# STATEMENT OF ACCOUNTS 2025/2026

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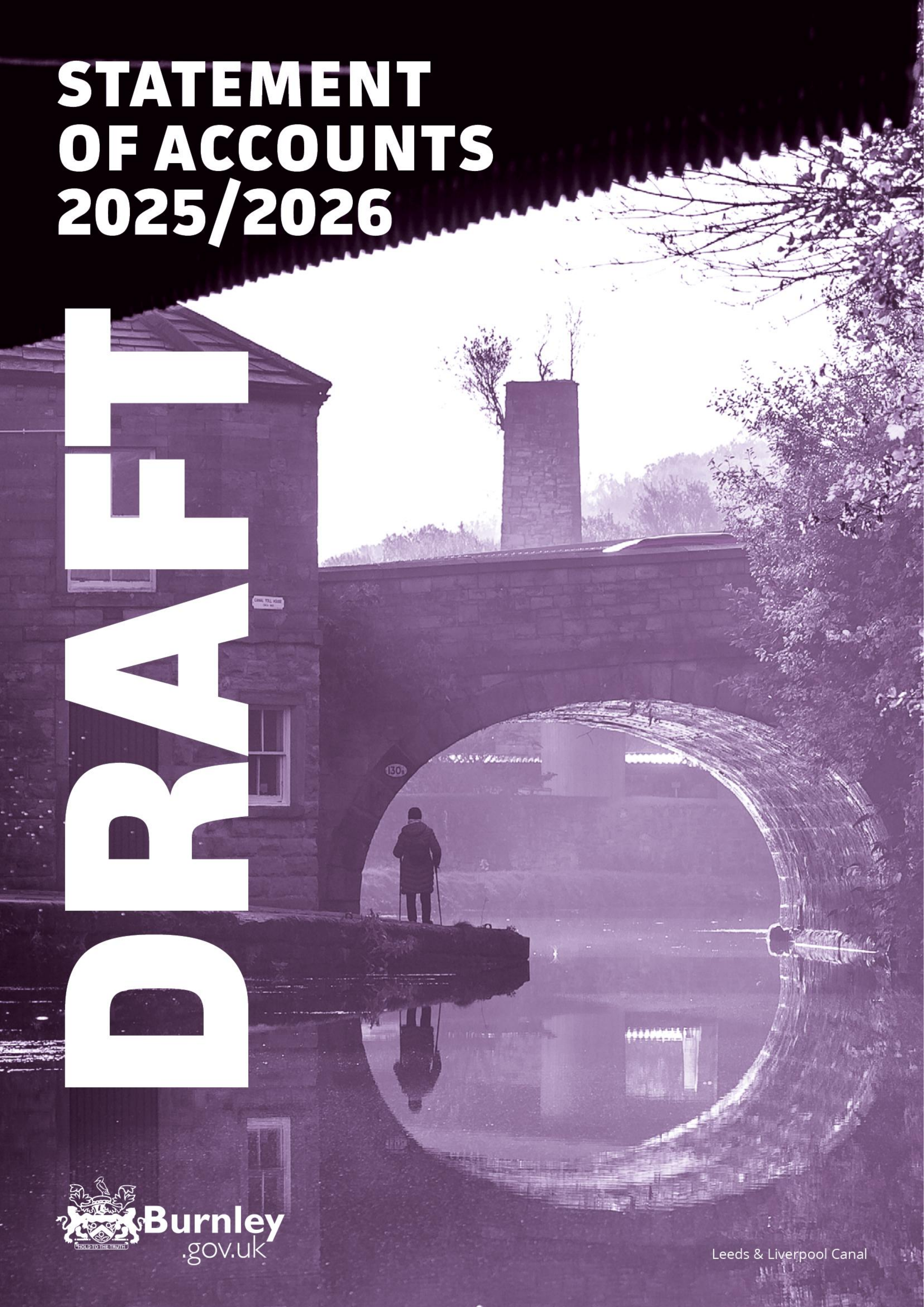

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Leeds & Liverpool Canal

Singing Ringing Tree

# Contents

# 1. Narrative Reports & Written Statements


Burnley Town Centre

# NARRATIVE REPORT

This booklet presents the Council's accounts for the year ended 31 March 2026. The accounts conform to the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code), which is based on International Financial Reporting Standards (IFRSs).

The layout and purpose of each statement is as follows:-

## EXPLANATORY STATEMENTS

- **Narrative Report** - provides an easily understandable guide to the most significant matters reported in the accounts, including a summary of operating activity during the year.
- **Statement of Responsibilities** - explains the responsibilities of the Council and its Chief Financial Officer in relation to the Council's financial affairs and the Statement of Accounts.

## CORE STATEMENTS

- **Comprehensive Income and Expenditure Statement** – this 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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement. The top half of the statement provides an analysis by service area whilst the bottom half deals with corporate transactions and funding. The Code requires the Council to analyse the cost of service in the same format reported during the year.
- **Movement in Reserves Statement** – this statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves (i.e. those that cannot be applied to fund expenditure or reduce local taxation e.g. pensions reserve). The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.
- **Balance Sheet** - this shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the authority (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories, usable and unusable. Usable reserves are those that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). Unusable reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement of Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- **Cash Flow Statement** – this statement shows the changes in cash and cash equivalents during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

All the notes to the core statements above are collected in one place. Later in this document there is an explanation of the policies used in the preparation of the figures in these accounts, especially changes made during the year.

## OTHER STATEMENTS

**The Collection Fund and notes** – this statement reflects the Council's statutory obligation to maintain a separate Collection Fund for its transactions as a billing authority in relation to Council Tax and Non-Domestic Rates.

## GLOSSARY

At the end of the booklet there is a glossary which explains some of the technical terms used in these accounts.

## REVENUE INCOME AND EXPENDITURE

Revenue income and expenditure relates to the day-to-day running of all the services that the Council provides. Before the start of the financial year the Council prepares the annual revenue budget reflecting the estimated net expenditure to be incurred in the year on the provision of services. The budget is then regularly reviewed and revised during the year to incorporate known changes in planned and actual revenue income and expenditure.

## REVENUE BUDGET

The revenue budget for 2025/26 was approved by Full Council on 04 March 2025 and amounted to a net figure of £18.721m. The revenue budget in 2025/26 delivered savings of £0.328m; this is on top of the £20.319m saved in the previous thirteen years. The net budget was approved as follows:

| | Net Budget £000s |
|---|---|
| Economy and Growth | 780 |
| Policy and Engagement | 650 |
| Management Team | 421 |
| Sport and Culture Leisure Client | 1,426 |
| Green Spaces and Amenities | 1,742 |
| Streetscene | 3,660 |
| Housing and Development Control | 1,362 |
| Strategic Partnership | 4,721 |
| Finance and Property (incl Treasury) | 212 |
| Revenues and Benefits Client | (1,152) |
| Legal and Democratic Services | 1,502 |
| People and Development | 248 |
| Corporate Items | 3,149 |
| NET BUDGET | **18,721** |
| Council Tax | (8,306) |
| Parish Precepts | (201) |
| Business Rates (Retained Income) | (4,664) |
| Business Rates S31 Grants and Growth | (2,686) |
| Prior Year Collection (Surplus)/Deficit | 262 |
| Revenue Support Grant | (2,232) |
| New Homes Bonus | (239) |
| Other Government Grants | (655) |
| | **(18,721)** |

The Council received requests for Council Tax precepts of £0.201m to fund expenditure by Parish and Town Councils. In total this resulted in a Council Tax precept of £8.507m.

## COST OF LIVING

The 2025/26 budget was approved in the midst of the ongoing Cost of Living pressures, with the Consumer Prices Index being 2.6% in March 2025, increasing to 3.3% by March 2026. This is above the Bank of England's target of 2%. As a result, costs to households increased, especially around food, fuel and energy. To reflect the gradual falling in the rate of inflation the Bank of England decreased the base rate from 4.25% to 3.75% over 2 tranches during the period May 2025 to December 2025. It currently remains at 3.75% (as at June 2026).

To help support households with these rising costs the Government introduced the following package of support:

- Household Support Fund - to support those most in need with food costs, energy or water bills, wider household essentials or to provide preventative support such as advice about debts.

Individual grant conditions determined the extent to which the Council had discretion in applying the respective funding streams and the period in which funding must be used. Restrictions requiring expenditure to be incurred during the period 01/04/2025 – 31/03/2026 existed.

The following table includes the grant programmes administered by the Council during the financial year, detailing the value of support provided to householders during 2025/26 and whether the Council was acting as principal (where the Council had discretion over the amount of funding to award or the criteria for who could be awarded funding) or agent (passing money to individuals on behalf of Central Government).

| Name of Grant | | Principal or Agent | Grant Amount £'000 |
|---|---|---|---|
| Household Support Fund | | Principal | 0.623 |

## ECONOMIC CONDITIONS

The current level of inflation which is above the Bank of England's target of 2% has had an impact on the 2025/26 financial position due to increases in contract and utility costs.  High levels of inflation are expected to continue to have an impact on the Council's future budget position, both in respect of increased costs and potential reductions in income as residents of the borough may have less available household spend.  The levels of inflation factored into future year's budgets will also be kept under regular review to ensure that they are reflective of the current economic climate.

## REVENUE SURPLUS

In determining the budget for the year there was no planned transfer to or from accumulated general balances but there was a planned contribution of £0.158m to earmarked reserves. There were further planned contributions from earmarked reserves of £5.084m arising from decisions made during the financial year as part of the budget monitoring process. This gave a revised net planned overall contribution from earmarked reserves of £4.926m. The Statement of Accounts shows that there was a revenue break-even position for the year after taking into account an actual net contribution from earmarked reserves of £0.971m.

The table below details where the break-even position is shown in these accounts:

| | Net Surplus £000s |
|---|---|
| Comprehensive Income and Expenditure Statement<br>- Deficit on provision of services | (2,785) |
| Adjustments between accounting basis and funding basis under regulations<br>- General Fund balance (Note 7) | 3,756 |
| Net contribution from Earmarked Reserves in year (see note below) | (971) |
| Revenue surplus 2025/26 | 0 |

The revenue net contribution from earmarked reserves of £0.971m gives a decrease in earmarked reserves for the year to £24.339m as detailed below:

| | Under Spending £000s | Earmarked Reserves Utilised £000s | Earmarked Reserves Balance £000s | General Fund Balance £000s |
|---|---|---|---|---|
| Balances brought forward 1 April 2025 | | | (25,310) | (1,379) |
| Position as per Budget Monitoring Report – end December 2025 | | | | |
| Earmarked Reserves decrease | 0 | 4,926 | 4,926 | 0 |
| Estimated deficit position at year end | 0 | 54 | 54 | 0 |
| Estimated year end Earmarked Reserves balance | | | (20,330) | (1,379) |
| Year-end position | | | | |
| Change to surplus position at year end | 0 | (54) | (54) | 0 |
| Movement in transfer (to)/from Earmarked Reserves | 0 | (3,955) | (3,955) | 0 |
| | 0 | 971 | (24,339) | (1,379) |
| Net underspend 2025/26 | | | | |
| Balance carried forward 31 March 2026 | 0 | 0 | (24,339) | (1,379) |
| Less: Opening balances | 0 | 0 | 25,310 | 1,379 |
| **Balance transferred (to) / from Earmarked Reserves** | | | **971** | **0** |

Timing differences and external funding passported through account for the majority of the £0.282m in the Carry Forward Reserve where the schemes went beyond the 31 March 2026. Surplus income generated through external treasury management investments along with sustained internal borrowing reducing the Council’s exposure to external interest payments for new loan debt, business rates growth and additional grant income set aside in reserves for use in future years has contributed to the fluctuation in estimated use of reserves at December 2025 and the year-end position. These are detailed further in Note 8 to the Core Financial Statements.

The level of the General Fund Balance has remained at the prescribed level of £1.379m under the Council’s Medium Term Financial Strategy. The main reasons for the net overall break-even position generated on the revenue account are shown in the table below:

| | Major Variances £000s |
|---|---|
| Underspends / Increased Income | |
| Funding for eligible Management and Staffing costs (Dispersal funding) | (54) |
| Additional income from borough-wide Pay and Display parking | (40) |
| Selective Licensing funding - NB offsets support costs included in other services | (71) |
| Overachievement of salary and non-salary savings identified in year | (131) |
| Treasury management surplus - investment income/interest saving | (13) |
| Adjustment to bad and doubtful debts provision for sundry debts, property rents and market rents | (50) |
| Miscellaneous minor variations | (25) |
| | |
| Increased Expenditure / Reduced Income | |
| Increased utility costs over budget - Leisure sites | 67 |
| Reduced income from cremation, burial and interment fees | 88 |
| Increased income loss from Licensing activity (Taxi and Other Licensing) | 27 |
| Net increase to bad and doubtful debts provision for Council Tax, Business Rates and Housing Benefit | 21 |
| Net Collection Fund costs (Taxation and Non Specific Grants) | 162 |
| Miscellaneous minor variations | 10 |
| | |
| Transfer to Reserve | |
| Transfer to Revenue Support Reserve | 9 |
| Total Break-Even | 0 |

## CAPITAL EXPENDITURE

Capital expenditure relates to the cost of the provision of, or enhancement of, assets or other expenditure where the benefits last beyond the financial year in question. The precise definition of capital expenditure is set out in the Capital Finance Regulations. Capital and revenue transactions must be accounted for separately.

In 2025/26 the Council spent £17.1m on capital projects compared with a revised capital budget of £21.7m. The decrease related to capital spend for major projects being delayed and slipping the approved 2025/26 capital programme. During the year £0.7m was invested on Pioneer Place, £1.3m on Nicholas St/BLR Fund, £0.4m on Towneley Hall Improvement Works, £1.2m on the Empty Homes Programme and £3.3m on housing renovations for disabled facilities (Better Care grants).

For 2026/27 the Council will invest £1.8m on the Empty Homes Programme, £2.7m on the Nicholas Street/BLR Fund, £1.3m on 3G pitches in two areas of the borough and around £3.4m on Better Care grants. This will complement all four themes of our strategic objectives; people, places, prosperity and performance.

The differences on the various areas of the capital budget are summarised in the following table. The reduced spend compared to that allowed for in the budget for the services shown was largely due to delays to schemes, with works planned for 2025/26 now being carried out in 2026/27.

| Capital Expenditure | Approved Budget 2025/26 £M | Actual 2025/26 £M | Variance £M |
|---|---|---|---|
| **Regeneration and Planning Policy** | | | |
| Pioneer Place | 0.7 | 0.7 | 0.0 |
| Lower St James Street Historic Action Zone | 0.1 | 0.1 | 0.0 |
| Burnley Town Centre and Canalside Masterplan/Market Square | 0.6 | 0.3 | (0.3) |
| Calder House Digi Hub | 0.3 | 0.1 | (0.2) |
| Padiham Top Club | 0.1 | 0.1 | 0.0 |
| Nicholas Street/BLR Fund | 1.3 | 1.3 | 0.0 |
| Other | 0.4 | 0.3 | (0.1) |
| **Housing** | | | |
| Disabled Facilities Renovations | 3.3 | 3.3 | 0.0 |
| Empty Homes Programme | 1.3 | 1.2 | (0.1) |
| Local Authority Housing Fund | 0.2 | 0.2 | 0.0 |
| Other | 0.3 | 0.3 | 0.0 |
| **Streetscene** | | | |
| Waste Transfer Station/Depot Relocation | 0.8 | 0.7 | (0.1) |
| Waste Contract Vehicles | 1.6 | 1.5 | (0.1) |
| Other | 0.2 | 0.2 | 0.0 |
| **Facilities Management** | | | |
| Essential Building Infrastructure Works | 2.8 | 2.2 | (0.6) |
| **Green Spaces and Amenities** | | | |
| Play Area Improvement Programme | 0.1 | 0.1 | 0.0 |
| MUGA Improvement Programme | 0.1 | 0.1 | 0.0 |
| Vehicle and Machinery Replacement | 0.2 | 0.2 | 0.0 |
| Playing Pitch Improvements | 0.2 | 0.2 | 0.0 |
| Towneley Hall Improvement Works | 0.7 | 0.4 | (0.3) |
| Fennyfold Changing Facilities | 0.4 | 0.3 | (0.1) |
| Other | 0.4 | 0.2 | (0.2) |
| **Finance and Property** | | | |
| Charter Walk Repair and Maintenance Programme | 4.0 | 1.3 | (2.7) |
| Carbon Reduction Measures | 0.8 | 0.8 | 0.0 |
| Other | 0.3 | 0.5 | 0.2 |
| **Leisure Client** | | | |
| Leisure Centre Improvements | 0.5 | 0.5 | 0.0 |
| **Total Capital Expenditure** | **21.7** | **17.1** | **(4.6)** |

## BORROWING

The total amount outstanding as at 31 March 2026 on loans borrowed from the Public Works Loan Board (PWLB) to finance capital expenditure was £62.8m. In addition, there was at this date £0.014m of short-term borrowing. The sources of borrowing totalling £62.8m are identified in Note 12e, and an analysis of the periods to repayment shown in note 31e to the core financial statements. This borrowing should be seen in the context of the total value of the Council's long-term assets which is shown in the balance sheet at £174.8m. The Prudential Code for Capital Finance in Local Authorities regulates local authority borrowing and gives freedom to councils to borrow as long as the revenue costs are capable of being met in the opinion of the Chief Financial Officer and are in keeping with prudential indicators and guidelines.

## PENSIONS COSTS

The requirements of international accounting regulations (IAS19) in relation to post-employment benefits, i.e. pensions, have been fully incorporated into the Comprehensive Income and Expenditure Statement with actuarial gains and losses being recognised in Other Comprehensive Income and Expenditure, as Note 29 explains in detail.

A pensions reserve and a pensions liability are incorporated within the Council's accounts reflecting the amount by which the Burnley element of the Lancashire County Council pension fund is over-funded compared with the assessed payment liabilities to pensioners now and in the future.

There are also entries in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement to show the pensions benefits earned in the year. All of these pension costs entries do not however affect the amount calculated as being due from taxpayers through Council Tax.

The pension figures included in the 2025/26 are based on the triennial valuation that was carried out as at 31 March 2025 (taking effect 01 April 2026) resulting in the overall pensions surplus remaining. However, due to the impact of IFRIC14 and the asset ceiling, the surplus was reduced to a deficit due to unfunded liabilities. The overall pensions deficit of the Council as at 31 March 2026 was £3.425m (£4.214m deficit as at 31 March 2025). More information on the assumptions used by the actuaries can be found at Note 29e.

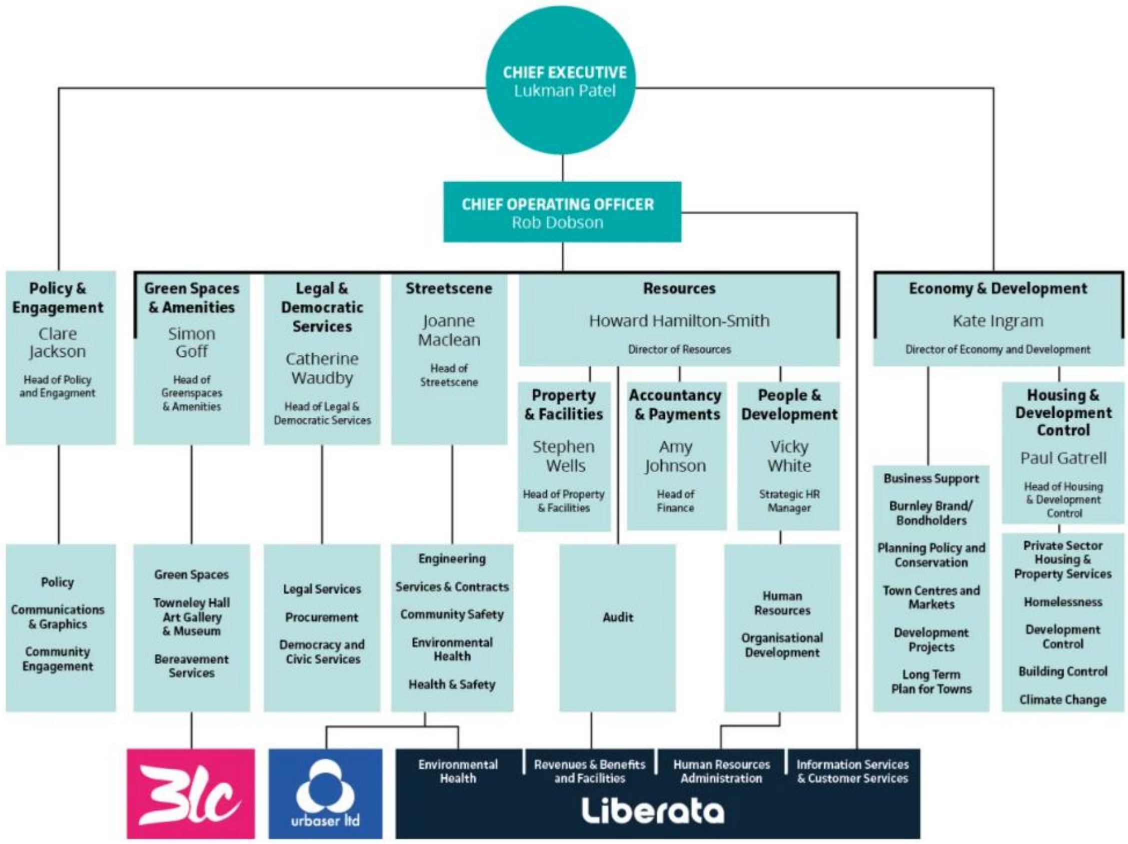
Pension costs and liabilities for employees transferred to our strategic partner are now incurred by Liberata plc. Any liabilities accumulated prior to transfer will remain with the Council.

## ORGANISATIONAL OVERVIEW

The organisation structure is headed by the Corporate Management Team which consists of the Chief Executive, Chief Operating Officer, Director of Economy & Development and Director of Resources.

The Council's organisational structure is as follows:

# Organisational Structure




As at 31 March 2026 the Council employed 284 members of staff. The overall establishment consists of 304 posts, of which 20 were vacant at 31 March 2026.

## ELECTED MEMBERS

The Councils elected members represent 15 wards and make decisions about local services in the borough. There are 45 Councillors, who represented the following parties as at 31 March 2026:

| Political Party | Members |
|---|---|
| Labour Party | 13 |
| Burnley Independent Party | 11 |
| Conservative Party | 7 |
| Liberal Democrat Party | 7 |
| Green Party | 5 |
| Reform UK | 2 |

The Council operates a Cabinet System, with five Executive Members as at 31st March 2026:

- Leader of the Council
- Executive Member for Resources & Performance Management
- Executive Member Development & Growth
- Executive Member for Community & Environmental Services
- Executive Member for Housing, Health & Culture

## ORGANISATIONAL PERFORMANCE

The Council has continued to deliver strong and sustained progress against its strategic objectives during 2025/26, building on firm foundations established in previous years. Delivery across all priority areas remains robust, with notable achievements in town centre regeneration, housing standards, environmental enforcement, and support for residents facing financial and health inequalities.

The Local Government Association Peer Challenge revisit reaffirmed the Council's strong performance, noting that excellent progress had been made against the Peer Review Action Plan. The peer team highlighted clear evidence of delivery against priorities, alongside positive feedback on leadership, partnership working, and organisational culture. The revisit recognised the Council as a confident and forward looking authority with a clear sense of place and purpose.

For the second consecutive year the Council has been recognised as a finalist in both the Municipal Journal and the Local Government Chronicle Awards, reflecting the council's commitment to investment in staff, excellence in local governance, and service delivery.

### Places

The Council continues to make progress in improving housing conditions and neighbourhoods across the borough. Over the past 12 months, 318 disrepair complaints have been addressed and closed, primarily within the private rented sector. Formal enforcement action has been taken where required, including 20 improvement notices, 2 emergency remedial action notices, 11 prohibition orders, and a successful prosecution for breach of an improvement notice.

Selective licensing continues to drive improvements in housing standards, with five new areas approved in 2025. The Council is working proactively with landlords to ensure compliance and improve management practices.

The Council continues to respond proactively to increasing homelessness pressures, maintaining a strong focus on prevention, early intervention, and the provision of appropriate temporary accommodation. Through the effective use of external funding and partnership working, the Council has expanded its accommodation portfolio, reducing reliance on bed and breakfast provision and improving outcomes for vulnerable households.

Driven by plan-led growth, housing delivery remains strong, delivering 21% above the Local Plan housing requirement from the start of the plan period in 2012 up to 2026. Which equates to 3,296 new homes delivered against the 2,716 required. Demand remains high from developers and homebuyers for new housing on sites allocated in the Local Plan with four sites currently under construction which will, when complete, deliver over 550 homes. In addition, significant regeneration activity also continues on brownfield sites, including the transformation of former Council offices on Nicholas Street and the former Lodge Mill site on Barden Lane into 91 affordable homes.

The Council and its partners continue to take a proactive approach to community safety through the enforcement of Public Space Protection Orders (PSPOs). Enhanced powers are being used to address persistent anti-social behaviour, including the ability to exclude individuals from the town centre for up to 48 hours. This has proven to be an effective deterrent, contributing to a reduction in repeat offending. Burnley's approach is being recognised as best practice, with other authorities seeking to replicate the model.

## Prosperity

Burnley's ambitious Town Centre and Canalside Masterplan continues to shape a vibrant local economy. The transition from former Mill Town to University Town has been accelerated with the opening of New Town Mill, delivering high-quality academic, digital and enterprise space.
Town centre performance remains strong, with a vacancy rate of 9%, significantly below national averages. Footfall has increased by 6.6% year-on-year, demonstrating continued confidence in the town centre despite challenging economic conditions.

The Pride in Place Regeneration Plan has been approved, representing a major step forward in delivering transformational projects, including a proposed youth zone in partnership with OnSide. The Council has secured £4.8 million from the National Lottery Heritage Fund for the High 5 4 Heritage programme, supporting the restoration of key heritage assets and wider town centre improvements.

Padiham is demonstrating strong and sustained regeneration, with visible improvements to the town centre through heritage led investment and business growth. Grant funded restoration works are enhancing key buildings, while new and expanding businesses are increasing occupancy and strengthening the local economy.

Business growth and inward investment remain strong, with new businesses relocating to the borough, high occupancy levels across key employment sites, and continued support for local enterprises. Initiatives such as business support programmes, workshops, and events are helping to foster a dynamic and growing economy.

## People

The Council continues to deliver a coordinated, partnership led approach to supporting residents and communities across the borough. The Burnley Together partnership, including the Down Town hub, provides person-centred support to approximately 1,000 households each quarter, addressing the root causes of deprivation and health inequality, including financial hardship, housing instability, domestic abuse, and poor health outcomes.

Building on this strong foundation, the Council has approved a significant policy shift through the introduction of a new Crisis and Resilience Fund. This approach moves beyond reactive support, combining immediate crisis assistance with longer-term interventions designed to strengthen financial resilience and independence. The model will be fully implemented during 2026/27 and will deliver targeted support through crisis payments, housing assistance, and expanded access to advice and support services delivered in partnership with trusted local organisations.

This more integrated approach is further strengthened through programmes such as Work Well and Connect to Work, which align health, skills, and employment support to help residents overcome barriers and progress towards sustainable employment. Outcomes remain positive, with over half of participants progressing into job searching, employment, volunteering or education, with a strong focus on supporting young people aged 16–24.

The Council also continues to play a leading role in community safety and harm reduction, including innovative partnership work to tackle substance misuse and anti-social behaviour.

Initiatives such as Operation Shore have disrupted supply chains, supported vulnerable individuals, and received national recognition for their impact.

## Performance

The Council continues to deliver strong performance across its core services. Preparations for Local Government Reorganisation are progressing well, with officers across Lancashire working collaboratively to ensure readiness for future changes.

Benefits processing times significantly exceed targets, with new claims processed in 10 days against a 20-day target.

E-billing uptake continues to grow, with over 14,000 customers now registered.

Streetscene performance is among the best in the country, with missed bin collections at 9.52 per 100,000 – placing the Council in the top 1% nationally.

Environmental enforcement performance is particularly strong, with high national rankings and a 100% success rate in prosecutions.

The new waste and cleansing contract commenced in April 2026, including the rollout of weekly food waste collections for all households.

As a Council we continue to invest in the performance of our staff, the Talent Management programme participants successfully graduated in February 2026 and shared their inspirational journeys with their managers and presented their final project outcomes. The two projects were focussed on increasing fundraising for Down Town and improving the way we promote local government careers to young people. The recommendations from both projects have been taken forward to implementation.

The Council has also recently introduced an externally funded strength finders programme which helps employees to identify, understand and maximise their individual strengths. The principles will be embedded into the Performance Development Review process and coaching.

## STRATEGIC RISKS

The Council operates a risk management process at corporate and operational levels. The aim of this is to monitor and manage risk to attainment of corporate and operational objectives. Action is taken to manage these and a recursive process is undertaken to review the impact and deliberate on what, if any, further progress needs to be made.

The Council's risk management process has identified several strategic risks to the delivery of services by the Council. Of the Council's three highest risks, one concerns financial stability. Loss of funding from income or Central Government and external cost pressures combine to impact on the Council's finances. To manage this risk we have taken steps to change how services are delivered (such as partnership working) and keep these elements monitored to identify action at an early stage. Service levels are not intended to be lowered despite costing less to deliver. Close monitoring arrangements and client-contractor dialogue is maintained at various levels of the partnership i.e. corporate, operational and specific projects.

The Council's position is dependent on decisions taken in other organisations, such as Central Government or regional partnerships. The risk is that these decisions do not take Burnley into account and adversely impact on the Council's services and ability to deliver. The Council seeks to be involved in partnerships to further encourage educational attainment, economic development and built environment of the borough. Furthermore, the Council engages with Central Government decision makers to raise awareness of the impact of Government policies and where appropriate seek to lobby decisions for the benefit of residents and businesses.

## CURRENT ECONOMIC CONDITIONS (PROVIDED BY MUFG)

### *UK Economy*

*As with 2024/25, UK inflation has proved somewhat stubborn throughout 2025/26. Having started the financial year at 3.5% y/y (April), the CPI measure of inflation peaked at 3.8% from July to September, before dipping to 3% in January and February. Core inflation picked up to 3.2% in February, from 3.1%, and the recent upward pressure on energy costs could see CPI inflation breach 4.5% later this year.*

*Against this backdrop, the continued lack of progress in ending the Russian invasion of Ukraine, and the potentially negative implications for global growth as a consequence of the implementation of US tariff policies, Bank Rate reductions look limited for the remainder of 2026 (as they do in the euro-zone). Bank Rate currently stands at 3.75%.*

*Moreover, borrowing has becoming more expensive in 2025/26. Gilt yields have risen materially in March 2026, more than reversing the falls earlier in the financial year. Additionally, the public finances have remained under pressure. The higher-than-expected public net sector borrowing of £14.3bn in February was £2.2bn above last February's outturn. But that borrowing overshoot was mainly due to timing effects relating to the £13.0bn government debt interest payment. That came in as the highest payment since June 2025, causing a 12.3% y/y jump in spending. On the flip side, sitting at £8.1bn, tax revenues were also higher than last February, largely on the back of solid growth in self-employment incomes in 2024/25, boosting self-assessment income tax receipts and stronger capital gains tax receipts.*

*However, the combination of some energy price support and pressures from higher inflation amid the ongoing energy price shock, higher interest rates and a weaker economy will ultimately put borrowing on an upward trend. With the rise in energy prices possibly pushing the Retail Prices Index inflation up to a peak of 5.7%, debt interest repayments will increase by about £10bn. A weaker growth profile, higher inflation, higher interest rates and gilt yields could erode about £11bn of the Chancellor's £23.6bn headroom.*

*The loosening in the labour market continues to bear down on wage growth. The 3myy growth rate of average earnings including bonuses slowed from 4.2% in December to 3.9% in January. Meanwhile, excluding bonuses, private earnings growth continued to fall from 3.4% to 3.3%.*

*The table below provides a snapshot of the conundrum facing central banks: inflation pressures remain, labour markets are still relatively tight by historical comparisons, and central banks are also having to react to a fundamental re-ordering of economic and defence policies driven largely by the US administration.*

| | **UK** | **Eurozone** | **US** |
|---|---|---|---|
| **Bank Rate** | 3.75% | 2.0% | 3.5%-3.75% |
| **GDP** | 0.1%q/q Q4 (1.0%y/y) | +0.2%q/q Q4 (1.2%y/y) | 0.7% Q4 Annualised |
| **Inflation** | 3.0%y/y (Feb) | 1.9%y/y (Feb) | 2.4%y/y (Feb) |

| | | | |
|---|---|---|---|
| **Unemployment Rate** | 5.2% (Jan) | 6.2% (Jan) | 4.4% (Feb) |

*The Bank of England sprung no surprises in their March meeting, leaving Bank Rate unchanged at 3.75% by a vote of 9-0, but suggesting rates may need to rise if inflation picks up markedly. The vote could best be described as moderately hawkish. The MPC stated it "stands ready to act as necessary" and "is alert to the increased risk of domestic inflationary pressures through second-round effects in wage and price-setting". Even so, we suspect the committee is likely to put equal weight on higher inflation and weaker growth, particularly the poor macroeconomic backdrop prior to the energy shock, keeping interest rates at 3.75% this year.*

*10-year Gilt yields have been exceptionally volatile in the final weeks of 2025/26, troughing at around 4.23% in late February before shooting up to 5.00% (and well through that on an intraday basis). That spike was driven by the outbreak of war in the Middle East, which prompted a dramatic reassessment of investors' Bank of England policy rate expectations. Having been pricing in rate cuts in late-February, as many as four rate hikes were discounted by late-March. The 10-year yield ended the quarter at 4.92% with around 65bp of rate hikes priced in over the coming year. In addition to more hawkish monetary policy expectations, part of this increase in yields probably reflected an increase in term premia amid concerns that the government may react by loosening the fiscal purse strings.*

*As for equity markets, the FTSE 100 experienced another volatile quarter, surging to an all-time high of around 10,900 in late February, leaving it up 10% from the start of 2026, before giving back most of those gains in March after the outbreak of the Middle East conflict. That pullback leaves the index at around 10,176 at the end of the quarter. For context it was at 8,582 at the start of April. The £ has stayed relatively resilient also at $1.33, strengthening from $1.29 back in April.*

### *USA Economy*

*Despite a weak finish to 2025, the US economy has generally been the strongest among the developed economies, but with uncertainties growing surrounding President Trump's central economic tenet of being able to apply tariffs on an ad-hoc basis, and bend the FOMC Fed Funds rate decision-making to his will, there is something of a stalemate in place at present over when, and if, rates will be cut further in 2026.*

*Inflation is currently stuck at around 2.5%, unemployment is only a little above 4%, and tax refunds are in the process of being facilitated for many households. But will those refunds be – at least partially – offset by higher gasoline prices?*

*The S&P500 started April 2025 at 5,633 and finished March 2026 at 6,528 having peaked at just over 7,000. The 10-year Treasury yield finished March at 4.30% having been 4.17% back at the start of April, and during the year has been both above 4.50% and below 4.00%.*

### *Eurozone Economy*

*The Eurozone economy has run pretty much in parallel with that of the UK. A slightly stronger finish to 2025 (GDP of 0.2% q/q) than that of the UK cannot hide the fact that the economy has been negatively impacted by German economic stagnation until late in 2025. France has also struggled against a difficult political backdrop, but managed to post GDP growth of 0.3% q/q for October to December.*

*With Eurozone headline inflation close to 2%, the ECB has been able to reduce its Deposit Rate to 2%. Whether it rises from that low point will very much be driven by how energy prices trend over the coming months. The Euro has appreciated against the dollar from 1.08 at the start of April 2025 to 1.16 at the end of March.*

The Council's Medium Term Financial Strategy 2027/31 takes all known factors which affect the finances of the Council, including those set out above, into account but there are also significant uncertainties, not least of which are the Cost of Living pressures, the ongoing impact of the UK leaving the European Union and the forthcoming Local Government Funding Reform and Spending Review which will affect funding available to the sector. The strategy highlights a continuation of financial pressures with the Council having to find further significant savings for the foreseeable future. Savings will be delivered through strategic prioritisation to protect key services, service transformation, continuous improvement and an increasingly commercial approach.

Against this background the Council has approved a balanced budget for 2026/27 and is pro-actively considering measures to address forecast budget gaps in future years.

Despite these considerable financial challenges, the Council continues to take forward initiatives designed to revitalise the local economy and promote growth and prosperity. Complementing a range of high-profile regeneration initiatives in recent years, the Council has completed the work on the development of a leisure and retail scheme in the town centre on the former Pioneer site in Curzon Street, which includes a cinema, restaurants, a public plaza and car park. Pioneer Place opened to the public in September 2023 as well as the new supermarket site on Manchester Road. Work has also completed on the Levelling Up Fund which consisted of 3 regeneration schemes: Town 2 Turf Public Realm Transformation, Burnley University of Lancashire Campus Expansion and Railway Station Accessibility Improvements. The three schemes total £19.9m and spanned the 2021/22 – 2024/25 financial years.

A key focus for the authority is to grow the local economy and attract investment into the borough. The creation of 'Vision Park' incorporating modern units for hi-tech digital and manufacturing businesses provides an opportunity to bring high quality jobs into Burnley. The Council works closely with private sector partners, including local businesses through the Burnley Bondholders Scheme, to promote growth and create jobs in the borough in a challenging economic climate.

The Council is also working with key strategic partners, including the University of Lancashire and East Lancashire NHS trusts, to support expansion plans and facilitate their ambitions for Burnley to be a 'University Town'. A project to deliver student accommodation of 136 en-suite rooms within 29 flats units was completed in August 2020. The previously mentioned Burnley Campus Expansion scheme as part of the Levelling Up Fund will further support these ambitions with Newtown Mill being completed in 2024.

## ACCOUNTING POLICIES

The accounting policies adopted by the Council are explained later in the Statement of Accounts and follow the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26. There has been no major impact to finances as a result of any change to accounting policy.

## FURTHER INFORMATION

Further information about the Statement of Accounts is available from the Director of Resources, Town Hall, Manchester Road, Burnley, BB11 9SA. In addition, members of the public have the statutory right to inspect the Statement of Accounts and supporting documents at certain times prior to the audit being completed. For 2025/26 this right is to be exercised for 30 working days beginning 1 July 2026. Residents of the Borough who are Council Tax payers may register any objection to the accounts in writing to the External Auditor. The Council also presents a number of other key documents throughout the year which would complement the Statement of Accounts. Some of these are listed below:

| Key documents (All of the documents listed below can be accessed searching www.burnley.gov.uk) | |
|---|---|
| Medium Term Financial Strategy (MTFS) and Strategic Risk Register | Considers the medium-term financial outlook, highlighting uncertainties, and underlying risk and makes recommendations to mitigate any risks. |
| Capital Budget (establishing and monitoring) | Sets out the capital budget for the new year and monitoring reports review the progress on the current year budget. |
| Revenue Budget (establishing and monitoring) | Sets out the revenue budget for the new year and monitoring reports review the progress on the current year budget. |
| Annual Governance Statement | Statutory document produced annually after reviewing governance and internal control aspects of the Council. |
| Code of Corporate Governance | Explains how the Council will carry out its functions in a way that demonstrates accountability, effectiveness, integrity and inclusivity. |
| Strategic Plan | Describes the Council's priorities and vision for the future. |

## EXTERNAL AUDIT

Forvis Mazars LLP have been appointed with the responsibility for the external audit of the Council's accounts. The Auditor's Report & Opinion is contained within the Statement of Accounts. The name and address of the Council's External Auditor is:

**Karen Murray**
**Audit Partner**
**Forvis Mazars LLP**
One St Peters Square
Manchester
M2 3DE

# STATEMENT OF RESPONSIBILITIES

## 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 – the statutory Chief Financial Officer. In this Authority that officer is the Director of Resources.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

## THE CHIEF FINANCIAL OFFICER'S RESPONSIBILITIES

As Chief Financial Officer, I am responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 ("the Code").

In preparing this Statement of Accounts I have:

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

I have also:

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

## CERTIFICATE OF CHIEF FINANCIAL OFFICER

I certify that the Statement of Accounts presents a true and fair view of the financial position of Burnley Borough Council at 31 March 2026 and its income and expenditure for the year then ended, including any known post balance sheet events at 30 June 2026.

**Howard Hamilton-Smith**

Director of Resources
Chief Financial Officer (Section 151 Officer)

30 June 2026

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BURNLEY BOROUGH COUNCIL

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# 2. Core Financial Statements


St Peter's Centre

# Core Financial Statements

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| | | 31 March 2025 | | | 31 March 2026 | | |
|---|---|---|---|---|---|---|---|
| COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT | Note | Gross Expend £000s | Income £000s | Net Expend £000s | Gross Expend £000s | Income £000s | Net Expend £000s |
| **Continuing Services** | | | | | | | |
| Economy and Growth | | 8,382 | (7,276) | 1,106 | 4,965 | (4,482) | 483 |
| Policy and Engagement | | 2,645 | (2,195) | 450 | 2,632 | (2,022) | 610 |
| Management Team | | 383 | - | 383 | 386 | - | 386 |
| Sport and Culture Leisure Client | | 3,183 | (485) | 2,698 | 3,618 | (318) | 3,300 |
| Green Spaces and Amenities | | 5,210 | (2,944) | 2,266 | 6,315 | (2,529) | 3,786 |
| Street Scene | | 6,511 | (2,815) | 3,696 | 8,254 | (3,539) | 4,715 |
| Housing and Development Control | | 7,677 | (2,234) | 5,443 | 7,085 | (3,371) | 3,714 |
| Strategic Partnership | | 5,512 | (817) | 4,695 | 2,850 | (181) | 2,669 |
| Finance and Property (until 31/03/2025) | | 20,262 | (5,164) | 15,098 | - | - | - |
| Finance (from 01/04/2025) | | - | - | - | 1,878 | (426) | 1,452 |
| Property (Property Services was brought back in house 01/04/2025) | | - | - | - | 8,774 | (6,127) | 2,647 |
| Revenues and Benefits | | 24,285 | (25,208) | (923) | 22,772 | (22,934) | (162) |
| Legal and Democratic Services | | 2,158 | (983) | 1,175 | 2,034 | (419) | 1,615 |
| People and Development | | 219 | - | 219 | 223 | - | 223 |
| Central Budgets | | 519 | (147) | 372 | 1,051 | - | 1,051 |
| **Cost of Services** | | **86,946** | **(50,268)** | **36,678** | **72,837** | **(46,348)** | **26,489** |
| **Other Operating Expenditure & Income** | | | | | | | |
| Parish Council Precepts | | 188 | - | 188 | 201 | - | 201 |
| Pension Fund Administration Costs | | 50 | - | 50 | 57 | - | 57 |
| (Gains)/Losses on the Disposal of Non-Current Assets | | 1,007 | (355) | 652 | - | (145) | (145) |
| Other Income | | - | - | - | - | - | - |
| | | **1,245** | **(355)** | **891** | **258** | **(145)** | **113** |
| **Financing and Investment Income & Expenditure** | | | | | | | |
| Net Interest on the Net Defined Benefit Liability | | 194 | - | 194 | 192 | - | 192 |
| Interest Payable and Similar Charges | | 1,335 | - | 1,335 | 1,515 | - | 1,515 |
| Interest Receivable and Similar Income | | - | (453) | (453) | - | (461) | (461) |
| Impairment Losses | | - | - | - | 25 | - | 25 |
| Other Investment Income and Expenses | | - | (116) | (116) | - | (568) | (568) |
| Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value | | - | (945) | (945) | - | (148) | (148) |
| | | **1,529** | **(1,514)** | **15** | **1,732** | **(1,177)** | **555** |
| **Taxation and Non-Specific Grants** | | | | | | | |
| Council Tax Income | | - | (8,179) | (8,179) | - | (8,470) | (8,470) |
| Non-Domestic Rates Income and Expenditure | | - | (8,440) | (8,440) | - | (9,774) | (9,774) |
| Non-Ringfenced Government Grants | 25 | - | (3,155) | (3,155) | - | (3,126) | (3,126) |
| Capital Grants and Contributions | 25 | - | (6,027) | (6,027) | - | (8,572) | (8,572) |
| | | **-** | **(25,801)** | **(25,801)** | **-** | **(29,942)** | **(29,942)** |
| **(Surplus) / Deficit on Provision of Services** | | **89,720** | **(77,938)** | **11,783** | **74,827** | **(77,612)** | **(2,785)** |
| (Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets | 9 | - | (6,064) | (6,064) | - | (20,492) | (20,492) |
| (Surplus) or Deficit on Revaluation of Heritage Assets | 10 | - | - | - | | | - |
| Remeasurement of the Net Defined Benefit Liability / (Asset) | 29b | - | (548) | (548) | - | (312) | (312) |
| **Other Comprehensive (Income) / Expenditure** | | | | **(6,613)** | | | **(20,804)** |
| **Total Comprehensive (Income) / Expenditure** | | | | **5,169** | | | **(23,589)** |

# MOVEMENT IN RESERVES STATEMENT

| | Revenue Reserves | | | Capital Reserves | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| MOVEMENT IN RESERVES STATEMENT | General Fund £000s | Earmarked Reserves £000s | Total General Fund Balance £000s | Capital Receipts Reserve £000s | Capital Grants Unapplied £000s | Total Usable Reserves £000s | Revaluation Reserve £000s | Capital Adjustment Account £000s | Deferred Capital Receipts £000s | Pooled Investment Funds Adjustment Account £000s | Pensions Reserve £000s | Collection Fund Adjustment Account £000s | Accumulated Absences Account £000s | Total Unusable Reserves £000s | Total Authority Reserves £000s |
| Balance at 31 March 2024 | 1,379 | 25,811 | 27,190 | 1,602 | 5,386 | 34,178 | 63,701 | 7,901 | - | (210) | (4,828) | (1,114) | (161) | 65,289 | 99,467 |
| Movement in Reserves during 2024/25 | | | | | | | | | | | | | | | |
| Total Comprehensive Income & Expenditure | (11,783) | - | (11,783) | - | - | (11,783) | 6,064 | - | - | - | 548 | - | - | 6,613 | (5,169) |
| Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 7) | 11,281 | - | 11,281 | (743) | (284) | 10,254 | - | (11,326) | - | 35 | 66 | 979 | (8) | (10,254) | - |
| Net Increase/(Decrease) before Transfers to Reserves | (502) | - | (502) | (743) | (284) | (1,529) | 6,064 | (11,326) | - | 35 | 614 | 979 | (8) | (3,641) | (5,169) |
| Transfers to/from Reserves | 502 | (502) | - | - | - | - | (871) | 871 | - | - | - | - | - | - | - |
| Increase/(Decrease) in Year | - | (502) | (502) | (743) | (284) | (1,529) | 5,193 | (10,455) | - | 35 | 614 | 979 | (8) | (3,641) | (5,169) |
| Balance at 31 March 2025 | 1,379 | 25,310 | 26,690 | 859 | 5,102 | 32,650 | 68,895 | (2,554) | - | (175) | (4,214) | (134) | (169) | 61,649 | 94,299 |
| Movement in Reserves during 2025/26 | | | | | | | | | | | | | | | |
| Total Comprehensive Income & Expenditure | 2,785 | - | 2,785 | - | - | 2,785 | 20,492 | - | | - | 312 | - | - | 20,804 | 23,589 |
| Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 7) | (3,756) | - | (3,756) | 155 | (133) | (3,734) | - | 3,727 | | 103 | 477 | (523) | (50) | 3,734 | - |
| Net Increase/(Decrease) before Transfers to Reserves | (971) | - | (971) | 155 | (133) | (949) | 20,492 | 3,727 | - | 103 | 789 | (523) | (50) | 24,538 | 23,589 |
| Transfers to/from Reserves | 971 | (971) | - | 11 | (81) | (70) | (1,216) | 1,286 | - | - | - | - | - | 70 | - |
| Increase/(Decrease) in Year | - | (971) | (971) | 166 | (214) | (1,019) | 19,276 | 5,013 | - | 103 | 789 | (523) | (50) | 24,608 | 23,589 |
| Balance at 31 March 2026 | 1,379 | 24,339 | 25,719 | 1,025 | 4,888 | 31,631 | 88,171 | 2,459 | - | (72) | (3,425) | (657) | (219) | 86,257 | 117,888 |

# BALANCE SHEET

| BALANCE SHEET | Note | 31st March 2025 £000s | 31st March 2026 £000s |
|---|---|---|---|
| Property, Plant & Equipment | 9 | 102,797 | 126,709 |
| Heritage Assets | 10 | 34,819 | 34,819 |
| Investment Properties | 11 | 9,525 | 9,744 |
| Intangible Assets | 9 | 66 | 50 |
| Long-Term Investments | 12a | 3,413 | 2,482 |
| Long-Term Debtors | 12a | 1,365 | 1,072 |
| **Long-term Assets** | | **151,985** | **174,876** |
| Short-Term Investments & Deposits | 12a | - | - |
| Inventories | | 22 | 19 |
| Short-Term Debtors | 13 | 11,587 | 15,932 |
| Cash & Cash Equivalents | 14 | 10,247 | 7,464 |
| **Current Assets** | | **21,856** | **23,415** |
| Short-Term Borrowing | 12a | (3,631) | (10,607) |
| Short-Term Creditors | 15 | (10,971) | (10,091) |
| Current Provisions | 16 | (1,059) | (834) |
| Grants Receipts in Advance - Revenue | 25b | (460) | - |
| **Current Liabilities** | | **(16,121)** | **(21,532)** |
| Long-Term Borrowing | 12a | (55,890) | (52,298) |
| Long-Term Provisions | 16 | (327) | (323) |
| Net Pensions Liability | 29c | (4,214) | (3,425) |
| Other Long-Term Liabilities | | (440) | (330) |
| Grants Receipts in Advance - Capital | 25c | (2,549) | (2,495) |
| **Long- term Liabilities** | | **(63,420)** | **(58,871)** |
| **Net Assets** | | **94,299** | **117,888** |
| Represented by: | | | |
| **Usable Reserves** | | | |
| General Fund | | (1,379) | (1,379) |
| Earmarked Reserves | 8 | (25,310) | (24,339) |
| Capital Receipts Reserve | 7 | (859) | (1,025) |
| Capital Grants Unapplied | 7 | (5,102) | (4,888) |
| | | **(32,650)** | **(31,631)** |
| **Unusable Reserves** | 18 | | |
| Revaluation Reserve | 18a | (68,895) | (88,171) |
| Capital Adjustment Account | 18b | 2,554 | (2,459) |
| Pooled Investment Funds Adjustment Account | 18d | 175 | 72 |
| Pension Reserve | 18c | 4,214 | 3,425 |
| Collection Fund Adjustment Account | 18e | 134 | 657 |
| Accumulated Absences Account | 18f | 169 | 219 |
| | | **(61,649)** | **(86,257)** |
| **Total Reserves** | | (94,299) | (117,888) |

# CASH FLOW STATEMENT

| CASH FLOW STATEMENT | Note | 2024/25 £000s | 2025/26 £000s |
|---|---|---|---|
| Net (Surplus) / Deficit on the Provision of Services | | 11,783 | (2,785) |
| Adjustments to Net (Surplus) / Deficit on the Provision of Services for Non-Cash Movements | 19a | (22,833) | (4,561) |
| Adjustments for Items Included in Net (Surplus) / Deficit on the Provision of Services that are Investing or Financing Activities | 19a | 10,927 | 10,413 |
| **Net Cash Inflows from Operating Activities** | | **(123)** | **3,067** |
| Investing Activities | 19b | 1,748 | 2,578 |
| Financing Activities | 19c | (4,387) | (2,863) |
| **Net (Increase) or Decrease in Cash and Cash Equivalents** | | **(2,760)** | **2,785** |
| Cash and Cash Equivalents at the Beginning of the Reporting Period | | (7,487) | (10,247) |
| **Cash and Cash Equivalents at the End of the Reporting Period** | | **(10,247)** | **(7,464)** |

# 3. Notes to the Accounts


Welcome to Burnley

# Notes to Core Financial Statements

# **Note 1** Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted.

Accounting Standards that have been issued but not yet adopted, include:

a) **Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage Assets)** issued in March 2024.

b) **Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS9 and IFRS7)** issued in May 2024.

c) **Annual improvements to IFRS accounting standards – Volume 11** issued in July 2024.

d) **Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)** issued in December 2024.

It is likely there will be limited application of items a) and b), although authorities will need to consider their individual circumstances in case either of these standards apply

# **Note 2** Critical judgements in applying accounting policies

The following are significant management judgements in applying the accounting policies of the Council that have the most significant effect on the financial statements. Critical estimation uncertainties are described in Note 4.

## COST OF LIVING PRESSURES AND FUNDING

The Government previously took the unprecedented step of providing Councils with a four-year financial settlement, with 2019/20 being the final year of the multi-year settlement. The Spending Round 2019 was announced by the Chancellor on 4 September 2019, as a one-year spending review that only covered 2020/21. The decision at the time was to delay major funding reform until 2021/22, which was further delayed when the Chancellor announced the Spending Review 2020 on 25 November 2020 as a one-year settlement for 2021/22.

The Chancellor announced in the 2022/23 provisional settlement that the settlement for 2022/23 was also for a single year only and would be similar to the 2021/22 settlement. An additional £1.6bn per annum would also be added to Local Government funding for the period 2022/23 to 2024/25. The deferral of the Fair Funding Review and New Homes Bonus reform was also announced. The Business Rates Revaluation took effect from 01 April 2023 based on property values at 31 March 2021.

The 2023/24 provisional settlement was also for a single year only. The Government announced that the 2022/23 Lower Tier Services Grant and a proportion of the expired New Homes Bonus legacy payments was to be repurposed as a Funding Guarantee Grant to ensure that all councils would see at least a 3 per cent increase in their Core Spending Power before any decisions about organisational efficiencies, use of reserves or council tax levels were taken into consideration. Additional one-off funding of £100m was also announced to support Local Council Tax Support claimants.

The 2024/25 provisional settlement was again for a single year only. The Government announced an additional £600 million to support council budgets however the majority of the additional funding (£500m) was provided to support social care. As a district council this authority did not benefit from the additional social care funding as this function is provided by upper tier authorities (Lancashire County Council). Funding was provided to ensure that all authorities received an increase in core spending power of at least 4% before any local decisions were made on increases to council tax.

The 2025/26 financial year also saw a single year provisional settlement where the Government announced additional funding (£502m) National Insurance Compensation Grant. This grant was to offset additional costs incurred following the increase of the National Insurance rate from 13.8% to 15% from 01/04/2025. In addition, Extended Producer Responsibility for packaging (pEPR) funding of £1.1 billion was also introduced, the purpose of which was to offset additional costs that would be incurred following the implementation of Extended Producer Responsibility.

The Government also announced that the long awaited Spending Review and Fair Funding Review would be implemented for 2026/27 which brings along uncertainty with anticipated changes to the business rates funding regime (with a potential full or partial reset of business rate growth and possible changes to retention levels) and the development of a new formula for the allocation of Central Government resources. In addition, the wider economic impact of the UK exit from the European Union, Cost of Living pressures as well as the general policy direction of Government. This has been compounded by the Cost of Living pressures which took hold during the 2022/23 financial year which has seen large increases in costs, particularly around energy, fuel and external contract costs. Similarly increased costs are also affecting residents and customers which impacts on the level of income that the Council is able to collect.

Increased demand for many services provided by the Council is predicted to continue as the longer-term consequences of the Cost of Living pressures on unemployment, tax revenues and the wider economy loom. The Cost of Living pressures served to heighten the already existing uncertainty into the longer term.

The Consumer Prices Index stood at 2.6% in March 2025, increasing slightly to 3.3% in March 2026 which is above the Bank of England's target of 2%. To reflect the gradual falling in the rate of inflation the Bank of England decreased the base rate from 4.25% to 3.75% over 2 tranches during the period May 2025 to December 2025. It currently remains at 3.75% (as at June 2026). Whilst beneficial to returns on the Council's investments, the higher interest repayments on any new borrowing would have a negative impact on the Council's revenue budget.

This level of uncertainty around local government funding and high inflation costs brings inherent risks for the Council, for which several existing measures are in place to ensure the council's financial resilience. For example: -

- Ensuring sufficient reserves are held, underpinned by an annual review of earmarked reserves as part of the budget setting process;
- Risk assessing the general reserve to identify the minimum level of reserves required within the annual budget report;
- Ensuring an early indication of budget pressures through budget monitoring and reporting arrangements with actions necessary to manage or address such pressures; and

- Continuing to focus on achieving value for money through transformation and efficient procurement.

Having regard to these matters, working through its Management Team, elected members and partners, the Council will need to constantly assess its financial position and plans during the course of 2026/27 and beyond, reviewing its annual and longer-term budget assumptions, and identify options for managing budget pressures.

The Council's Medium-Term Financial Strategy, covering the period 2027/31, considered the forecast budget gap over that period and the strategy to balance the budget over the medium term. A Covid-19/Cost of Living Reserve was established in 2021/22 to provide resilience to the Council from the uncertainties in future changes in Government funding, future losses of sales, fees and charges and to provide funding for economic and community recovery - and to allow better opportunity to smooth out resources during any transition periods.

A Pensions Reserve was also established to mitigate the impact of future revaluations of the pension fund. The latest triennial revaluation took place as at 31st March 2025, taking effect 1st April 2026, and Burnley's share of the pension fund remains in a surplus. This has resulted in savings in the revenue budget since the 2023 financial year as annual deficit payments are no longer payable into the fund. As the fund remains in a surplus the Pension Reserve will be released to help fund regeneration of the borough.

The Strategy also sets out the Council's ambition to rebuild its level of reserves over future years, including contributing to the Revenue Budget Support Reserve, in order to provide funds for exceptional circumstances and to cover risks that could impact the Council as a going concern.

Levels of uncertainty are unprecedented, in particular around rising inflation rates and the Council's ability to generate inflationary revenue increases through local taxes, fees and charges and central government grants to meet the existing inflation levels. However, it is considered at this stage that this uncertainty does not present a significant risk to the Council's ability to operate as a going concern.

The long-term financial sustainability of the Council remains a constant risk in the current national economic climate. The prospect of both more devolution and Local Government Reorganisation may provide an opportunity to fundamentally reset how local government is provided in Lancashire, with the consequential impact on the Council's budget position in short and medium term.

## INVESTMENT PROPERTIES

Investment properties have been estimated using the identifiable criteria under IFRS of being held for rental income or for capital appreciation. These properties have been assessed using these criteria, which is subject to interpretation.

## PENSION FUND ASSET VALUATIONS

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.

Following a consultation exercise in July 2020 a proposed remedy in relation to the "McCloud judgement" for the LGPS has been agreed. The current pension figures provided include an allowance for McCloud that are substantially in line with the proposed remedy.

A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. Further detail on the assumptions used is provided in Note 29 to the Core Financial Statements.

### CHARTER WALK

The Council acquired Charter Walk shopping centre in October 2021. An independent third-party market valuation of the asset was undertaken in connection with the purchase of the property. The valuation has been reviewed annually by the Council's Valuer on an Existing Use Value basis which resulted in an asset valuation of £21.5m for the combined value of the Council's freehold and leasehold interests. The Council has used this asset valuation for the purpose of the 2025/26 Statement of Accounts. Uncertainty exists around the achievement of rental income where leases are due to renewal or units become vacant. The shopping centre is generating a surplus which is placed into an earmarked reserve to fund future shortfalls and regeneration of the centre.

# **Note 3** Events after the reporting period

The Statement of Accounts was certified by the Director of Resources on 30 June 2026. Events taking place after this date are not reflected in the financial statement or notes. Where events taking place before this date provided information about conditions existing at 31 March 2026, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no non-adjusting events after the Balance Sheet date.

# **Note 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.

The items in the authority's Balance Sheet at 31 March 2026 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

### PENSIONS

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

During 2025/26 the Council's actuaries advised that the net liability had increased by £1.396 due to the re-measurement of assets and liabilities as the fund is now in surplus. This surplus is then reduced to a deficit due to the impact of IFRIC14 and unfunded liabilities. The previous year saw a decrease of £17.671m.

### INVESTMENT PROPERTY – (ASSET VALUATIONS)

Investment properties have been estimated using the identifiable criteria under IFRS of being held for rental income or for capital appreciation. These properties have been assessed using these criteria, which is subject to interpretation.

The items in the Council's Balance Sheet at 31 March 2026 for which there is a significant risk of material adjustment in the forthcoming financial year 2026/27 are as follows:

<table>
<thead>
<tr><th>Item</th><th>Uncertainties</th><th>Effect if actual results differ from assumptions</th></tr>
</thead>
<tbody>
<tr>
<td>Property, Plant and Equipment (Asset Valuations)</td>
<td>Asset valuations are carried out in accordance with RICS Red Book Global as at 31 March.</td>
<td>The Council's valuations have not been reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Future revaluations of assets will attempt to reflect observed changes to the property market.<br><br>It is estimated that for every 1% increase/decrease in the valuation of property, the financial impact will be +/- £1.267m.</td>
</tr>
<tr>
<td>Pensions Liability</td>
<td>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</td>
<td>The effects on the net pension liability of changes in individual assumptions can be seen in the table below and have been included in detail within Note 29.
<table>
<tr><th></th><th>£000</th></tr>
<tr><td>Longevity (+/-1 Year)</td><td>+/- £2,917</td></tr>
<tr><td>Rate of Inflation (+/- 0.25%)</td><td>+/- £3,874</td></tr>
<tr><td>Rate of increase in salaries (+/- 0.25%)</td><td>+/- £401</td></tr>
<tr><td>Rate of discounting scheme liabilities (+/- 0.5%)</td><td>+/- £7,422</td></tr>
</table>
Any changes in the above assumptions have no impact on the net assets of the scheme.<br><br>Any change in the uncertainties listed opposite would lead to a significant change in the estimated pensions liability reported.</td>
</tr>
<tr>
<td></td>
<td>There has been substantial volatility in financial markets over recent years due to Cost of Living pressures and the situation in Ukraine, and their subsequent impact on global supply chains and inflation. Further escalations in the Middle East, the introduction of tariffs by the USA have contributed to significant volatility in bond markets, as yields increased markedly in recent months, with AA-rated corporate bond yields being significantly higher at the end of the financial year than the start. The assumptions for accounting purposes are based on bond yields, and therefore high yields will have an impact on accounting liabilities.</td>
<td>The increase in equity markets have been reflected in the accounting figures provided by the actuary as at 31 March 2026. Pension Fund property asset valuations remain a source of estimation uncertainty at this time.<br><br>A Pensions Reserve was established to protect the Council against any potential increases in contribution rates at the next triennial revaluation as at 31 March 2025 (taking effect 1 April 2026). As the fund remains in a surplus this reserve will be released.</td>
</tr>
</tbody>
</table>

# **Note 5** Expenditure and Funding Analysis

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

| | 2025/26 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Table 5a | Outturn as Reported to the Executive £000s | Adjustments to Management Reporting (EFA Note 1) £000s | Net Expenditure Chargeable to the General Fund Balance £000s | Adjustments for Capital Purposes (EFA Note 2) £000s | Net Change for Pensions Adjustments (EFA Note 3) £000s | Other Statutory Differences (EFA Note 4) £000s | Adjustments between the Funding and Accounting Basis (see note 7) £000s | Net Expenditure in the Comprehensive Income and Expenditure Statement £000s |
| Continuing Services | | | | | | | | |
| Economy and Growth | 124 | (1) | 123 | 455 | (99) | 4 | 360 | 483 |
| Policy and Engagement | 605 | (1) | 604 | 44 | (38) | - | 6 | 610 |
| Management Team | 408 | 1 | 409 | - | (31) | 8 | (23) | 386 |
| Sport and Culture Leisure Client | 1,827 | - | 1,827 | 1,473 | - | - | 1,473 | 3,300 |
| Green Spaces and Amenities | 2,309 | (1) | 2,308 | 1,694 | (213) | (3) | 1,478 | 3,786 |
| Street Scene | 3,999 | 1 | 4,000 | 850 | (147) | 12 | 715 | 4,715 |
| Housing and Development Control | 288 | (1) | 287 | 3,607 | (209) | 29 | 3,427 | 3,714 |
| Strategic Partnership | 2,674 | 1 | 2,675 | - | - | (6) | (6) | 2,669 |
| Finance | 1,185 | 334 | 1,519 | - | (69) | 2 | (67) | 1,452 |
| Property | (1,162) | 411 | (751) | 3,460 | (66) | 4 | 3,398 | 2,647 |
| Revenues and Benefits | (163) | 1 | (162) | - | - | - | - | (162) |
| Legal and Democratic Services | 1,680 | (1) | 1,679 | - | (64) | - | (64) | 1,615 |
| People and Development | 237 | (1) | 236 | - | (13) | - | (13) | 223 |
| Central Budgets | 382 | 669 | 1,051 | - | - | - | - | 1,051 |
| Net Cost of Services | 14,393 | 1,412 | 15,805 | 11,583 | (949) | 50 | 10,684 | 26,489 |
| Corporate Items | 7,653 | (432) | 7,221 | (15,332) | 472 | (103) | (14,963) | (7,743) |
| Funding | (22,055) | | (22,055) | - | - | 523 | 523 | (21,532) |
| (Surplus) or Deficit on Provision of Services | (9) | 980 | 971 | (3,749) | (477) | 470 | (3,756) | (2,785) |
| Opening General Fund Balance 1 April 2025 | | | (25,310) | | | | | |
| Less/Plus (Surplus) or Deficit on General Fund Balance In-Year | | | 971 | | | | | |
| Reserve Transfers | | | - | | | | | |
| Closing General Fund Balance at 31 March 2026 | | | (24,339) | | | | | |

| | 2024/25 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Table 5b | Outturn as Reported to the Executive £000s | Adjustments to Management Reporting (EFA Note 1) £000s | Net Expenditure Chargeable to the General Fund Balance £000s | Adjustments for Capital Purposes (EFA Note 2) £000s | Net Change for Pensions Adjustments (EFA Note 3) £000s | Other Statutory Differences (EFA Note 4) £000s | Adjustments between the Funding and Accounting Basis (see note 7) £000s | Net Expenditure in the Comprehensive Income and Expenditure Statement £000s |
| Continuing Services | | | | | | | | |
| Economy and Growth | 494 | - | 494 | 675 | (60) | (3) | 612 | 1,106 |
| Policy and Engagement | 453 | 1 | 454 | 16 | (22) | 2 | (4) | 450 |
| Management Team | 399 | 1 | 400 | - | (19) | 2 | (17) | 383 |
| Sport and Culture Leisure Client | 1,590 | 1 | 1,591 | 1,107 | - | - | 1,107 | 2,698 |
| Green Spaces and Amenities | 1,746 | - | 1,746 | 320 | (122) | 3 | 201 | 1,947 |
| Street Scene | 3,418 | 1 | 3,419 | 332 | (60) | 5 | 277 | 3,696 |
| Housing and Development Control | 1,405 | - | 1,405 | 4,153 | (117) | 2 | 4,038 | 5,443 |
| Strategic Partnership | 4,720 | (1) | 4,719 | - | (24) | - | (24) | 4,695 |
| Finance and Property | (337) | 729 | 392 | 14,757 | (51) | - | 14,706 | 15,098 |
| Revenues and Benefits | (924) | 1 | (923) | - | - | - | - | (923) |
| Legal and Democratic Services | 1,217 | (2) | 1,215 | - | (37) | (3) | (40) | 1,175 |
| People and Development | 228 | (1) | 227 | - | (8) | - | (8) | 219 |
| Central Budgets | (359) | 731 | 372 | - | - | - | - | 372 |
| Net Cost of Services | 14,050 | 1,461 | 15,511 | 21,360 | (520) | 8 | 20,848 | 36,359 |
| Corporate Items | 5,092 | (916) | 4,176 | (9,006) | 454 | (35) | (8,587) | (4,412) |
| Funding | (19,185) | | (19,185) | | | (979) | (979) | (20,164) |
| (Surplus) or Deficit on Provision of Services | (43) | 545 | 502 | 12,354 | (66) | (1,006) | 11,282 | 11,783 |
| Opening General Fund Balance 1 April 2024 | | | (25,811) | | | | | |
| Less/Plus (Surplus) or Deficit on General Fund Balance In-Year | | | 502 | | | | | |
| Reserve Transfers | | | - | | | | | |
| Closing General Fund Balance at 31 March 2025 | | | (25,310) | | | | | |

## EFA NOTE 1: ADJUSTMENTS TO MANAGEMENT REPORTING

This column adjusts the outturn figures reported to management for items chargeable to the General Fund for:

**Reserves** – the removal of transfers to/from reserves included in the management outturn report as these are not shown on the face of the Comprehensive Income and Expenditure Account.

**Investment Properties and Financing & Investment Income & Expenditure** – the reallocation of Investment Properties and Financing & Investment Income & Expenditure to/from the Net Cost of Services to Other Operating Income and Expenditure.

## EFA NOTE 2: ADJUSTMENT FOR CAPITAL PURPOSES

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

**Other Operating Expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

**Financing and Investment Income and Expenditure** – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

**Taxation and Non-Specific Grant Income and Expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## EFA NOTE 3: NET CHANGES FOR THE PENSIONS ADJUSTMENTS

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

For **Services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.

For **Financing and Investment Income and Expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

## EFA NOTE 4: OTHER STATUTORY ADJUSTMENTS

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

For **Financing and Investment Income and Expenditure** the other differences column recognises adjustments to the General Fund for the statutory override in place to reverse fair value movements in pooled investment funds.

For **Taxation and Non-Specific Grant Income and Expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund

# **Note 6** Expenditure and Income Analysed by Nature

| **Expenditure & Funding Analysis** | **2024/25 £000** | **2025/26 £000** |
|---|---|---|
| **Expenditure** | | |
| Employee Benefit Expenses | 11,700 | 12,845 |
| Other Service Expenses | 60,741 | 52,089 |
| Depreciation, Amortisation, Impairment | 14,463 | 7,661 |
| Interest Payments | 1,409 | 1,805 |
| Precepts and Levies | 188 | 201 |
| Gain on the Disposal of Assets | 653 | (145) |
| **Total Expenditure** | **89,154** | **74,455** |
| **Income** | | |
| Fees, Charges and Other Service Income | (15,573) | (16,681) |
| Interest and Investment Income | (1,303) | (1,449) |
| Income from Council Tax & Non Domestic Rates | (16,620) | (18,244) |
| Government Grants and Contributions | (43,874) | (40,866) |
| **Total Income** | **(77,369)** | **(77,240)** |
| **Surplus or Deficit on the Provision of Services** | **11,783** | **(2,785)** |

# **Note 7** Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council 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 of 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 | | | | Unusable Reserves | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Table 7a - 2025/26 | General Fund Balance £000s | Capital Receipts Reserve £000s | Capital Grants Unapplied £000s | Movement in Usable Reserves £000s | Capital Adjustment Account £000s | Deferred Capital Receipts £000s | Pooled Investment Funds Adjustment Account £000s | Pensions Reserve £000s | Collection Fund Adjustment Account £000s | Accumulated Absences Account £000s | Movement in Unusable Reserves £000s |
| **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: | | | | | | | | | | | |
| Pensions costs (transferred to / (from) the Pensions Reserve) | (477) | - | - | (477) | - | - | - | 477 | - | - | 477 |
| Financial Instruments (transferred to the Financial Instruments Adjustments Account) | (103) | - | - | (103) | - | - | 103 | - | - | - | 103 |
| Council tax and NDR (transfer to / (from) the Collection Fund Adjustment Account) | 523 | - | - | 523 | - | - | - | - | (523) | - | (523) |
| Holiday pay (transferred to / (from) the Accumulated Absences Reserve) | 50 | - | - | 50 | - | - | - | - | - | (50) | (50) |
| 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) | 4,596 | - | 4,969 | 9,565 | (9,565) | - | - | - | - | - | (9,565) |
| **Total Adjustments to Revenue Resources** | **4,589** | **-** | **4,969** | **9,558** | **(9,565)** | **-** | **103** | **477** | **(523)** | **(50)** | **(9,558)** |
| **Adjustments between Revenue and Capital Resources** | | | | | | | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (1,699) | 1,699 | - | - | - | - | - | - | - | - | - |
| Administrative Costs of Non-Current Asset Disposals (funded by a contribution from the Capital Receipts Reserve) | - | - | - | - | - | - | - | - | - | - | - |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | (1,881) | - | - | (1,881) | 1,881 | - | - | - | - | - | 1,881 |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | (4,765) | - | - | (4,765) | 4,765 | - | - | - | - | - | 4,765 |
| **Total Adjustments between Revenue and Capital Resources** | **(8,345)** | **1,699** | **-** | **(6,646)** | **6,646** | **-** | **-** | **-** | **-** | **-** | **6,646** |
| **Adjustments to Capital Resources** | | | | | | | | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | - | (1,659) | - | (1,659) | 1,659 | - | - | - | - | - | 1,659 |
| Application of capital grants to finance capital expenditure | - | - | (5,102) | (5,102) | 5,102 | - | - | - | - | - | 5,102 |
| Cash payments in relation to deferred capital receipts | - | - | - | - | - | - | - | - | - | - | - |
| Cash Payments in Relation to Long-Term Debtor Loans | - | 115 | - | 115 | (115) | - | - | - | - | - | (115) |
| **Total Adjustments to Capital Resources** | **-** | **(1,544)** | **(5,102)** | **(6,646)** | **6,646** | **-** | **-** | **-** | **-** | **-** | **6,646** |
| **Total Adjustments** | **(3,756)** | **155** | **(133)** | **(3,734)** | **3,727** | **-** | **103** | **477** | **(523)** | **(50)** | **3,734** |

| Table 7b - 2024/25 | Usable Reserves General Fund Balance £000s | Capital Receipts Reserve £000s | Capital Grants Unapplied £000s | Movement in Usable Reserves £000s | Unusable Reserves Capital Adjustment Account £000s | Deferred Capital Receipts £000s | Pooled Investment Funds Adjustment Account £000s | Pensions Reserve £000s | Collection Fund Adjustment Account £000s | Accumulated Absences Account £000s | Total Movement in Reserves |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **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: | | | | | | | | | | | |
| Pensions costs (transferred to / (from) the Pensions Reserve) | (66) | - | - | (66) | - | - | - | 66 | - | - | 66 |
| Financial Instruments (transferred to the Financial Instruments Adjustments Account) | (35) | - | - | (35) | - | - | 35 | - | - | - | 35 |
| Council tax and NDR (transfer to / (from) the Collection Fund Adjustment Account) | (979) | - | - | (979) | - | - | - | - | 979 | - | 979 |
| Holiday pay (transferred to / (from) the Accumulated Absences Reserve) | 8 | - | - | 8 | - | - | - | - | - | (8) | (8) |
| 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) | 16,888 | - | 5,102 | 21,990 | (21,990) | - | - | - | - | - | (21,990) |
| **Total Adjustments to Revenue Resources** | **15,816** | **-** | **5,102** | **20,918** | **(21,990)** | **-** | **35** | **66** | **979** | **(8)** | **(20,918)** |
| **Adjustments between Revenue and Capital Resources** | | | | | | | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (869) | 869 | - | - | - | - | - | - | - | - | - |
| Administrative Costs of Non-Current Asset Disposals (funded by a contribution from the Capital Receipts Reserve) | - | - | - | - | - | - | - | - | - | - | - |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | (1,809) | - | - | (1,809) | 1,809 | - | - | - | - | - | 1,809 |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | (1,857) | - | - | (1,857) | 1,857 | - | - | - | - | - | 1,857 |
| **Total Adjustments between Revenue and Capital Resources** | **(4,535)** | **869** | **-** | **(3,666)** | **3,666** | **-** | **-** | **-** | **-** | **-** | **3,666** |
| **Adjustments to Capital Resources** | | | | | | | | | | | |
| Use of the Capital Receipts Reserve to finance capital | - | (1,774) | - | (1,774) | 1,774 | - | - | - | - | - | 1,774 |
| Application of capital grants to finance capital expenditure | - | - | (5,386) | (5,386) | 5,386 | - | - | - | - | - | 5,386 |
| Cash payments in relation to deferred capital receipts | - | - | - | - | - | - | - | - | - | - | - |
| Cash Payments in Relation to Long-Term Debtor Loans | - | 162 | - | 162 | (162) | - | - | - | - | - | (162) |
| **Total Adjustments to Capital Resources** | **-** | **(1,612)** | **(5,386)** | **(6,998)** | **6,998** | **-** | **-** | **-** | **-** | **-** | **6,998** |
| **Total Adjustments** | **11,281** | **(743)** | **(284)** | **10,254** | **(11,326)** | **-** | **35** | **66** | **979** | **(8)** | **(10,254)** |

# **Note 8** Movements In Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2025/26.

The Council's earmarked reserves are held for the following purposes:

| | | 2024/25 | | | 2025/26 | | |
|---|---|---|---|---|---|---|---|
| Transfers to/from Earmarked Reserves<br>Earmarked Reserves | Balance at 31 March 2024 £000s | Net transfers In/(Out) £000s | Movements between Reserves £000s | Balance at 31 March 2025 £000s | Net transfers In/(Out) £000s 2 | Movements between Reserves £000s 2 | Balance at 31 March 2026 £000s |
| **Specific Reserves** | | | | | | | |
| Taxi Licensing | 4 | (4) | - | - | - | - | - |
| Selective Licensing | 475 | (426) | - | 49 | 301 | - | 350 |
| Local Development Framework | 120 | 85 | - | 205 | 67 | - | 272 |
| Transport & Plant Replacement | 37 | (76) | - | (39) | 49 | - | 10 |
| Revenue Grants Unapplied | 450 | 424 | - | 874 | (595) | - | 279 |
| Primary Engineer/Education Reserve | 37 | - | - | 37 | - | - | 37 |
| Town Centre Master Plan | 1,092 | (9) | - | 1,083 | (362) | - | 721 |
| Charter Walk Refurbishment | 389 | 114 | - | 503 | 114 | - | 617 |
| Charter Walk Regeneration | 1,929 | (812) | - | 1,117 | 216 | - | 1,333 |
| Burnley Bondholders | 41 | 8 | - | 49 | (36) | - | 13 |
| Business Rates Retention Volatility | 570 | 68 | - | 638 | 2,125 | - | 2,763 |
| Cremator Relining | - | 34 | - | 34 | 21 | - | 55 |
| Revenue Support | 1,765 | (24) | - | 1,741 | (184) | - | 1,557 |
| Carry Forwards | 603 | (47) | - | 556 | (274) | - | 282 |
| Regeneration | 4,755 | 757 | - | 5,512 | (1,432) | - | 4,080 |
| Pension Strain | 1,113 | - | - | 1,113 | - | - | 1,113 |
| Sandygate Refurbishment | 86 | 42 | - | 128 | 41 | - | 169 |
| Sandygate Smoothing | 813 | 113 | - | 926 | (330) | - | 596 |
| Elections | 96 | 20 | - | 116 | 91 | - | 207 |
| Cost of Living | 639 | (162) | - | 477 | (143) | - | 334 |
| Housing Initiatives Reserve | 357 | (5) | - | 352 | 284 | - | 636 |
| Collection Fund Deficit Reserve | 1,350 | (517) | - | 833 | 252 | - | 1,085 |
| Towneley Park Events | 39 | (18) | - | 21 | (5) | - | 16 |
| Energy Volatility | 371 | (227) | - | 144 | (144) | - | - |
| Dispersal Grant | 1,021 | 5 | - | 1,026 | (221) | - | 805 |
| Padiham Town Hall | 13 | 59 | - | 72 | - | - | 72 |
| Pioneer Place Smoothing | 400 | 308 | - | 708 | 171 | - | 879 |
| Pioneer Place Refurb Reserve | - | - | - | - | 48 | - | 48 |
| RSAP Sinking Fund Reserve | 4 | - | - | 4 | 20 | - | 24 |
| Building Control Reserve | 69 | 9 | - | 78 | 28 | - | 106 |
| Vision Park Reserve | 20 | 20 | - | 40 | 15 | - | 55 |
| Habergham 3G Pitch | - | 500 | - | 500 | - | - | 500 |
| Waste Collection Reserve | - | - | - | - | 332 | - | 332 |
| Long Term Plan for Towns Reserve | - | - | - | - | 431 | - | 431 |
| Youth Zone Reserve | - | - | - | - | 20 | - | 20 |
| | 18,658 | 239 | - | 18,897 | 900 | - | 19,797 |
| **Strategic Reserves** | | | | | | | - |
| Transformation | 4,174 | (604) | - | 3,570 | (1,224) | - | 2,346 |
| Growth | 2,980 | (136) | - | 2,844 | (647) | - | 2,197 |
| | 7,154 | (740) | - | 6,414 | (1,871) | - | 4,543 |
| Total | 25,811 | (502) | - | 25,310 | (971) | - | 24,339 |

## SPECIFIC OPERATIONAL RESERVES

Ring-fenced reserves held for operational needs to provide for anticipated future liabilities and to support the operational delivery of specific services. These include:

**Taxi Licensing Reserve** - under the Local Government (Miscellaneous Provisions) Act 1976 the Council is only permitted to set licence fees to recover the costs of the Taxi Licensing Service, and the effect of this legislation is to prevent fees being set at a level that will result in a 'profit' to the Council. The annual licence fees are calculated in accordance with the three year pricing policy agreed by the Council's Executive to establish a consistent and fair mechanism for fee setting and avoid large fluctuations in running costs from one year to the next. Any surplus or deficit from previous financial years is transferred into the taxi licensing reserve, in order to maintain a cost-neutral effect on the Council's finances, which is then available for use as part of the three year pricing policy and assist in the equalisation of future licence fees.

**Selective Licensing Reserve** – this reserve is to accumulate the income from licences granted to landlords to cover the cost of administering the selective licensing initiative.

**Local Development Framework Reserve** – funded by savings and specific grants received in previous years, this reserve will meet additional costs through changes to the framework governing local planning and development control issues.

**Transport & Plant Replacement Reserve** – funded by savings on lease contracts, all transport and grounds maintenance equipment is now purchased through the use of this reserve which has generated longer term savings.

**Revenue Grants Unapplied Reserve** – the Council established this reserve in 2014/15 containing Government grants and external contributions that have no conditions attached that are being set aside for spending on specific services.

**Primary Engineer/Education Reserve** – this was created in 2015/16 to enable the Council to support a three-year training initiative in schools within Burnley.

**Town Centre & Weavers Triangle** – this was created in 2016/17 to assist the Council in procuring the expertise to carry out a master planning exercise and is seeking to appoint a suitably qualified multi-disciplinary consultancy team to develop a vision and plan for the town centre. It will enable the Council to deliver a major town centre regeneration scheme.

**Burnley Bondholders Reserve** – this was created in 2016/17 to manage the excess sponsorship contributions from the bondholders' organisations which are primarily used to fund the Burnley brand and marketing officer and marketing of the town to attract economic investment into the area. These monies were previously held in the Growth Reserve.

**Business Rates Volatility Reserve** – this is used to safeguard the Council against the timing differences within the business rates retention system.

**Cremator Relining Reserve** – this was created in 2017/18 to provide an annual contribution to fund the planned relining of the Council's cremators when each relining becomes due.

**Revenue Support Reserve** – this was created in 2018/19 to provide funding for unanticipated reductions in income and initiatives to offset budget reductions.

**Carry Forwards Reserve** – this was created in 2018/19 to allow approved budget underspends to be carried forward from one financial year and to be spent in future financial years.

**Regeneration Reserve** – this was created in 2019/20 to assist in progressing regeneration activities within the borough.

**Sandygate Refurbishment Reserve** – this was created in 2020/21 to set aside monies for the ongoing maintenance of Sandygate Halls.

**Sandygate Smoothing Reserve** – this was created in 2020/21 to allow for fluctuations in annual income and expenditure at Sandygate Halls.

**Elections Reserve** – this was created in 2020/21 to allow monies to be set aside annually to fund borough elections.

**Pension Strain Reserve** – this was created in 2020/21 following the 2019/20 triennial review which saw the Council's deficit payments reduce significantly. The reserve allows the Council to set aside funds to mitigate the potential impact of increases to the deficit payment following the next triennial review.

**Cost of Living Reserve** – this was created in 2020/21 using Central Government funding received in year. The purpose of the reserve is to help address any shortfalls in income/increases in expenditure incurred in future financial years as a result of the pandemic.

**Collection Fund Deficit Reserve** – this was created in 2020/21 using S31 grants to offset business rates reliefs given to businesses. Under current collection fund accounting rules, S31 grants received during the year will not be discharged against the collection fund deficit until the following year, thereby inflating the Council's General Fund balances at the end of the financial year. This would lead to potentially misleading accounts, showing a significant increase in available reserves that are not actually available but earmarked against the following year's collection fund deficit.

**Housing Initiatives** – this was established in 2020/21 to set aside monies for future housing initiatives.

**Energy Volatility Reserve** – this was created in 2021/22 to help mitigate fluctuations in energy costs.

**Charter Walk Refurbishment** – this was established in 2021/22 to set aside monies for the ongoing maintenance of Charter Walk.

**Charter Walk Regeneration** - this was created in 2021/22 to allow for fluctuations in annual income and expenditure at Charter Walk and provide funding towards future regeneration.

**Towneley Park Events** - this was created in 2021/22 to assist the Council in providing events within Towneley Park.

**Pioneer Place Smoothing Reserve** - this was created in 2022/23 to allow for fluctuations in annual income and expenditure at Charter Walk.

**Pioneer Place Refurbishment Reserve** - this was established in 2025/26 to set aside monies for the ongoing maintenance of Pioneer Place.

**Dispersal Grant Reserve** – this reserve was created in 2022/23 to set aside Central Government grant funding to assist with costs of supporting requests for properties made under Asylum Seeker Full dispersal.

**Padiham Town Hall** - this was created in 2022/23 to allow for fluctuations in annual income and expenditure at Padiham Town Hall.

**Vision Park** – this was created in 2023/24 to allow for fluctuations in annual income and expenditure at Vision Park.

**Building Control Reserve** – this was created in 2023/24 to allow for fluctuations in annual income and expenditure within the Building Control service area.

**RSAP Sinking Fund** – this was created in 2023/24 to allow for fluctuations in annual income and expenditure relating to the Councils RSAP properties.

**Towneley Masterplan** – created in 2023/24 to provide match funding for schemes included in the Towneley Masterplan.

**Habergham 3G Pitch** – created in 2024/25 to provide funding for the potential development of a 3G pitch in Habergham.

**Waste Collection Reserve** – created in 2025/26 to help smooth potential additional costs in relation to Extended Producer Responsibilities.

**Long Term Plans for Town Reserve** – this was created in 2025/26 to set aside Long Term Plan for Towns external funding which will be used over the life of the scheme.

**Youth Zone Reserve** – created in 2025/26 to fund the planned Youth Zone which is to be built in the town centre

## STRATEGIC RESERVES

Held to provide short-term investment for strategic priorities to give flexibility in the use of corporate resources and strategic service transformation and ability to ensure services remain fit for purpose and deliver value for money. The two reserves are:-

**Transformation Reserve** – this has been created to mitigate the impact of any one-off expenditure that arises from organisational and transformational change and to assist with organisational downsizing.

**Growth Reserve** – this is used to pump prime projects that deliver demonstrable wider strategic benefits that enable the Council to fulfil its place shaping role for Burnley.

# **Note 9** Property, Plant & Equipment

* The figures in each of the tables below, totalling £14.685m surplus in 2025/26 (£6.064m surplus in 2024/25), reflect the deficit or surplus on revaluation that appears at the bottom of the Comprehensive Income and Expenditure Statement.

| Property, Plant & Equipment Movements in 2025/26 | Other Land & Buildings £000s | Vehicles, Plant & Equipment £000s | Surplus Assets £000s | Assets Under Construction £000s | Infrastructure Assets £000s | Community Assets £000s | Total Property, Plant & Equipment £000s | Intangible Assets £000 | Total Intangible Assets £000 |
|---|---|---|---|---|---|---|---|---|---|
| Cost or Valuation | | | | | | | | | |
| At 1 April 2025 | 82,333 | 5,995 | 12,580 | 5,493 | 1,437 | 394 | 108,232 | 79 | 79 |
| Additions | 7,505 | 1,748 | 2,392 | 397 | - | 569 | 12,611 | - | - |
| * Revaluation increases/(decreases) recognised in the Revaluation Reserve | 15,742 | - | 1,993 | - | - | 85 | 17,820 | - | - |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (1,697) | - | (1,438) | - | - | - | (3,135) | - | - |
| Derecognition - disposals | - | (878) | (1,531) | - | - | - | (2,409) | - | - |
| Assets reclassified (to)/from Held for Sale | - | - | - | - | - | - | - | - | - |
| Assets reclassified (to)/from Investment Properties | - | - | - | - | - | - | - | - | - |
| Assets reclassified (to)/from Infrastructure Assets | - | - | - | - | - | - | - | - | - |
| Other movements in cost or valuation | 5,521 | - | (28) | (5,493) | - | - | - | - | - |
| At 31 March 2026 | 109,404 | 6,865 | 13,968 | 397 | 1,437 | 1,048 | 133,119 | 79 | 79 |
| Accumulated Depreciation and Impairment | | | | | | | | | |
| At 1 April 2025 | (1,150) | (4,287) | - | - | - | - | (5,437) | (14) | (14) |
| Depreciation charge | (3,518) | (983) | - | - | - | - | (4,501) | - | - |
| Amortisation | - | - | - | - | - | - | - | (16) | (16) |
| * Depreciation written out to the Revaluation Reserve | 2,673 | - | - | - | - | - | 2,673 | - | - |
| Recognition - disposals | - | 856 | - | - | - | - | 856 | - | - |
| Other movements in depreciation and impairment | - | - | - | - | - | - | - | - | - |
| At 31 March 2026 | (1,995) | (4,414) | - | - | - | - | (6,409) | (30) | (30) |
| Net Book Value | | | | | | | | | |
| At 31 March 2026 | 107,409 | 2,451 | 13,968 | 397 | 1,437 | 1,048 | 126,709 | 50 | 50 |
| At 31 March 2025 | 81,183 | 1,708 | 12,580 | 5,493 | 1,437 | 394 | 102,797 | 66 | 66 |

| Property, Plant & Equipment Movements in 2024/25 | Other Land & Buildings £000s | Vehicles, Plant & Equipment £000s | Surplus Assets £000s | Assets Under Construction £000s | Infrastructure Assets £000s | Community Assets £000s | Total Property, Plant & Equipment £000s | Intangible Assets £000 | Total Intangible Assets £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | | |
| At 1 April 2024 | 77,056 | 5,673 | 7,306 | 14,234 | 1,437 | 1,116 | 106,822 | 34 | 34 |
| Additions | 2,961 | 620 | 5,272 | 2,221 | | 25 | 11,099 | 45 | 45 |
| * Revaluation increases/(decreases) recognised in the Revaluation Reserve | 1,963 | - | 2,200 | - | - | 9 | 4,172 | - | - |
| * Revaluation increases/(decreases) recognised in the Revaluation Reserve - non material prior year adjustment | 818 | - | - | - | - | - | 818 | - | - |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (115) | - | (11,769) | (4) | - | - | (11,889) | - | - |
| Derecognition - disposals | (61) | (297) | (703) | - | - | (757) | (1,818) | - | - |
| Assets reclassified (to)/from Held for Sale | - | - | - | - | - | - | - | - | - |
| Assets reclassified (to)/from Investment Properties | - | - | - | - | - | - | - | - | - |
| Assets reclassified (to)/from Infrastructure Assets | - | - | - | - | - | - | - | - | - |
| Other movements in cost or valuation | (291) | - | 10,275 | (10,958) | - | - | (974) | - | - |
| **At 31 March 2025** | 82,333 | 5,995 | 12,580 | 5,493 | 1,437 | 394 | 108,233 | 79 | 79 |
| **Accumulated Depreciation and Impairment** | | | | | | | | | |
| At 1 April 2024 | (706) | (4,192) | - | - | - | - | (4,898) | (7) | (7) |
| Depreciation charge | (1,459) | (392) | | - | - | - | (1,852) | - | - |
| Amortisation | | | | | | | - | (7) | (7) |
| * Depreciation written out to the Revaluation Reserve | 1,074 | | | - | - | - | 1,074 | - | - |
| Recognition - disposals | - | 297 | - | - | - | - | 297 | - | - |
| Other movements in depreciation and impairment | (59) | - | - | - | - | - | (59) | - | - |
| **At 31 March 2025** | (1,150) | (4,287) | - | - | - | - | (5,436) | (14) | (14) |
| **Net Book Value** | | | | | | | | | |
| At 31 March 2025 | 81,183 | 1,708 | 12,580 | 5,493 | 1,437 | 394 | 102,797 | 66 | 66 |
| At 31 March 2024 | 76,350 | 1,481 | 7,306 | 14,234 | 1,437 | 1,116 | 101,926 | 27 | 27 |

## INFRASTRUCTURE ASSETS

The Council's Infrastructure Asset is land and is deemed as having an unlimited useful life. Depreciation is therefore not charged against the asset and the asset is shown at historical cost.

## ASSET VALUATIONS

Asset valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Red Book Global.

Given the potential for market conditions to move rapidly, valuations should be kept under regular review as market evidence emerges.

## DEPRECIATION

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Land and Buildings 20 – 60 years
- Vehicles, Plant and Equipment 3 – 15 years

## CAPITAL COMMITMENTS

At 31 March 2026, the Council has significant commitments for future capital expenditure in 2025/26 and future years budgeted to cost £12.779m. Similar commitments at 31 March 2025 were £11.010m. The commitments are:

| Schemes | £000s |
|---|---|
| Crematorium Improvements (and Car Park) | 150 |
| Towneley Hall Improvement Scheme | 244 |
| Fennyfold Changing Facilities | 104 |
| Waste Transfer Station | 3,026 |
| Waste Contract Vehicles | 2,983 |
| Nicholas Street/BLR Fund | 2,740 |
| Charter Walk Repair and Maintenance Programn | 2,684 |
| Empty Homes Programme | 185 |
| Disabled Facilities Grant | 663 |
| Total | 12,779 |

## REVALUATIONS

From 1st April 2025, the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requirements changed in respect of revaluations of property, plant and equipment. Where authorities do not have a rolling programme of revaluations in place and/or the assets are not non-property assets subject to indexation, authorities revalue their assets every five years with annual indexation applied to assets during the four intervening years. Where authorities cannot obtain indices without undue cost or efforts, authorities revalue those assets using a quinquennial revaluation with a desktop revaluation in year three.

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years in accordance with RICS Red Book requirements, while indexation reflects market-based movements applied in intervening periods. Although the valuation approaches differ, both are treated equally for accounting purposes under the revaluation model.

The Council uses the BCIS Regional Trade Price Index (RTPI) adjusted in line with the BCIS Trade Price Study (TPS) Location Factor at borough level in the intervening four year periods. BCIS data is published in arrears, therefore the latest available data at the end of March in any given year is for Q3 of the previous calendar year (July – September & quoted in BCIS Regional Trade Price Index as the August date index). The annual change in the BCIS Trade Price Index is therefore adjusted to reflect the BCIS Trade Price Study Location Factor as at the previous August publication date.

| Indexation Calculation | Indexation |
|---|---|
| BCIS Regional Trade Price Index - North West (August 2025) | 2.3000% |
| BCIS Trade Price Study (TPS) Location Factor (Q3 2025) | 103.0000% |
| Indexation Applied | 2.3690% |

All valuations were carried out internally by professionally qualified surveyors. 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 and equipment are based on historic cost.

The table below shows the current value of assets by the year of valuation. The valuations are based on the valuations carried out by professionally qualified surveyors and also the use of indices.

| Revaluations | Other Land & Buildings £000s | Vehicles, Plant & Equipment £000s | Surplus Assets £000s | Total £000s |
|---|---|---|---|---|
| Carried at historical cost | | 2,451 | | 2,451 |
| Valued at current value as at: | | | | |
| 31 March 2026 | 66,720 | - | 13,968 | 80,688 |
| 31 March 2025 | 10,289 | - | - | 10,289 |
| 31 March 2024 | 23,574 | - | - | 23,574 |
| 31 March 2023 | 843 | - | - | 843 |
| 31 March 2022 | 5,982 | - | - | 5,982 |
| Total Cost or Valuation | 107,409 | 2,451 | 13,968 | 123,828 |

The table below details the change in valuations due to the use of indices for transparency purposes.

| Revaluations by Indices | Average Change % | Valuation Change £000 |
|---|---|---|
| Carried at historical cost | - | - |
| Valued at current value as at: | | |
| Index - BCIS Location Factor | 2.3690% | 4,424 |
| Total Cost or Valuation | 2.3690% | 4,424 |

# **Note 10** Heritage Assets

## RECONCILIATION OF THE CARRYING VALUE OF HERITAGE ASSETS HELD BY THE COUNCIL

* The figure in the table below, totalling £0.0m surplus in 2025/26 (£0.0m in 2024/25) reflects the deficit or surplus on revaluation that appears at the bottom of the Comprehensive Income and Expenditure Statement.

| Heritage Assets Movements in 2025/26 | Oil Paintings £000s | Water Colours £000s | Furniture £000s | Sculpture £000s | Ceramics £000s | Other £000s | Total Heritage Assets £000s |
|---|---|---|---|---|---|---|---|
| Cost or Valuation | | | | | | | |
| At 1 April 2025 | 27,682 | 1,581 | 2,090 | 1,194 | 599 | 1,673 | 34,819 |
| * Revaluation increases/(decreases) recognised in the Revaluation Reserve | - | - | - | - | - | - | - |
| At 31 March 2026 | 27,682 | 1,581 | 2,090 | 1,194 | 599 | 1,673 | 34,819 |

| Heritage Assets 2024/25 | Oil Paintings £000s | Water Colours £000s | Furniture £000s | Sculpture £000s | Ceramics £000s | Other £000s | Total Heritage Assets £000s |
|---|---|---|---|---|---|---|---|
| Cost or Valuation | | | | | | | |
| At 1 April 2024 | 27,682 | 1,581 | 2,090 | 1,194 | 599 | 1,673 | 34,819 |
| * Revaluation increases/(decreases) recognised in the Revaluation Reserve | - | - | - | - | - | - | - |
| At 31 March 2025 | 27,682 | 1,581 | 2,090 | 1,194 | 599 | 1,673 | 34,819 |

The Council's external Valuer, Bonhams, carried out a partial valuation of the major exhibits in March 2023 with a valuation date as at 31 March 2023 and completed the remaining valuations in September 2023 with a valuation date as at 31 March 2024. The valuations were based on commercial markets including recent transaction information from auctions where similar types of artefacts are regularly being purchased. In 2025/26 (as in 2024/25) there have been no material additions or disposals and the whole collection is due to be revalued in 2032.

The Council's Heritage Assets are normally held at Towneley Hall Art Gallery & Museum and Burnley Town Hall however restoration of Towneley Hall Art Gallery and Museum is currently being undertaken and some assets have been decanted to other sites until work is completed. The collections (along with the percentage on display at any given time) can be broadly divided into:

- Fine art – oil paintings (70%), watercolour paintings (0%), works on paper (2%) and book illustrations (1880-1920) (0%)
- Furniture (99%)
- Sculpture (98%)
- Ceramics (10%), ivories (14%) and glass (5%)
- Military medals (13%)
- Numismatics (0%), medals (0%) and horology (2%)
- Silver and silver plate (1%)

- Costume and textiles (5%), including vestments (100%)
- Arms and armour (3%)
- Archaeology (local) (0%)
- Egyptology (23%)
- Ethnography (3%)
- Natural history (15%) and geology (4%)
- Local, social and industrial history (80%) (Artefacts, archives and photographs)
- War memorials (100%)

# **Note 11** 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:

| Table 11a - Investment Properties Income and Expenses | 2024/25 £000s | 2025/26 £000s |
|---|---|---|
| Rental income from investment property | 734 | 834 |
| Direct operating expenses arising from investment property | (74) | (260) |
| Net gain / (loss) | 660 | 574 |

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

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

| Table 11b - Investment Properties | 2024/25 £000s | 2025/26 £000s |
|---|---|---|
| Balance at start of the year | 9,218 | 9,525 |
| Additions: | | |
| Purchases | 22 | 226 |
| Subsequent expenditure on enhancement | - | - |
| Disposals | - | - |
| Net gains / (losses) from fair value adjustments | 285 | (6) |
| Transfers: | | |
| (To) / from property, plant and equipment | - | - |
| Balance at end of the year | 9,525 | 9,744 |

## FAIR VALUE HIERARCHY

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2026 shows that the fair value was £9.744m (£9.525m as at 31 March 2025) and that the assets were all commercial units / office units and valued using level 2 - other significant observable inputs. The fair values attributed to level 2 categorisation in the fair value hierarchy have been based upon the market approach using current market conditions and recent sales prices and other relevant transactional information for similar assets in the local authority area. In estimating the fair value of the Council's investment properties the highest and best use of the properties is their current use.

## REVALUATIONS

There has been no change in the valuation techniques used during the year for investment properties. Gains or losses arising from changes in the fair value of the investment property are recognised in the Surplus or Deficit on the Provision of Services on the Financing and Investment Income and Expenditure line.

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out internally by professionally qualified surveyors in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

# **Note 12** Financial Instruments

## CATEGORIES OF FINANCIAL INSTRUMENTS (12A)

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

| FINANCIAL ASSETS | 31 March 2025 | | | | | 31 March 2026 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Non-Current | | Current | | | Non-Current | | Current | | |
| | Investments £000s | Debtors £000s | Investments £000s | Debtors £000s | TOTAL £000s | Investments £000s | Debtors £000s | Investments £000s | Debtors £000s | TOTAL £000s |
| Fair Value Through Profit or Loss | 1,714 | | | | 1,714 | 865 | | | | 865 |
| Amortised Cost | 1,699 | 1,365 | 9,460 | 9,273 | 21,797 | 1,617 | 1,072 | 6,607 | 13,008 | 22,304 |
| **Total Financial Assets** | **3,413** | **1,365** | **9,460** | **9,273** | **23,511** | **2,482** | **1,072** | **6,607** | **13,008** | **23,169** |
| Non-Financial Assets | - | - | - | 2,314 | 2,314 | - | - | - | 2,923 | 2,923 |
| **Total** | **3,413** | **1,365** | **9,460** | **11,587** | **25,825** | **2,482** | **1,072** | **6,607** | **15,932** | **26,092** |

| FINANCIAL LIABILITIES | 31 March 2025 | | | | | 31 March 2026 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Non-Current | | Current | | | Non-Current | | Current | | |
| | Borrowings £000s | Creditors £000s | Borrowings £000s | Creditors £000s | TOTAL £000s | Borrowings £000s | Creditors £000s | Borrowings £000s | Creditors £000s | TOTAL £000s |
| Amortised Cost | (55,890) | - | (3,631) | (2,699) | (62,220) | (52,298) | - | (10,607) | (2,319) | (65,224) |
| **Total Financial Liabilities** | **(55,890)** | **-** | **(3,631)** | **(2,699)** | **(62,220)** | **(52,298)** | **-** | **(10,607)** | **(2,319)** | **(65,224)** |
| Non-Financial Liabilities | - | - | - | (8,272) | **(8,272)** | - | - | - | (7,772) | **(7,772)** |
| **Total** | **(55,890)** | **-** | **(3,631)** | **(10,971)** | **(70,492)** | **(52,298)** | **-** | **(10,607)** | **(10,091)** | **(72,996)** |

## FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (12B)

The Council has units in two property funds. These units were acquired for the purpose of increasing the investment income receivable by the Council to help alleviate revenue budget pressures. The fair value of each investment is shown in the table below. Fair Value Movement and Dividend amounts are included within the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

| FAIR VALUE THROUGH PROFIT or LOSS | Fair Value 31 March 2025 £000s | Fair Value 31 March 2025 £000s | Movement in Fair Value During 2025/26 £000s | Dividends in 2025/26 £000s |
|---|---|---|---|---|
| **Property Investment Funds:** | | | | |
| Church Commissioners Local Authority (CCLA) Property Fund | 865 | 865 | - | 38 |
| Hermes Property Unit Trust | 849 | - | (849) | 7 |
| **Total** | **1,714** | **865** | **(849)** | **45** |

## INCOME, EXPENSE, GAINS AND LOSSES (12C)

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

| INCOME, EXPENSES, GAINS & LOSSES | 2024/25 | | 2025/26 | |
|---|---|---|---|---|
| | Surplus or Deficit on the Provision of Services £000 | Other Comprehensive Income and Expenditure £000 | Surplus or Deficit on the Provision of Services £000 | Other Comprehensive Income and Expenditure £000 |
| **Net Gains/Losses On:** | | | | |
| Financial Assets Measured at Fair Value Through Profit or Loss | (115) | - | (41) | - |
| Financial Assets Measured at Amortised Cost | - | - | 25 | - |
| **Total Net Gains/Losses** | **(115)** | **-** | **(16)** | **-** |
| **Interest Revenue:** | | | | |
| Financial Assets Measured at Amortised Cost | (456) | - | 461 | - |
| **Total Interest Revenue** | **(456)** | **-** | **461** | **-** |
| **Interest Expense** | **1,335** | **-** | **1,515** | **-** |

## FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (12D)

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

**FINANCIAL ASSETS MEASURED at FAIR VALUE**

| Recurring Fair Value Measurements | Input Level in Fair Value Hierarchy | Valuation Technique Used to Measure Fair Value | As At 31 March 2025 | As At 31 March 2026 |
|---|---|---|---|---|
| **Fair Value Through Profit and Loss:** | | | | |
| Church Commissioners Local Authority (CCLA) Property Fund | Level 1 | Unadjusted Quoted Prices in Active Markets for Identical Shares | 865 | 865 |
| Hermes Property Unit Trust | Level 1 | Unadjusted Quoted Prices in Active Markets for Identical Shares | 849 | - |
| **Total** | | | **1,714** | **865** |

Church Commissioners Local Authority (CCLA) Property Fund: In November 2018, the Council purchased 306,316 units for £1m (including entry costs of £63k) in CCLA Local Authorities Property Fund, prices are published in the Financial Times and on the CCLA website.

Hermes Property Unit Trust: In January 2019, the Council purchased 139,912 units for £1m (including entry costs of £48k) in Hermes Property Unit Trust, prices are published in the Financial Times and on the Trust's website. Following the merger of Federated Hermes Property Unit Trust (Hermes) into the L&G Managed Property Fund in August 2025 the fund was redeemed. This is because L&G Managed Property Fund are only open to Pension Funds rather than Property Funds.

## THE FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE (BUT FOR WHICH FAIR VALUE DISCLOSURES ARE REQUIRED) (12E)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair 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:

- For loans from the PWLB payable, the PWLB certainty rate has been applied to provide the fair value.
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

| FINANCIAL LIABILITIES | 31 March 2025 | | 31 March 2026 | |
|---|---|---|---|---|
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| PWLB Debt | (59,506) | (35,997) | (62,890) | (38,530) |
| Short-Term Borrowing | (14) | (14) | (14) | (14) |
| Short-Term Creditors | - | - | (7,772) | (7,772) |
| **Total Liabilities** | **(59,520)** | **(36,011)** | **(70,676)** | **(46,316)** |

The fair value of the liabilities is lower than the carrying amount as at 31 March because the Council's portfolio of loans now includes a number of fixed rate loans where the interest rate payable is lower than the rate available at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2026) arising from a commitment to pay interest to lenders below current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £38.530m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional/reduced interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

| FINANCIAL ASSETS | 31 March 2025 | | 31 March 2026 | |
|---|---|---|---|---|
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| Short-Term Investments | 9,460 | 9,460 | 6,607 | 6,607 |
| Short-Term Debtors | 8,014 | 8,014 | 10,459 | 10,459 |
| Long-Term Debtors | 1,365 | 1,365 | 1,072 | 1,072 |
| **Total Assets** | **18,839** | **18,839** | **18,138** | **18,138** |

Short-term investments & borrowing, long-term debtors and short-term debtors & creditors are all carried at cost as this is a fair approximation of their value.

## FAIR VALUE HIERARCHY FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE (12F)

| RECURRING FAIR VALUE MEASUREMENTS USING: | 31 March 2026 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) £000 | Other Significant Observable Inputs (Level 2) £000 | Significant Unobservable Inputs (Level 3) £000 | TOTAL £000 |
| **Financial Liabilities** | | | | |
| *Financial Liabilities Held at Amortised Cost:* | | | | |
| PWLB Debt | | (38,530) | | **(38,530)** |
| **TOTAL** | **-** | **(38,530)** | **-** | **(38,530)** |

| RECURRING FAIR VALUE MEASUREMENTS USING: | 31 March 2025 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) £000 | Other Significant Observable Inputs (Level 2) £000 | Significant Unobservable Inputs (Level 3) £000 | TOTAL £000 |
| **Financial Liabilities** | | | | |
| *Financial Liabilities Held at Amortised Cost:* | | | | |
| PWLB Debt | | 35,997 | | **35,997** |
| **TOTAL** | **-** | **35,997** | **-** | **35,997** |

# Note 13 Debtors

The short-term debtors shown in the table below are net of impairment allowance for doubtful debts.

| Short-Term Debtors | 31 March 2025 £000s | 31 March 2026 £000s |
|---|---|---|
| Gross Trade Receivables | 2,543 | 2,429 |
| less Trade Receivables Impairment Allowance | (980) | (913) |
| **Net Trade Receivables** | **1,564** | **1,516** |
| **Pre-Payments** | **1,159** | **1,397** |
| Gross NNDR Payers | 1,044 | 1,311 |
| less NNDR Payers Impairment Allowance | (756) | (671) |
| **Net NNDR Payers** | **288** | **640** |
| Gross Council Tax Payers | 2,965 | 3,312 |
| less Council Tax Payers Impairment Allowance | (2,256) | (2,544) |
| **Net Council Tax Payers** | **710** | **769** |
| **Collection Fund Preceptors** | **1,317** | **1,515** |
| Housing Benefit | 498 | 392 |
| less Housing Benefit Impairment Allowance | (398) | (314) |
| **Net Housing Benefit** | **100** | **78** |
| **Housing Benefit Subsidy** | **-** | **1,074** |
| **Heritage Lottery Fund** | **-** | **-** |
| Gross Other Receivables | 6,451 | 8,943 |
| less Other Receivables Impairment Allowance | - | - |
| **Net Other Receivables** | **6,451** | **8,943** |
| **Total Short-Term Debtors** | **11,587** | **15,932** |

The gross total of the short-term debtors as at the 31 March 2026 is £20.374m (31 March 2025 was £15.977m).

# Note 14 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

| Cash and Cash Equivalents | 31 March 2025 £000s | 31 March 2026 £000s |
|---|---|---|
| Cash Held by the Authority | 8 | 7 |
| Bank Current Account | 401 | 393 |
| Short-Term Deposits | 9,838 | 7,064 |
| **Total Cash and Cash Equivalents** | **10,247** | **7,464** |

# Note 15 Short-term Creditors

| Short-Term Creditors | 31 March 2025 £000s | 31 March 2026 £000s |
|---|---|---|
| Trade Payables | (4,809) | (3,619) |
| Receipts in Advance | (2,279) | (1,187) |
| NNDR Payers | (624) | (1,067) |
| Council Tax Payers | (88) | (86) |
| Collection Fund Preceptors | (1,987) | (1,166) |
| Other Payables | (1,185) | (2,968) |
| Total | (10,971) | (10,091) |

# Note 16 Provisions

| Current Provisions | Legal Expenses £000s | Non-Domestic Rate Appeals £000s | Total £000s |
|---|---|---|---|
| Balance at 1 April 2025 | (10) | (1,049) | (1,059) |
| Additional provisions made in 2025/26 | - | (824) | (824) |
| Unused amounts reversed in 2025/26 | - | - | - |
| Transferred from Long-Term Provisions | - | - | - |
| Amounts used in 2025/26 | - | 1,049 | 1,049 |
| Balance at 31 March 2026 | (10) | (824) | (834) |

| Current Provisions | Legal Expenses £000s | Non-Domestic Rate Appeals | Total £000s |
|---|---|---|---|
| Balance at 1 April 2024 | (10) | (636) | (646) |
| Additional provisions made in 2024/25 | - | (1,049) | (1,049) |
| Unused amounts reversed in 2024/25 | - | - | - |
| Transferred from Long-Term Provisions | - | - | - |
| Amounts used in 2024/25 | - | 636 | 636 |
| Balance at 31 March 2025 | (10) | (1,049) | (1,059) |

| Long-Term Provisions | Bonds and deposits £000s | Contractual obligations £000s | MMI Insurance £000s | Total £000s |
|---|---|---|---|---|
| **Balance at 1 April 2025** | (67) | (190) | (70) | (327) |
| Additional provisions made in 2025/26 | (100) | - | - | (100) |
| Unused amounts reversed in 2025/26 | - | - | - | - |
| Transferred to Current Provisions | - | - | - | - |
| Amounts used in 2025/26 | 103 | - | - | 103 |
| **Balance at 31 March 2026** | (64) | (190) | (70) | (323) |

| Long-Term Provisions | Bonds and deposits £000s | Contractual obligations £000s | MMI Insurance £000s | Total £000s |
|---|---|---|---|---|
| **Balance at 1 April 2024** | (57) | (190) | (70) | (317) |
| Additional provisions made in 2024/25 | (333) | - | - | (333) |
| Unused amounts reversed in 2024/25 | | - | - | - |
| Transferred to Current Provisions | | - | - | - |
| Amounts used in 2024/25 | 323 | - | - | 323 |
| **Balance at 31 March 2025** | (67) | (190) | (70) | (327) |

Provisions have been made in the current and previous financial years to set aside amounts to meet future expenditure. These provisions are made at the point where a given liability arises but where the expenditure relating to the liability has not yet been made. The balance on the provisions account therefore reflects the balance of unpaid known liabilities which have already been charged to the Council's revenue account. When the liability is paid the expenditure is charged against the provision. The seven outstanding provisions shown above are:

## LEGAL EXPENSES

This provision relates to the Council's estimated legal costs for litigation in court proceedings (or in contemplation thereof) resulting from a number of potential legal disputes.

## NON-DOMESTIC RATES APPEALS

This provision for Business Rates appeals was created as a result of the adoption in 2013/14 of the Business Rates Retention scheme which means that the Council now bears part of the risk for future appeals. These were borne by the Government under the old scheme. The Councils' estimate of the value of the appeals provision requirement up to 31 March 2026 is £2.060m (£2.623m as at 31 March 2025). The Council has made a provision for 40% of this figure (40% in 2024/25) totalling £824,039 (£1,049,326 as at 31 March 2025) within the 2025/26 accounts.

## BONDS AND DEPOSITS

The Council has many contracts with third parties where the outcome of the contract is partially guaranteed by performance bonds or cash in lieu of such bonds. This ensures that remedial works can be undertaken in the event of any failure by the contractor to complete the works. The bonds and deposits are usually repaid upon completion of the works or exceptionally used to fund remedial works.

### CONTRACTUAL OBLIGATIONS

A provision has been created to cover potential payments by the Council under existing contractual obligations.

### MMI INSURANCE

This provision relates to estimated outstanding payments on insurance claims for which the Council is responsible. These claims were previously covered by Municipal Mutual Insurance Limited which is in liquidation.

# **Note 17** Usable Reserves

Movements in the authority's usable reserves are detailed in the Movement in Reserves Statement, Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations and Note 8 Movements in Earmarked Reserves.

# **Note 18** Unusable Reserves

| Unusable Reserves | 2024/25 £000s | 2025/26 £000s |
|---|---|---|
| Revaluation reserve | 68,895 | 88,171 |
| Capital Adjustment Account | (2,554) | 2,459 |
| Pooled Investment Funds Adjustment Account | (175) | (72) |
| Pensions Reserve | (4,214) | (3,425) |
| Collection Fund Adjustment Account | (134) | (657) |
| Accumulated Absences Account | (169) | (219) |
| **Total Unusable Reserves** | **61,649** | **86,257** |

### REVALUATION RESERVE (NOTE 18A)

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

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

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

| Revaluation Reserve | 2024/25 £000s | 2025/26 £000s |
|---|---|---|
| Balance at 1 April | 63,701 | 68,895 |
| Upward revaluation of assets | 6,581 | 23,959 |
| Upward revaluation of assets - non material prior year adjustment | 818 | - |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | (1,335) | (3,467) |
| Surplus or (deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | 6,064 | 20,492 |
| Difference between fair value depreciation and historical cost | (609) | (916) |
| Accumulated gains on assets sold or scrapped | (261) | (300) |
| Amounts written off to the Capital Adjustment Account | (871) | (1,216) |
| Balance at 31 March | 68,895 | 88,171 |

## CAPITAL ADJUSTMENT ACCOUNT (NOTE 18B)

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

The account contains accumulated gains and losses on investment properties that have yet to be consumed by the Council.

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

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

| Capital Adjustment Account | 2024/25 £000s | 2025/26 £000s |
|---|---|---|
| **Balance at 1 April** | **7,901** | **(2,554)** |
| 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 | (1,828) | (4,517) |
| Charges for depreciation and impairment of non-current assets - non material prior year adjustment | (1,170) | - |
| Charges for impairment of long-term debtor capital loans | - | (25) |
| Revaluation losses on property, plant and equipment | (11,889) | (3,135) |
| Revaluation losses on property, plant and equipment - non material prior year adjustment | 107 | - |
| Amortisation of intangible assets | - | - |
| Revenue expenditure funded from capital under statute | (10,930) | (4,071) |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (1,521) | (1,554) |
| **Sub-total** | **(27,231)** | **(13,302)** |
| Adjusting amounts written out of the Revaluation Reserve | 871 | 1,216 |
| **Net written out amount of the cost of non-current assets consumed in the year** | **(26,360)** | **(12,088)** |
| Capital financing applied in the year: | | |
| Use of Capital Receipts Reserve to finance new capital expenditure | 1,774 | 1,659 |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 4,956 | 3,745 |
| Application of grants to capital financing from the Capital Grants Unapplied Account | 5,386 | 5,102 |
| Statutory provision for the financing of capital investment charged against the General Fund Balance | 1,809 | 1,881 |
| Capital expenditure charged against the General Fund Balance | 1,857 | 4,765 |
| **Capital financing applied in the year** | **15,782** | **17,152** |
| Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement | 285 | (6) |
| Cash Payments in Relation to Long-Term Debtor Loans | (162) | (115) |
| Transfers between reserves (Capital Receipts Reserve & Capital Grants Unapplied Reserve ) | | 70 |
| **Balance at 31 March** | **(2,554)** | **2,459** |

## PENSIONS RESERVE (NOTE 18C)

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 Council 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 Council makes employer’s contributions to pension funds or eventually pay any pensions for which it is directly responsible.  The fund is in an overall surplus for 2025/26 however this has been reduced to a deficit due to the impact of IFRC and the asset ceiling and liabilities arising from unfunded liabilities.  The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| Pensions Reserve | 2024/25 £000s | 2025/26 £000s2 |
|---|---|---|
| **Balance at 1 April** | (4,828) | (4,214) |
| Remeasurements of the net defined benefit liability / (asset) | 548 | 312 |
| 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 | (1,689) | (1,352) |
| Employer's pensions contributions and direct payments to pensioners payable in year | 1,755 | 1,829 |
| Impact of Asset Ceiling | - | - |
| **Balance at 31 March** | (4,214) | (3,425) |

## POOLED INVESTMENT FUNDS ADJUSTMENT ACCOUNT (NOTE 18D)

The Pooled Investment Funds Adjustment Account contains the fair value gains on the Council two property funds measured at fair value through profit and loss losses in accordance with the statutory override.

| Pooled Investment Funds Adjustment Account | 2024/25 £000s | 2025/26 £000s |
|---|---|---|
| **Balance at 1 April** | (210) | (175) |
| Movements in the market value of pooled investment funds debited or credited to the Comprehensive Income and Expenditure Statement | 35 | 103 |
| **Balance at 31 March** | (175) | (72) |

## COLLECTION FUND ADJUSTMENT ACCOUNT (NOTE 18E)

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

| Collection Fund Adjustment Account | 2024/25 £000s | 2025/26 £000s |
|---|---|---|
| **Balance at 1 April** | (1,114) | (134) |
| 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 | 979 | (523) |
| **Balance at 31 March** | (134) | (657) |

## ACCUMULATED ABSENCES ACCOUNT (NOTE 18F)

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 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

| Accumulated Absences Account | 2024/25 £000s | 2025/26 £000s |
|---|---|---|
| Balance at 1 April | (161) | (169) |
| Settlement or cancellation of accrual made at the end of the preceding year | 161 | 169 |
| Amounts accrued at the end of the current year | (169) | (218) |
| 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 | (8) | (50) |
| Balance at 31 March | (169) | (219) |

# Note 19 **Cash Flow Statements**

## OPERATING ACTIVITIES (NOTE 19A)

The cash flows for operating activities include the following items:

| The (Surplus)/Deficit on the Provision of Services has been Adjusted for the Following Non-Cash Movements: | 2024/25 £000s | 2025/26 £000s |
|---|---|---|
| Depreciation, Amortisations, Impairment & Downward Valuations | (14,748) | (7,679) |
| (Increase)/Decrease in Impairment for Bad Debts | 1,106 | (52) |
| (Increase)/Decrease in Creditors | (1,624) | (227) |
| Increase/(Decrease) in Debtors | (5,919) | 4,389 |
| Increase/(Decrease) in Inventories | (2) | (3) |
| Movement in Pension Liability | 66 | 477 |
| Carrying Amount of Non-Current Assets and Non-Current Assets Held for Sale, Sold or Derecognised | (1,521) | (1,554) |
| Other Non-Cash Items | (9) | 18 |
| (Increase)/Decrease in Provisions | (424) | 229 |
| Movements in the Value of Investment Properties | 285 | (6) |
| Movements in the Value of Pooled Investment Funds | (35) | (103) |
| (Increase)/Decrease in Accumulated Absences | (8) | (50) |
| Net cash flows from operating activities | (22,833) | (4,561) |

| The (Surplus)/Deficit on the Provision of Services has been Adjusted for the Following Items that are Investing and Financing Activities: | 2024/25 £000s | 2025/26 £000s |
|---|---|---|
| Proceeds from the Sale of Property Plant and Equipment, Investment Property and Intangible Assets | 869 | 1,699 |
| Grant Receipts for the Financing of New Capital Expenditure | 10,058 | 8,714 |
| Net cash flows from operating activities | 10,927 | 10,413 |

## INVESTING ACTIVITIES (NOTE 19B)

The cash flows for investing activities include the following items:

| Investing Activities | 2024/25 £000s | 2025/26 £000s |
|---|---|---|
| Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets | 10,183 | 14,134 |
| Purchase of Short-Term and Long-Term Investments | - | - |
| Payments for Other Long Term Loans | 138 | 140 |
| (Proceeds) From the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets | (869) | (1,699) |
| (Proceeds) from Short-Term and Long-Term Investments | - | (927) |
| (Proceeds) from Other Long Term Loans | (175) | (409) |
| Grant (Receipts) for the Financing of New Capital Expenditure | (9,389) | (8,660) |
| **Net cash flows from investing activities** | **(113)** | **2,578** |

## FINANCING ACTIVITIES (NOTE 19C)

The cash flows for financing activities include the following items:

| Financing Activities | 2024/25 £000s | 2025/26 £000s |
|---|---|---|
| Cash (Receipts) of Short-Term and Long-Term Borrowing | (6,007) | (7,004) |
| Cash (Receipts) from Other Short-Term and Long-Term Liabilities | (4) | (2) |
| Repayments of Short-Term and Long-Term Borrowing | 2,603 | 3,620 |
| Repayments of Other Short-Term and Long-Term Liabilities | - | - |
| Billing Authorities - Council Tax and NDR Adjustments | (979) | 523 |
| **Net cash flows from financing activities** | **(4,387)** | **(2,863)** |

# **Note 20** Reconciliation of liabilities arising from Financing Activities

| | | | Non-Cash Changes | | |
|---|---|---|---|---|---|
| | 1 April 2025 £000s | Financing Cash Flows £'000s | Acquisition £'000s | Other £'000s | 31 March 2026 £000s |
| Long-Term Borrowings - PWLB | (55,890) | - | - | 3,592 | (52,298) |
| Short-Term Borrowings - PWLB | (3,617) | (3,384) | - | (3,592) | (10,593) |
| Short-Term Borrowings - Other | (14) | - | - | - | (14) |
| Total Liabilities from Financing Activities | (59,521) | (3,384) | - | - | (62,904) |

# **Note 21** Members' Allowances

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

| Table 21a<br>Members Allowances | 2024/25<br>£ | 2025/26<br>£ |
|---|---|---|
| Allowance Payments | 250,612 | 249,651 |
| Expenses Payments | 1 | 565 |
| Total | 250,613 | 250,216 |

Payments of allowances to elected Members are made in accordance with the scheme approved annually by the Council and are detailed below:

| Table 21b<br>Members' Allowances | 2024/25<br>£ | 2025/26<br>£ |
|---|---|---|
| Allowance rate paid per annum | | |
| Basic Allowance | 4,163 | 4,163 |
| Executive Member | 5,077 | 5,077 |
| Leader Supplement | 14,216 | 14,216 |
| Deputy Leader Supplement | 4,062 | 4,062 |
| Other Group Leaders | 2,031 | 1,354 |
| Scrutiny Chair | 5,077 | 5,077 |
| Development Control Chair | 3,249 | 3,249 |
| Licensing Committee Chair | 2,031 | 2,031 |
| Development Control Vice Chair | 1,625 | 1,625 |
| Audit and Standards Committee Chair | 2,031 | 2,031 |
| Scrutiny Vice Chair | 1,625 | 1,625 |
| Independent Persons | 500 | 500 |

# **Note 22** Officers' Remuneration

The remuneration paid to the Council's Statutory and Non-Statutory Officers who report directly to the Head of Paid Service with a salary of £50,000 or more is shown below.

| Table 22a Statutory and Non-Statutory Chief Officers | | Salary, Fees and Allowances £ | Elections £ | Compensation for Loss of Office £ | Pension Contribution £ | Total £ |
|---|---|---|---|---|---|---|
| **Head of Paid Service** | | | | | | |
| Chief Executive | 2024/25 | 126,043 | 9,140 | | 25,588 | **160,771** |
| Chief Executive | 2025/26 | 130,324 | 5,124 | | 25,095 | **160,543** |
| **Monitoring Officer** | | | | | | |
| Head of Legal & Democratic Services | 2024/25 | 64,740 | 1,904 | | 12,494 | **79,138** |
| Head of Legal & Democratic Services | 2025/26 | 66,704 | 769 | | 12,894 | **80,367** |
| **Chief Financial Officer** | | | | | | |
| Director of Resources | 2024/25 | 82,419 | 973 | | 15,967 | **99,359** |
| Director of Resources | 2025/26 | 84,936 | 890 | | 16,478 | **102,304** |
| **Non-Statutory Chief Officers** | | | | | | |
| Chief Operating Officer | 2024/25 | 100,032 | 2,161 | | 19,352 | **121,545** |
| Chief Operating Officer | 2025/26 | 102,945 | 889 | | 19,971 | **123,805** |
| Director of Economy and Development | 2024/25 | 82,361 | | | 15,967 | **98,328** |
| Director of Economy and Development | 2025/26 | 85,245 | | | 16,478 | **101,723** |
| Head of Policy and Engagement | 2024/25 | 65,473 | | | 12,494 | **77,967** |
| Head of Policy and Engagement | 2025/26 | 66,501 | 307 | | 12,894 | **79,702** |

The rate of pension contribution is 19.4% for 2025/26 (19.4% for 2024/25).

The number of employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) is shown below. The remuneration includes payments to officers for election duties and compensation for loss of office. The table excludes those officers included in the table above.

| Table 22b Remuneration band | 2024/25 Number of Employees | 2025/26 Number of Employees |
|---|---|---|
| £50,000 - £54,999 | 8 | 14 |
| £55,000 - £59,999 | 2 | 3 |
| £60,000 - £64,999 | 1 | |
| £65,000 - £69,999 | 2 | 4 |
| £70,000 - £74,999 | 1 | 1 |
| £75,000 - £79,999 | - | |
| £80,000 - £84,999 | - | |
| £85,000 - £89,999 | - | |
| £90,000 - £94,999 | - | |
| £125,000 - £129,999 | - | |
| Total | 14 | 22 |

# **Note 23** Termination Benefits

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

| (a) Exit package cost band (including special payments) | (b) Number of compulsory departures | (b) Number of compulsory departures | (c) Number of other departures agreed | (c) Number of other departures agreed | (d) Total number of exit packages by cost band [(b) + (c)] | (d) Total number of exit packages by cost band [(b) + (c)] | (e) Total cost of exit packages | (e) Total cost of exit packages |
|---|---|---|---|---|---|---|---|---|
| | 2024/25 | 2025/26 | 2024/25 | 2025/26 | 2024/25 | 2025/26 | 2024/25 £000 | 2025/26 £000 |
| £0 - £20,000 | - | - | 1 | - | 1 | - | 10 | - |
| £20,001 - £40,000 | 1 | - | - | - | 1 | - | 21 | - |
| £40,001 - £60,000 | - | - | - | - | - | - | - | - |
| £60,001 - £80,000 | - | - | - | - | - | - | - | - |
| £80,001 - £100,000 | - | - | - | - | - | - | - | - |
| £100,001 - £150,000 | - | - | - | - | - | - | - | - |
| Total | 1 | - | 1 | - | 2 | - | 31 | - |

Termination benefits consist of redundancy payments to employees and pension strain costs payable to the Lancashire Pension Fund, which arise from an employee retiring earlier than anticipated on the grounds of redundancy, without an actuarial deduction on their pension.

# **Note 24** External Audit Costs

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

| External Audit Costs | 2024/25 £000 | 2025/26 £000 |
|---|---|---|
| Fees payable to Forvis Mazars LLP with regard to external audit services carried out by the appointed auditor for the year | 168 | 172 |
| Fees payable to Forvis Mazars LLP for non-audit services | - | - |
| Fees payable to Forvis Mazars LLP for the certification of grant claims and returns for the year * | 29 | 29 |
| Public Sector Audit Appointments (PSAA) rebate | - | - |
| **Total** | **197** | **201** |

* The fee payable to Forvis Mazars LLP for the certification of grant claims and returns for the year has been estimated.

# Note 25 Grant Income

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement.

| Table a - Grant Income | 2024/25 £000 | 2025/26 £000 |
|---|---|---|
| **Credited to Services** | | |
| Housing Benefit & Council Tax Support Subsidy | (23,842) | (21,458) |
| Housing Benefit Administration Subsidy | (336) | (60) |
| Home Office Grant | (813) | (601) |
| Other Revenue Grants | (2,748) | (4,074) |
| Other Revenue Contributions | (3,190) | (1,964) |
| Homelessness Grant | (494) | (883) |
| Capital Grants & Contributions (see note below) | - | - |
| Levelling Up Fund | (3,274) | - |
| Homes England | - | - |
| Historic England | - | - |
| Arts Council | - | - |
| Other Capital Grants & Contributions | 8 | (126) |
| **Total** | **(34,691)** | **(29,167)** |
| **Credited to Taxation and Non-Specific Grant Income** | | |
| Non-ringfenced Government Grants | | |
| Revenue Support Grant | (2,175) | (2,232) |
| New Homes Bonus | (134) | (239) |
| Other Non-ringfenced Government Grants | (846) | (655) |
| Section 31 Business Rates Compensation | (3,344) | (3,723) |
| Income from Business Rates | (5,095) | (6,051) |
| Income from Council Tax | (8,179) | (8,470) |
| Capital Grants & Contributions | | |
| Disabled Facilities Grant | (3,332) | (3,644) |
| Homes England | - | (1,084) |
| Arts Council | (267) | - |
| Sports England | - | (491) |
| Levelling Up Fund | (2,836) | - |
| Lancashire Enterprise Partnership | - | - |
| Other Capital Grants & Contributions | 408 | (3,353) |
| **Total** | **(25,802)** | **(29,943)** |

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

## CURRENT LIABILITIES

| Table b - Revenue Grants Receipts in Advance | Balance 31 March 2024 £000 | Receipts 2024/25 £000 | Applied 2024/25 | Balance 31 March 2025 £000 | Receipts 2025/26 £0002 | Applied 2025/26 £000 | Balance 31 March 2026 £000 |
|---|---|---|---|---|---|---|---|
| Housing Benefit & Council Tax Support Subsidy | - | (25,353) | 24,893 | **(460)** | | | - |
| Homes England | - | - | - | - | - | - | - |
| **Total** | - | **(25,353)** | **24,893** | (460) | - | - | - |

* Please note: Housing Benefit Subsidy is a debtor for 2025/26 and is included within Note 13

## LONG-TERM LIABILITIES

| Table c - Capital Grants Receipts in Advance | Balance 31 March 2024 £000 | Receipts 2024/25 £000 | Applied 2024/25 £000 | Balance 31 March 2025 £000 | Receipts 2025/26 £000 | Applied 2025/26 £000 | Balance 31 March 2026 £000 |
|---|---|---|---|---|---|---|---|
| Heritage Lottery Fund | **(1)** | - | - | **(1)** | - | 1 | - |
| DEFRA | **(711)** | (45) | 616 | **(140)** | - | 140 | **(0)** |
| Section 106 Contributions | **(2,507)** | (118) | 216 | **(2,408)** | (403) | **315** | **(2,496)** |
| **Total** | **(3,217)** | **(164)** | **833** | **(2,549)** | **(403)** | **456** | **(2,495)** |

# **Note 26** Related Parties

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 with related parties provides transparency which allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

## CENTRAL GOVERNMENT

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides a significant amount of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from Government departments are set out in the Grant Income Note 25.

## ELECTED MEMBERS

Members of the Council have direct control over the Council's financial and operating polices, for which they are paid allowances and expenses. Members' allowances and expenses paid in 2025/26 totalling £250,216 (£250,613 in 2024/25) are shown in Note 21.

In 2025/26 works, goods and services to the value of £10,929 (£570,335 in 2024/25) were commissioned from companies and organisations in which Members had related interests. The Council received £31,633 (£30,943 in 2024/25). Contracts were entered into in full compliance with the Council's standing orders.

In 2025/26 grants totalling £436,313 (£371,725 in 2024/25) were paid by the Council to external organisations in which Members had either related interests or where the Council had appointed them as their elected representative. The grants were made with proper consideration of declarations of interests and in compliance with the Council's policies and procedures. The relevant members did not take part in any discussion or decision relating to the grants.

Precepts of £153,142 (£143,000 in 2024/25) were paid to Parish/Town Councils where Members were Members of both the Borough and the Parish/Town Council.

There was one Member of the Council who was also a member of Lancashire County Council, for part of 2025/26.

In 2025/26 £144,746 (£2,359,904 in 2024/25) was paid for works, goods and services provided to the Council by Lancashire County Council. Externally funded grants of £124,579 were paid to LCC (£Nil in 2024/25).

In 2025/26 income of £735,260 (£3,263,099 in 2024/25) was received from LCC for services provided by the Council including grant money for distribution.

Details of all these related party interests and record of appointments to external organisations are recorded in either the Council's register of Members' interests or the Council's minutes, both of which are available for public inspection.

## COUNCIL OFFICERS

Chief Officers of the Council also hold positions in other organisations.

In 2025/26, there were £272,008 payments for goods and services (£230,510 in 2024/25) and grants of £76,450 (£12,415 in 2024/25) paid to companies in which officers had a declared interest, other than those included in this statement. The Council received income of £60,445 (£51,040 in 2024/25). Transactions were entered into in full compliance with the Council's standing orders.

## ENTITIES CONTROLLED OR SIGNIFICANTLY INFLUENCED BY THE COUNCIL

### Burnley Leisure & Culture

This is a leisure trust and limited company that operates several services related to sport, healthy lifestyles, leisure and culture on behalf of the Council, which has two elected Members on its Board.

In 2025/26 £1,783,396 (£1,855,657 in 2024/25) was paid to Burnley Leisure & Culture for the provision of services to the Council. This includes a management fee paid to the trust of £1,209,999 (£1,129,315 in 2024/25). Grants of £107,764 (£206,833 in 2024/25) were paid.

In 2025/26 income of £716,907 (£692,505 in 2024/25) was received from Burnley Leisure & Culture for services provided by the Council. This included charges made by the Council for service level agreements with the trust of £381,781 (£375,522 in 2024/25).

### Barnfield and Burnley (Developments) Ltd

This is a joint venture company between the Council and Barnfield Investment Properties Ltd. The Council has a 50% share of the company and has two representatives on its Board; the Council's Leader and its Director of Economy and Development.

In 2025/26 £Nil payments (£Nil in 2024/25) were made by the Council to Barnfield and Burnley (Developments) Ltd.

In 2025/26 £Nil income (£Nil in 2024/25) was received from Barnfield and Burnley (Developments) Ltd by the Council.

### Barnfield Investment Properties Ltd

During 2018/19 the Council partnered with Barnfield Investment Properties Ltd to deliver the Homes and Communities Agency funded Starter Homes scheme at On The Banks at Clock Tower Mill, Sandygate, Burnley. Barnfield Investment Properties Ltd has been selected to partner the Council on a 10 year joint venture to develop homes in the borough.

Barnfield Investment Properties Ltd also has a 50% share of Barnfield and Burnley (Developments) Ltd and has three directors on its Board, with two of these also being directors of Barnfield Developments Ltd and Barnfield Construction Ltd.

In 2025/26 £1,579,749 (£6,659,498 in 2024/25) was paid to Barnfield Investment Properties Ltd for the capital schemes at Newtown Mill, Nicholas Street, George Street Enabling Works and Wiseman Street Car Park.

In 2025/26 income of £532 (£6,960 in 2024/25) was received from Barnfield Investment Properties Ltd for services provided by the Council.

### Barnfield Construction Ltd

In 2025/26 £Nil (£Nil in 2024/25) was paid to Barnfield Construction Ltd for goods and services provided to the Council.

In 2025/26 income of £25,660 (£26,890 in 2024/25) was received from Barnfield Construction Ltd for services provided by the Council.

### Burnley Town Centre Business Improvement District (BID)

A Business Improvement District (BID) is a defined geographical area within a town or city where businesses come together to invest in a managed fund which is used to commission projects that will lead to improvements in their local trading environment. The Burnley Business Improvement District, (BID) ran from 2020 to 2025, and has been extended (BID 2) from 2025 to 2030. The Council is represented on the Board by a Director. The BID is managed by Groundwork Cheshire, Lancashire and Merseyside.

In 2025/26 £259,268 (£207,858 in 2024/25) was paid to Burnley BID Trust account for goods and services provided to the Council.

In 2025/26 income of £3,385 (£15,545 in 2024/25) was received from Groundwork Cheshire, Lancashire and Merseyside for services provided by the Council.

## OTHER PUBLIC BODIES

The main transactions that have taken place with other public bodies are:

- Payment of precepts to Lancashire County Council, the Police and Crime Commissioner for Lancashire, Lancashire Fire and Rescue Service and Precepting Parish Councils – see Collection Fund page 87.
- Other standard business transactions between the Council and Lancashire County Council, such as superannuation payments to Lancashire Pension Fund – see Note 29.

- The Lancashire Business Rates Pool was operational during 2024/25 and 2025/26. Full details of the operation of the business rates pool and the role of this Council are included in the Collection Fund Note 5, page 90.

The Council and other public bodies operate under the common control and law of UK Central Governments, and do not exert influence or control over each other.

## REGISTERS OF MEMBERS/OFFICERS INTERESTS

Members of the Council are required by section 30 of the Localism Act 2011 and the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, to disclose outside interests and these are recorded in a register (details of these disclosures are recorded on the Council's website) and the Code of Conduct for Members operated by the Council requires Members to disclose any related interests they have, and to take no part in meetings or decisions on issues which pertain to those related interests.

A register of chief officers' interests has been established in which their outside interests are recorded. Officers are required to comply with a Code of Conduct for officers and to declare interests and remove themselves from activities which may be a conflict of interests, including procurement.

# Note 27 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

| Capital Expenditure and Capital Financing | 2024/25 £000 | 2025/26 £000 |
|---|---|---|
| **Opening Capital Financing Requirement** | **74,718** | **81,170** |
| Capital Investment: | | |
| Property, plant and equipment | 11,098 | 12,611 |
| Investment Properties | 22 | 226 |
| Intangible Assets | 45 | - |
| Long Term Debtor Loans | 138 | 139 |
| Revenue expenditure funded from capital under statute | 10,930 | 4,071 |
| Sources of finance: | | |
| Capital receipts | (1,774) | (1,659) |
| Government grants and other contributions | (10,342) | (8,847) |
| Sums set aside from revenue: | | |
| Direct revenue contributions | (1,857) | (4,765) |
| Minimum Revenue Provision | (1,809) | (1,881) |
| **Closing Capital Financing Requirement** | **81,170** | **81,065** |
| Explanation of movements in year: | | |
| (Decrease) / Increase in underlying need to borrow (unsupported by Government financial assistance) | 6,451 | (105) |
| **Increase / (decrease) in Capital Financing Requirement** | **6,451** | **(105)** |

# Note 28 Leases

## AUTHORITY AS LESSEE

### Operating Leases

The Council holds no operating leases.

## AUTHORITY AS LESSOR

### Operating Leases

The Council leases out property under operating leases for the following purposes:

- For the provision of community services, such as sports facilities, tourism services and community centres.
- For economic development purposes to provide suitable affordable accommodation for local businesses.

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

| Table a - Property | 31 March 2025 £000s | 31 March 2026 £000s |
|---|---|---|
| Not later than one year | 1,054 | 1,747 |
| Later than one year and not later than five years | 3,164 | 5,109 |
| Later than five years | 49,385 | 53,249 |
| **Minimum lease payments** | **53,603** | **60,105** |

In 2025/26 income included under the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £1,170,201 (£1,143,887 in 2024/25).

## IFRS 16

Leases have traditionally been classified as a finance lease (in effect as an acquisition with the asset included on the balance sheet, together with a liability to pay for the asset acquired) or an operational lease (in year rental expenses charged to the CIES).

IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset. The effective date for implementation was initially 1st April 2020, however this date was then delayed to 1st April 2024.

There are two specific exemptions for lessees from applying the acquisition approach:

- short-term leases
- leases where the underlying asset is of low value

The following conditions must be met for a lease to be accounted for using the acquisition approach:

- A contract is in place
- A specific asset is identified in the contract (either explicitly or implicitly)
- The Council has the right (throughout the period of use) to obtain substantially all of the economic benefits/service potential from use of the asset.
- The Council has the right to determine how and for what the asset will be used for throughout the period of use
- The Council will be the exclusive operator of the asset.

The Council has carried out a review of its current lease arrangements and has concluded that no current operational leases meet in full the conditions required to be accounted for using the acquisition approach under IFRS16.

# Note 29 Defined Benefit Pension Schemes

## PARTICIPATION IN PENSION SCHEMES (29A)

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 Statements payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

At 31 March 2026 the Council's principal pension arrangement for its employees was the Lancashire County Pension Fund, which is part of the Local Government Pension Scheme (LGPS). The LGPS is a funded defined benefit pension arrangement for local authorities and related employers, and is governed by statute (principally now the Local Government Pension Scheme Regulations 2013).

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

The latest actuarial valuation of the Fund was carried out as at 31 March 2025, and at that date showed a funding level of 135% - assets of £12.0m against accrued liabilities of about £8.9m (up from 115% at the last valuation - assets of £10.7bn against accrued liabilities of about £9.3bn). The weighted average duration of the liabilities of the fund is 12 years, measured on the IAS19 assumptions. The duration of the liabilities for the individual employers which participate in the scheme can be significantly different from this, reflecting the profile of its employees and former employees.

## NATURE

The Fund targets a pension paid throughout life. The amount of the pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a "final salary" scheme) for service up to 31 March 2014 and a re-valued average salary (a "career average" scheme) for service from 1 April 2014 onwards.

## REGULATORY FRAMEWORK

Management of the Fund is vested in Lancashire County Council as Administering Authority of the Fund. Lancashire County Council has appointed a Pension Fund Committee (comprised of a mixture of County Councillors and representatives from other employers) to manage the Fund. The Committee is assisted by an investment panel which advises the Committee on its investment strategy and risk management provisions.

Regulations governing the Fund require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the funds solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement. The most recent valuation was carried out as at 31 March 2025, which showed a surplus of assets against liabilities of £3.036m as at that date, equivalent to a funding level of 135%.

## MCCLOUD JUDGEMENT

On 16 July 2020 the Minister for Housing Communities and Local Government (MHCLG) released the consultation on the McCloud remedy for the LGPS in England and Wales. The key feature of the proposed remedy was broadly as expected in that the final salary scheme underpin is to be extended to a wider group of members for service up to 31 March 2022 but there are a small number of areas of detail which will need further consideration.

An allowance for the McCloud remedy is included in the 31 March 2026 figures, and will be included in future calculations on an ongoing basis (unless there are specific reasons or instruction not to do so). The calculations of the additional liabilities and service costs have generally been done in line with the proposed underpin in the consultation. However there are some minor changes to the underpin for all members who were active on or before 31 March 2012 (e.g. it can now apply historically to members leaving service after 1 April 2014), and the calculation will apply retrospectively even in those cases where a member no longer has a benefit entitlement from the Fund. Other than in exceptional circumstances the impact of these minor proposed changes is expected to be nil.

Furthermore when calculating the potential cost of the McCloud Judgement as part of the 2022 actuarial valuations the Funds Actuary (Mercers) have carried out a stand-alone estimate of the cost of the McCloud Judgement. It is estimated that the cost is an increase in past service liabilities at the valuation date of £107m and has been included in the 2022 liability figure.

## RISKS

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, discount rate, bond yields, market prices and the performance of investments held by the scheme.

These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

The Fund’s primary long-term risk is that the Fund’s assets will fall short of the liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to balance the minimisation of the risk of an overall reduction in the value of the Fund with maximising the opportunity for gains across the whole Funds portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and keep credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Funds forecast cash flow.

## AMENDMENTS, CURTAILMENTS AND SETTLEMENTS

The provisions of the Fund were amended with effect from 1 April 2014. As explained above, for service up to 31 March 2014 benefits were based on salaries when members leave the scheme, whereas for service after that date benefits are based on a career average salary. Further details of the changes are available from the Funds Administering Authority.

Curtailments shown in the accounting figures relate to the cost of providing retirement benefits for members who retire early, to the extent that the provision has not already been made for the relevant defined benefit obligations.

Settlements shown in the accounting figures relate to the admission of new employers into the Fund, and who take on part of the Council's assets and liabilities as a result of employing members who have accrued benefits with the Council.

## TRANSACTIONS RELATING TO POST-EMPLOYMENT BENEFITS (29B)

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

| Table 29b | 2024/25 £000s | 2025/26 £000s |
|---|---|---|
| Comprehensive Income and Expenditure Statement | | |
| *Cost of Services:* | | |
| Current service costs | 1,425 | 1,103 |
| Administration Costs | 50 | 57 |
| Past service costs and settlements and curtailments | 20 | - |
| *Financing and Investment Income and Expenditure* | | |
| Net interest expense | 194 | 192 |
| **Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services** | **1,689** | **1,352** |
| *Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement* | | |
| :- | | |
| Return on plan assets | 2,677 | 7,102 |
| Actual gains and losses arising on changes in demographic assumptions | (471) | (599) |
| Actual gains and losses arising on changes in financial assumptions | (17,765) | (53) |
| Actual gains and losses arising on actuary experience | (199) | 752 |
| Change due to impact of Asset Ceiling | 15,210 | (7,514) |
| **Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement** | **(548)** | **(312)** |
| *Movement in Reserves Statement* | | |
| Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code | (1,689) | (1,352) |
| *Actual amount charged against the General Fund Balance for pensions in the year:* | | |
| Employers' contributions payable to the scheme | 1,755 | 1,829 |

## PENSIONS ASSETS AND LIABILITIES RECOGNISED IN THE BALANCE SHEET (29C)

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

| Table 29c i) | 2024/25 £000s | 2025/26 £000s |
|---|---|---|
| Present Value of the defined benefit obligation | 127,044 | 129,229 |
| Present Value of the unfunded benefit obligation | 4,214 | 3,425 |
| Fair value of plan assets | (176,116) | (173,633) |
| **Sub-total** | **(44,858)** | **(40,979)** |
| Impact of Asset Ceiling | 49,072 | 44,404 |
| **Net Liability arising from defined benefit obligation** | **4,214** | **3,425** |

An asset ceiling is the limit above which further increases in net pension cease to be recognised for accounting purposes. The pension surplus of £44.404m has been adjusted by the asset ceiling as the surplus is not fully realisable by the Council in the form of either refunds or reductions in employee contributions. An unfunded liability of £3.425m further reduces the surplus to a deficit.

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

| Table 29c. ii) | 2024/25 £000s | 2025/26 £000s |
|---|---|---|
| **Opening fair value of scheme assets** | **176,381** | **176,116** |
| Interest Income | 8,495 | 10,059 |
| Remeasurement gain/(loss) on the return on plan assets | (2,677) | (7,102) |
| Contributions from employer | 1,755 | 1,829 |
| Contributions from employees into the scheme | 553 | 627 |
| Benefits paid | (8,341) | (7,839) |
| Other | (50) | (57) |
| **Closing fair value of scheme assets** | **176,116** | **173,633** |

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

| Table 29c. iii) | 2024/25 £000s | 2025/26 £000s |
|---|---|---|
| **Opening balance at 1 April** | **148,929** | **131,258** |
| Current service cost | 1,425 | 1,103 |
| Interest cost | 7,107 | 7,405 |
| Contributions from scheme participants | 553 | 627 |
| Remeasurement (gains) and losses:- | - | |
| Experience (gains) / loss | (199) | 752 |
| Actuarial (gains) and losses from changes in financial assumptions | (17,765) | (53) |
| Actuarial (gains) and losses from changes in demographic assumptions | (471) | (599) |
| Benefits paid | (8,341) | (7,839) |
| Past Service Cost | | |
| Losses / (gains) on curtailments | 20 | - |
| Liabilities extinguished on settlements | - | - |
| **Closing balance at 31 March** | **131,258** | **132,654** |

## STATEMENTS LOCAL GOVERNMENT PENSION SCHEME ASSETS COMPRISED (29D)

| Table 29d<br>Fair Value of Scheme Assets | 2024/25<br>£000s | 2025/26<br>£000s |
|---|---|---|
| Cash & Cash Equivalents | 2,243 | 1,352 |
| Bonds | | |
| UK Corporate | - | - |
| Overseas Corporate | 176 | - |
| UK Fixed Gilts | - | - |
| UK Index Linked | - | - |
| Overseas Fixed Interest | - | - |
| **Sub-total Bonds** | **176** | **-** |
| Property | | |
| Retail | 352 | 381 |
| Commercial | 704 | 667 |
| Industrial | 1,057 | 1,365 |
| Offices | - | - |
| **Sub-total Property** | **2,113** | **2,413** |
| Private Equity | | |
| UK | - | - |
| Overseas | 10,824 | 9,376 |
| **Sub-total Private Equity** | **10,824** | **9,376** |
| Other Investment Funds | | |
| Financials | 176 | 175 |
| Infrastructure | 23,403 | 23,897 |
| Credit Funds | 28,293 | 32,758 |
| Emerging Markets ETF | - | - |
| Pooled Fixed Income | 9,501 | 10,854 |
| Indirect Property Funds | 12,032 | 14,042 |
| UK Pooled Equity Funds | 2 | 76 |
| Overseas Pooled Equity Funds | 86,983 | 78,308 |
| **Sub-total Other Investment Funds** | **160,390** | **160,110** |
| Net Current Assets | **370** | 381 |
| **Total Assets** | **176,116** | **173,633** |

## BASIS FOR ESTIMATING ASSETS AND LIABILITIES (29E)

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

The Local Government Pension Scheme has been estimated by Mercer Human Resource Consulting, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2025.

The significant assumptions used by the actuary have been:

| Table 29e i) | 2024/25 | 2025/26 |
|---|---|---|
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners: | | |
| Men | 21.1 | 21.0 |
| Women | 23.6 | 23.6 |
| Longevity at 65 for future pensioners: | | |
| Men | 22.3 | 22.1 |
| Women | 25.4 | 25.1 |
| Rate of inflation - CPI | 2.60% | 2.90% |
| Rate of increase in salaries | 4.10% | 4.40% |
| Rate of increase in pensions | 2.70% | 3.00% |
| Rate for discounting scheme liabilities | 5.80% | 6.10% |

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above.

The sensitivity analysis below have been determined based on reasonable 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.

| Table 29e ii) | Increase in Assumptions £000s | Decrease in Assumptions £000s |
|---|---|---|
| Longevity (increase or decrease in 1 Year) | 2,917 | (2,917) |
| Rate of Inflation (increase or decrease by 0.25%) | 3,874 | (3,874) |
| Rate of increase in salaries (increase or decrease by 0.25%) | 401 | (401) |
| Rate of discounting scheme liabilities (increase or decrease by 0.5%) | (7,422) | 7,422 |

## IMPACT ON THE AUTHORITY'S CASH FLOWS (29F)

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% over the next 15 years. Funding levels are monitored on an annual basis.

The current figures are based on the triennial valuation completed on 31 March 2025.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014.

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 anticipated to pay £0.777m expected contributions to the scheme in 2026/27.

The weighted average duration of the defined benefit obligation for scheme members is 12 years, 2025/26 (15 years 2024/25).

# Note 30 Contingent Liabilities

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The Council has identified no contingent liabilities as at 31st March 2026.

# Note 31 Nature and Extent of Risks arising from Financial Instruments

## THE FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE (BUT FOR WHICH FAIR VALUE DISCLOSURES ARE REQUIRED) (31A)

The authority's activities expose it to a variety of financial risks, including:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the authority
- Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Re-Financing Risk - the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market Risk – the possibility that financial loss may arise for the Council as a result of changes in such measures as interest rates and stock market movements.

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

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

**Credit Risk Management Practices**
The authority's credit risk management practices are set out on pages 5 to 6 of the Annual Treasury Management Strategy.

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

This Council uses the creditworthiness service provided by MUFG. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2025/26 was approved by Full Council on 4 March 2025 and is available on the Council's website.

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

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions of £6.7m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2026 that this was likely to crystallise.

## AMOUNTS ARISING FROM EXPECTED CREDIT LOSSES (31B)

The changes in loss allowance during the year are as follows:

| **LOSS ALLOWANCE by ASSET CLASS (amortised cost) [separate disclosure will be required for relevant asset class]** | **Lifetime Expected Credit Losses – Simplified Approach £000s** | **TOTAL £000s** |
|---|---|---|
| **Opening Balance as at 1 April 2025** | 504 | 504 |
| **Transfers:** | | - |
| Amounts Written-Off | - | - |
| Changes Due to Modifications That Did Not Result in Derecognition | (50) | (50) |
| Changes in Models/Risk Parameters | - | - |
| Other Changes | 16 | 16 |
| **Closing Balance as at 31 March 2026** | **470** | **470** |

During the year, the authority wrote off financial assets with a contractual amount outstanding of £16k (£Nil in 2024/25) that are still subject to enforcement activity.

## CREDIT RISK EXPOSURE (31C)

The Council held £NIL temporary treasury investments and £6.7m of Cash and Cash Equivalents at 31 March 2026, all of which was instantly accessible at the Balance Sheet date. The Council therefore has £Nil exposure to credit risk as at 31 March 2026.

## COLLATERAL AND OTHER CREDIT ENHANCEMENTS (31D)

Collateral – During the reporting period the council held no collateral as security.

## LIQUIDITY RISK (31E)

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 Treasury Management 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 need, and the PWLB and money markets for access to longer term funds. The Council is also 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 therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

| | 31 March 2025 £000s | 31 March 2026 £000s |
|---|---|---|
| Less Than 1 Year | 3,631 | 10,607 |
| Between 1 and 2 Years | 3,592 | 1,642 |
| Between 2 and 5 Years | 2,892 | 1,896 |
| Between 5 and 10 Years | 3,372 | 3,482 |
| Between 10 and 15 Years | 3,902 | 3,948 |
| More Than 15 Years | 42,132 | 41,332 |
| **Total** | **59,521** | **62,904** |

All trade payables are paid in less than one year.

## REFINANCING & MATURITY RISK (31F)

The Council maintains a significant debt and investment portfolio.  Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature.  This risk relates to both the maturing of longer-term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:
- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Full Council in the Treasury Management Strategy, on 4th March 2025):

| | Approved Minimum Limits | Approved Maximum Limits | 31 March 2025 | 31 March 2026 |
|---|---|---|---|---|
| Less Than 1 Year | 0% | 20% | 6.10% | 16.86% |
| Between 1 and 2 Years | 0% | 20% | 6.04% | 2.61% |
| Between 2 and 5 Years | 0% | 25% | 4.86% | 3.01% |
| Between 5 and 10 Years | 0% | 30% | 5.66% | 5.53% |
| More Than 10 Years | 0% | 90% | 77.34% | 71.99% |
| **Total** | | | **100.00%** | **100.00%** |

## MARKET RISK (31G)

**Interest Rate Risk**
The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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 Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

According to this assessment strategy, at 31 March 2026, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

| | £000s |
|---|---|
| Increase in Interest Receivable on Variable Rate Investments | (102) |
| **Decrease in Fair Value of Fixed Rate Borrowings Liabilities (No Impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)** | 3,384 |

**Price Risk**

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

The Council holds £0.865m in property/multi-asset funds, and their price varies. However, any movements in price will not impact on the General Fund Balance as regulations are in force to ameliorate the impact of fair value movements.

**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.

# 4. Supplementary Accounts and Explanatory Notes

# Supplementary Financial Statement

## THE COLLECTION FUND STATEMENT

| Business Rates 2024/25 £ | Council Tax 2024/25 £ | 31 March 2025 Total £ | COLLECTION FUND 2025/26 | Business Rates 2025/26 £ | Council Tax 2025/26 £ | 31 March 2026 Total £ |
|---|---|---|---|---|---|---|
| | | | Income | | | |
| | (57,068,515) | (57,068,515) | Council Tax Receivables | | (60,390,643) | (60,390,643) |
| (30,150,197) | | (30,150,197) | Business Rates Receivables | (31,881,889) | | (31,881,889) |
| **(30,150,197)** | **(57,068,515)** | **(87,218,712)** | | **(31,881,889)** | **(60,390,643)** | **(92,272,532)** |
| | | | Expenditure | | | |
| | | | Contribution Towards Previous Year Estimated Surplus / (Deficit) | | | |
| (1,344,420) | - | (1,344,420) | Central Government | (280,827) | - | (280,827) |
| (1,075,535) | (274,037) | (1,349,572) | Burnley Borough Council | (224,662) | (36,524) | (261,186) |
| (241,995) | (1,312,398) | (1,554,393) | Lancashire County Council | (50,549) | (178,774) | (229,323) |
| (26,888) | (208,790) | (235,678) | Lancashire Fire & Rescue Authority | (5,617) | (9,156) | (14,773) |
| - | (68,972) | (68,972) | Police and Crime Commissioner for Lancashire | - | (28,480) | (28,480) |
| **(2,688,838)** | **(1,864,197)** | **(4,553,035)** | | **(561,655)** | **(252,934)** | **(814,589)** |
| | | | Precepts, Demands and Shares | | | |
| 15,031,380 | - | 15,031,380 | Central Government | 16,909,604 | - | 16,909,604 |
| 12,025,105 | 8,242,980 | 20,268,085 | Burnley Borough Council | 13,527,683 | 8,506,556 | 22,034,239 |
| 2,705,659 | 39,421,047 | 42,126,706 | Lancashire County Council | 3,043,729 | 41,839,482 | 44,883,211 |
| 300,628 | 2,020,300 | 6,581,138 | Lancashire Fire & Rescue Authority | 338,192 | 2,162,852 | 2,501,044 |
| - | 6,280,510 | 2,020,300 | Police and Crime Commissioner for Lancashire | - | 6,686,450 | 6,686,450 |
| **30,062,772** | **55,964,837** | **86,027,609** | | **33,819,208** | **59,195,340** | **93,014,548** |
| | | | Charges to the Collection Fund | | | |
| 576,870 | 3,359,109 | 3,935,979 | Less write offs of uncollectable amounts | 677,481 | 370,909 | 1,048,390 |
| (652,626) | (1,829,399) | (2,482,025) | Less: Increase / (Decrease) in Bad Debt Provision | (339,898) | 1,085,306 | 745,408 |
| 1,034,495 | - | 1,034,495 | Less: Increase / Decrease in Provision for Appeals | (1,116,959) | - | (1,116,959) |
| (666,950) | - | (666,950) | Transitional Protection Payments (Receivable)/Payable | (11,343) | - | (11,343) |
| 188,034 | - | 188,034 | Less: Cost of Collection | 188,570 | - | 188,570 |
| 338,833 | - | 338,833 | Less: Renewable Energy Schemes | 412,879 | - | 412,879 |
| 37,488 | - | 37,488 | Less: Interest on Refunds | 119,205 | - | 119,205 |
| **856,144** | **1,529,710** | **2,385,854** | | **(70,065)** | **1,456,215** | **1,386,150** |
| | | | COLLECTION FUND BALANCE | | | |
| 2,278,133 | 1,373,182 | 3,651,315 | (Surplus) / Deficit b/fwd 1 April | 358,001 | (65,632) | 292,369 |
| 358,001 | (65,632) | 292,369 | (Surplus) / Deficit c/fwd 31 March | 1,663,601 | (57,416) | 1,606,185 |
| **(1,920,132)** | **(1,438,814)** | **(3,358,946)** | **(Surplus) / Deficit on Fund** | **1,305,600** | **8,216** | **1,313,816** |
| | | | Allocated to: | | | |
| 143,201 | (8,323) | 134,878 | Burnley Borough Council | 665,440 | (8,025) | 657,415 |
| 32,220 | (47,165) | (14,945) | Lancashire County Council | 149,724 | (40,721) | 109,003 |
| - | (7,626) | (7,626) | Police and Crime Commissioner for Lancashire | - | (6,549) | (6,549) |
| 3,580 | (2,518) | 1,062 | Lancashire Fire & Rescue Authority | 16,636 | (2,120) | 14,516 |
| 179,000 | - | 179,000 | Central Government | 831,800 | - | 831,800 |
| **358,001** | **(65,632)** | **292,369** | | **1,663,600** | **(57,416)** | **1,606,185** |

# Notes to the Collection Fund Statement

## Note 1 General

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Non-Domestic Business Rates (NDR) and its distribution to precepting bodies and the Government. For Burnley the precepting bodies are Lancashire County Council (LCC), the Police and Crime Commissioner for Lancashire (PCCL) and the Lancashire Fire and Rescue Authority (LFRA).

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and Non-Domestic Business Rates. The administration costs associated with the collection process are charged to the General Fund.

## Note 2 Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands (A to H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent number of Band D dwellings).

The Council Tax base was 24,104 for 2025/26 (23,844 for 2024/25). The increase between financial years is mainly due to a forecast decrease in costs in relation to council tax support.

The basic amount of Council Tax for a Band D property (£2,447.50 for 2025/26 (£2,339.24 for 2024/25)) is multiplied by the proportion specified for the particular band to give an individual amount due.

The balance on the Council's Council Tax element of the Collection Fund at 31 March 2026 was a surplus of £57,416 which includes a surplus for the year of £8,025 for the Council.

### COUNCIL TAX BASE

The Council Tax base for 2025/26 was approved at the Council meeting on 4 March 2026. Details are shown below:

| Band | Ratio | Number of properties | Band D equivalent |
|---|---|---|---|
| A Reduced | 5/9 | 82 | 45 |
| A | 6/9 | 16,504 | 11,003 |
| B | 7/9 | 4,779 | 3,717 |
| C | 8/9 | 5,729 | 5,093 |
| D | 9/9 | 2,834 | 2,834 |
| E | 11/9 | 1,229 | 1,502 |
| F | 13/9 | 303 | 438 |
| G | 15/9 | 119 | 198 |
| H | 18/9 | 11 | 21 |
| **Total** | | **31,590** | **24,850** |
| Less: Allowance for non-collection | | 3.0% | **746** |
| **Taxbase for year** | | | **24,104** |

# Note 3 Council Tax Due

The calculation of the tax due is derived from the Council Tax base for the year calculated in accordance with the provisions of the Local Government Finance Act 1992. The Band D Council Tax for the year 2025/26 was calculated as follows:

| Council Tax Due | 2025/26 £ |
|---|---|
| Lancashire County Council | 41,839,482 |
| Police and Crime Commissioner for Lancashire | 6,686,450 |
| Lancashire Fire and Rescue Authority | 2,162,852 |
| Burnley Borough Council | 8,305,756 |
| Briercliffe with Extwistle Parish Council | 23,000 |
| Cliviger Parish Council | 10,000 |
| Habergham Eaves Parish Council | 9,000 |
| Hapton Parish Council | 21,000 |
| Ightenhill Parish Council | 4,900 |
| Padiham Town Council | 104,900 |
| Worsthorne with Hurstwood Parish Council | 26,000 |
| Dunnockshaw | 2,000 |
| **Total to be met from Council Tax** | **59,195,340** |

Divided by the Council Tax Base 24,104 (23,844 in 2024/25) this gives an average Band D Council Tax for the year 2025/26 of £2,455.83 (£2,347.12 in 2024/25). This is slightly higher than the figure in Note 2 due to the inclusion above of the parish and town council precept amounts.

# Note 4 Non-Domestic Rates

The Council collects Non-Domestic Business Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set by Central Government.

The scheme allows the Council to retain a proportion of the total NDR received. The Burnley share is 40% with the remainder paid to the precepting bodies. For Burnley the NDR precepting bodies are Central Government (50% share), LCC (9% Share) and LFRA (1% Share).

For 2025/26, the total non-domestic rateable value for the Council’s area at 31 March 2026 was £83,855,416 (£83,149,198 at 31 March 2025). The national multipliers for 2025/26 were 49.9p for qualifying small businesses (49.9p in 2024/25) and the standard multiplier being 55.5p for all other businesses (54.6p in 2024/25).

NDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

# Note 5 Lancashire Business Rates Pool

In the financial years 2016/17 to 2018/19 this Council was a member of the Lancashire Business Rates Pool. In a Business Rate Pool, tariffs, top-ups, levies and safety nets are combined. This can result in a significantly lower levy rate or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government.

The Lancashire Business Rates Pool, which included most but not all of the local authorities in Lancashire, was designated by the Secretary of State for Housing, Communities and Local Government and originally operated with allocations on the basis of the 50% business rates retention scheme.

In 2019/20 we successfully submitted a bid along with 15 other authorities in Lancashire to become a 75% Business Rates Pilot Pool. This meant that 75% of collected rates were retained in Lancashire rather than 50%.

In respect of 2020/21, the Government confirmed that 75% Business Rate Pilots would cease at the end of March 2020. As a result, applications for a 50% Lancashire Pool were submitted for each financial year from 2020/21 to 2025/26, consisting of 10 district council's and the county council. Applications in all years were successful. The pool has operated on the same basis as in 2016/17 to 2018/19 and 2020/21 to 2025/26.

Business rates income allocations from 2020/21 onwards are shown in the table below:

| | Lancashire Business Rates Pool - Income Allocations for 2020/21 onwards |
|---|---|
| District Authorities | 40% |
| Lancashire County Council | 9% |
| Lancashire Combined Fire Authority | 1% |
| | **50%** |
| Central Government | 50% |
| **Total** | **100%** |

As part of the pool arrangements, one authority must be designated as lead authority, which in the case of the Lancashire Business Rates Pool is Ribble Valley Borough Council. As part of this arrangement a fee of £20,000 is payable, charged equally to all members of the pool by Ribble Valley Borough Council in their role as lead.

The retained levy in the Lancashire Business Rates Pool has been distributed as follows:

- Lancashire County Council is paid 10% of the overall retained levy;
- Each district within the pool retains 90% of their retained levy.

| Lancashire Business Rates Pilot Pool Members 2025/26 | Authority Type | Tariffs and Top-Ups in Respect of 2025/26 £ | Retained Levy on Growth 2025/26 £ | 10% Retained Levy Payable to/receivable by Lancashire County Council | Net Retained Levy 2025/26 £ |
|---|---|---|---|---|---|
| Burnley Borough Council | Tariff | 6,980,506 | (1,609,512) | 160,951 | (1,448,561) |
| Chorley Borough Council | Tariff | 7,943,392 | (1,508,108) | 150,811 | (1,357,297) |
| Fylde Borough Council | Tariff | 8,941,446 | (1,426,366) | 142,637 | (1,283,729) |
| Hyndburn Borough Council | Tariff | 5,094,179 | (1,450,421) | 145,042 | (1,305,379) |
| Pendle Borough Council | Tariff | 4,323,587 | (1,254,967) | 125,497 | (1,129,470) |
| Ribble Valley Borough Council | Tariff | 5,321,901 | (880,161) | 88,016 | (792,145) |
| Rossendale Borough Council | Tariff | 3,488,350 | (771,031) | 77,103 | (693,928) |
| South Ribble Borough Council | Tariff | 12,931,415 | (2,233,792) | 223,379 | (2,010,413) |
| West Lancashire Borough Council | Tariff | 10,771,529 | (1,804,554) | 180,455 | (1,624,099) |
| Wyre Borough Council | Tariff | 8,411,761 | (810,305) | 81,031 | (729,274) |
| Lancashire County Council | Top-Up | (171,275,856) | - | (1,374,922) | (1,374,922) |
| Central Government | - | 97,067,790 | - | - | - |
| **Total** | | - | **(13,749,217)** | - | **(13,749,217)** |

The Net Retained Levy for this Council is shown within Business Rates Retention income on the Comprehensive Income and Expenditure Statement, along with the council's own share of growth achieved in the year.

# 5. Accounting Policies

# Accounting Policies

## I. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2025/26 financial year and its position at the year-end of 31 March 2026. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code) supported by International Financial Reporting Standards (IFRS).

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

The accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future.

## II. ACCRUALS OF EXPENDITURE & INCOME

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure 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.
- The council has adopted IFRS15 Revenue from Contracts with Customers in accordance with the Code; however, this has no material impact on the financial statements.

## III. 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 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 Council's cash management.

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

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

## V. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision (MRP)) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## VI. COUNCIL TAX AND NON-DOMESTIC RATES

Billing authorities, such as Burnley Council, act as agents, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including Government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and Central Government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

## ACCOUNTING FOR COUNCIL TAX AND NDR

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

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

## VII. EMPLOYEE BENEFITS

### BENEFITS PAYABLE DURING EMPLOYMENT

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year, see Note 18. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Full details of employee benefits paid during employment for senior officers are shown at Note 22.

### TERMINATION BENEFITS

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable , to the non-distributed costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer.

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

### POST-EMPLOYMENT BENEFITS

Most employees of the Council are members of the Local Government Pension Scheme, administered by Lancashire County Council. It is accounted for as a defined benefits scheme providing retirement lump sums and pensions earned as employees working for the Council:

## THE LOCAL GOVERNMENT PENSION SCHEME

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

- The liabilities of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based upon assumptions about mortality rates, employee turnover rates and projected future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.5% (based upon the indicative rate of return on an AA corporate bond - not the highest quality AAA bond but nevertheless a “high grade” bond).
- The assets of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet at their fair value – quoted securities at current bid price, unquoted securities by means of a professional estimate, unitised securities at the current bid price and property at market value.

The change in the net pension’s 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 in the year and allocated to 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. This is 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 Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - The return on plan assets - excluding amounts included in net interest on the 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 paid to the Lancashire County Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at 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 that are earned by employees.

## VIII. EVENTS AFTER THE REPORTING PERIOD

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

- Adjusting Events - 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.
- Non-adjusting 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.

## IX. FINANCIAL INSTRUMENTS

### FINANCIAL LIABILITIES

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest 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 Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest), and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

## FINANCIAL ASSETS

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

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

## FINANCIAL ASSETS MEASURED AT AMORTISED COST

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

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

## EXPECTED CREDIT LOSS MODEL

The Council recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

## FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

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

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

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

Any gains and losses that arise on 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.

## X. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet 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.

## XI. HERITAGE ASSETS

### TANGIBLE AND INTANGIBLE HERITAGE ASSETS

The Council's Heritage Assets are held at Towneley Hall Art Gallery & Museum and Burnley Town Hall. The museum has seven collections of heritage assets which are held principally for their contribution to knowledge, understanding and appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed allowing the Council's heritage assets to be included on the Balance Sheet at their insured value where available.

Heritage assets are deemed to have an indefinite life and therefore are not depreciated as the charge would be minimal and immaterial. Nevertheless, where there is evidence of physical deterioration, or doubts arise as to its authenticity, the value of the asset has to be reviewed.

## XII. INTANGIBLE ASSETS

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

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

Expenditure on the development of website is not capitalised if the website is solely or primarily intended to promote or advertise the Council’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 Council can be determined by reference to an active market. In practice, no intangible asset held by the Council 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 lines in the Comprehensive Income and Expenditure Statement. The useful lives and associated amortisation rates of computer software have been estimated at 5 years. 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 lines 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 then £10,000) the Capital Receipts Reserve.

## XIII. 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/weighted average costing formula. Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

## XIV. INVESTMENT PROPERTY

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at 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.

## XV. JOINT OPERATIONS

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

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

## XVI. 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

The Council classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. This includes arrangements with nil consideration, peppercorn or nominal payments. Initial measurement

**Initial Recognition**

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options. The Council initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the Council's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined.

Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the authority is reasonably certain to exercise
- lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

**Subsequent measurement**

The right-of-use asset is subsequently measured using the fair value model. The Council considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption. The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee
- the authority changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment. When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the Comprehensive Income and Expenditure Statement.

**Low value and short lease exemption**

As permitted by the CIPFA Code of Practice, the Council excludes leases:

• for low-value items that cost less than £5,000 when new, provided they are not highly dependent on or integrated with other items, and

• with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the Council is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

**Lease expenditure**

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are charged to the Comprehensive Income and Expenditure Statement.

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

## THE AUTHORITY AS LESSOR

**Finance Leases**

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

Lease rentals receivable are apportioned between:

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

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

Balance to the Deferred Capital Receipts Reserve. When future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.
The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

**Operating Leases**

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

## XVII. OVERHEADS AND SUPPORT SERVICES

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

## XVIII. 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.

### RECOGNITION

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

### MEASUREMENT

Assets are initially measured at cost comprising:

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

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

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

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings - fair value, determined using the basis of existing use value for social housing (EUV-SH)
    - Surplus asset – the current value measurement base is fair value, estimated at highest and best use from a market participants perspective
    - All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.
Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Valuations are supported by indexation in intervening years where a revaluation has not been carried out. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service. Where an asset is revalued, it is assumed that the useful life of the asset will revert back to its full useful life unless notified otherwise by the Valuer.

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

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

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

## IMPAIRMENT

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.
Where impairment losses are identified, they are accounted for by:
Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

## DEPRECIATION

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

Depreciation is calculated on the following bases:

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

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately if they have different economic useful lives. The minimum value for separate components has been set at £100k as it is believed that anything below this would result in a trivial impact on the Council’s accounts. However, the major components of land and buildings have already been separated for many years, with no depreciation being applied to the land element.
Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### DISPOSALS AND NON-CURRENT ASSETS HELD FOR SALE

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on the 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 as 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 of the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie 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. The receipt is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

## XIX. PROVISIONS AND CONTINGENT LIABILITIES

### PROVISIONS

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council has an 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 the reimbursement will be received if the Council settles the obligation.

### CONTINGENT LIABILITIES

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

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

## XX. RESERVES

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

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

## XXI. REVENUE EXPENDITURE FUNDED FROM 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 Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## XXII. VALUE ADDED TAX

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

## XXIII. FAIR VALUE MEASUREMENT

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

a) in the principal market for the asset or liability, or

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

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

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

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

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

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

# 6. Glossary

Gawthorpe Hall

# Glossary of Terms

## ACCOUNTING PERIOD

The period of time covered by the accounts, 12 months commencing on 1 April and ending on 31 March (the balance sheet date).

## ACCRUAL

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

## ACTUARIAL GAINS AND LOSSES

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

## AGENCY SERVICES

Services provided by the Council, as an agent on behalf of the responsible body, where that body reimburses the Council for the cost of the work carried out.

## ANNUAL GOVERNANCE STATEMENT (AGS)

The formal statement that recognises, records and publishes a local Authority's governance arrangements.

## ASSET

A resource controlled by the Authority as a result of past events and from which future economic or service potential is expected to flow to the Authority.

## AUDITOR'S OPINION

The opinion required by statute, from the Council's external auditors, indicating whether the statement of accounts give a true & fair view of the financial position of the Authority.

## BALANCE SHEET

A statement of recorded assets, liabilities and other balances at the end of the accounting period.

## BALANCES

The capital or revenue reserves of the Council made up of the accumulated surplus of income over expenditure on the General Fund or any other fund.

## BUDGET

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

## CAPITAL ADJUSTMENT ACCOUNT

Represents the amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or to make repayments relating to external loans or other types of capital finance.

## CAPITAL CHARGE

A charge to revenue accounts to reflect the cost of fixed assets used in the provision of services.

## CAPITAL EXPENDITURE

Spending on the acquisition and substantial renovation of assets either directly by the Council or indirectly in the form of grants to other persons or bodies. The Code of Practice on Local Authority Accounting in the UK defines "expenditure for capital purposes". Expenditure which does not fall within the definition must be charged to a revenue account.

## CAPITAL FINANCING COSTS

The annual cost of borrowing (principal repayments and interest charges), leasing charges and other costs of funding capital expenditure.

## CAPITAL GRANTS UNAPPLIED

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with. This reserve holds the balance of grants unapplied at year-end.

## CAPITAL RECEIPTS

Income from the sale of capital assets. Such income may only be used for purposes authorised by regulations under Local Government Act 2003, for example to repay loan debt and to finance new capital expenditure.

## CAPITAL RECEIPTS - DEFERRED

These represent amounts derived from the sale of assets, which will be received in instalments over agreed periods of time.

## CARRYING AMOUNT

Is the amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

## CIPFA

The Chartered Institute of Public Finance and Accountants is the accountancy body which recommends accounting practice for the preparation of local authority accounts.

## CIPFA PRUDENTIAL CODE

This Code was introduced from 1 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.

## CODE OF PRACTICE

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of a local Authority.

The Code sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to:

- Statements of Accounts prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2015.
- The audit of those accounts undertaken in accordance with the statutory framework established by section 5 of the Audit Commission Act 1998 for England.

The Code prescribes the accounting treatment and disclosures for all normal transactions of a local Authority, and is based on the following hierarchy of standards:

- International Financial Reporting Standards (IFRSs) (including International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) interpretations) as adopted by the European Union (i.e. EU-adopted IFRS).
- International Public Sector Accounting Standards (IPSASs).
- UK Generally Accepted Accounting Practice (GAAP) (Financial Reporting Standards (FRSs), Statements of Standard Accounting Practice (SSAPs) and Urgent Issues Task Force (UITF) Abstracts).

The Code has effect for financial years commencing on or after 1 April 2010.

## COLLECTION FUND

The Collection Fund shows the transactions of the Council in relation to the collection from taxpayers and distribution to precepting authorities, the Council and the Government of Council Tax and Non-Domestic Rates. The Collection Fund (England) 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.

## COMMUNITY ASSETS

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

## CONSISTENCY

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

## CONSOLIDATED BALANCE SHEET

The combined fund balance sheets of the Council.

## CONTINGENCY SUM

A sum set aside to provide for foreseen but unquantifiable future commitments or for unforeseen expenditure which may become necessary during the year.

## CONTINGENT LIABILITY

A contingent liability is either:

(a) A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority’s control, or

(b) A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

## CORPORATE GOVERNANCE

The authoritative rules and controls in place within the Council required to promote openness, inclusivity, integrity and accountability.

## COST OF MANAGEMENT AND ADMINISTRATION

An allocation to service accounts of the net cost of the administrative and professional departments which support all the Council’s services.

## CREDITORS

Are financial liabilities arising from the contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied and have been invoiced or formally agreed with the supplier.

## CURRENT ASSET

Is an asset that is intended to be sold within the normal operating cycle; the asset is held primarily for the purpose of trading, or the Authority expects to realise the asset within 12 months after the reporting date.

## CURRENT LIABILITY

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

## CURRENT SERVICE COST (PENSIONS)

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

## DEBT REDEMPTION

The repayment of external loans previously raised to finance capital expenditure.

## DEBTOR

Are financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents.

## DEFERRED CHARGES

Expenditure which does not result in, or remain matched with, tangible assets. An example of a deferred charge is expenditure on items such as improvement grants. Deferred charges are written off to the revenue account in the year of account.

## DEFERRED DEBTORS

Debts of a capital nature repayable over a period of time in excess of one accounting period e.g. mortgages.

## DEPRECIATION

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

## EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the Council, and which need to be disclosed separately by virtue of their size or incidence to give a 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.

## EXPENSES

Are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or increases of liabilities that result in decreases in reserves. Expenses include expenses that arise in the course of the ordinary activities and losses such as revaluation of fixed assets.

## FAIR VALUE

Is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms-length transaction.

## FINANCE LEASE

A finance lease is one that transfers substantially all the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment amounts to substantially all (normally 90% or more) of the fair value of the leased asset.

## FINANCIAL YEAR

In the context of a local Authority this means the period from 1 April to the following 31 March inclusive.

## FIXED ASSETS

Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

## FORMULA GRANT

General Government Grant towards the Councils net revenue budget; and which comprises entitlements of Revenue Support Grant and the Council's business rates retained.

## GENERAL FUND

The main revenue fund of the Council. Day-to-day spending on services is met from the fund.

## GOING CONCERN

The Authority's financial statements have been prepared on a going concern basis; that is, the accounts have been prepared on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

## GROSS EXPENDITURE

The cost-of-service provision before allowing for Government grants, council taxes and other income.

## HISTORICAL COST

Is deemed to be the carrying amount of an asset as at 1 April 2007 (i.e. b/f from 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment (if applicable).

## IMPAIRMENT

This is where the useful working life of an asset is significantly reduced – for example, because of damage to a piece of equipment or changes in technology which mean that a service can be provided more efficiently in other ways.

## INCOME

Is the gross inflow of economic benefits or service potential during the reporting period when those inflows or enhancements of assets or decreases of liabilities result in an increase in reserves. Income includes both revenue arising in the course of ordinary activities and gains such as the revaluation of fixed assets.

## INFRASTRUCTURE ASSETS

Fixed 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 ASSET

An intangible asset is an identifiable non-monetary asset without physical substance. It must be controlled by the Authority as a result of past events, and future economic or service benefits must be expected to flow from the intangible asset to the Authority. The most common class of intangible asset in local authorities is computer software.

## INTEREST COST (PENSIONS)

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

## INVESTMENT PROPERTY

An investment property is one that is used solely to earn rentals or for capital appreciation or both.

## LEASING

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

## LIABILITIES

Are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

## LOANS OUTSTANDING

The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the balance sheet date.

## MATERIALITY

The relevance of information contained in the financial statements is affected by its nature and materiality. Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Therefore, materiality provides a threshold or cut-off point rather than a primary qualitative characteristic which information must have if it is to be useful. An Authority need not comply with the Code, as to both disclosure and accounting principles, if the information is not material to the true and fair view of the financial statements and to the understanding of users.

## MINIMUM REVENUE PROVISION

The minimum amount that the Council must charge to the income and expenditure account to provide for the repayment of debt.

## NON-DOMESTIC RATES (NDR)

With effect from April 1990 all non-domestic properties were revalued, and the Government determines a national non-domestic rating multiplier every year which is applicable to all local authorities. The rateable values are set by the Valuation Office Agency of HM Revenue & Customs, and there is a statutory revaluation every 5 years. The proceeds of the business rates are partly retained by the Council, and the balance is redistributed to the Government, Lancashire County Council and Lancashire Fire and Rescue Authority.

## NET EXPENDITURE

Gross expenditure less specific Government grants and other income.

## NET BOOK VALUE

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost of current value, less the cumulative amounts provided for depreciation.

## NON-OPERATIONAL ASSETS

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment property and assets that are surplus to requirements, pending sale or redevelopment.

## OPERATING LEASE

A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.

## OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

## PAST SERVICE COST

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

## PRECEPT

The levy made by precepting authorities (Lancashire County Council, Police and Crime Commissioner for Lancashire, Lancashire Fire and Rescue Authority, Town & Parish Councils) on the Council, requiring the Council to collect income from Council taxpayers on behalf of the precepting authorities and paying over the cash collected to them.

## PROVISION

An amount set aside in the accounts for liabilities which are certain to be incurred in the future but cannot be quantified accurately at the balance sheet date.

## PRUDENCE

Accounts should be prepared in accordance with the concept of prudence. Income should only be anticipated to the extent that it will be received, as cash or other assets, with reasonable certainty and full and proper allowance should be made for all known and foreseeable losses and liabilities.

## PRUDENTIAL FRAMEWORK

One of the principal features of the Local Government Act 2003 was to provide the primary legislative requirements to introduce a new prudential regime for the control of Local Authority capital expenditure. The regime relies upon both secondary legislation in the form of regulations, and a prudential code which has been published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Under the prudential framework local authorities are free to borrow without specific Government consent if they can afford to service the debt without extra Government support. The basic principle is that authorities will be free to invest as long as their capital spending plans are affordable, sustainable and prudent. As a control mechanism to ensure this occurs all authorities must follow the prudential code published by CIPFA. This involves setting various prudential limits and indicators that must be approved by the Council.

## PUBLIC WORKS LOAN BOARD (PWLB)

A body, now part of the Debt Management Office (a Government agency), which lends money to public bodies for capital purposes. At present nearly all borrowers are local authorities. Monies are drawn from the National Loans Fund and rates of interest are determined by the Treasury.

## 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 pursing at all times its own separate interests; 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. The materiality of related party transactions should be judged not only in terms of their significance to the Authority, but also in relation to its related party.

## RENT ALLOWANCE

A subsidy payable by the Council to low-income tenants in private rented accommodation.

## RESERVE

The residual interest in the assets of the Authority after deducting all its liabilities. The Movement in Reserves Statement shows the true economic cost of providing the Authority's services, represented by the line 'Surplus or (deficit) on the provision of services'. Some income and expenditure is required to be recognised on a different basis or in a different accounting period (i.e. in accordance with legislation) in the General Fund. These differences are shown in the line 'Adjustments between accounting basis and funding basis under regulations'. Voluntary transfers to or from the General Fund Balance also affect the amount to be funded from Council Tax; these are shown in the line 'Transfers to or from reserves available to fund services'. The Movement in Reserves Statement also shows Other Comprehensive Income and Expenditure, for example revaluation gains.

## RESIDUAL VALUE

Of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

## REVALUATION RESERVE

From April 2007, this replaced the former Fixed Asset Restatement Account. The Revaluation Reserve will, like the Fixed Asset Restatement Account, measure the gains or losses on assets where a revaluation has taken place.

## REVENUE ACCOUNT

An account that records an Authority's day-to-day expenditure and income on such items as salaries and wages and other running costs of services.

## REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE (REFFCUS)

Expenditure to be classified as capital for funding purposes when it does not result in it being carried on the balance sheet as a fixed asset.

## REVENUE SUPPORT GRANT (RSG)

A grant paid by Central Government to every Local Authority to help to finance its expenditure generally and not specific services. It is based on the Government's assessment of how much the Council needs to spend to provide a standard level of service.

## STOCKS AND WORK IN PROGRESS

Items of stores and raw materials which have been procured for use on an on-going basis, and which have not yet been used at the end of the accounting period.

## TEMPORARY LOANS

Loans where repayment is due to be made or repayment can be demanded, within one year from the date of advance.

## TREASURY MANAGEMENT

This relates to Borrowing and Cash activities (including Investment) of the Authority, and the effective management of any associated risks. Local authorities' treasury management activities are prescribed by statute – in England & Wales the source of such powers is the Local Government Act 2003, which simplified past complexities and gave further clarification. A local Authority may borrow or invest for any purpose relevant to its functions, under any enactment (law) for the purpose of the prudent management of its financial affairs. The Council also applies the CIPFA code of practice on treasury management in public services.

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