Useful life is estimated at the time of acquisition or revaluation. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Deprecation 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 – straight-line allocation over the useful life of the asset
- infrastructure – straight-line allocation as advised by a suitable qualified officer

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Newly acquired assets are depreciated fully in the year of acquisition, although assets in the course of construction are not depreciated until they are brought into use, thereafter an equal charge to revenue is made over the useful life of all assets.

Depreciation is not required on heritage assets with indefinite lives. However where there is evidence of physical deterioration to a heritage asset or doubts arise to its authenticity the value of the asset has to be reviewed.

(v) **Componentisation**

The Code requires that each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The Council will use the value of an individual asset relative to the overall asset portfolio to assess whether an asset is material. Any building element below 1% of the value of the portfolio is not therefore viewed as material. In terms of significance, the CIPFA advice is that they are not looking for more than 3 to 4 components in addition to the “host” asset. The Council will therefore adopt a de minimis cost equating to 20% of the asset value.

(vi) **Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

Assets Held for Sale, are where the:

- Asset is immediately available for sale
- Sale is highly probable
- Asset is actively marketed
- Sale is expected to be completed within 12 months

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 for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of 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 Authority's underlying need to borrow (the capital financing requirement)]. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

u) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority 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 (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

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.

v) Reserves

The Authority 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 Authority – these reserves are explained in the relevant policies.

The Council operates a number of different reserves, the purpose of each is laid out in note 7 on pages 50 and 51.

w) Revenue Expenditure Funded by Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority 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.

x) Value Added Tax (VAT)

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

y) Fair Value

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

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

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest). When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions. If an entity holds a position in a single asset or liability and the asset or liability is traded in an active market, the fair value of the asset or liability is measured within Level 1 as the product of the quoted price for the individual asset or liability and the quantity held by the entity, even if the market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

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

Level 2 inputs include:

- quoted prices for similar assets or liabilities in active markets,
- quoted prices for identical or similar assets or liabilities in markets that are not active,
- inputs other than quoted prices that are observable for the asset or liability, for example,
- interest rates and yield curves observable at commonly quoted intervals,
- implied volatilities,
- credit spreads,
- inputs that are derived principally from or corroborated by observable market data by correlation or other means ('market-corroborated inputs').

- Level 3 –inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

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

Under the Code of Practice on Local Council Accounting in the United Kingdom 2015/16 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The changes include:

a) Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions).

b) Annual Improvements to IFRSs 2010–2012 Cycle.

c) Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations).

d) Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation).

e) Annual Improvements to IFRSs 2012–2014 Cycle.

f) Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative).

g) The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.

h) The changes to the format of the Fund Account and the Net Assets Statement.

It is anticipated that amendments to **a)** to **h)** above will not have a material impact on the information provided in the financial statements, although the adoption of **f)** to **h)** represents a change of accounting policy that may require the publication of a restated Balance Sheet as at the beginning of the preceding period in the 2016/17 financial statements, where the changes brought about by the amendments to these standards are material.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1 (pages 31 to 44), the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future event. The critical judgements made in the Statement of Accounts are:

- The Authority continues to face significant financial uncertainty in future years and in turn the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority 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.

There are three items in the Authority's Balance Sheet for which there is a significant risk of material adjustment in the forthcoming financial year, namely the liability related to the defined benefit Pension Scheme, the valuation of the Council's Heritage Assets and the provision for NNDR Appeals.

Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries and pensions 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 Authority with expert advice about the assumptions to be applied.

The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% per annum increase in the discount rate assumption would result in a decrease in the pension liability of £1.284m. Also, a one year addition to the members' life expectancy would result in an increase in the pension liability of £1.523m.

With regards NNDR Appeals, as a consequence of the revised arrangements in respect of business rates, which came into effect from 2013/14, local authorities became liable for a share of the cost of the settlement of appeals in respect of the valuation of properties by Valuation Office Agency (VOA), that being the body which determines business rates liability.

As a result of the large increase in the potential value of appeals that have been received during 2015/16 it was necessary to significantly increase the business rate appeal provision from £3.560m at 31st March 2015 to £9.613m at 31st March 2016. The effect of this was to significantly reduce the amount of business rates income receivable by the Council in 2015/16. If the cost of appeals from 2016/17 onwards is less than the amounts set-aside in the provision for this purpose it may be possible to release these sums and consequently the Council's business rates income in that year would increase accordingly. This judgement is based upon information held on outstanding appeals and after having taken specialist advice.

5 EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 15th June 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement 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 required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

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

	Usable Reserves		
2015/16	**General Fund Balance**	**Capital Receipts Reserve**	**Capital Grants Unapplied**
	£'000	**£'000**	**£'000**
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
• Pension costs (transferred to/(from) the Pensions Reserve)	884	-	-
• Council Tax and NDR (transfers to/(from) Collection Fund)	1,513	-	-
• Holiday Pay (transfers to/(from) Accumulated Absences Reserve)	2	-	-
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	864	-	326
Total Adjustments to Revenue Resources	***3,263***	***-***	***326***

Adjustments between Revenue and Capital Resources			
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(191)	191	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(697)	-	-
Capital Expenditure financed from revenue balances (transfer from the Capital Adjustment Account)	(804)	-	-
Total Adjustments between Revenue and Capital Resources	***(1,692)***	***191***	***-***
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	(746)	-
Application of capital grants to finance capital expenditure	-	-	(478)
Total Adjustments to Capital Resources	***-***	***(746)***	***(478)***
Total Adjustments	**1,571**	**(555)**	**(152)**

Comparatives for 2014/15:

2014/15	**Usable Reserves** **General Fund Balance**	**Usable Reserves** **Capital Receipts Reserve**	**Usable Reserves** **Capital Grants Unapplied**
	£'000	**£'000**	**£'000**
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
• Pension costs (transferred to/(from) the Pensions Reserve)	642	-	-
• Council Tax and NDR (transfers to/(from) Collection Fund)	110	-	-
• Holiday Pay (transfers to/(from) Accumulated Absences Reserve)	(3)	-	-
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	814	-	281
Total Adjustments to Revenue Resources	***1,563***	***-***	***281***
Adjustments between Revenue and Capital Resources			
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(193)	193	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(697)	-	-
Capital Expenditure financed from revenue balances (transfer from the Capital Adjustment Account)	(252)	-	-
Total Adjustments between Revenue and Capital Resources	***(1,142)***	***193***	***-***
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	(174)	-
Application of capital grants to finance capital expenditure	-	-	(120)
Total Adjustments to Capital Resources	***-***	***(174)***	***(120)***
Total Adjustments	**421**	**19**	**161**

The information contained above was presented in a different tabular format in prior years Statement of Accounts, the changes were as a result of the requirements of the updated Code of Practice on Local Authority Accounting.

To enable the reader to see fully the changes made, over the next two pages, the tables have been restated using the format previously published.

2015/16	Usable Reserves: General Fund Balance	Usable Reserves: Capital Receipts Reserve	Usable Reserves: Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation and impairment of non-current assets	1,070	-	-	(1,070)
Amortisation of intangible assets	5			(5)
Movements in the fair value of Investment Properties	(23)	-	-	23
De-Minimis Capital Expenditure	18	-	-	(18)
Capital Grants and Contributions Applied	(715)	-	-	715
Revenue Expenditure funded from Capital under Statute	835	-	-	(835)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment (MRP)	(697)	-	-	697
Capital Expenditure charged against the General Fund balance	(804)	-	-	804
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(326)	-	326	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(478)	478
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(191)	191	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(746)	-	746
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 40)	884	-	-	(884)
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income collected for the year in accordance with statutory requirements	1,513	-	-	(1,513)
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in year in accordance with statutory requirements	2	-	-	(2)
Total Adjustments	**1,571**	**(555)**	**(152)**	**(864)**

Comparatives for 2014/15:

2014/15	Usable Reserves: General Fund Balance	Usable Reserves: Capital Receipts Reserve	Usable Reserves: Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation and impairment of non-current assets	1,020	-	-	(1,020)
Amortisation of intangible assets	14			(14)
Movements in the fair value of Investment Properties	5	-	-	(5)
De-Minimis Capital Expenditure	21	-	-	(21)
Capital Grants and Contributions Applied	(479)	-	-	479
Revenue Expenditure funded from Capital under Statute	514	-	-	(514)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment (MRP)	(697)	-	-	697
Capital Expenditure charged against the General Fund balance	(252)	-	-	252
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(281)	-	281	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(120)	120
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(193)	193	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(174)	-	174
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 40)	642	-	-	(642)
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income collected for the year in accordance with statutory requirements	110	-	-	(110)
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in year in accordance with statutory requirements	(3)	-	-	3
Total Adjustments	**421**	**19**	**161**	**(601)**

7 TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16.

Name of Reserve	Balance at 1st April 2014 £'000	Transfer In 2014/15 £'000	Transfer Out 2014/15 £'000	Balance at 31st March 2015 £'000	Transfer In 2015/16 £'000	Transfer Out 2015/16 £'000	Balance at 31st March 2016 £'000
IT Reserve	**157**	-	(37)	**120**	-	(30)	**90**
Vehicle Maintenance Reserve	**127**	-	-	**127**	-	-	**127**
Performance Reward Grant Reserve	**44**	1	-	**45**	-	(7)	**38**
Vehicle Replacement Financing Reserve	**212**	-	-	**212**	-	-	**212**
Land Charges New Burdens Reserve	**128**	-	-	**128**	-	(82)	**46**
MMI Insurance Reserve	**90**	-	-	**90**	-	(9)	**81**
High Street Innovation Fund Reserve	**73**	-	(15)	**58**	-	(58)	**-**
Capital Investment Reserve	**1,653**	1,158	(35)	**2,776**	229	(730)	**2,275**
Community Right to Bid/Challenge Reserve	**30**	16	-	**46**	-	-	**46**
Collection Fund Deficit Reserve	**416**	502	(288)	**630**	1,485	-	**2,115**
Funding Volatility Reserve	**221**	-	-	**221**	3,000	-	**3,221**
Accommodation Project Reserve	**-**	-	-	**-**	504	-	**504**
Total Earmarked Reserves	**3,151**	**1,677**	**(375)**	**4,453**	**5,218**	**(916)**	**8,755**

Purpose of Earmarked Reserves

Reserves are those sums set aside for purposes falling outside the definition of provisions. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management.

The Council operates a number of different earmarked reserves, the purpose of each is summarised below:-

- **IT Reserve (formerly Replacement Systems Reserve)** – This is a voluntary set-aside established for the funding of new IT initiatives and the development of IT systems.

- **Vehicle Maintenance Reserve** – This is a voluntary set-aside established in 2008/09 to contribute towards the cost of vehicle maintenance repairs.

- **Performance Reward Grant Reserve** – Created in 2009/10, this is a voluntary set-aside of performance reward grant (PRG). Although Fylde Borough Council is the Accountable Body for the Fylde PRG, the Fylde Local Strategic Partnership are the appointed decision making body in relation to the allocation of the PRG.

- **Vehicle Replacement Financing Reserve** – Created in 2010/11, this is a voluntary set-aside established to meet the cost of future debt repayments in respect of the replacement and purchase of vehicles.

- **Land Charges New Burdens Reserve** – Created in 2010/11, this is a voluntary set-aside towards potential third party claims in relation to historic Land Charge enquiries.

- **MMI Insurance Reserve** – Created in 2011/12, this is a voluntary set-aside to cover the Council's maximum exposure in relation to the potential clawback of previously paid claims under the scheme of arrangement with the Council's previous Insurer, Municipal Mutual Insurance.

- **High Street Innovation Fund Reserve** – Created in 2012/13, this is a voluntary set-aside of funds to finance expenditure linked to the award of High Street Innovation Fund grant received by the Council during 2012/13. The Council has established a Town Centre Forum to oversee the allocation of these funds to support high streets in the Borough. Balance was expended during 2015/16.

- **Capital Investment Reserve** – Created in 2012/13, this is a voluntary set-aside of funds to help finance future capital expenditure.

- **Community Right to Bid/Challenge Reserve** – Created in 2012/13, this is a voluntary set-aside of funds to finance expenditure linked to the award of Community Right to Bid and Community Right to Challenge grant received by the Council during 2012/13, 2013/14 and 2014/15.

- **Collection Fund Deficit Reserve** – Created in 2013/14, this is a voluntary set-aside of funds to meet the Council's share of the collection fund deficit, which was created as a result of the doubling of Small Business Rate Relief.

- **Funding Volatility Reserve** – Created in 2013/14, this is a voluntary set-aside established to provide a degree of protection to the Council's finances against future volatility in central government funding allocations.

- **Accommodation Project Reserve** – Created in 2015/16, this is a voluntary set-aside of funds to finance expenditure linked to the Accommodation Project capital scheme.

8 OTHER OPERATING EXPENDITURE

	2014/15	2015/16
	£'000	£'000
Parish Council Precepts	797	811
IAS19 Administration Expenses	19	19
(Gains)/Losses on the disposal of non-current assets	(184)	(191)
Total	**632**	**639**

9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2014/15	2015/16
	£'000	£'000
Interest payable and similar charges	96	67
Net interest on the net defined benefit liability (asset)	867	852
Interest Receivable and similar Income	(56)	(70)
Income and expenditure in relation to investment properties and changes in their fair values (see note 13)	(4)	(134)
Total	**903**	**715**

10 TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

	2014/15	2015/16
	£'000	£'000
Council Tax Income	(6,034)	(6,118)
Non-Domestic Rates income and expenditure	(1,038)	(951)
Non-Ringfenced Government Grants (see Note 35)	(3,847)	(3,782)
Capital Grants and Contributions	(281)	(326)
Total	**(11,200)**	**(11,177)**

11 PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

2015/16	Other Land and Buildings	Vehicles, Plant & Equipment	Community	Infra-Structure	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	**£'000**
Cost or Valuation						
at 1st April 2015	12,975	7,000	5,121	-	-	**25,096**
Additions	848	989	278	-	-	**2,115**
Revaluations	(42)	-	(141)	-	-	**(183)**
Derecognition - disposals	-	(70)	-	-	-	**(70)**
Other movements in cost or valuation	115	-	(115)	-	-	**-**
At 31st March 2016	**13,896**	**7,919**	**5,143**	**-**	**-**	**26,958**
Accumulated Depreciation and Impairment						
at 1st April 2015	(1,641)	(4,843)	(456)	-	-	**(6,940)**
Depreciation Charge	(357)	(683)	-	-	-	**(1,040)**
Depreciation written out to the Revaluation Reserve	408	-	-	-	-	**408**
Derecognition - disposals	-	70	-	-	-	**70**
Impairment (losses) / reversals	(30)	-	-	-	-	**(30)**
At 31st March 2016	**(1,620)**	**(5,456)**	**(456)**	**-**	**-**	**(7,532)**
Net Book Value of Assets						
At 31st March 2016	12,276	2,463	4,687	-	-	**19,426**
At 31st March 2015	11,334	2,157	4,665	-	-	**18,156**

Comparatives for 2014/15	Other Land and Buildings	Vehicles, Plant & Equipment	Community	Infra-Structure	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	**£'000**
Cost or Valuation						
at 1st April 2014	12,751	6,887	5,002	-	-	**24,640**
Additions	230	140	119	-	-	**489**
Revaluations	(6)	-	-	-	-	**(6)**
Derecognition - disposals	-	(27)	-	-	-	**(27)**
Other movements in cost or valuation	-	-	-	-	-	**-**
At 31st March 2015	**12,975**	**7,000**	**5,121**	**-**	**-**	**25,096**
Accumulated Depreciation and Impairment						
at 1st April 2014	(1,416)	(4,274)	(418)	-	-	**(6,108)**
Depreciation Charge	(325)	(596)	-	-	-	**(921)**
Depreciation written out to the Revaluation Reserve	110	-	-	-	-	**110**
Derecognition - disposals	-	27	-	-	-	**27**
Impairment (losses) / reversals	(10)	-	(38)	-	-	**(48)**
At 31st March 2015	**(1,641)**	**(4,843)**	**(456)**	**-**	**-**	**(6,940)**
Net Book Value of Assets						
At 31st March 2015	11,334	2,157	4,665	-	-	**18,156**
At 31st March 2014	11,335	2,613	4,584	-	-	**18,532**

Depreciation Methodologies

Depreciation is charged on a straight line basis on all fixed and intangible assets with a finite useful life. Newly acquired assets are depreciated fully in the year of acquisition in line with the SORP.

Depreciation is not required on heritage assets with indefinite lives. However where there is evidence of physical deterioration to a heritage asset or doubts arise to its authenticity the value of the asset has to be reviewed.

There has been no change during the period in either the estimate of useful lives or the estimate of any residual values.

Capital Commitments

Capital projects often take several years to complete. This means that the Authority is often committed to capital expenditure in later years arising from contracts entered into at the balance sheet date whereby all or part of the capital work has yet to be undertaken. The estimated value of capital expenditure committed at 31st March 2016 to be paid from 2016/17 onwards is £nil (2015/16 £nil).

Revaluations

The Authority 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 five years. All valuations were carried out internally. 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 depreciated historic cost. The following statement shows the progress of the Authority's rolling programme for the revaluation of Property, Plant and Equipment including additions and disposals.

Valuation methodologies in respect of heritage assets are outlined in note 12 on Heritage Assets.

	Other Land and Buildings	Vehicles, Plant & Equipment	Community	Infra-Structure	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	**£'000**
Carried at Historical Cost	12,999	4,920	4,195	-	-	**22,114**
Valued at fair value as at:						
31st March 2016	942	306	22	-	-	**1,270**
31st March 2015	(1)	(456)	81	-	-	**(376)**
31st March 2014	910	(406)	161	-	-	**665**
31st March 2013	(361)	(2,090)	(192)	-	-	**(2,643)**
31st March 2012	(2,213)	189	420	-	-	**(1,604)**
Total Cost or Valuation	**12,276**	**2,463**	**4,687**	**-**	**-**	**19,426**

12 HERITAGE ASSETS

Reconciliation of the Carrying Value of Heritage Assets held by the Authority:

	Art Collection	Memorials & Monuments	Sculptures / Ivories	Trophies & Other Items	Civic Regalia	Total
	£'000	£'000	£'000	£'000	£'000	**£'000**
Cost or Valuation						
at 1st April 2014	3,226	80	136	52	376	**3,870**
Additions	-	-	-	-	-	**-**
Revaluations	-	-	-	-	-	**-**
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	**-**
Net Book Value of Assets at 31st March 2015	**3,226**	**80**	**136**	**52**	**376**	**3,870**
Cost or Valuation						
at 1st April 2015	3,226	80	136	52	376	**3,870**
Additions	-	-	-	-	-	**-**
Revaluations	-	-	-	-	-	**-**
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	**-**
Net Book Value of Assets at 31st March 2016	**3,226**	**80**	**136**	**52**	**376**	**3,870**

Information on the Council's collection of heritage assets and the accounting policies adopted in respect of heritage assets is shown in note I of the Accounting Policies section of this Statement of Accounts on page 36.

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:

	2014/15	2015/16
	£'000	£'000
Rental Income from Investment Property	(271)	(285)
Direct operating expenses arising from investment	262	175
	(9)	(110)
Changes in Fair Value of Investment Properties	5	(24)
Net (Gain) / Loss	**(4)**	**(134)**

There are no restrictions on the Authority's ability to realise the value inherent in 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 or enhancement.

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

	2014/15	2015/16
	£'000	£'000
Balance at start of year	2,943	2,938
Net gains /(losses) from fair value adjustments	(5)	24
Balance at end of year	**2,938**	**2,962**

Fair Value Hierarchy
All the Council's investment property portfolio has been assessed as Level 3 for valuation purposes (see pages 43 and 44 for explanation of fair value levels).

Transfers between Levels of the Fair Value Hierarchy
There were no transfers between Levels 1 and 2 during the year.

Valuation Techniques used to determine Level 3 Fair Values for Investment Properties
Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which includes the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

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

Highest and Best Use of Investment Properties
In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is deemed to be their current use.

Valuer
The investment property portfolio has been valued at 31 March 2016 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by Gary Sams BSc. FRICS who has appropriate experience and expertise in this type of valuation. He is an internal valuer employed by Fylde Borough Council as its Principal Estates Surveyor.

14 INTANGIBLE ASSETS

Intangible assets comprise the software licences for the main Authority systems, and other new e-government systems. The policy adopted is to depreciate over a 3 to 5 year useful life.

	2014/15	2015/16
	£'000	£'000
Balance at start of year		
• Gross carrying amounts	547	547
• Accumulated amortisation	(528)	(542)
Net carrying amount at 1st April	19	**5**
Additions:		
• Amortisation for the period	(14)	(5)
Net carrying amount at 31st March	**5**	**-**
Comprising:		
• Gross carrying amounts	547	547
• Accumulated amortisation	(542)	(547)
	5	**-**

15 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long Term		Current	
	31/03/15	31/03/16	31/03/15	31/03/16
	£'000	**£'000**	**£'000**	**£'000**
Financial Assets				
Investments				
Loans and Receivables - Principal	-	-	-	7,000
Loans and Receivables – Accrued Interest	-	-	-	19
Total Investments	**-**	**-**	**-**	**7,019**
Cash and Cash Equivalents				
Loans and Receivables – Cash (Including bank accounts)	-	-	11,328	3,154
Loans and Receivables – Cash equivalents at amortised cost	-	-	-	2,000
Available-for-sale Investments – Cash equivalents at fair value	-	-	-	3,000
Accrued Interest	-	-	-	5
Total Cash and Cash Equivalents	**-**	**-**	**11,328**	**8,159**
Debtors				
Loans and Receivables *	11	7	678	639
Total included in Debtors	**11**	**7**	**678**	**639**

Financial Liabilities

Borrowing				
Financial Liabilities at amortised cost - Loans (Principal sum borrowed)	(2,300)	(1,000)	-	(1,300)
Financial Liabilities at amortised cost - Loans (Accrued Interest)	-	-	(23)	(23)
Total Borrowing	**(2,300)**	**(1,000)**	**(23)**	**(1,323)**
Creditors				
Financial liabilities at amortised cost **	(3,218)	(2,708)	(2,329)	(2,664)
Total Creditors	**(3,218)**	**(2,708)**	**(2,329)**	**(2,664)**

* The Debtors line in the Balance Sheet include £2.371m short-term debtors that do not meet the definition of a financial asset (2014/15, £2.463m).
** The Creditor line on the Balance Sheet includes £2.158m short-term creditors that do not meet the definition of financial liability (2014/15, £1.293m).

Income, Expense, Gains and Losses

	2015/16				
	Financial Liabilities	Financial Assets			
	Liabilities measured at amortised cost	Loans and Receivables	Available for Sale assets	Fair Value through Income & Expenditure Account	Total
	£'000	£'000	£'000	£'000	£'000
Income					
Interest income	-	53	18	-	71
Total income in Surplus or Deficit on the Provision of Services	**-**	**53**	**18**	**-**	**71**
Expense					
Interest expense	(67)	-	-	-	(67)
Total expense in Surplus or Deficit on the Provision of Services	**(67)**	**-**	**-**	**-**	**4**

	Comparatives for 2014/15				
	Financial Liabilities	Financial Assets			
	Liabilities measured at amortised cost	Loans and Receivables	Available for Sale assets	Fair Value through Income & Expenditure Account	Total
	£'000	£'000	£'000	£'000	£'000
Income					
Interest income	-	56	-	-	56
Total income in Surplus or Deficit on the Provision of Services	**-**	**56**	**-**	**-**	**56**
Expense					
Interest expense	(96)	-	-	-	(96)
Total expense in Surplus or Deficit on the Provision of Services	**(96)**	**-**	**-**	**-**	**(96)**

Fair Value of Assets and Liabilities

Some of the Council's financial assets and liabilities are measured in the balance sheet at fair value on a recurring basis and are described in the following table, split by their level in the fair value hierarchy and including the valuation techniques used to measure them.

Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices

Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the assets or liability, e.g. interest rates or yields for similar instruments

Level 3 – fair value is calculated by using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

Recurring Fair Value Measurements	Input level in Fair Value Hierarchy	Valuation Technique to measure Fair Value	31/03/15 Fair Value	31/03/16 Fair Value
			£'000	**£'000**
	Financial Assets			
Available-for-Sale – Money Market Funds	1	Unadjusted quoted prices in active markets for identical shares	-	3,000
	Financial Liabilities			
Amortised Cost – Long-term PWLB loans	2	Other observable inputs from active markets	(2,475)	(2,420)
	Total		**(2,475)**	**580**

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

- The fair value of PWLB debt has been discounted at the PWLB published premature repayment rates in force at the close of business on the 31st March 2016.
- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- No early repayment or impairment is recognised;
- The fair value of trade and other receivables is taken to the invoiced or billed amount.

The fair values calculated are as follows:

Financial Liabilities

	31st March 2015		31st March 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
PWLB Debt	2,300	2,475	2,300	2,420
Creditors repayable greater than 12 months	3,218	3,218	2,708	2,708
Creditors repayable within 12 months	2,329	2,329	2,664	2,664
Borrowing repayable within 12 months	23	23	23	23
Total financial liabilities	**7,870**	**8,045**	**7,695**	**7,815**

Financial Assets

	31st March 2015		31st March 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Cash and Cash Equivalents	11,328	11,328	8,159	8,159
Short-Term Investments	-	-	7,019	7,019
Long Term Debtors	11	11	7	7
Debtors	678	678	639	639
Total Loans and receivables	**12,017**	**12,017**	**15,824**	**15,824**

The fair value of short-term liabilities and assets including trade debtors and receivables is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the current rates available for similar loans at the Balance Sheet date.

16 LONG TERM DEBTORS

These relate to amounts owing to the Council which are being repaid over various periods longer than one year.

	2014/15	2015/16
	£'000	£'000
Parish Council Interest Free Loan	9	7
Employee Car Loans	2	-
Total	**11**	**7**

17 ASSETS HELD FOR SALE

All assets held for sale are anticipated to be disposed of in a period of less than one year.

	2014/15	2015/16
	£'000	£'000
Balance outstanding at start of year	750	700
Revaluation losses	-	-
Impairment losses	(50)	-
Assets Sold	-	-
Balance outstanding at year end	**700**	**700**

18 INVENTORIES

The Council only holds an inventory of consumable materials, no other types of inventories are held.

	2014/15	2015/16
	£'000	£'000
Balance at start of the year	118	91
Purchases	280	232
Recognised as an expense in the year	(299)	(239)
Written off/(on) balances	(8)	(3)
Balance outstanding at year end	**91**	**81**

19 SHORT-TERM DEBTORS

	2014/15	2015/16
	£'000	£'000
Central Government Bodies	287	147
Other Local Authorities	1,358	927
Public Corporations and Trading Funds	3	-
Other entities and individuals	1,493	1,936
Total	**3,141**	**3,010**

20 CASH AND CASH EQUIVALENTS

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

	2014/15	2015/16
	£'000	£'000
Cash held by the Authority	1	1
Bank Current Accounts	8,827	3,154
Term Deposits	2,500	2,002
Available-for-Sale Investments	0	3,002
Total	**11,328**	**8,159**

21 SHORT-TERM CREDITORS

	2014/15	2015/16
	£'000	£'000
Central Government Bodies	893	1,180
Other Local Authorities	555	764
Public Corporations and Trading Funds	48	-
Other entities and individuals	2,126	2,878
Total	**3,622**	**4,822**

22 PROVISIONS

	2014/15	2015/16
	£'000	£'000
<u>NDR Appeals</u>		
Balance at 1st April	486	1,424
Additional provisions made in year	938	2,421
Amounts used in year	-	-
Balance at 31st March	**1,424**	**3,845**

<u>NDR Appeals Provision</u>

Due to the localisation of Business Rates, which became effective from the 1st April 2013, the Council has set aside a provision for any potential liabilities as a result of business rate payers' appeals against rateable valuations. The Council is responsible for a 40% share of this liability along with The Department for Communities and Local Government (50%), Lancashire County Council (9%) and the Lancashire Fire Authority (1%). As at 31st March 2016, the total value of the Provision for Appeals was increased to £9.613m from £3.560m in 2014/15 with Fylde Council's share of this being £3.845m (2014/15 £1.424m).

23 LONG-TERM CREDITORS

	2014/15	2015/16
	£'000	£'000
Section 106 Agreements	3,218	2,708
Total	**3,218**	**2,708**

Section 106 Agreements are for the fulfilment of obligations under certain Planning Application Approvals. The amounts held under Long-Term Creditors represents the expenditure commitments that are expected to be incurred against these Agreements after more than 12 months from the Balance Sheet date.

24 USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement on page 26.

	2014/15	2015/16
	£'000	£'000
General Fund Balance	5,442	3,481
Earmarked General Fund Reserves	4,453	8,755
Capital Receipts Reserve	917	362
Capital Grants Unapplied	246	94
Total Usable Reserves	**11,058**	**12,692**

25 UNUSABLE RESERVES

Movements in the Authority's unusable reserves are detailed in the Movement in Reserves Statement on page 26.

	2014/15	2015/16
	£'000	£'000
Revaluation Reserve	11,114	11,363
Capital Adjustment Account	8,012	9,525
Pensions Reserve	(27,235)	(23,305)
Collection Fund Adjustment Account	(531)	(2,044)
Accumulated Absences Account	(30)	(32)
Total Unusable Reserves	**(8,670)**	**(4,493)**

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 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated to the balance on the Capital Adjustment Account.

	2014/15	2015/16
	£'000	£'000
Balance at 1st April	**11,014**	**11,114**
Upward Revaluation of assets	231	525
Downward Revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services	(131)	(276)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/(Deficit) on the Provision of Services	100	249
Difference between fair value depreciation and historic cost depreciation	-	-
Accumulated gains on assets sold or scrapped	-	-
Amounts written off to the Capital Adjustment Account	-	-
Balance as at 31st March	**11,114**	**11,363**

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 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2014/15	2015/16
	£'000	£'000
Balance at 1st April	**7,860**	**8,012**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
• Charges for depreciation and impairment of non-current assets	(1,020)	(1,070)
• Revaluation losses on Property, Plant and Equipment	-	-
• Amortisation of Intangible Assets	(14)	(5)
• Revenue expenditure funded from capital under statute	(514)	(835)
• De-minimis Capital Expenditure	(21)	(18)
	(1,569)	(1,928)
Adjusting amounts written out of the Revaluation Reserve	-	-
Net written out amount of the cost of non-current assets consumed in the year	(1,569)	(1,928)
Capital Financing applied in the year		
• Use of the Capital Receipts Reserve to finance new capital expenditure	164	746
• De-minimis Capital Receipts	9	-
• Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	479	715
• Application of grants to capital financing from the Capital Grants Unapplied Account	120	478
• Statutory provision for the financing of capital investment charged against the General Fund	697	697
• Capital expenditure charged against the General Fund	252	805
	1,721	3,441
Balance as at 31st March	**8,012**	**9,525**

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 the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the 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.

	2014/15	2015/16
	£'000	£'000
Balance at 1st April	(20,311)	(27,235)
Remeasurements of the net defined benefit liability/asset	(6,282)	4,814
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	(642)	(884)
Balance as at 31st March	**(27,235)**	**(23,305)**

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 council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2014/15	2015/16
	£'000	£'000
Balance at 1st April	(421)	(531)
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(110)	(1,513)
Balance as at 31st March	**(531)**	**(2,044)**

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, e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2014/15	2015/16
	£'000	£'000
Balance at 1st April	**(33)**	**(30)**
Settlement or cancellation of accrual made at the end of the preceding year	33	30
Amounts accrued at the end of the current year	(30)	(32)
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	3	(2)
Balance as at 31st March	**(30)**	**(32)**

26 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items

	2014/15	2015/16
	£'000	£'000
Interest Received	(56)	(71)
Interest Paid	96	67

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

	2014/15	2015/16
	£'000	£'000
Depreciation	935	1,075
Impairment	99	-
Increase/(Decrease) in impairment for Bad Debts	1,035	2,461
Increase/(Decrease) in Creditors	553	52
(Increase)/Decrease in Debtors	(454)	(170)
(Increase)/Decrease in Inventories	28	10
Movement in Pension Liability	642	884
Other non-cash items charged to the net surplus or deficit on the provision of services	(132)	(76)
Total	**2,706**	**4,236**

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

	2014/15	2015/16
	£'000	£'000
Capital Grants included in the net surplus/deficit on the provision of services	(281)	(326)
Total	**(281)**	**(326)**

27 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2014/15	2015/16
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	(1,195)	(2,808)
Purchase of Short Term Investments	-	(7,000)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	193	191
Other receipts from investing activities	760	1,041
Net cash flows from investing activities	**(242)**	**(8,576)**

28 CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2014/15	2015/16
	£'000	£'000
Other receipts from financing activities	418	727
Repayments of short-term and long-term borrowing	(1,500)	-
Net cash flows from financing activities	**(1,082)**	**727**

29 AMOUNTS REPORTED FOR RESOURCE 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 Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- 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
- no charges are budgeted for in relation to the year-end accrual for Accumulated Absences (Annual and Flexi leave accrued but not yet claimed)

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

Directorate Income and Expenditure 2015/16	Chief Executive	Resources	Development Services	Total
	£'000	£'000	£'000	£'000
Directorate Income and Expenditure				
Fees, charges & other service income	(2,322)	(5,535)	(7,691)	(15,548)
Government Grants	-	(20,092)	(18)	(20,110)
Total Income	(2,322)	(25,627)	(7,709)	(35,658)
Employee Expenses	1,909	3,052	3,035	7,996
Other service Expenses	2,215	23,623	3,662	29,500
Support Service Recharges	708	3,151	3,246	7,105
Total Expenditure	4,832	29,826	9,943	44,601
Net Expenditure	**2,510**	**4,199**	**2,234**	**8,943**

Directorate Income and Expenditure 2014/15 Comparative figures	Chief Executive	Resources	Development Services	Total
	£'000	£'000	£'000	£'000
Directorate Income and Expenditure				
Fees, charges & other service income	(2,232)	(5,747)	(7,280)	(15,259)
Government Grants	-	(20,789)	(10)	(20,799)
Total Income	(2,232)	(26,536)	(7,290)	(36,058)
Employee Expenses	1,822	2,955	2,873	7,650
Other service Expenses	2,134	24,476	3,338	29,948
Support Service Recharges	646	3,055	3,181	6,882
Total Expenditure	4,602	30,486	9,392	44,480
Net Expenditure	**2,370**	**3,950**	**2,102**	**8,422**

Reconciliation of Directorate 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.

	2014/15	2015/16
	£'000	£'000
Net Expenditure in the directorate analysis	8,422	8,943
Net expenditure not included in the analysis:	9	110
Cost of Services in the Comprehensive Income and Expenditure Statement	**8,431**	**9,053**

Reconciliation to Subjective Analysis

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

2015/16	Directorate Analysis	Services not in analysis	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000
Fees, Charges and other service income	(15,548)	285	(15,263)	(285)	**(15,548)**
Interest and Investment Income	-	-	-	(70)	**(70)**
Income from Council Tax	-	-	-	(6,118)	**(6,118)**
Government Grants and Contributions	(20,110)	-	(20,110)	(5,059)	**(25,169)**
Total Income	(35,658)	285	(35,373)	(11,532)	**(46,905)**
Employee expenses	7,996	-	7,996	871	**8,867**
Other service expenses	29,500	(72)	29,428	48	**29,476**
Support service recharges	7,105	(103)	7,002	103	**7,105**
Interest payments	-	-	-	67	**67**
Precepts and Levies	-	-	-	811	**811**
Gain or Loss on disposal of Non-Current Asset	-	-	-	(191)	**(191)**
Total Expenditure	44,601	(175)	44,426	1,709	**46,135**
(Surplus) or Deficit on the provision of services	**8,943**	**110**	**9,053**	**(9,823)**	**(770)**

Comparative figures for 2014/15	Directorate Analysis	Services not in analysis	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000
Fees, Charges and other service income	(15,259)	270	(14,989)	(271)	**(15,260)**
Interest and Investment Income	-	-	-	(56)	**(56)**
Income from Council Tax	-	-	-	(6,034)	**(6,034)**
Government Grants and Contributions	(20,799)	-	(20,799)	(5,166)	**(25,965)**
Total Income	(36,058)	270	(35,788)	(11,527)	**(47,315)**
Employee expenses	7,650	-	7,650	886	**8,536**
Other service expenses	29,948	(161)	29,787	167	**29,954**
Support service recharges	6,882	(100)	6,782	100	**6,882**
Interest payments	-	-	-	96	**96**
Precepts and Levies	-	-	-	797	**797**
Gain or Loss on disposal of Non-Current Asset	-	-	-	(184)	**(184)**
Total Expenditure	44,480	(261)	44,219	1,862	**46,081**
(Surplus) or Deficit on the provision of services	**8,422**	**9**	**8,431**	**(9,665)**	**(1,234)**

30 TRADING OPERATIONS

The Council operates one trading activity which is for Grounds Maintenance, providing services to external clients within and outside of the borough. The financial results are as follows:

	2014/15	2015/16
	£'000	£'000
Turnover	(673)	(673)
Expenditure	641	661
Net (Surplus) / Deficit on trading operations for the year	**(32)**	**(12)**

The Grounds Maintenance trading operations are incorporated into the Comprehensive Income and Expenditure Statement. In 2015/16, the Grounds Maintenance operations generated a surplus of £12,015 compared with a surplus of £31,989 in 2014/15. In addition to the surpluses shown above, these activities also benefit the Council by providing a positive contribution to corporate support service and service management costs.

31 AGENCY SERVICES

The Council acts as agent for Lancashire County Council in respect of Highways work in the urban core and also street lighting, gully cleansing and special maintenance.

A summary of the Off-Street Civil Parking Enforcement Parking Accounts, as required by Section 55 of the Road Traffic Regulation Act 1984, is shown below:

	2014/15	2015/16
	£'000	£'000
Income (Penalty Charge Notice only)	(46)	(51)
Expenditure	75	78
(Surplus) Deficit	**29**	**27**

32 MEMBERS ALLOWANCES

The Authority paid the following amounts to members of the council during the year:

	2014/15	2015/16
	£'000	£'000
Allowances	238	257
Expenses	4	4
Total	**242**	**261**

33 OFFICERS REMUNERATION AND TERMINATION BENEFITS

The following table sets out the remuneration of Senior Officers whose salary was £50,000 or more (excluding employer's pension contributions):

Title of Post		Remuneration	Expense Allowances	Compensation for Loss of office (Redundancy Payment)	Total Remuneration excl. pension contributions	Pension contributions (Incl. strain/ Augmented costs)	Total Remuneration incl. pension contributions
		£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive *	2015/16	97	-	-	97	12	109
	2014/15	92	-	-	92	11	103
Director – Resources *	2015/16	75	-	-	75	8	83
	2014/15	70	-	-	70	8	78
Director – Development Services **	2015/16	68	-	-	68	8	76
	2014/15	67	-	-	67	8	75
Chief Financial Officer	2015/16	61	-	-	61	8	69
	2014/15	60	-	-	60	8	68

* - The remuneration shown in the table above in respect of the Chief Executive and Director of Resources include payments for services performed in relation to elections (parliamentary and local) during 2015/16, and for elections and a local referendum for the borough during 2014/15.

** - The remuneration shown in the table above in respect of the Director of Development Services include payments for services performed in relation to elections (parliamentary and local) during 2015/16.

In addition to the above Senior Officers, other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were as follows:

Remuneration Bands	2014/15	2015/16
	£'000	£'000
Main Bands:		
£50,000 - £54,999	1	1

Exit Packages

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

Exit Package Cost band (incl. special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages by each band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
	No.	No.	No.	No.	**No.**	**No.**	£'000	£'000
£0 – £20,000	3	1	3	2	**6**	**3**	**41**	**10**
£20,001 - £40,000	-	-	1	1	**1**	**1**	**32**	**21**
£40,001 - £60,000	-	-	-	-	**-**	**-**	**-**	**-**
£60,001 - £80,000	-	-	-	-	**-**	**-**	**-**	**-**
£80,001 - £100,000	-	-	-	-	**-**	**-**	**-**	**-**
£100,001 - £150,000	-	-	-	-	**-**	**-**	**-**	**-**
	3	1	4	3	**7**	**4**		
Total cost included in the Comprehensive Income and Expenditure Statement							**73**	**31**

In 2015/16 the authority terminated the contracts of 4 employees, incurring costs of £31,316 (£73,539 in 2014/15). In addition to this further costs of £3,651 were incurred in 2015/16 in relation to a departure which had been agreed in the prior year and which is included within agreed departure numbers for 2014/15 as shown in the table above.

34 EXTERNAL AUDIT COSTS

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts:

	2014/15	2015/16
	£'000	£'000
Fees payable to KPMG with regard to external audit services carried out by the appointed auditor for the year	68	53
Fees payable in respect of other services provided by KPMG during the year	2	3
Total	**70**	**56**

35 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

	2014/15	2015/16
	£'000	£'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant (net of LCTS adjustment)	(1,920)	(1,374)
New Homes Bonus	(1,275)	(1,660)
Small Business Rate Relief Grant	(571)	(675)
Council Tax Freeze Grant	(59)	(58)
New Burdens Grant	(16)	-
Other	(6)	(15)
Total	(3,847)	(3,782)
Credited to Services		
Housing & Council Tax Benefits	(20,646)	(19,614)
Department for Communities & Local Government	(111)	(112)
Revenue Expenditure funded from Capital under Statute	(514)	(835)
Other	(41)	(18)
	(21,312)	(20,579)
Total	**(25,159)**	**(24,361)**

36 RELATED PARTY TRANSACTIONS

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 parties include:

(a) Central Government

The UK 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. Details of transactions with Government departments are set out in a note to the cash flow statement.

(b) Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. Each Councillor has agreed to be bound by a code of conduct, requiring them to disclose certain personal interests on a register, which is available for public inspection at the Town Hall, Lytham St Annes. These declarations are also is accessible on the Council website.

There is one transactions to disclose in relation to 2015/16 relating to a payment of £320 to Councillor Raymond Thomas for the provision of photographic services to the Council. This relationship is listed by Councillor Thomas as a 'Disclosable Pecuniary Interest' in the declaration of Members Interests. This declaration, along with those of all Members, is accessible on the Council website.

The Council makes a number of Member appointments to outside bodies each year. In relation to the 2015/16 financial year these are detailed in the Council reports of 31st March 2014,1st December 2014 and 20th May 2015 which are available on the Councils website.

The Council made a financial contribution to a number of partner organisations during 2015/16, most notably:

- Fylde Citizens Advice Bureau
- Age UK Lancashire
- Face to Face

(c) Senior Council Officers

Members of the Council's Management Team may exert influence control over the Council's financial and operating policies. In the furtherance of transparency each member of the Management Team has submitted information regarding outside bodies with which they have an association. All such associations are shown below:

- Chief Executive: Director of Blackpool Fylde and Wyre Economic Development Company Limited (Economic regeneration company)
- Director of Resources: Chairman of friends@thepark, a friends group for the Lansdowne Park in Ansdell; member of 'Tangent' (women's arm of the Round Table Association)
- Director of Development Services: Director of Blackpool Fylde and Wyre Economic Development Company Limited (Economic regeneration company)

(d) Partnership working

During 2015/16 the Council continued to work both formally and informally in partnership with neighbouring authorities. The main partnership operations were as follows :

Blackpool Council	• Payroll services • Human Resources • Health & Safety • Revenues & Benefits Services • Deputy Monitoring Officer • Coastal Programme Board • Mayors Attendant
Wyre Council	• Coastal Programme Board
Preston City Council	• Financial and Treasury Management Support • Benefit Fraud & Revenue Advice

(e) Other Public Bodies

Precepts were raised for Lancashire County Council, Lancashire Police and Crime Commissioner, Lancashire Combined Fire Authority, and local Town and Parish Councils within the Fylde area. Details of these are contained within the Collection Fund statements.

(f) Associated Companies and Joint Venture Partners

Fylde Council has no associated companies or joint venture partners.

(g) Lowther Trust

A Trust board was formed in 2009/10 consisting of 7 Trustees, one being an elected member of Fylde Council. The remaining Trustees were appointed from interested members of the public following an open application process. Prior to this the Council was the sole Trustee and provided all management and administration resources. From April 2012 a new arrangement between the Council and the Trust saw the transfer of responsibility for all day-to-day management to the Trust with the Council meeting an agreed level of deficit funding over the subsequent five-year period.

(h) Other Partnerships

The Council has an arrangement with the charities Refurb and Helping Hands, working collectively as Bulky Waste collectors, to deliver our chargeable bulky waste collection service.

37 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), 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.

Capital Financing Requirement	2014/15	2015/16
	£'000	£'000
Opening Capital Financing Requirement	7,245	6,548
Capital Investment		
Property, Plant and Equipment	510	2,134
Investment Properties	-	-
Intangible Assets	-	-
Revenue Expenditure Funded from Capital Under Statute	514	835
Sources of Finance		
Capital Receipts	(173)	(746)
Government Grants and Other Contributions	(599)	(1,194)
Sums set aside from Revenue	-	-
Direct Revenue Contributions	(252)	(805)
MRP/Loans Fund Principal	(697)	(697)
Closing Capital Financing Requirement	**6,548**	**6,075**
Explanation of Movements in Year		
Increase/(Decrease) in underlying need to borrowing (unsupported by government financial assistance)	(697)	(473)
Increase/(Decrease) in Capital Financing Requirement	**(697)**	**(473)**

38 LEASES

<u>Authority as Lessor</u>

<u>Operating Leases</u>

The Council acts as lessor in respect of land and property owned by it and leased to tenants. The value of the income from rents associated with these agreements, and included within the Council's Income and Expenditure account, is as follows:

	2014/15	2015/16
	£'000	£'000
Land and Property Leases	275	296

The capital value held within the balance sheet at 31st March 2016 in respect of land and property generating leasehold income is £2.962m (2014/15 £2.938m). The accumulated depreciation charge applicable to these assets reflected in the 2015/16 financial statements is nil.

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

	31st March 2015	31st March 2016
	£'000	£'000
Not Later than one year	101	101
Later than one year but not later than 5 years	403	403
Later than 5 years	5,850	5,749
	6,354	**6,253**

39 IMPAIRMENT LOSSES

An impairment review during the course of the year identified reductions in the value of the following Council's Non-Current Assets. A summary of these impairments is shown below:

	31st March 2015	31st March 2016
	£'000	£'000
Public Conveniences	3	-
Public Offices	50	-
Hope Street Pavilion	38	-
Fairhaven Road Car Park	8	-
Town Hall	-	30
	99	**30**

40 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 that employees earn their future entitlement.

The authority participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Lancashire County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions relating to Post-employment Benefits

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

Local Government Pension Scheme	2014/15	2015/16
	£'000	£'000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Service Cost, comprising:		
- Current Service Cost	957	1,240
- Past Service Cost	4	-
Other Operating Expenditure		
- Administration expenses	19	19
Financing and Investment Income and Expenditure		
- Net interest expense	867	852
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	1,847	2,111
Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
- Return on plan assets (excluding the amount included in the net interest expense)	(3,827)	(830)
- Actuarial (gains) and losses arising on changes in financial assumptions	10,109	(3,984)
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	6,282	(4,814)
Movement in Reserves Statement		
- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefit in accordance with the Code	(642)	(884)
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers' contributions payable to scheme	1,205	1,227

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plan is as follows:

	2014/15	2015/16
	£'000	£'000
Present Value of the defined benefit obligation	(78,952)	(76,219)
Fair Value of plan assets	51,717	52,914
Net liability arising from defined benefit obligation	**(27,235)**	**(23,305)**

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

	2014/15	2015/16
	£'000	£'000
Opening fair value of scheme assets	47,087	51,717
Interest income	2,045	1,635
Remeasurement gain/(loss):		
- The return on plan assets, excluding the amount included in the net interest expense	3,827	830
Administration expenses	(19)	(19)
Contribution from employer	1,205	1,227
Contributions from employees into the scheme	314	318
Benefits paid	(2,742)	(2,794)
Closing fair value of scheme assets	**51,717**	**52,914**

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

	2014/15	2015/16
	£'000	£'000
Opening Balance at 1st April	67,398	78,952
Current service cost	957	1,240
Interest cost	2,912	2,487
Contributions from scheme participants	314	318
Remeasurement gain/(loss):		
- Actuarial (gains) and losses arising on changes in financial assumptions	10,109	(3,984)
Past service costs	4	-
Benefits paid	(2,742)	(2,794)
Closing Balance at 31st March	**78,952**	**76,219**

Scheme History

	2011/12	2012/13	2013/14	2014/15	2015/16
	£'000	£'000	£'000	£'000	£'000
Present Value of the defined benefit obligation	(63,465)	(72,554)	(67,398)	(78,952)	(76,219)
Fair Value of plan assets	43,001	48,108	47,087	51,717	52,914
Surplus/(Deficit) in the Scheme	**(20,464)**	**(24,446)**	**(20,311)**	**(27,235)**	**(23,305)**

Local Government Pension Scheme assets comprised:

Fair value of scheme assets	2014/15	2015/16
	£'000	£'000
Cash:		
• Cash and Cash Equivalents	2,506	1,788
• Net current assets	-	31
Sub-total cash	**2,506**	**1,819**
Equity instruments:		
By industry type		
• Consumer	5,717	5,752
• Manufacturing	3,183	2,947
• Energy and utilities	1,157	1,104
• Financial institutions	3,064	3,209
• Health and Care	1,757	1,920
• Information Technology	2,923	3,257
• Miscellaneous/Unclassified Total	-	-
Sub-total equity	**17,801**	**18,189**
Bonds:		
• Corporate	718	1,077
• Government	1,623	1,063
Sub-total bonds	**2,341**	**2,140**
Property:		
• Retail	2,103	1,813
• Commercial	2,768	3,273
• Residential	-	-
Sub-total property	**4,871**	**5,086**
Private Equity:		
• UK	1,298	863
• Overseas	1,838	2,323
Sub-total private equity	**3,136**	**3,186**
Other Investment Funds:		
• Infrastructure	2,878	4,228
• Credit Funds	13,322	13,315
• Emerging Markets ETF	-	-
• Indirect Property Funds	379	731
• UK Pooled Equity Funds	-	-
• Overseas Pooled Equity Funds	4,483	4,220
Sub-total other investment funds	**21,062**	**22,494**
Total Assets	**51,717**	**52,914**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Pension Fund liabilities has been assessed by Mercers Ltd, an independent firm of actuaries, estimates for the pension fund being based on the last valuation of the Scheme as at 31st March 2013.

The significant assumptions used by the actuary have been:

	31st March 2015	31st March 2016
	£'000	£'000
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	22.9 years	23.0 years
- Women	25.4 years	25.6 years
Longevity at 65 for future pensioners (aged 65 in 20 years' time) :		
- Men	25.1 years	25.2 years
- Women	27.8 years	27.9 years
Rate of CPI inflation	2.0	2.0
Rate of increase in salaries	3.5 *	3.5
Rate of increase in pensions	2.0	2.0
Rate for discounting scheme liabilities	3.2	3.5

***** *An adjustment has been made for short term pay restraint in line with the most recent actuarial valuation.*

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

	Approximate increase (decrease) in Employee Liabilities
Changes in assumptions at 31st March 2016	£'000
0.1%p.a. increase in discount rate	(1,284)
0.1%p.a. increase in inflation	1,305
0.1%p.a. increase in pay growth	264
1 year increase in life expectancy	1,523

<u>Impact on the Authority's Cash Flows</u>

The objectives of the scheme are to keep employers contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100%. The maximum deficit recovery period for the Fund has been set at 19 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31st March 2016.

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

The authority anticipates paying £1.256m contributions to the scheme in 2016/17 (2015/16, £1.229m).

The weighted average duration of the defined benefit obligation for scheme members is 17 years, 2015/16 (17 years, 2014/15).

41 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Liabilities:

- **Insurance Claims** – As at 31st March 2016, the Council has outstanding insurance claims against it with a reserve amount of £241,974 (14/15, £158,312). However, the Council's liability is limited to the excess on the insurance policy, with the maximum amount payable by the Council on these claims being £9,100 (14/15, £6,000) for revenue items. No adjustments have been made within the Accounts for these revenue items as, at the balance sheet date, it was not known if the claims were successful.

- **Section 106 (s106) Agreements -** S106 of the Town and Country Planning Act 1990 allows a local planning authority to enter in to a legally binding agreement or planning obligation with a landowner in association with the granting of planning permission. The obligation is termed a S106 Agreement and S106 monies received by the Council are used to support the provision of services and infrastructure such as highways, recreational facilities, education, health and affordable housing, which is necessary as part of the development or to mitigate its impact. Such agreements or obligations may lay down conditions that monies must be spent by a specified date and on specified items. If these conditions are not met the monies may have to be returned to the developer and in some cases interest may also be payable. The Council has a number of S106 agreements. The balance of monies held as long-term creditors in respect of those agreements (i.e. those that have more than 12 months to run) is £2.7m, as detailed in Note 23 to this Statement of Accounts. These accounts have been prepared on the basis that no monies are returnable at the balance sheet date as it is the Council's intention to spend the money as required under the agreements rather than repaying it to developers.

- **Accountable Body Status -** The Authority has been appointed Accountable Body status for a number of schemes and projects operated by the Government and related agencies. Accountable Bodies have to operate within rigorous and stringent Government regulations giving wide ranging rights for grant to be clawed back if specific output targets are not met by the partner organisations. The total value of the projects for which the Council was acting as accountable body as at 31st March 2016 is below £100k. These accounts have been prepared on the basis that none of the grants involved will either be clawed back or withheld as it is the Council's intention to spend the money as required to deliver the projects.

- **Planning Appeals** – There continues to be scope for tension between the need to increase housing supply, as identified by central government, and the aspirations of some local communities. Planning applications for significant housing development which are refused by the Council can generate appeals. The number of potential appeals and the cost of defending them, which may also include the award of costs against the Council on occasion, cannot accurately be assessed in advance. Any costs incurred beyond the budgeted level will be dealt with via updates to the Council's Medium Term Financial Strategy. It is anticipated that any necessary additional financial resources in respect of planning appeals would be identified from within existing approved budgets and consequently there would be no impact on the Council's overall budget requirement.

- **Planning Enforcement** – The Council's actions concerning unauthorised traveller site at Hardhorn continue to be the subject of legal challenge. Costs of defending the Council's position are likely to continue to be incurred, and if the Council is unsuccessful, the council may also have to pay the legal costs of those making the challenge. If successful, the Council will be likely to take action to end the unauthorised development, which will in itself be costly. However it is anticipated that any necessary additional financial resources in respect of planning enforcement costs would be identified from within existing approved budgets and consequently there would be no impact on the Council's overall budget requirement.

- **NNDR Appeals** - The Council has made a provision for NNDR Appeals based upon its best estimates of the actual liability as at the year-end in known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts. The total value of the Provision for Appeals has been increased to £9.613m from £3.560m in 2014/15 with Fylde Council's share of this being £3.845m (2014/15 £1.424m). It is anticipated that this level of provision is sufficient to meet the full cost of outstanding appeals.

- **St Annes Swimming Pool -** Following the refurbishment of St Annes Swimming Pool there are a number of elements of the work with which the Council is not satisfied and which remain in dispute. The Council has withheld £85k of the contract sum from the main contractor as a consequence. The contractor has been provided with the opportunity to rectify the outstanding issues but this has not yet occurred. If the situation remains unresolved it is possible that participation in an arbitration process may be necessary and that legal costs may be incurred. Additionally the Council may be required to ensure that the disputed works are rectified by a different party, the costs of which are unclear at this point but are expected to be less than £100k but may nevertheless be in excess of the monies currently withheld.

Contingent Assets:

- **Claims for recovery of overpaid VAT & interest**

    - **Leisure Services Income**: The Council has been accounting for VAT on income relating to certain leisure activities. Following advice from the Council's external VAT advisors PWC (PriceWaterhouseCoopers) the Council has submitted a claim for the overpaid VAT. If the claim is successful the amount due to the Council for both the claim and accumulated interest could be significant (estimated at up to £100k). At the time of writing there is no certainty that the amount claimed will be received nor the timescale by which the outcome will be known as the claim has not yet been accepted as valid by HM Revenue & Customs.

    - **Postal Service Charges**: The Council has been accounting for VAT on charges for postal services in accordance with the VAT classification of those charges at the time as determined by HMRC. Following advice from the Council's external VAT advisors, PWC, the Council has lodged a restitution claim in the High Court for the recovery of VAT paid in respect of postal services for the period prior to a change in the VAT classification of such charges which took effect from 2011/12. If the claim is successful the amount due to the Council for both the claim and accumulated interest could be significant (estimated at up to £200k). At the time of writing there is no certainty that the amount claimed will be received nor the timescale by which the outcome will be known.

    - **Compound interest:** The Council has submitted a claim for the payment of interest on an earlier claim (which was settled in favour of the Council) on a compound basis rather than a simple interest basis. If the claim is successful the amount due to the Council could be significant (estimated to be in excess of £200k). At the time of writing there is no certainty that the amount claimed will be received nor the timescale by which the outcome will be known as the claim has not yet been accepted as valid by HM Revenue & Customs.

- **Housing Stock Transfer - Right to Buy (RTB) Sharing Arrangements** - Following the transfer of housing stock from the Council, New Fylde Housing (now Progress Housing Group) has agreed to share RTB receipts, calculated according to the formula as set out in the transfer agreement of 2nd October 2000. This arrangement will terminate at the end of the financial year 2029/30, on 31st March 2030. The amount the Council receives in any given year is dependent on prevailing market conditions. During 2015/16 the Council received capital receipts in respect of RTB sales in the sum of £162k (2014/15, £166k). Receipts of this nature in future years are expected to be at similar levels.

42 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

(i) Key Risks

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.

(ii) Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in *the Local government Act 2003* and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;

- by the adoption of a Treasury Policy Statement and treasury management procedures within the constitution.

- by approving annually in advance prudential indicators for the following three years limiting:
    - The Council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures of the maturity structure of its debt;
    - Its maximum annual exposures to investments maturing beyond a year.

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting meeting. These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported, mid-year to Council and after year end to Finance and Democracy Committee.

The annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council in March 2015. This was updated in the Mid-Year Prudential Indicators and Treasury Management Monitoring report in December 2015. These reports are available on the Council's website.

Treasury policies are implemented by an in-house treasury team. The Council maintains 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 through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

(iii) Credit Risk

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

The 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, in accordance with Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category.

The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- Credit ratings of a minimum Long Term A-
- UK or EU Member Banks domiciled in a country with a minimum sovereign rating of AA+
- Limits on investments in certain sectors (e.g. Money Market Funds, Building Societies, foreign countries).

The following analysis summarises the Authority's potential maximum exposure to credit risk from trade debtors based on local historical experience over the last three financial years:

	As at 31st March 2016 £'000	Historical experience of default %	Adjustment for market conditions at 31/03/16 %	Estimated maximum exposure to default £'000	Estimated maximum exposure At 31/03/15 £'000
	a	b	c	a * c	
Debtors	639	12.84%	12.84%	82	85

The Council does not generally allow credit for its trade debtors. Of the £0.639m (£0.678m 2014/15) outstanding for debtors, £0.535m (£0.484m 2014/15) is overdue. The past due amount can be analysed by age as follows:

	2014/15	2015/16
	£'000	£'000
Less than three months	358	351
Three months to one year	24	88
More than one year	102	96
	484	535

(iv) Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow requirements, and access to the Public Works Loan Board and money markets for longer term funds. The Council is required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows:

	2014/15	2015/16
	£'000	£'000
Less than one year	2,351	3,987
Between one and two years	1,320	38
Between two and five years	1,121	1,504
Between five and ten years	2,237	1,730
More than ten years	841	436
	7,870	7,695

Amounts payable relating to statutory debts, e.g. council tax, non-domestic rates are not included in the analysis above as they are outside the scope of the Financial Instrument provisions.

The maturity analysis of financial assets is as follows:

	2014/15	2015/16
	£'000	£'000
Less than one year	12,006	15,817
Between one and two years	3	2
Between two and three years	2	2
More than three years	6	3
	12,017	15,824

(v) Market risk

(a) Interest rate risk – The Council has limited exposure to interest rate movements on its borrowings and investments.

Borrowings are not carried at "Fair Value" on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income & Expenditure Statement. However, changes in interest receivable on investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance.

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

	2014/15	2015/16
	£'000	£'000
Increase in interest payable on variable rate borrowings*	-	-
Increase in interest receivable on investments	148	185
Impact on Comprehensive Income and Expenditure Account	148	185
Decrease in fair value of fixed rate investment assets	-	-
Impact on Statement of Recognised Gains & Losses	-	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive Income & Expenditure Account or Statement of Recognised Gains & Losses)	25	24

*The Council's long-term borrowing is all at fixed rates.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

(b) Price risk – The Council, excluding the pension fund, does not generally invest in instruments with this type of risk, e.g. equity shares or marketable bonds.

(c) Foreign exchange risk – The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

COLLECTION FUND

2014/15		Notes	2015/16		
			Council Tax	Business Rates	Total
£'000			£'000	£'000	£'000
	INCOME:-				
(43,798)	Council Tax Receivable		(45,233)	-	(45,233)
(24,751)	Business Rates Receivable		-	(27,115)	(27,115)
(60)	Transitional Protection Payments receivable		-	-	-
(68,609)			**(45,233)**	**(27,115)**	**(72,348)**
	EXPENDITURE:-				
	Apportionment of Previous Years Surplus/(Deficit)				
(360)	Central Government		-	104	104
67	Lancashire County Council		(216)	19	(197)
19	Lancashire Police Authority		(31)	-	(31)
1	Lancashire Combined Fire Authority		(12)	2	(10)
(262)	Fylde Council		(42)	83	41
	Precepts, Demands and Shares				
11,401	Central Government		-	12,128	12,128
14,352	Fylde Council		5,253	9,702	14,955
33,222	Lancashire County Council		31,945	2,183	34,128
4,388	Police and Crime Commissioner for Lancashire		4,497	-	4,497
2,019	Lancashire Combined Fire Authority		1,834	243	2,077
797	Parish Councils	**3**	811	-	811
	Charges to Collection Fund				
751	Write offs of uncollectable amounts		373	477	850
132	Increase/(Decrease) in Bad Debt Provision		125	31	156
2,344	Increase/(Decrease) in Appeals Provision		-	6,053	6,053
111	Cost of Collection		-	112	112
(9)	Reconciliation Adjustments		-	-	-
68,973			**44,537**	**31,137**	**75,674**
364	**(Surplus)/Deficit arising during the Year**		**(696)**	**4,022**	**3,326**
1,083	(Surplus)/Deficit brought forward at 1st April		183	1,264	1,447
1,447	**(Surplus)/Deficit carried forward at 31st March**	**1**	**(513)**	**5,286**	**4,773**

NOTES TO THE COLLECTION FUND

1) ALLOCATION OF COLLECTION FUND BALANCES

2014/15		2015/16		
		Council Tax	Business Rates	Total
£'000		£'000	£'000	£'000
	Allocation of Collection Fund Balances			
531	Fylde Council	(70)	2,114	2,044
632	Central Government	-	2,643	2,643
245	Lancashire County Council	(370)	476	106
19	Police and Crime Commissioner for Lancashire	(52)	-	(52)
20	Lancashire Combined Fire Authority	(21)	53	32
1,447		**(513)**	**5,286**	**4,773**

2) COUNCIL TAX BASE

The Council Tax base for 2015/16 was calculated as follows:-

Property Band	Chargeable Dwellings	Band Multiplier	Relevant Amount
Additional Band (Disabled)	12	5/9	7
Band A	3,836	6/9	2,558
Band B	4,352	7/9	3,385
Band C	6,909	8/9	6,142
Band D	5,802	9/9	5,802
Band E	4,045	11/9	4,944
Band F	2,221	13/9	3,208
Band G	1,381	15/9	2,301
Band H	98	18/9	195
Other Adjustments	156	-	64
Total Relevant Amount			28,606
Multiplied by: Estimated Collection Rate			98.25%
			28,105
Add: Other Adjustments			170
Council Tax Base			**28,275**

A Band D Council Tax was set at £1,498.52, split £1,129.78 for Lancashire County Council, £144.82 for Fylde Council, £159.06 for the Police and Crime Commissioner for Lancashire and £64.86 for Lancashire Combined Fire Authority. Council Tax-payers in St Annes and Lytham also paid a Special Expenses charge at Band D of £67.94 whilst Parish and Town Councils agreed additional Council Tax charges of between £14.26 and £80.73 at Band D level.

3) PARISH PRECEPTS

	2014/15	2015/16
	£	£
Bryning-with-Warton	83,798	87,747
Elswick	24,911	24,998
Freckleton	99,600	99,600
Greenhalgh-with-Thistleton	5,000	5,000
Kirkham	166,452	169,216
Little Eccleston-with-Larbreck	7,013	7,365
Medlar-with-Wesham	53,022	55,511
Newton-with-Clifton	49,969	49,619
Ribby-with-Wrea	47,254	47,326
Singleton	17,123	17,465
Staining	58,460	58,460
St.Annes	155,652	155,799
Treales, Roseacre and Wharles	6,529	10,081
Weeton-with-Preese	14,498	14,393
Westby-with-Plumptons	8,000	8,000
	797,281	810,580

4) NON-DOMESTIC RATE (NDR)

	2014/15	2015/16
NDR Rateable Value as at 31st March	£61,482,440	£63,575,886
NDR Multiplier	0.482	0.493
NDR Multiplier (Small Business)	0.471	0.480

ANNUAL GOVERNANCE STATEMENT

Scope of responsibility

Fylde 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. The 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, the 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.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Good Governance in Local Government. A copy of the code is on our website at www.fylde.gov.uk or can be obtained from the Town Hall, St Annes Road West, St Annes. This statement explains how the Council has complied with the code, together with the addendum issued in 2012, and also meets the requirements of regulation 6 (b) of the Accounts and Audit Regulations 2015 in relation to the publication of this statement.

The purpose of the governance framework

The governance framework comprises systems and processes for the direction and control of the Authority 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 the 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. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The governance framework has been in place at the Fylde Borough Council for the year ended 31 March 2016 and up to the date of approval of the annual report and statement of accounts.

The governance environment

<u>Principles</u>

The Council has adopted a code of corporate governance ("the Code") and recognises that effective governance is achieved through the core principles enshrined in it. These are:

1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles
3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
5. Developing the capacity and capability of members to be effective and ensuring that officers - including the statutory officers - also have the capability and capacity to deliver effectively
6. Engaging with local people and other stakeholders to ensure robust accountability

CIPFA and SOLACE reviewed the Framework during 2012 to ensure it maintained 'fit for purpose' and issued the Guidance in late December 2012 with the key message for local authorities to review and report on the effectiveness of their governance arrangements and meet the government standard.

Other developments that impact on the Framework since its launch include:

- The Government's commitment to increasing transparency
- Localism Act 2011
- Revised guidance on the role of the Chief Finance Officer
- Revised guidance on the role of Head of Internal Audit
- Changes to Local Authority governance structures

The Council's corporate governance environment comprises a multitude of systems and processes designed to regulate, monitor and control the various activities of the Authority in its pursuit of its vision and objectives. The following describes the key elements:

Constitution

The Council's constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The constitution also identifies the principal obligations and functions of the Council.

The constitution and its appendices clearly explain how the different elements of the Council interact and work together. It sets out procedure rules to which members and officers must adhere, codes of conduct and protocols.

The constitution builds on model constitutions and guidance maintained by the Department for Communities and Local Government.

The Monitoring Officer has a standing obligation to keep the operation of the constitution under review and recommend any changes to help better achieve its objectives. The constitution is also presented annually to the Council for re-adoption and updating to ensure that it remains relevant to its purposes.

Political structure

The Council's governance system changed in May 2015, following a referendum held in May 2014, which resulted in a vote in favour of the Council moving from an executive form of governance to a committee system.

The Council, meeting as a body, is responsible under the constitution and the Local Government Act 2000 for setting the policy framework and the budget for the authority. It also exercises certain other functions that are reserved to it.

The authority operates a committee system with decision-making delegated to the council's committees. There is a mechanism in place for decisions to be referred to the Council. The council's committees comprise Finance and Democracy, Tourism and Leisure, Environment, Health and Housing, Operational Management, Development Management, Licensing, Public Protection and the combined Audit and Standards Committees.

Meetings of the committees are open to the public, except where personal or confidential matters may be disclosed. Public platform allows members of the public to make a point and seek to have it addressed during the course of the meeting. Members of the Council who are not members of the respective committees can ask questions at committee meetings. This helps ensure robust accountability of decisions.

The Council has no scrutiny committee/committees in place as it has decided to opt out of this process.

The Council's Audit and Standards Committee deals with all aspects of advice and guidance for Members on matters of conduct, ethics, propriety and declarations of interest. It also assesses, oversees and determines complaints made against Members under the Code of Conduct. The Council has access to a number of 'independent persons' who assist in upholding high standards.

The Audit and Standards Committee is a point of reference for the Monitoring Officer who investigates or arranges for the investigation of any allegations of misconduct in accordance with agreed procedures and statutory regulations.

The monitoring and performance of the Council's assurance and governance framework is also led by the Council's Audit and Standards Committee. The committee has the responsibility to ensure that the monitoring and probity of the Council's governance framework is undertaken to the highest standard and in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidelines.

Decisions on planning, licensing and other regulatory or quasi-judicial matters are taken by committees of the Council in accordance with the principles of fairness and natural justice and, where applicable, article 6 of the European Convention on Human Rights. Such committees always have access to legal and other professional advice.

Officer structure

The Authority implements its priorities, objectives and decisions through officers, partnerships and other bodies. Officers can also make some decisions on behalf of the Authority.

The Chief Executive is designated as the Head of the Authority's Paid Service. As such, legislation and the constitution make him responsible for the corporate and overall strategic management of the Authority. He is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation.

The Council has designated its Director of Resources as Monitoring Officer. The Monitoring Officer must ensure compliance with established policies, procedures, laws and regulations. She must report to the full Council or one of the Council's Committees as appropriate if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. Blackpool Council's Monitoring Officer acts as Deputy Monitoring Officer for the Council, supporting the Monitoring Officer in her role. There are reciprocal arrangements for investigating standards matters across both these Council's Monitoring Officers.

The Council has designated the Chief Financial Officer as the officer responsible for the proper administration of its financial affairs in accordance with Section 151 of the Local Government Act 1972. The principal responsibilities of this officer include financial management, reporting and monitoring financial information, ensuring compliance with financial codes of practice including the Accounts and Audit Regulations 2015.

Both statutory officers referred to above have unfettered access to information, to the Chief Executive and to councillors so they can discharge their responsibilities effectively. The functions of these officers and their roles are clearly set out in the Council's Constitution. In particular, the role of the Chief Financial Officer accords with the principles set out in the CIPFA Statement on the Role of the Chief Financial Officer. A protocol establishes the nature and role of the Monitoring Officer.

Two directors report to the Chief Executive and collectively form the authority's management team together with the Chief Financial Officer and the Council's Solicitor, who act as specialist advisors. The Management Team assists the Chief Executive with the strategic and overall management of the organisation. The Constitution makes it responsible for overseeing and co-ordinating the management, performance and strategic priorities of the authority within the agreed policy framework and budget. Each member of the management team takes lead responsibility for major elements of the authority's business and manages a business unit.

The Management Team collectively and individually are responsible for securing the economical, effective and efficient use of resources as required by the duty of best value.

Powers delegated to each member of Management Team are documented in the constitution.

The Council maintains an independent Internal Audit Service, which operates within the principles contained in the standards set out in the United Kingdom Public Sector Internal Audit Standards 2012.

A Corporate Governance Group has been established to co-ordinate the receipt and actioning of reports from the various sources of audit and inspection. The group also is responsible to the Audit and Standards Committee and Management Team and to compile, maintain and monitor the Code.

Operational

The Corporate Plan establishes Fylde Council's corporate priorities and reflects the Council's principal statutory obligations. Performance against the plan is supported by a performance management system.

The financial management of the Authority is conducted in accordance with the Financial Regulations set out in Appendix 4 of the Constitution. The Council has in place a Medium Term Financial Strategy, updated annually, to support the aims of the Corporate Plan.

The Council ensures continuous improvement in the economy, efficiency and effectiveness of services through the annual service and financial planning process. All services are reviewed annually to ensure that they meet the needs of customers and that performance targets for quality improvements are set and monitored. The Medium Term Financial Strategy includes targets for efficiency savings where appropriate, to be met across all service areas.

Annual budgets are set by the Council in the context of the Medium Term Financial Strategy, and each budget is allocated to a named budget holder. The responsibilities of budget holders in financial management are clearly set out within Financial Regulations.

A robust process of financial monitoring is in place. Budgets are regularly reviewed, the regularity and depth of attention is linked to the risks associated with each budget area. The financial position of the Council is reported on a regular basis to the Management Team, to the Council's Committees, and to full Council. Closer monitoring and appropriate action is taken where there is an indication of a likely variance against budget.

The Council has adopted a "Local Code of Corporate Governance" in accordance with the CIPFA/SOLACE Framework for Corporate Governance. The local code contains appropriate monitoring and reporting procedures, and can be found on the Council's website.

The Council had adopted and implemented a Corporate Risk Management Strategy, which incorporates the identification and management of existing risks to the achievement of corporate objectives in accordance with recognised standards of control assurance. A Corporate Risk Register is in place and is monitored and regularly reviewed, combined with action planning for risks identified. Appropriate employees have been trained in the assessment, management and monitoring of risks.

A corporate Risk Management Group (RMG) has been established with an effective monitoring and reporting mechanism. A member of Management Team is the nominated chair of the RMG.

The Authority's Risk Management Policy requires that officers understand and accept their responsibility for risk and for implementing appropriate controls to mitigate those risks. To this end, service managers are required to incorporate a register of risks relevant to their service area within each Directorate's service plan.

Internal Audit provides in its annual report an independent and objective opinion on the effectiveness and operation of the internal control framework during the year.

An annual assessment of the Council's systems of internal audit is carried out each year using the Public Sector Internal Audit Standards and the checklist provided in the Local Government Application Note published by CIPFA.

The Council has an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter.

Council services are delivered by trained and experienced people. All posts have a detailed job description and person specification and training needs are identified through the Personal Development Appraisal Scheme. In addition the Council has comprehensive policies and procedures in place, which provide the framework for the operation of its services and ensure that its actions and decisions are undertaken within the framework of effective internal control.

The Authority has a zero tolerance policy towards fraud and corruption. The Council's Whistleblowing Policy provides the opportunity for anyone to report their concerns confidentially and enable these to be investigated impartially.

The Authority is committed to working in partnership with public private and voluntary sector organisations where this will enhance its ability to achieve its identified aims.

Review of effectiveness

The Authority supplements the mandatory external audit judgements by assessing itself against the good practice elsewhere. This, together with the Authority's own performance management framework, provides the evidence needed to ensure a culture of continuous performance improvement.

Inherent within the review of internal control arrangements is the need to assess the extent of compliance with statutory requirements and the Authority's rules and regulations, which includes not only its Financial and Contract Procedure Rules but also its Scheme of Delegation, and Codes of Conduct. In addition, the Head of Internal Audit is required to produce an Annual Report and provide opinion on the effectiveness of the authority's Audit and Standards Committee and evaluate the effectiveness of risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

Fylde Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The Corporate Governance Group, which comprises the Chief Executive, Section 151 Officer, Monitoring Officer, Head of Governance and the Head of Internal Audit, has been given the responsibility to annually review the corporate governance framework and to report to Audit and Standards Committee on the adequacy and effectiveness of the Code and the extent of compliance with it.

The review of effectiveness is informed by the work of the Directors within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Group also receives assurance statements on an annual basis covering each of the Council's service areas. These assurance statements show the extent of compliance within each Directorates service areas are concerned with key corporate procedures designed to embed good governance and internal control. In addition, the group has taken account of external assurance sources including the external auditor's Annual Audit Letter and 'ISA 260 report to those charged with governance'.

Internal Audit has carried out an annual programme of reviews as approved by the Audit and Standards Committee. The managers of the services and functions reviewed have each agreed actions and priorities arising from the review and the achievement of those actions is monitored on an ongoing basis by the Authority's Internal Audit service. Any significant failure to achieve agreed actions is reported to members of the Audit and Standards Committee, who can require an explanation from the Director concerned.

The Strategic Risk Management Group meets regularly to review achievement of control measures in relation to strategic risks identified in the annual risk identification exercise. In addition, Internal Audit now carries out an annual review of the risk management framework in accordance with the terms of the Risk Management Policy.

We have taken into account the implications of the result of the review of the effectiveness of the governance framework and system of internal control, and a plan to address weaknesses and ensure continuous improvement of the system is set out below.

Governance Issues

As a result of the assessment of the effectiveness of governance within the Council, the Corporate Governance Group has identified that a sound system of governance exists within the authority.

The Group noted that risk management is in a period of transition following the absence and retirement of the responsible officer. Arrangements will be re-established following the recruitment of a new officer on accordance with the Council's Risk Management Strategy. In particular, a review of the requirement for joint partnership registers is required.

It was also noted that the Council is reviewing the way in which it publicises details of the contracts register and tenders, in order to be transparent, open and accountable. Procurement information data will be added to the online contracts register as it becomes available to meet the requirements of the Transparency Code.

It was also felt that the authority would benefit from a relaunch of the corporate project management methodology.

Finally the Group noted that the assurance statements identified that there was a need to refresh the equality and diversity training as this was last undertaken a couple of years earlier.

Statement

On the basis of the work carried out, which has been reviewed by the Audit and Standards Committee, we are satisfied that the Governance Framework is generally effective. We propose over the coming year to address the above matters to further enhance our governance arrangements and to prepare for change. We are satisfied that these actions will address the need for improvements that were identified in our review and will monitor their implementation and operation as part of our next annual review.

Councillor S Fazackerley
Leader of the Council

Allan Oldfield
Chief Executive

GLOSSARY OF ACCOUNTING TERMS

This Glossary of Terms is designed to aid interpretation of the Council's Statement of Accounts.

- **Accounting Policies**
  These specify how transactions and other events should be reflected in financial statements.

- **Accruals**
  The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid. The Local Government Pension Scheme Actuary reassesses the rate of employer contributions to the pension fund every three years.

- **Actuary**
  An actuary is an expert on pension scheme assets and liabilities.

- **Actuarial Gains and Losses**
  Changes in the actuarial deficits or surpluses over time arising from either or both of i) differences between the actual events as they have turned out and the assumptions that were made as at the date of the earlier actuarial valuation (known as experience gains and losses), and ii) changes in the actuarial assumptions.

- **Amortisation**
  An annual charge to the revenue account that spreads the cost of an asset over a period of time.

- **Appropriation**
  A contribution to or from a financial reserve.

- **Balances (Or Reserves)**
  These represent accumulated funds available to the authority. Some balances (reserves) may be earmarked for specific purposes for funding future defined initiatives or meeting identified risks or liabilities. There are a number of unusable reserves which are for technical purposes, it is not possible to utilise these to provide services.

- **Budget**
  A statement of the Council's spending plans for revenue and capital expenditure over a specified period of time.

- **Capital Expenditure**
  Expenditure on the acquisition and/or improvement of an existing Non-Current Asset which adds to, and not merely maintains, its value. Expenditure that does not fall within the definition must be charged to a revenue account.

- **Capital Receipts**
  Proceeds from the sale of capital assets which can only be used to repay the original loan or to finance new capital expenditure. Any receipts which have not yet been utilised as described are referred to as 'capital receipts unapplied'.

- **CIPFA (Chartered Institute of Public Finance and Accounting)**
  CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the Code, which defines proper accounting practice for local authorities.

- **Collection Fund**
  The Collection Fund is a separate statutory fund which billing authorities have to maintain. It shows the transactions in relation to non-domestic rates, any residual Community Charge and the Council Tax, and illustrates the way in which these have been distributed to precepting authorities and the General Fund.

- **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**

  This is a concept that the accounting treatment of like items, within an accounting period and from one period to the next, is the same.

- **Contingency**

  This is a condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Contingent assets and contingent liabilities should not be recognised in the accounting statements but be disclosed by way of notes.

- **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**

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

- **Creditors**

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

- **Current Assets**

  Current assets are items that can be readily converted into cash.

- **Current Liabilities**

  Amounts which will become payable or could be called in within the next accounting period.

- **Current Service Cost (Pensions)**

  The increase in the pension liabilities as a result of years of service earned this year.

- **Curtailment**

  For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include termination of employees' services earlier than expected and termination of, or amendment to the terms of, a defined benefits 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 owed to the Council for work carried out, services rendered or goods provided by the Council for which income has not been received by the balance sheet date.

- **Debt Redemption**

  This is where a debt is repaid early.

- **Deferred Credits**

  These represent capital income to be received in the future, when disposals have taken place, and deferred payments have been agreed.

- **Defined Benefit Scheme**

  A pension or other retirement benefits scheme other than a defined contribution scheme, where the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

- **Depreciation**

  This is the measure of the cost or revalued amount of the benefits of the Non-Current Asset that have been consumed during the period.

- **Direct Revenue Financing**
  Resources provided from an authority's revenue budget to finance the cost of capital projects.

- **Discontinued Operations**
  An operation should be classified as discontinued when the activities related to the operation have ceased permanently and the termination has a material effect on the nature and focus of the authority's operations and represents a material reduction in its provision of services.

- **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 to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves.

- **Events after the Balance Sheet Date**
  These are events, favourable and unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

- **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.

- **Fair Value**
  Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

- **Financial Instruments**
  A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables (debtors) and trade payables (creditors) and the most complex ones such as derivatives and embedded derivatives.

- **Finance Lease**
  This is 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 Reporting Standards (FRSs)**
  FRSs are statements which deal with accounting issues of fundamental importance and general application. They are applicable to all published accounts and compliance is mandatory. The Code of Practice on Local Authority Accounting in UK applies FRSs to Councils accounts as appropriate.

- **Financial Year**
  The Council's financial year runs from the 1st April to 31st March.

- **General Fund**
  This is the main revenue account of the Council covering day to day spending on services other than the provision of housing. Credited to the fund are charges made by the authority, specific Government and other grants and receipts from the Collection Fund.

- **Going Concern**
  The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

- **Government Grants**
  Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

- **Heritage Assets**
  Heritage assets are defined as assets which have historical, artistic or cultural qualities and that are held and maintained principally for their contribution to knowledge and culture.

- **Historic Cost**
  The cost of an asset at the time it was bought.

- **Housing Revenue Account (HRA)**
  The HRA is an account which includes the expenditure and income arising from the direct provision of housing by the Council.

- **Impairment**
  This is a reduction in the value of a Non-Current Asset below its carrying amount on the balance sheet.

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

- **Intangible Assets**
  These are non-financial Non-Current Assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights. Examples are purchased software licences.

- **Inventories**
  The amount of unused or unconsumed stocks bought but not used at the end of the accounting period, held in expectation of future use. E.g. 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 Pension 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.

- **Investment Properties**
  This represents an interest in land and/or buildings in respect of which construction work and development have been completed, and which is held for its investment potential, with any rental income being negotiated at arm's length.

- **Leasing**
  Leasing is a method of utilising assets where a rental charge is paid for a specified period of time, instead of outright purchase.

- **Liquid Resources**
  Current asset investments that are readily disposable by the authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

- **Local Public Service Agreement (LPSA)**
  Government initiative whereby demanding performance targets are set to deliver improvements for local people through partnerships with district Councils and other organisations.

- **Materiality**
  The concept that any omission from or inaccuracy in the statement of accounts should not be so large as to affect the understanding of those statements by the reader.

- **Minimum Revenue Provision (MRP)**
  The minimum amount (as laid down in Statute) that the Council must charge to the accounts each year in order to meet the costs of repaying amounts borrowed.

- **Non Domestic Rates (NDR)**
  NDR is a tax levied on business properties and sometimes known as Business Rates. This tax is set nationally by the Government. Sums based on rateable values are collected by billing authorities and shared between major preceptors, central government, the Police and Crime Commissioner and the billing authority.

- **Net Book Value**
  The amount at which Non-Current Assets are included in the balance sheet i.e. their historical cost or current value less the cumulative amount provided for depreciation.

- **Net Current Replacement Cost**
  This is 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 Debt**
  The authority's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

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

- **Non-cash Adjustments**
  Changes in debtors' and creditors' balances over the year

- **Non-Current Assets**
  Assets that yield benefits to the Council and the services it provides for a period of more than one year.

- **Non-distributable Costs**
  These are costs that cannot be specifically applied to a service or services and are held centrally, comprising certain pension costs and the costs of unused shares of IT facilities and other assets.

- **Non-Operational Assets**
  Non-Current Assets held by a local authority but not directly occupied, used or consumed in the delivery of services or for the service or strategic objectives of the authority. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

- **Operating Leases**
  An operating lease is a lease other than a finance lease. This is a method of financing assets which allows the Council to use, but not own an asset. A third party purchases the asset on behalf of the Council, who then pay the lessor an annual rental over the life of the asset. Expenditure financed by operating leasing does not count against capital allocations.

- **Operational Assets**
  Non-Current Assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility. Examples include Council dwellings, other land and buildings, vehicles, plant, equipment, infrastructure assets and community assets.

- **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 improvements to, retirement benefits.

- **Post Balance Sheet Events**

  These are events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

- **Precept**

  This is a charge levied by one Council which is collected on its behalf by another by adding the precept to its own Council Tax and paying over the appropriate cash collected.

- **Principal**

  The amount of money borrowed, not including interest charges.

- **Principal Repayment of Debt**

  Repayment of a loan, not including interest charges.

- **Prior Year Adjustments**

  Prior year adjustments are material adjustments, arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

- **Projected Unit Method**

  An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

  - the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and;
  - the accrued benefits for members in service on the valuation date.
  - The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

- **Provision**

  These are monies set aside for liabilities or losses which are likely or certain to be incurred but the exact amount and dates are not currently known.

- **Prudence**

  The concept that revenue is not anticipated but is recognised only when realisation in cash is reasonably certain. Conversely, provisions should be made for all known liabilities.

- **Prudential Code for Capital Finance**

  This Code was introduced from 1st April 2004. The basic principle of the Code is that local authorities will be free to invest so long as their capital spending plans are affordable, prudent and sustainable. The Code sets out indicators that the authority must use and factors that they must take into account to demonstrate that they have fulfilled this objective.

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

  A government agency which provides longer-term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

- **Related Parties**

  Two or more parties are related parties when at any time during the financial period:
  - one party has direct or indirect control of the other party; or
  - the parties are subject to common control from the same source; or
  - one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interest; or

- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests

- **Related Party Transactions**
  A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

- **Reserves**
  Amounts set aside in one year's accounts which can be spent in later years. Reserves are often earmarked for specific purposes, including the financing of future capital expenditure, replacement or renewals and the funding of future defined Council initiatives.

- **Residual Amount**
  The amount an asset can be sold for, less the cost of selling it.

- **Retirement Benefits**
  All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by the employee.

- **Revenue Expenditure**
  This is money spent on the day-to-day running costs of providing services. It is usually of a constantly recurring nature and produces no permanent asset.

- **Revenue Expenditure Funded from Capital Under Statute**
  A new term introduced in 2008/09 accounts. Expenditure that is not capital in accordance with UK GAAP is allowed by statute to be funded from capital resources and hence such expenditure would have no impact on council tax in the year that it was incurred.

- **Revenue Support Grant (RSG)**
  This is a general grant received from Central Government to contribute towards the cost of providing services. It is based on the Government's assessment of how much an authority needs to spend in order to provide a standard level of service.

- **Scheme Liabilities**
  The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method, reflect the benefits that the employer is committed to provide for service up to the valuation date.

- **Service Reporting Code of Practice (SeRCOP)**
  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.

- **Settlement**
  An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:
  - a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits
  - the purchase of an irrevocable annuity contract sufficient to cover vested benefits, and
  - the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

- **Specific Grants**
  Government grants for a particular service.

- **Statement of Recommended Practice – (SORP)**
  This is the Code of Practice on Local Authority Accounting in the United Kingdom.

- **Tangible Non-Current Assets**
  Assets which have a physical form e.g. buildings, equipment.

- **The 'Code'**
  The 'Code' incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003.

- **Total Cost**
  The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, support services and capital charges. This includes an appropriate share of all support services and overheads which need to be apportioned.

- **Total Net Worth**
  The total net value of resources available to or owned by the Council.

- **Unapportionable Central Overheads**
  Overheads for which no user now benefits and that are not apportioned to services.

- **Useful Life**
  The period over which the local authority will derive benefits from the use of a Non-Current Asset.