HYNDBURN BOROUGH COUNCIL

Statement of Accounts (Audited)

Year Ended 31st March, 2011

Contents

HBC-updated *Glossary of Local Authorities' Accounting Terminology* is on the Council's website www.hyndburnbc.gov.uk near to the Statement of Accounts.

(The separate **Annual Governance Statement** of the Council is a self-contained document which, as reported to and approved at Audit Committee June 2011, accompanies the *final* Statement of Accounts by September)

ACCESSIBILITY

It is important that our leaflets and publications are as accessible as possible to all sections of the community. **If you require this information in a different format, for example large print, audio or in different languages please let us know.**

AUDITOR'S REPORT

Independent auditor's report to the Members of Hyndburn Borough Council

Report and certificate will follow from the External Auditors (Audit Commission) on completion of the audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HYNDBURN BOROUGH COUNCIL

Opinion on the Authority accounting statements

I have audited the accounting statements of Hyndburn Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Hyndburn Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Executive Director Resources and auditor

As explained more fully in the Statement of the Executive Director's Responsibilities, the Executive Director is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on accounting statements

In my opinion the accounting statements:

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

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Hyndburn Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts of Hyndburn Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Clive Portman
District Auditor
Audit Commission
2nd Floor Aspinall House
Aspinall Close
Middlebrook
Horwich
Bolton
BL6 6QQ

29 September 2011

EXPLANATORY FOREWORD

1. Introduction

This publication is the Council's Statement of Accounts (SoA) for the financial year ended 31st March 2011. The main purpose of the document is to present a true and fair view of the financial position of the authority, including the significant financial transactions which have occurred during or for the year.

The statements presented on the following pages comprise:

(a) **Statement of Responsibilities for the Statement of Accounts**

This sets out the respective responsibilities of the Council and the Chief Financial Officer for the accounts.

(b) **Core Financial Statements**

(i) **Comprehensive Income and Expenditure Statement (CIES)**

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

* The Code of Practice on LA Accounting requires that authorities analyse the financial performance of their operations in the CIES using the service analysis & groupings included in CIPFA's *Best Value Accounting Code of Practice* (BVACOP) to secure consistency of reporting across all authorities. For year 2011/12 onwards BVACOP becomes the *Service Reporting Code of Practice for local authorities* (SeRCOP).

The CIES has two sections: (i) surplus or deficit on the Provision of Services (the increase or decrease in the Net Worth of the authority during the financial year as a result of incurring expenses and generating income) and (ii) Other income and expenditure (examples include the increase or decrease in the Net Worth as a result of movements in the fair value of assets and actuarial gains or losses on pension assets and liabilities).

(ii) **Balance Sheet**

This statement sets out the financial position of the Council at year-end 31 March. It shows a summary of non-current assets held, the current assets employed, the balances and reserves of the Council, and the Council's financial liabilities.

(iii) **Statement of Movement in Reserves (MiRS)**

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (including the General Fund Balance), and other (unusable) reserves.
The GFB movements are summarised in the first column of the MiRS.

(iv) **Cash Flow Statement**

This statement summarises the Council's inflows and outflows of cash arising from transactions with third parties during the year, for revenue and capital purposes.

(v) **Related Notes to core financial statements** - giving accounting policies (Note 1), required disclosures and/or further pertinent information

(c) **Supplementary Financial Statement(s)**

(i) **Collection Fund income and expenditure account, and notes**

All the money collected from council taxpayers and non-domestic ratepayers is paid into this account and the precepts, being the money required by the borough council, the county council and the police and fire authorities to meet net spending on services provided, is distributed out of this account.

(d) **Annual Governance Statement (AGS)**

From year 2007/08 onwards, the Annual Governance Statement superseded the former Statement on the System of Internal Control ('SIC'). The AGS comprises mainly a policy statement; recognition of core principles of Good Governance; the Council's corporate governance arrangements; and an Annual Governance Review with associated conclusions and list of evidence files supporting the AGR. The AGS, like the former 'SIC', is a self-contained statement which is submitted to the Audit Committee for approval.

As provided in the Accounts and Audit Regulations effective for year 2010/11 accounts onwards, the HBC annual governance statement (submitted separately for approval by the Audit Committee at the committee's June meeting) subsequently accompanies the final/audited Statement of Accounts in September.

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2. General Fund revenue accounts position

Summary of General Fund revenue accounts and net movements on Balance:

Financial Year 2010/11	Updated Budget * £000	Actual Outturn £000	(Favourable) / Adverse Variance £000
Net Expenditure & other movements in year	17,552	** 17,375	(177)
financed by:			
HBC precept on the Collection Fund	5,439	5,439	0
Revenue Support Grant	1,290	1,290	0
Business Rates (NNDR) share via the Govt's 'pool'	8,882	8,882	0
HBC Collection Fund (deficit)/surplus balance	(37)	*** (37)	0
Resources total	*15,574*	*15,574*	0
Net (Increase)/Reduction in GF Balance reserve	1,978	1,801	(177)

* The original budget was approved by Council on 24th February 2010, with £108,000 to be met from the General Fund Balance. On 21st June 2010 the Audit Committee, as so delegated by the Council, approved additional budget total of £1,870,267 as far as year 2010/11 was concerned to be met from GF reserves brought forward (with zero impact on net Budget Requirement). The £1,870,267 included £1,620,667 for direct revenue financing (capital) and long term investment reserve.

** A breakdown over Services etc of Net Expenditure Outturn £17,374,886 is given in further table below. It includes a contribution of £892,686 to an earmarked reserve created to provide for Invest To Save etc requirements, approved in principle by Full Council 7th December 2010.

*** Outturn item for Collection Fund deficit at year-end, in the table above, has been split in the core financial statements between Comprehensive Income & Expenditure Statement (CIES) general sources of finance (£35,794 for 2010/11) and in the General Fund other movements (£1,358 for 2010/11), per the Council Tax related 'SoRP' changes from 2009/10 (with comparative figures then for 2008/09) which are a continuing reporting feature for 2010/11.

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As indicated in the above table, the CIES reflects a GF Balance net decrease of approximately £1.8 million. The approved updated budget had provided for a contribution of £1,978,267 from GF Balance, so there is an overall favourable variance of approximately £177,000. This equates specifically to £177,252 of items being recommended from Cabinet 8th June 2011 meeting via a report for approval at Audit Committee 27th June for addition to 2011/12 revenue budgets.

Variances against budgets have been continually reported during the year to the Council's Corporate Management Team and to the Cabinet.

Information on the main variances of the year, with explanations, was given in the above-mentioned report on Revenue Accounts Provisional Outturn 2010/11 - Cabinet Meeting held on 8th June 2011 - report *on the basis or format of HBC developed internal management accounts reporting. A copy of table included follows here.*

REVENUE OUTTURN 2010/11

Description	Budget £	Year Outturn £	Variance £
Community Services			
Planning & Transportation	1,120,675	1,232,195	-111,520
Environmental Health	1,328,911	1,228,944	99,967
Waste Services	3,454,490	3,083,127	371,363
Parks & Open Spaces	1,312,130	1,369,496	-57,366
Culture & Leisure	1,436,904	1,422,295	14,609
Concessionary Fares	1,128,710	989,464	139,246
Sub-Total Community Services	9,781,820	9,325,521	456,299
Regeneration Services	1,692,053	1,718,341	-26,288
Property Services	218,564	218,416	148
Sub-Total Regen Serv's & Property	*1,910,617*	*1,936,757*	*-26,140*
Policy & Corporate Governance	6,022,500	5,613,222	409,278
TOTAL General Fund Services	17,714,937	16,875,500	839,437
Non Service Items	-162,799	-393,300	230,501
TOTAL Net Expenditure	17,552,138	16,482,200	1,069,938
Transfer to Invest to Save Fund	0	892,686	-892,686
Transfer to GF Reserve specific items	0	177,252	-177,252
Contribution (from) / to GF Reserves	-1,978,267	-1,978,267	0
TOTAL Net Requirement	15,573,871	15,573,871	0

A copy of the above-mentioned report to Cabinet meeting was provided to Audit Committee for the committee's 27th June 2011 meeting in relation to impacts on 2011/12 budgets (Report on Financial Performance 2010/11).

EXPLANATORY FOREWORD

Committee and Cabinet non-confidential papers are available in full via www.hyndburnbc.gov.uk.

As in previous years, while overall expenditure was contained across the Council's Budget, there were a small number of areas in which an overspend occurred. However our budgetary monitoring procedures identified these early in the year and appropriate action was taken to reduce expenditure in these areas or manage overspend across the Council.

The change(s) to the General Fund Balance reserve of the Council from approximately £4.296m at the end of year 2009/10 (as audited and pre IFRS), to a reduced balance of some £2.410m at the end of 2010/11, is summarised within the *Movement in Reserves statement*.

The outturn position overall marks a consolidation as at 31st March 2011 in the Council's overall improved financial management and forward position.

The intention remains to continue the sound and prudent management of finances, and taking appropriate in-year actions, in 2011/12 and onwards, in order to continue the Council's strong financial management and related achievements, and to sustain such improved position and capacity for further service improvements - and while facing, via HBC Medium Term Financial Strategy updates, further challenges of limited and/or reducing Local Government financial resources.

Note 6 in this SoA gives 'Segmental Reporting' reconciliation(s) to the CIES / Best Value Accounting Code of Practice presentation.

Pension Costs Liabilities

The financial statements incorporate the requirements of Financial Reporting Standard (FRS) 17 and International Accounting Standard (IAS) 19. This means that pensions liabilities are recognised in the accounts when they are incurred rather than when they are paid, and better reflects the commitment to making good any shortfall in the attributable net assets of the pension fund. The balance sheet contains two balances - the pensions liability of the Council (net of its attributable share of pension fund assets), and a corresponding reserve from/to which appropriations are made to neutralise the effect of this reporting standard on the amount to be paid by Council Tax payers. *Accounting Policy 14(c) refers.*

In compliance with the FRS17 / IAS19 and the Accounting Code of Practice for LAs, pensions liabilities are estimated for the year's accounts using an appropriate discount rate from AA (high quality) corporate bonds. Further detail on this is in Note 33.

Over the course of the year the size of the net pension deficit decreased from £47.8m to £32.6m. The reduction in the deficit is due to the annual re-estimation of the pension fund's assets and liabilities by the Fund's Actuary in April 2011 - inclusive of an estimated 'past service' gain. *Further detail on this is in Note 33.*

Statutory arrangements for the funding of the pension scheme mean that the financial position of the Council remains healthy in this regard.

Further information on pension liabilities and funding is given in Note 33 to the core financial statements. It is intended that, in due course, the reported net liability will be addressed through further regular triennial reviews of the pension fund, and current or future proposed statutory amendments to the scheme. The next triennial review will be as at 31st March 2013.

3. Capital Expenditure

Capital expenditure in year 2010/11 totalled £9.942m (inclusive of allocations of capitalised staff salaries) as follows:

Scheme	Amount £000s
Housing Market Renewal (incl'g 'Purchase Assistance Loans' equity share loans *)	4,433
Housing Improvement Grants	1,456
Accrington Market Hall	1,046
Civic Theatre development project, Oswaldtwistle	701
Mercer Hall Leisure Centre Improvements, Great Harwood	209
Accrington Railway Station	201
Planned Asset Management	187
Area Management Councils schemes	125
Lowerfold Park Play Area PH2	125
Rhyddings & Memorial Park	124
Bolton Avenue Playbuilder PH3	115
Playground Improvements : Highams & Rhyddings	113
Mercer House Refurbishment	106
Rhyddings Park multi-use games area (MUGA)	103
Woodlands Cycle Track	92
Allotments Regeneration	82
Lyndon Play Area	80
Heys Playing Field Improvement	76
Holt Street multi-use games area (MUGA)	74
Technology Refreshment Programme	71
E-Government Implementation	70
Accrington Cemetery Link Road	59
Vehicles	54
Housing Benefit IT Server Migration	48
Oakhill Park multi-use games area (MUGA)	39
Other capital schemes	153
TOTAL	**9,942**

This compares to capital expenditure of £12.062m in 2009/10. The financing of the capital expenditure is given in note 18 to the core financial statements.

Schemes' progress and any variances against budgets have been continually monitored; and overviewed during the year via the Officers / Member capital programme working group (CPWG). Provisional 2010/11 final outturn figures were given to CPWG for the 21st April 2011 meeting.
Information on the main variances of the year is given in the report *on Capital Programme Outturn 2010/11 (Cabinet on 8th June 2011 meeting) - and a copy was provided to Audit Committee for the committee's 27th June meeting in relation to impacts on 2011/12 budgets.* Committee and Cabinet non-confidential papers are available via www.hyndburnbc.gov.uk.

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* Equity Share Loans & Purchase Assistance Loans

From year 2006/07, such ES loans have been made by the Council, per policy approved in 2006: year 2006/07 total so advanced was £682,250 comprising 21 loans; 2007/08 was a further £473,150 (further 16 loans); 2008/09 was a further £361,700 (further 10 loans); cumulatively £1,517,100 (47 no.). They have related entirely to home relocations financed by central government via 'Elevate East Lancashire' housing market renewal programme.

In future, the Council may use ES loans also for appropriate instances of home improvements, such loans to be financed from available capital programme resources.

As indicated in Note 16 to the core financial statements, equity share loans (and more recently Purchase Assistance Loans – referred to below) had been categorised as Deferred Charges capital expenditure (and from year 2008/09, under the then 'SoRP', any revenue accounts impact of deferred charges is known as 'Revenue expenditure funded from Capital under Statute' - REFCUS).

Under the circumstances of the related loan repayment conditions, it is not appropriate to include the ES loans / PALs in the Balance Sheet. If and when such loans may become due for repayment, the loan amount (and in the case of ESLs, cumulative £75 per annum administration fees) would then be recognised as income appropriately in the HBC financial statements. In the meantime, and on an ongoing basis, transactions relating to ES loans (including administration fees) and Purchase Assistance Loans are recorded, summarised and reconciled within the Council jointly by the departments involved.
Note 42 (Financial Instruments) also refers.

Purchase Assistance Loans (PALs) - in accordance with a report approved by the Council's Cabinet in July 2007, there would be 'Purchase Assistance Loans' from 2008/09 under such new, related policy and conditions (including for any repayment) in conjunction with 'Elevate' and loan administrator (external body: Northern Counties Housing Assn). In early part of year 2008/09 there were specific transitional arrangements, in that there was particular and limited scope in defined areas for further Equity Share Loans rather than PALs.

First PALs made by the Council were in 2009/10: £37,220 advanced (comprising 3 loans).
In 2010/11 a further £77,948 was advanced (4 loans); cumulatively £115,168 (7 no.)

Repayments of ESLs / PALs : up to 31st March 2011 there have been 3 repayments of ESLs, a total of £89,700.

4. Balance Sheet

As shown by the bottom-half of the Balance Sheet, the Net Worth as at 31st March 2011 is a positive position of approximately £12.1m - *an improved position by some £24m from 31st March 2010 restated position*, which was £11.980m negative (as necessarily restated, from £12.555m negative, for relevant prior-year(s) impacts of the IFRS-based 2010/11 Accounting Code of Practice for LAs).

The main change in the year has been the decrease of £15.2m in the Pensions Net Liability or Deficit (a Long Term Liability), which is partly offset by increase of £2.7m in long-term borrowing as at financial year end. Non-Current Assets carrying value increased by £6.5m. In Current Assets, short-term debtors favourably reduced by £4.1m and short-term investments increased by £6.5m.

Current Liabilities reduced by £2.1m (mainly attributable to reduction in short term borrowing to nil balance).

On the General Fund Balance reserve in particular, and with reference to respective column for GFB in the *Movement in Reserves statement*, the movement from pre-IFRS 31st March 2009 audited position can be summarised as: £000's

GF Balance as at 1/4/2009	***3,066***	per 31/3/2009 audited position
Impact at 1/4/09 *arising from changes in leases prepayment IFRS accounting treatment*	*-86*	
Sub-total	2,980	
Year 2009/10 net increase	*1,230*	
Sub-total	**4,210**	
Year 2010/11 net decrease	-*1,800*	
Balance as at 31/3/2011	**2,410**	

5. Business Improvement District (BID)

As noted in previous Statements of Accounts, during the latter part of 2006 a successful ballot (with 'yes' majority result) of the businesses at Altham Business Park and Altham Industrial Estate caused the formal setting-up of the planned Altham BID to deliver security benefits - for a scheme period of *five years* (from April 2007) - under the Business Improvement Districts (England) Regulations 2004 (and the Local Government Act 2003) and in accordance with a published and agreed business plan. More information on this can be found on www.althambid.co.uk website. 2010/11 was Year 4 of the Altham initial scheme.

The Council's financial role is to bill the annual local BID Levy to all the businesses for the relevant financial year and to collect it; and to pay over amounts collected to Altham BID Co Ltd plus VAT. In accordance with the Regulations and the accounting code of practice for LAs, the levy-related amounts are not included in the Council's main financial statements of income and expenditure within this Statement of Accounts, other than any 'debtors' and 'creditors' related Levy figures and (if any) recovery costs and income.

A memorandum account was no longer required to be given in the HBC Statement of Accounts 2009/10 and thereafter - per the 2009 'SoRP'.

Further scheme(s) within the borough area is/are being actively considered for 2012/13 onwards, via businesses concerned and Groundwork Pennine Lancashire as managing agents.

6. Transition to International Financial Reporting Standards (IFRS)

From a decision announced by the then Chancellor(s) of the Exchequer via Budget report(s) to Parliament in 2007 and 2008, preparations have been made for **IFRS** to be adopted as appropriate for the UK public sector - *and implemented at local authorities for year 2010/11*.

Adoption of the various IFRSs would bring (i) private sector 'best practice' among countries, (ii) easier comparison of organisations' accounts (across sectors affected and countries), and (ii) better information for users of the accounts.

EXPLANATORY FOREWORD

The IFRS-based accounting code for local authorities as issued by CIPFA (the Chartered Institute of Public Finance & Accountancy) has replaced the annual *'SoRP'* (statement of recommended practice), which had been based, up to and including 2009/10, on generally accepted accounting practice (UK GAAP).

As inherent part of the transition overall project, *the 2009/10 accounts have been re-stated in accordance with IFRSs* (including for the previous position as at 1st April 2009 where required retrospectively) *to enable comparative and retrospective information to be given as at/from 1st April 2009*. A full internal presentation on the subject was given at Audit Committee on 19th January 2010; and an IFRS Accounts Update report was made to the June 2011 committee meeting.

As referred to in the above-mentioned report to Audit Committee in June 2011, <u>a major part of the considerable transition work has been to produce</u>:-

(i) new Comprehensive Income & Expenditure Statement (CIES) for 2009/10

(ii) Segmental Reporting (internal financial management reporting based on HBC organisation / structures) 2009/10 reconciliation to the CIES figures

(iii) Opening Balance Sheet as at 1st April 2009, restated *
(including for Assets re-classification)

(iv) Balance Sheet as at 31st March 2010, restated (incl'g for assets re-classification)

(v) Movement in Reserves statement 2009/10 *

(vi) Cash Flow Statement 2009/10 restated

(vii) And related implications on disclosure / further information / analysis notes.

<u>Restated 'Comprehensive Income and Expenditure Statement' for 2009/10</u> - *this is given as previous year comparative figures in the Comprehensive Income & Expenditure Statement included in this 2010/11 SoA.* The impacts of IFRS Code transition on CIES have arisen from :
(a) Accumulating Absences accounting (required accrual for outstanding leave at 31st March) - accounting policy 14(a) refers
(b) Government Grants Deferred (removal from Services)
(c) Finance Leases (wider recognition and also removal from Services) *
(d) Depreciation on assets re-categorised as surplus assets
(e) Revaluations in respect of Investment Property (classification re-defined)
(f) Reclassifying general grants to capital grants
(g) Recognition of capital grants unapplied.

<u>Restated Balance Sheets</u> - the restated two balance sheets as at 1st April 2009 and 31st March 2010 were reported as Draft figures with 'IFRS Accounts Update' Report to Audit Committee 27th June 2011 meeting (Appendix C).
They are embodied as previous years' figures in the Balance Sheet in this SoA.

*A one-off financial impact as at 1st April 2009 of £85,730 (£86k) in the transition to IFRS for Finance Leases accounting treatment is given earlier in this Explanatory Foreword (part 4 : Balance Sheet commentary) and in the Movement in Reserves statement (General Fund Balance column, footnote 3)

The above restatements of Balance Sheets and CIES are referred to in SoA Note 44 - regarding differences between amounts presented under SoRP 2009 and the IFRS-based accounting code, particularly where material.

After initial implementation of the initial IFRS code for UK local authorities, it is probably inevitable that from time to time in the future there would be periodic or occasional changes to several of the IFRSs, potentially also with retrospective (or at least prior year) impacts.

7. Acknowledgement

I wish to record my thanks to colleagues in Finance services and in other service areas for their work and commitment in completing this Statement of Accounts and associated disclosures and supporting information.

8. Approval of the financial statements

As provided via The Accounts and Audit Regulations applicable to 2010/11 and onwards, the draft Statement of Accounts (SoA) was signed, and authorised for issue, by the Responsible Finance Officer *via the Statement of Responsibilities*. This is subject to subsequent inclusion of any necessary and agreed adjustments, including such adjustments (if any) arising in or from the external audit of the accounts - as being reported if significant or material to the Audit Committee (on 26th September 2011) as part of the then approval by the Committee of the final (audited) SoA.

9. Further information

If required, further information about the 2010/11 accounts would be available from the Head of Accountancy Services, Hyndburn Borough Council, Scaitcliffe House, Ormerod Street, Accrington, BB5 0PF. This is part of the Council's policy of providing full information about the Council's affairs.
A Statement of Accounts inevitably contains technical language / terms. A comprehensive *Glossary of Accounting Terminology* is on the Council's website www.hyndburnbc.gov.uk

The availability of the accounts for inspection is advertised by the Council in the local press by early July, giving current rights under law and notice of related, subsequent dates.

The Statement of Accounts, initially before audit completion and subsequently afterwards, is also placed on the Council's website - together with key summary financial statements and/or charts when appropriate. Such financial information for the year is also summarised in the Council's separate *Annual Report* (with break-down over Corporate Strategy Priorities of spend on Revenue and Capital).
Suggestions or comments or views on the format and/or style of these documents - eg regarding readability and understanding - are welcome.

J.V. McIntyre CPFA
Executive Director (Chief Financial Officer)

STATEMENT OF RESPONSIBILITIES

The following responsibilities are placed upon the Authority and the Chief Financial Officer in relation to the Authority's financial affairs.

The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority that officer is the Chief Finance Officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the *final* 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. This is required by the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the UK* ('the Code'), to present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2011.

In preparing the 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.

The statement of accounts presents a true and fair view of the financial position of the authority as at 31st March 2011 and its income and expenditure for the financial year 2010/11.

These financial statements replace the unaudited financial statements previously authorised.

Date: 27th September, 2011 Signature:

J. V. McIntyre CPFA

Executive Director / section 151 officer

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This Comprehensive Income and Expenditure Statement (CIES) has two sections: (i) surplus or deficit on the Provision of Services (the increase or decrease in the Net Worth of the authority during the financial year as a result of incurring expenses and generating income) and (ii) Other income and expenditure (examples include the increase or decrease in the Net Worth as a result of movements in the fair value of assets and actuarial gains or losses on pension assets and liabilities.

At the beginning of this whole SoA, the Explanatory Foreword (part 1: Introduction) also refers.

2009/10 Gross Expenditure £000's	2009/10 *Restated Income £000's	2009/10 Net Expenditure £000's		2010/11 Gross Expenditure £000's	2010/11 Income £000's	2010/11 Net Expenditure £000's	Note
			Continuing Services				
*17,631	*(2,505)	*15,126	Central Services to the Public	9,054	(2,543)	6,511	
*13,287	*(5,271)	*8,016	Cultural, Environmental, Regulatory & Planning Services	13,510	(4,506)	9,004	
*1,850	(418)	*1,432	Highways & Transport Services	1,735	(377)	1,358	
*37,838	(44,752)	*(6,914)	Housing Services (non HRA)	41,007	(39,229)	1,778	**2a**
808	(25)	783	Corporate & Democratic Core	779	(1)	778	
73	(16)	57	Non-Distributed Costs	218		218	
156	(812)	(656)	Exceptional items		(6,216)	(6,216)	**11**
*71,643	*(53,799)	*17,844	**Cost of Services**	66,303	(52,872)	13,431	**4c, 6**
			Other Operating Expenditure :				
		(74)	(Gain)/Loss on Disposal of Non-Current Assets			(71)	**5**
		12	Local precepts: Altham Parish Council	14		14	
*2,263	(2,313)	*(50)	(Surplus)/Deficits on Trading Operations	2,341	(2,407)	(66)	**2b**
		0	Contribution of Housing Capital Receipts to Government Pool			0	**31**
		(109)	Other income/unattached capital receipts			(39)	**5, 31**
			Financing and Investment income and expenditure :				
		*636	Interest Payable & other Similar Charges			506	
		(52)	Interest and Investment Income			(89)	
5,996	(3,146)	2,850	Pensions Interest Cost and Expected Return on Pensions Assets	6,238	(4,117)	2,121	
		*(63)	Investment propertieschanges in fair value	58	(82)	(24)	
			Taxation and Non-Specific Grant Income				
			Demand On Collection Fund:				
		24	Collection Fund (surplus) / deficit transfer			36	
		(5,463)	Council Tax			(5,453)	
		*(4,179)	Government Grants (not attributable to specific services)			(3,244)	**4a**
		(8,167)	Non-Domestic Rate distribution			(8,882)	**4b**
		*(1,396)	Capital grants and contributions			(7,852)	
		***1,813**	**(Surplus) or Deficit on Provision of Services**			**(9,612)**	
		*(609)	(Surplus) / Deficit on revaluation of property, plant and equipment			(4,231)	
		0	(Surplus) / Deficit on revaluation of available for sale financial assets			0	
		10,664	Actuarial (gains) / losses on pension assets and liabilities			(10,288)	
		*0	Any other (gains)/ losses for year			0	
		***10,055**	**Other Comprehensive Income and Expenditure**			**(14,519)**	
		***11,868**	**Total Comprehensive (Income) and Expenditure**			**(24,131)**	

BALANCE SHEET

1-4-2009 *restated £ 000	2009/10 * restated £'000	Balance Sheet for the Authority as at year ended 31st March	Note	2010/11 £'000
		LONG TERM ASSETS		
*31,495	*28,885	Property, Plant & Equipment	**15**	34,918
*5,745	*5,718	Investment Property	**15**	5,742
147	181	Intangible Assets	**15**	234
*1,526	*1,323	Assets Held For Sale	**15**	1,706
*38,913	*36,107	Total Non-Current Assets		42,600
583	583	Long Term Investments	**23**	583
*69	*129	Long Term Debtors	**21**	307
39,565	*36,819			43,490
		CURRENT ASSETS		
54	59	Inventories	**22**	44
*8,921	*12,143	Short Term Debtors	**24**	8,042
8,896	4,976	Short Term Investments	**23**	11,486
4	4	Cash and Cash Equivalents	**38**	4
*17,875	*17,182			19,576
		CURRENT LIABILITIES		
(6,827)	(2,701)	Short Term borrowing	**42**	(2,707)
*(3,142)	*(2,815)	Short Term Creditors	**25**	(3,184)
(348)	(1,004)	Bank (overdraft)	**38**	(1,164)
0	0	Provisions current	**26**	(84)
*(10,317)	*(6,520)			(7,139)
***47,123**	***47,481**	TOTAL ASSETS LESS CURRENT LIABILITIES		**55,927**
		LONG TERM LIABILITIES		
(9,915)	(9,914)	Long Term borrowing	**42**	(9,897)
(1,027)	(1,170)	Provisions long-term	**26**	(949)
*(525)	*(567)	Deferred Liabilities: Finance Leases	**20**	(288)
(35,772)	(47,810)	Net Pensions Liability	**33**	(32,642)
*(47,239)	*(59,461)			(43,776)
***(116)**	***(11,980)**	**TOTAL ASSETS LESS LIABILITIES financed by:**		**12,151**
		CAPITAL ACCOUNTS & RESERVES		
		Usable Reserves:		
*2,980	*4,210	General Fund Balance Reserve	**MiRS**	2,410
2,047	4,474	Earmarked Reserves	**32**	6,865
4,898	4,517	Usable Capital Receipts Reserve	**31a**	2,690
846	68	Capital Grants Unapplied	**31b**	3,015
*10,771	*13,269			14,980
*(10,887)	*(25,249)	**Unusable Reserves and accounts**	**27**	(2,829)
***(116)**	***(11,980)**	**TOTAL RESERVES AND BALANCES = Equity or Net Worth**		**12,151**

STATEMENT OF MOVEMENT IN RESERVES

MOVEMENT IN RESERVES (Net Worth changes) **In this time of transition to IFRS requirements the statement includes year 2009/10**	**General Fund Balance** (note c) **£000**	**Earmarked Reserves** (note d) **£000**	**Capital Receipts Reserve** **£000**	**Capital Grants Unapplied** **£000**	**TOTAL USABLE RESERVES** (note b) **£000**	**UNUSABLE RESERVES** (note a) **£000**	**TOTAL AUTHORITY RESERVES** **£000**
Balance as at 31st March 2009	*** 2,980**	**2,047**	**4,898**	*** 846**	*** 10,771**	*** (10,887)**	*** (116)**
Movement in Reserves during 2009/10							
Surplus/(deficit) on provision of services (note e below)	* (1,813)				* (1,813)	0	* (1,813)
Other expenditure and income	0				0	* (10,055)	* (10,055)
Total Comprehensive Expenditure and Income	*** (1,813)**	**0**	**0**	**0**	*** (1,813)**	*** (10,055)**	*** (11,868)**
Adjustments between accounting basis and funding basis under regulations (note g)	* 5,470		(381)	* (778)	* 4,311	* (4,307)	* 4
Net Increase/(Decrease) before Transfers to Earmarked Reserves (note f)	*** 3,657**	**0**	**(381)**	*** (778)**	*** 2,498**	*** (14,362)**	*** (11,864)**
Transfers (to)/from Earmarked Reserves	(2,427)	2,427			0	0	0
Net Increase/(Decrease) in Year	*** 1,230**	**2,427**	**(381)**	*** (778)**	*** 2,498**	*** (14,362)**	*** (11,864)**
Balance at 31 March 2010 carried forward	*** 4,210**	**4,474**	**4,517**	*** 68**	*** 13,269**	*** (25,249)**	*** (11,980)**
<u>Movement in Reserves during 2010/11</u>							
Surplus/(deficit) on provision of services (note e below)	9,612				9,612	0	9,612
Other expenditure and income	0				0	14,519	14,519
Total Comprehensive Expenditure and Income	**9,612**	**0**	**0**	**0**	**9,612**	**14,519**	**24,131**
Adjustments between accounting basis and funding basis under regulations (note g)	(9,021)		(1,827)	2,947	(7,901)	7,901	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves (note f)	**591**	**0**	**(1,827)**	**2,947**	**1,711**	**22,420**	**24,131**
Transfers (to)/from Earmarked Reserves	(2,391)	2,391			0	0	0
Net Increase/(Decrease) in Year	**(1,800)**	**2,391**	**(1,827)**	**2,947**	**1,711**	**22,420**	**24,131**
Balance at 31 March 2011 carried forward	**2,410**	**6,865**	**2,690**	**3,015**	**14,980**	**(2,829)**	**12,151**

* restated

(a) <u>Unusable Reserves</u> are identified, and with respective year-end balances, at separate Note no. 27.
The negative net total is mainly because of inclusion of substantial Pensions 'Notional' Reserve.

(b) <u>Usable Reserves</u> are the cash-backed resources of the council.

(c) The restated <u>General Fund Balance</u> at 31st March 2009 (£2,980k) comprises:
pre-IFRS £3,066k less £86k (£85,729.72) one-off adverse adjustment arising from changes in leases prepayment IFRS accounting treatment.

(d) *Separate note 32* gives a summary of the Council's <u>earmarked reserves</u> as at 31st March 2011.

(e) The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes.

(f) The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

(g) <u>Note 43</u> gives analysis of 'Adjustments between Accounting Basis and Funding Basis under Regulations'

CASH FLOW STATEMENT

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

2009/10		2010/11
£ 000		£000
1,813	Net (surplus) or deficit on the provision of services	(9,612)
(6,555)	Adjustments to net surplus or deficit on the provision of services for non-cash movements - Note 40(a) refers	5,564
294	Adjustments for items included in the net surplus or deficit on the provision of services - Note 40(b)	511
(4,448)	Net cash flows from Operating Activities - Note 39	(3,537)
(2,973)	Investing Activities - Note 41(a)	4,510
8,077	Financing Activities - Note 41(b)	(813)
656	Net (increase) or decrease in cash and cash equivalents	160
(344)	Cash and cash equivalents at the beginning of the reporting period	(1,000)
(1,000)	**Cash and cash equivalents at the end of the reporting period** - Note 38	**(1,160)**

NOTES TO CORE FINANCIAL STATEMENTS

LIST OF NOTES - the following pages of notes comprise:-

NOTES TO CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Accounting Policy (1) General and 'The Code'

The accounts follow the appropriate and prescribed accounting standards as required by the Code of Practice on Local Authority Accounting in the UK (The Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Best Value Accounting Code of Practice (BVACOP) 2010/11, and based on applicable International Financial Reporting Standards (IFRS) and supported by statutory guidance and the Accounts and Audit Regulations.

In accordance with The Code, the accounts have been prepared using the historic cost convention except in relation to non-current assets where the accounting treatment varies depending on the type of asset (see accounting policy 3) and present value of pensions estimated liabilities (see within accounting policy 14c). Requirements for applicable recognition, measurement, disclosure and reporting for financial instruments have been reflected where appropriate (accounting policy 23 refers).

Prior to year 2010/11 Statement of Accounts (SoA), there was the annual 'SoRP' - statement of recommended (accounting) practice - which had been based on UK GAAP (generally accepted accounting practice).

Accounting Policy (2) Fundamental Accounting Concepts

i) The revenue and capital accounts are maintained on an accruals basis. *This means that expenditure and income are recognised in the accounts in the period in which they are incurred or earned (ie when goods/services/work are received, or when income is due), not as money is paid or received.* Income is also matched with associated costs and expenses as far as the relationship can be established or justifiably assumed.

ii) Consistent accounting policies have been applied both within the year and between years. Where accounting policies are changed, the reason and effect have been separately disclosed. *The Code has brought in IFRS for 2010/11, with restatement where required of 1st April 2009 balances and 2009/10 transactions and balances.*

iii) Income has only been recognised in the accounts where there is reasonable certainty, and proper allowances have been made for foreseeable losses and liabilities.

iv) The accounts have been prepared on a going concern basis.

v) The accounting statements have been prepared so as to reflect the reality or substance of the transactions and activities underlying them, rather than their formal legal character.

vi) The concept of materiality has been utilised in the process of preparing the accounts, such that insignificant items and fluctuations under an acceptable level of tolerance are permitted provided that in aggregate they would not affect the interpretation of the accounts by an informed reader.

vii) Where estimating techniques are required to enable the accounting practices adopted to be applied, then the techniques which have been used are, in the Authority's view, appropriate and consistently applied. Where the effect of a change to an estimation technique is material, a description of the change, and, if practicable, the effect on the results for the current period are separately disclosed.

The authority has considered, reviewed, made and/or adopted appropriate estimates, assumptions, critical judgements in areas including particularly: pensions net liability for the defined benefits scheme (involving a number of complex judgements via the Fund-appointed consulting actuary – Note 33 refers); assets' useful lives and related depreciation (subject to 'componentisation' where material impact); impairment of assets (also via qualified valuer); outstanding grant(s) due to the Council; any council tax, NNDR and sundry debtors arrears and potential impairment allowance(s)/bad debt provision(s); provisions (HBC accounting policy 12 refers); contingent assets; contingent liabilities.

viii) Where an accounting treatment is prescribed by law, then it has been applied, even if it contradicts accounting standards or generally accepted accounting concepts. The following legislative accounting requirements have been applied when compiling these accounts;

- Capital receipts from the disposal of assets are treated in accordance with the provisions within Part 1 of the Local Government Act 2003, applicable from 1st April 2004.

- Legislation covering the amounts chargeable to Council Tax and the Local Government Pension Scheme specify the amounts which should be charged to revenue in respect of pension costs. Local Authorities therefore account for the difference between the FRS17 / IAS19 charge, and contributions, through the Pensions Reserve.

- In accordance with the requirements of legislation the authority is required to set aside a minimum revenue provision (MRP) for repayment of debt.

- The Collection Fund account reflects the statutory requirement contained in section 89 of the Local Government Finance Act 1988.

Accounting Policy (3) Non Current Assets

All expenditure on the acquisition, creation or enhancement of fixed / non-current assets has been capitalised on an accruals basis where deemed to be significant. Expenditure on such assets is capitalised, provided that the asset yields benefit to the authority and the services it provides, for a period of more than one year.

NOTES TO CORE FINANCIAL STATEMENTS

Non-Current assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Valuations in year 2010/11, as part of the Council's rolling programme of required revaluations and in relation to in-year asset enhancements, via capital expenditure, and/or impairments were carried out in accordance with RICS standards as applicable, and certified, by Mr H M Haworth FRICS and Mr M J Messenger BSocSc(Hons) DipVal MRICS of NPS Group Ltd (Kendal).

The principal valuation bases used for tangible non-current assets are as follows:

a) Operational land and properties are valued on the basis of current value in existing use, unless they are of a specialist nature in which case they are valued on a Depreciated Replacement Cost basis, or Market Value as applicable.
b) Vehicles, plant and equipment values are based on historical cost less depreciation.
c) Infrastructure and Community assets are included at historical cost, less any applicable depreciation, other than where Community Assets are at current value.
d) Non-operational properties in full commercial use are valued by reference to their Market Value on the basis of net realisable value. Investment properties are valued on the basis of Market Value.

In accordance with The Code all valuations at current value are subject to review as part of a five-year rolling revaluation programme. *Note 14 refers.*

<u>Component Accounting</u> (IAS 16) - as from 2010/11 'componentisation', where an asset comprises two or more major components with substantially different useful economic lives, each component should be accounted for separately for depreciation purposes and depreciated over the respective component life, where the overall annual depreciation charge for the asset would be materially affected.
Major components ie land/buildings had already been separated for many years, and no depreciation applicable to land. The componentisation policy applied initially at HBC includes a de minimis level of £500,000 minimum asset value for the building element; and a maximum number of components of no more than five elements. The existence at HBC of a Rolling Programme for Revaluation limits the extent of annual consideration of applying this policy to assets, except for looking at the year's extent of enhancement and acquisition expenditure across the capital programme.

<u>Investment Property</u> (IAS 40) - under The Code definition interpretation for the public sector, an investment property is an asset that is used solely to earn rentals or for capital appreciation, or for both.

<u>Intangible Assets</u> are defined from FRS 10, and IAS 38, as non-financial assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights, such as computer/IT Software, which are expected to provide future service benefits or be used in the provision of services over several years to come. They are valued at cost and written off on a straight-line basis for and from the year after acquisition, over an appropriate period of years (eg using a relevant period of licence(s) for purchased software).

<u>Donated assets</u> (if any) are measured initially at fair value.

NOTES TO CORE FINANCIAL STATEMENTS

Assets Held For Sale (IFRS 5) - a split is made of surplus assets, between those where there are clear intentions of the authority for disposal within the following 12 months (Assets Held for Sale) and those assets with longer term disposal plans. Assets for immediate sale are classified as current assets rather than non-current assets.

Heritage Assets (currently within Community Assets) - the Code of Accounting Practice for LAs in the UK *for 2011/12* (issued early 2011) has introduced a change in accounting policy relating to the treatment of any heritage assets held by the authority. Heritage assets are assets that are held principally for their contribution knowledge or culture. Via FRS 30, there is to be *separation* and *measurement at 'valuation'* for Heritage assets (a change from historical or proxy/nominal historical cost), subject to some relaxations. And for any remaining Community Assets, where applicable there is an option to extend measurement/disclosures requirement for Heritage Assets to Community Assets.
No impact of the incoming change for Heritage assets has been included by HBC in the 2010/11 Statement of Accounts. Note 15 refers.

Accounting Policy (4) Depreciation

Depreciation is provided for on non-current assets, where appropriate, with a finite useful life. In general (with the exception of vehicles & plant as from acquisitions in year 2008/09 onwards), the depreciation is calculated and applied following the year after acquisition, on a straight-line method over the remaining estimated useful life of the asset, as detailed below - and no depreciation is charged in financial year of acquisition. Vehicles and plant are depreciated from the 1st of the month following acquisition.

Asset	Period (years)
Operational Buildings	30 *
Vehicles & Plant (see also note above)	2-10
Infrastructure	10
Community Assets	15-30 *
Non-Operational Buildings	30

* As part of the Council's five-year rolling revaluation programme, a revised estimated useful life of the asset (if applicable) may be applied, up to a maximum of 60 years.

Component Accounting affects the depreciation of component parts of applicable assets, and the overall depreciation charge to services, where significant or material - within accounting policy 3.

Accounting Policy (5) Capitalisation

In 2003/04, the Council revised how it estimates its contribution to Capital Projects. The revision ensures the Council charges an appropriate amount of staff time to capital projects in line with the Council's policy and application of The Code (and accounting policy 19 below also refers); this amounted to £441,660 in 2010/11 (£501,400 in 2009/10) against a capital programme spend of £9.942m in 2010/11 (4.44%).

NOTES TO CORE FINANCIAL STATEMENTS

Accounting Policy (6) Revenue Expenditure Funded by Capital Under Statute (REFCUS)

REFCUS charges were formerly (prior to 2008/09) referred to as Deferred Charges. REFCUS charges are payments of a capital nature where no fixed asset of the Council is created. Such expenditure has been primarily in relation to improvement grants and, from year 2006/07, also includes equity share loans in relation to private sector housing .

Under The Code, REFCUS charges are written off in the year of expenditure. In order to prevent such charges impacting on taxpayers, the charges are reversed out via General Fund Balance movements, to the capital adjustment account.

Accounting Policy (7) Basis of Charges for Capital

General fund service revenue accounts, central support services and statutory trading accounts are charged with a capital charge for all fixed assets used in the provision of services. The aggregate charge to individual services is determined on the basis of the capital employed in each service. Prior to the 2006 SORP, the charge comprised a provision for depreciation (where appropriate) and a notional interest charge. From the 2006/07 Accounts onwards the Notional Interest capital charge was removed.

External interest payable is charged to Comprehensive Income and Expenditure Statement (CIES) / Financing and Investment I&E; and the Movement in Reserves statement (General Fund Balance part) is credited with capital charges to services. Capital charges, therefore, have a neutral impact on the amounts required to be financed from local taxation.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves, are disclosed within the GF Balance movements.

Accounting Policy (8) Leases

Rentals paid under *Operating leasing* agreements have been accrued and accounted for through the Revenue Accounts in the period to which they relate. *Finance lease(s), as defined by IAS 17*, are accounted for as deferred liabilities (within Long Term Liabilities on the Balance Sheet); and the Finance charges (ie interest element) and Principal element, respectively, are charged to the CIES/ Financing and Investment I&E and to write down the long-term liability. Finance Leases are where the terms of the lease, or a right to use an asset in return for payment, transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. And IAS 17 requires the recognition of any leases embedded within contracts.

Accounting Policy (9) Capital Receipts

Capital receipts from the disposal of assets are held until such time as they are used to finance other capital expenditure or to repay debt. The proportion of capital receipts that is available to finance new expenditure is held in the capital receipts reserve account, whilst the proportion set aside under (past) statutory requirements for debt repayment is held in the capital financing account.

NOTES TO CORE FINANCIAL STATEMENTS

Accounting Policy (10) **Debtors (trade & other receivables) and Creditors (trade & other payables)**

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with The Code, that is, sums due to or from the Council during the financial year, where deemed to be significant, are included whether or not the cash has actually been received or paid in the year.

Accounting Policy (11) **Stocks and Work in Progress / Inventories**

Stocks are valued at their purchase price, and are issued on a "First In First Out" basis.

Accounting Policy (12) **Provisions**

Provisions are defined as amounts set aside for specific future losses and liabilities that are uncertain in amount and date.

Provisions have been recognised in the accounts when there is a legal or constructive obligation probably to transfer economic benefits that can be estimated with a degree of certainty as a result of a past event. A summary of these are given in *Note 26* to the core financial statements.

Provision(s) creation is charged as an expense to the appropriate line in the Comprehensive Income and Expenditure Statement in the financial year that the authority becomes aware of the obligation; and the provision balance is 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.

Provision for Bad and Doubtful debts has been made in respect of General Fund and Collection Fund debts. These have been netted off Debtors value in the Balance Sheet (see Note 24).

Accounting Policy (13) **Reserves**

In general, reserves are amounts set aside to meet expenditure which may be incurred in future periods. The authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies.

Any amounts set aside for purposes falling outside the definition of provisions have been accounted for as reserves. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable nor cash-backed resources for the authority.
Transfers to and from General Fund Balance reserve have been summarised via GFB column in

the Movement in Reserves statement (MiRS). Relevant expenditure to be financed from a reserve is charged to Services respective revenue account(s) and/or capital programme, with financing from the applicable, specified reserve(s) by means of transfer within the MiRS..

Earmarked Reserves are summarised in note 32 to the core financial statements.

Accounting Policy (14) Employee Benefits

(a) Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as 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 authority.
An accrual is made for the cost of Holiday entitlements earned by employees but not yet taken before the year-end which employees can carry forward into the next financial year; and is made at the wage or salary rates applicable in the following accounting year (being the period in which the employee takes the benefit). The accrual is charged to Cost of Services within the Comprehensive I&E Statement, and then in effect reversed out through the Movement in Reserves statement - so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

(b) Termination Benefits

Termination benefits (eg Council redundancy payment(s) and Recharges from pension fund for pension strain costs in cases of early retirement), whether they are resulting from a decision by the authority to terminate an officer's employment before normal retirement date or an officer's decision to accept voluntary redundancy, are charged on an accruals basis to the relevant Service line (or in discontinued operations) in the Comprehensive I&E Statement (CIES).

(c) Post-Employment Benefits / Pensions

From 2003/04, the then statement of recommended accounting practice (SoRP) governing local authority accounting (referred to in Accounting Policy 1) has required authorities to account for their pension costs in accordance with FRS17 Retirement Benefits. The authority has accounted for its pension costs arising from the Local Government Pension Scheme, and for all unfunded discretionary benefits which it has granted.

The 'SoRP' has required local authorities, in applying a discount rate for present value of defined benefit scheme liabilities, to use with effect from 2004/05 financial statements the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities.

In December 2006 the Accounting Standards Board (ASB) made a number of changes to the FRS 17 accounting standard. In the main, these changes related to the presentation of the figures and the disclosures (to bring disclosures notes closer into line with IFRS (International Financial Reporting Standards)) rather than the underlying calculations themselves, although they did include a requirement for assets to be valued at bid value rather than mid-market value. The latter such change was implemented for 2008/09 onwards.

International Accounting Standard (IAS) 19 superseded FRS17 for 2010/11 onwards. The main requirements of each for pensions reporting are almost identical. Terminology differences include that the FRS17 referred to the 'Statement of recognised gains and losses (STRGL)' whereas IAS19 related wording is eg the 'Statement of other comprehensive income' (ie for latter part of the Comprehensive Income and Expenditure Statement).

Further information, for the subject financial year's statements, is given in the Explanatory Forward and in note 33 to the core financial statements.

Accounting Policy (15) Grants receivable including grants from the Government

Grants and contributions, including donated assets, are not recognised until there is reasonable assurance that (i) the authority will comply with conditions (if any) attached to them, and (ii) the grants or contributions will be received.
Grants and contributions relating to Capital and Revenue expenditure are accounted for on an accruals basis, and recognised immediately in the Comprehensive Income & Expenditure Statement as income, except to the extent that the grant or contribution has condition(s), as opposed to restrictions, that the authority has not satisfied.

Where a capital 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.

Accounting Policy (16) Investments

Investments are shown in the Balance Sheet at cost less a provision, where appropriate, for any unrealised loss in the value of the investment.

The largest long-term investment relates to GEL joint venture company (Globe Enterprises Ltd). Further details are in Note 23 to the core financial statements.

Accounting Policy (17) Repurchase / early settlement of loan debt

Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the Income and Expenditure Account in the period during which the repurchase or early settlement is made. Where, however, the repurchase of borrowing has been coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains or losses have been recognised over the life of the replacement borrowing.

The Code, for year 2010/11 onwards, provides that any premiums (losses) or discounts (gains) arising on early repayment of debt that are required (by The Code) to be carried forward on the Balance Sheet, should be used to adjust the carrying amount of the replacement or modified loan debt.

NOTES TO CORE FINANCIAL STATEMENTS

Accounting Policy (18) **Accounting for Interest**

The Council accounts for interest payable in the year on an accruals basis, in accordance with 'FRS 4' principles, supplemented by applicable requirements of Financial Reporting Standards 25, 26 and 29. *Note 42 also refers.*

Accounting Policy (19) **Allocation of costs**

Central Support Services are recharged to front-line services, trading undertakings, capital accounts and other support services. The costs of service management are apportioned to the accounts representing the activities managed. All the bases of apportionment are adopted consistently for all heads to which apportionment should be made. The costs of the Corporate

and Democratic Core and of Non Distributed Costs are not charged or apportioned to services and are separately classified within Cost of Services, in the Comprehensive Income and Expenditure Statement (CIES).

Accounting Policy (20) **Group Accounts**

Group financial statements are required if and where an authority has substantial or material interest in subsidiary or associated companies - the aim being to provide a fuller picture of such authority's overall financial position. The 'SoRP' had brought in changes to the requirements, from the 2004/05 accounts disclosures onward; and the 2010/11 accounting code of accounting practice included further attention to the subject.

As far as relationships and/or involvement with other organisations is concerned, the group accounts requirements for financial statements demonstrably do not apply to this Council.

Note 10 in this Statement of Accounts deals with Related Parties.

Accounting Policy (21) **Revaluation Reserve (Non Current Assets)**

The Council have continued to include a Revaluation Reserve from 1st April 2007, in accordance with the then SoRP and subsequently the Accounting Code of Practice for 2010/11 onwards.. *Note 28 refers.*

Accounting Policy (22) **Capital Adjustment Account**

In accordance with the SoRP 2007: (a) the (previous) Capital Financing Account was re-named 'Capital Adjustment Account' from 1st April 2007; and (b) the balance brought forward from the Fixed Asset Restatement Account as at 31st March 2007 was transferred, as an initial entry into the 2007/08 Capital Adjustment A/c. *Note 29 refers.*

Accounting Policy (23) **Financial Instruments and Financial Reporting Standards**

From SoRP 2007, coverage of accounting for Financial Instruments is based on Financial Reporting Standard 26 (recognition and measurement), FRS 25 (presentation) and FRS 29 (disclosures).

Financial Assets
- *loans and receivables:* assets that have fixed or determinable payments but are not quoted in any active market. They are measured initially at fair value and carried at their amortised cost.

- *fair value through Comprehensive I & E Statement:* assets that are held for trading (if applicable).

- *available-for-sale* (examples would be equity shareholdings and quoted investments). *The Borough Council, as at 31 March 2011, has none of these.* SoRP 2007 introduced a new account - 'Available-For-Sale Financial Assets Reserve' - to reflect changes in fair value for available-for-sale assets arising from any unrecognised gains or losses. As indicated above, there would be no transactions on such account for year 2010/11 and the balance as at 31 March 2011 is nil.

Soft Loans - a soft loan is a loan made to a party at a preferential rate of interest, ie below market rate (and may be at nil rate of interest).
In accordance with the SoRP 2008, and embodied in the 2010/11 Accounting Code onwards, the difference between the interest payable to the Council by the recipient of the loan and the amount they would have paid if they had acquired a loan for the same amount on the open market is charged to the CIES under the relevant cost of service heading. This charge is then reversed out through the General Fund Balance movements and the Financial Instruments Adjustment Account. SoA *Notes 10* (Related Parties) *and 42* (Financial Instruments) refer.

Financial Liabilities
- *amortised cost* (ie reflecting where part of some assets' and liabilities' (eg borrowing) carrying amount in the Balance Sheet will either be written down or written up, via the Income & Expenditure A/c, over the term of the instrument)

Financial Guarantees would also be covered (and a balance measured by applying a risk of the guarantee being called) ; *as at 31 March 2011 there were no such financial guarantee contracts made by the Borough Council*.

Accounting Policy (24) Accounting for Council Tax and NNDR

As from the 2009/10 Statement of Accounts, the accounting for the council's and major preceptors' portions of council tax deficit/surplus, and related debtors/creditors amounts, changed and has involved the creation of a Collection Fund Adjustment A/c in the balance sheet. From the same SoA, for any applicable NNDR (business rates) debtors amounts they are recognised in context of the Council collecting NNDR as an agent of central government.

Accounting Policy (25) Value Added Tax (VAT)

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

NOTES TO CORE FINANCIAL STATEMENTS

2. (a) Housing Services - within the Cost of Services

The figures relating to Housing Services, in the CIES, can be analysed as follows:

2009/10				2010/11		
Income **£'000**	**Exp.** *restated **£'000**	**(Surplus) / Deficit** **£'000**		**Income** **£'000**	**Exp.** **£'000**	**(Surplus) / Deficit** **£'000**
(34,470)	34,743	273	Housing Benefits	(36,786)	37,398	612
(10,282)	*3,095	*(7,187)	General Fund Housing Services	(2,443)	3,609	1,166
(44,752)	***37,838**	***(6,914)**	TOTAL	**(39,229)**	**41,007**	**1,778**

(b) Trading Accounts within the CIES

The Council operates the covered markets in Accrington and Great Harwood, its Industrial Estates and MOT testing station, and associated other activities including transport management organisation (TMO), as external / internal trading accounts.

2009/10				2010/11		
Income **£'000**	**Exp.** *restated **£'000**	**(Surplus)/ Deficit** **£'000**		**Income** **£'000**	**Exp.** **£'000**	**(Surplus)/ Deficit** **£'000**
(575)	488	(87)	Markets	(650)	618	(32)
(335)	302	(33)	Industrial Estates	(412)	300	(112)
(1,403)	*1,473	*70	MOT / Stores / Depot	(1,345)	1,423	78
(2,313)	***2,263**	***(50)**	TOTAL	**(2,407)**	**2,341**	**(66)**

NOTES TO CORE FINANCIAL STATEMENTS

(c) Investment Properties

2009/10	Investment Properties disclosure information	2010/11
£'000		**£'000**
429	Rental income from investment property	508
-356	Direct operating expenses arising from investment property	-478
73	Net gain/(loss)	30

2009/10		2010/11
£'000	**Movement in fair value of investment properties**	**£'000**
5745	Balance at start of year	5718
1	Additions	0
0	Disposals	0
-28	Net gains/(losses) from fair value adjustments	24
0	Other changes	0
5718	Balance at end of year	5742

3. Publicity expenditure

In accordance with the Local Government Act 1986, section 5(1), a local authority is required to keep a separate account of their expenditure on publicity. The Act defines publicity as "any communication, in whatever form, addressed to the public at large or to a section of the public". The 'SoRP' 2009 removed, for 2009/10 onwards, the requirement to disclose such expenditure in the Statement of Accounts; however, HBC is currently continuing to include this note in view of the existing terms of the statutory requirement and enquiries received or receivable.

In year 2010/11 the authority spent a total of £32,759 on publicity; and this was mainly on advertising job vacancies and Council services and promotions. This compares with £33,301 for 2009/10.

The figures given exclude any internal staffing costs (e.g. on external marketing/communications and graphics/design).

4. General Government Grants and share of NNDR national pool

(a) General Government Grants - this line in the CIES comprises:

2009/10 *restated £000	Description	2010/11 £000
1,885	Revenue Support Grant	1,290
19	LABGI grant **	0
1,880	Area Based Grant(s) - *Note 34(c) refers*	1,785
156	Housing & Planning Delivery Grant (HPDG)	0
*239	LAA Performance Reward Grant - *Note 34(b) refers*	169
***4,179**	Total per the CIES – within taxation & non-specific grant income	**3,244**

NOTES TO CORE FINANCIAL STATEMENTS

** Local Authorities Business Growth Incentive scheme (temporary) - related to annual actual increase in Hyndburn in total rateable value, applicable to National Non-Domestic Rate (business rates), from end-December to end-Dec, as a measure of business growth. Additional retrospective amounts received in 2008/09 and 2009/10 had arisen from the Government widening the basis of relevant changes affecting the grant calculation.

(b) Formula Grant - the table below shows the National Non-Domestic Rate income share allocated by Central Government which, together with the Revenue Support Grant (RSG), comprises the 'Formula Grant' settlement for this local authority for the financial year.

2009/10 £000	Description : Formula Grant	2010/11 £000
1,885	Revenue Support Grant - as in table (a) above	1,290
8,167	NNDR share	8,882
10,052	Total Formula Grant	**10,172**

(c) Grants included in the CIES/ Services income

In relation to the nature and extent of grants and contributions, and donated assets (if any), recognised in the financial statements, the table below gives a summary of such income credited in the Comprehensive Income and Expenditure Statement/ Cost of Services.

2009/10 £000	Description	2010/11 £000
7,723	Council Tax Benefit Subsidy	8,101
24,831	Housing Benefit/Rent Allowance Subsidy	26,983
1,017	Housing Benefit & CTax Benefit Admin Grant	936
98	Other Housing Benefit Grant	55
240	Disabled Facilities	305
759	Housing Market Renewal	770
1,138	Regional Housing Pot non-ringfenced	993
335	Concessionary Travel special grant	344
38	Homelessness Priority Needs	38
113	Communities For Health	191
85	Local Enterprise Growth Initiative	27
74	Other Grants	122
36,451		**38,865**

5. Gains and Losses on Disposal of Non-Current Assets

This is a disclosure requirement introduced by the 2006 SORP, applicable to the year 2006/07 financial statements onwards, and thereby requires corresponding inclusion in Comprehensive Income & Expenditure Statement (CIES).

The total net gains for the year(s) are in essence from a comparison of the relevant capital receipts with the 'carrying value' of the fixed assets concerned.

Housing stock transfer (LSVT) related capital receipts (ie quarterly payments to HBC as per the 30th March 2006 Transfer Agreement, arising from sales of former Housing Revenue Account properties by Hyndburn

Homes Ltd post-transfer) are not included as such gains on disposal of assets; but are included in the CIES - within Other Income in other operating expenditure (£39,024 received in 2010/11).

As there will be no direct net impact on the General Fund balance, the items in the CIES are matched by entries in the Statement of Movement in Reserves.

Description of (gains)/losses	2009/10 £000	2010/11 £000
Miscellaneous non-housing asset disposals	(74)	(71)
Contra in Movement in Reserves statement	74	71
Net Impact on General Fund Balance	0	0

NOTES TO CORE FINANCIAL STATEMENTS

6. Segmental Reporting – reconciliation to Comprehensive I&E Statement (with 'Best Value' analysis)

The Comprehensive Income and Expenditure Statement (CIES) is produced under prescribed accounting standards and differs from the financial management reporting the Council uses throughout the financial year and at year-end - and respectively that distinction applies at other local authorities. The Code of Practice on LA Accounting requires that authorities analyse the financial performance of their operations in the CIES using the service analysis & groupings included in CIPFA's *Best Value Accounting Code of Practice* (BVACOP) to secure consistency of reporting across all authorities.
For year 2011/12 onwards BVACOP has been updated and re-produced as *Service Reporting Code of Practice for local authorities* (SeRCOP), as referred to in this Statememt of Accounts' Explanatory Foreword introduction.

This 'Segmental Reporting' Note to the accounts - based on IFRS 8 (Operating Segments) - reconciles the CIES with the Council's internal management accounts reporting for resources allocation decisions.

NOTES TO CORE FINANCIAL STATEMENTS

Note 6 continued - **2009/10**

Segmental Reporting

All figures shown are in £000's

Directorate / Services	Planning & Transport'n	Env'mtl Health	Waste Services	Parks & Open spaces	Culture & Leisure	Concess'ry Bus Travel	Regen & Housing services	Property services	Policy & Corporate Governance	Total Directorate / Services
Fees, charges & other service income	(487)	(2,102)	(2,595)	(276)	(188)		(1,368)	(682)	(6,472)	(14,170)
Government Grants	(215)			(1)	(150)	(334)	(2,195)		(34,185)	(37,080)
Total Income	(702)	(2,102)	(2,595)	(277)	(338)	(334)	(3,563)	(682)	(40,657)	(51,250)
Employee expenses	1,055	1,423	2,713	674	128		1,484	247	5,321	13,045
Other operating expenses	379	636	2,539	701	1,130	1,351	2,797	434	36,197	46,164
Depreciation, Amortisation & Impairment	130	34	245	89	415		55	259	160	1,387
Support service recharges	314	1,290	289	113	56		644	44	2,475	5,225
Total Operating Expenses	1,878	3,383	5,786	1,577	1,729	1,351	4,980	984	44,153	65,821
Cost of Service	1,176	1,281	3,191	1,300	1,391	1,017	1,417	302	3,496	**14,571**

Reconciliation of Directorate / Services Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	**2009/10**
	£000's
(Directorate / Service) Analysis	**14,571**
Services and Support Services not in Analysis	
Amounts not reported to management for decision making	1,685
Amounts not included in I & E	1,588
Sub Total - Cost of Services	**17,844**
Less Corporate Amounts	(16,031)
Total	**1,813**

NOTES TO CORE FINANCIAL STATEMENTS

2009/10 **Reconciliation to Subjective Analysis**	(Directorate / Service) Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Allocation of Recharge	Net Cost of services	Corporate Amounts	Total
Fees, charges & other service income	(14,170)			2,324	3,182	(8,664)	(2,313)	(10,977)
Interest and investment income						0	(52)	(52)
Income from Council Tax							(5,439)	(5,439)
Government grants and contributions	(37,080)		(10,308)	2,253		(45,135)	(13,742)	(58,877)
Total income	(51,250)	0	(10,308)	4,577	3,182	(53,799)	(21,546)	(75,345)
Employee expenses	13,045		(1,466)	(594)		10,985	3,446	14,431
Other service expenses	46,164		630	(1,951)		44,843	1,237	46,080
Support service recharges	5,225			29	(3,182)	2,072	(43)	2,029
Depreciation, amortisation and impairment	1,387		12,829	(473)		13,743	410	14,153
Interest payments						0	636	636
Precepts and Levies						0	12	12
Payments to Housing Capital Receipts Pool						0		0
Gain or Loss on disposal of fixed assets							(183)	(183)
Total operating expenses	65,821	0	11,993	(2,989)	(3,182)	71,643	5,515	77,158
Surplus or deficit on the provision of services	**14,571**	**0**	**1,685**	**1,588**	**0**	**17,844**	**(16,031)**	**1813**

NOTES TO CORE FINANCIAL STATEMENTS

Note 6 cont'd 2010/11

Segmental Reporting

All figures shown are in £000's

Directorate / Services	Planning & Transport'n	Env'mtl Health	Waste Services	Parks & Open spaces	Culture & Leisure	Concess'ry Bus Travel	Regen & Housing services	Property services	Policy & Corporate Governance	Total Directorate / Services
Fees, charges & other service income	(451)	(2,090)	(2,561)	(222)	(152)	0	(1,423)	(790)	(5,151)	(12,840)
Government Grants	(42)	(24)	0	(76)	(317)	(344)	(2,993)	0	(36,554)	(40,350)
Total Income	(493)	(2,114)	(2,561)	(298)	(469)	(344)	(4,416)	(790)	(41,705)	(53,190)
Employee expenses	960	1,466	2,691	759	120	0	1,627	247	5,398	13,268
Other operating expenses	370	556	2,404	708	1,259	1,333	3,229	466	39,100	49,425
Depreciation, Amortisation & Impairment	131	51	305	107	433	0	73	251	207	1,558
Support service recharges	264	1,270	244	93	80	0	581	44	2,238	4,814
Total Operating Expenses	1,725	3,343	5,644	1,667	1,892	1,333	5,510	1,008	46,943	69,065
Cost of Service	1,232	1,229	3,083	1,369	1,423	989	1,094	218	5,238	**15,875**

Reconciliation of Directorate / Services Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	**2010/11**
	£000's
(Directorate / Service) Analysis	**15,875**
Services and Support Services not in Analysis	
Amounts not reported to management for decision making	(2,912)
Amounts not included in I & E	467
Sub Total - Cost of Services	**13,430**
Less Corporate Amounts	(23,042)
Total	**(9,612)**

NOTES TO CORE FINANCIAL STATEMENTS

2010/11 Reconciliation to Subjective Analysis	(Directorate / Service) Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Allocation of Recharge	Net Cost of services	Corporate Amounts	Total
Fees, charges & other service income	(12,840)		(6,345)	2,420	2,960	(13,805)	(2,406)	(16,211)
Interest and investment income							(89)	(89)
Income from Council Tax							(5,417)	(5,417)
Government grants and contributions	(40,350)		(606)	1,806		(39,150)	(19,962)	(59,112)
Total income	(53,190)		(6,951)	4,226	2,960	(52,955)	(27,874)	(80,829)
Employee expenses	13,268		(811)	(661)		11,796	2,782	14,578
Other service expenses	49,425		899	(2,554)		47,770	1,135	48,905
Support service recharges	4,814			(58)	(2,960)	1,796	58	1,854
Depreciation, amortisation and impairment	1,558		3,951	(486)		5,023	462	5,485
Interest payments							505	505
Precepts and Levies							13	13
Payments to Housing Capital Receipts Pool								0
Gain or Loss on disposal of fixed assets							(123)	(123)
Total operating expenses	69,065		4,039	(3,759)	(2,960)	66385	4,832	71,217
Surplus or deficit on the provision of services	**15,875**		**(2,912)**	**467**	**0**	**13,430**	**(23,042)**	**(9,612)**

NOTES TO CORE FINANCIAL STATEMENTS

7. Minimum Revenue Provision

Local Authorities are normally required each year to set aside some of their revenues as provision ('MRP') for debt - in respect of capital expenditure financed by borrowing or credit arrangements.
The system was revised by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 – the relevant parts of which became operative on 31st March 2008 (i.e. applicable for year 2007/08 and subsequent years). The former rules on MRP were replaced with a duty to make *prudent provision*. Coupled with that change, and under a 2007 power of the Secretary of State to issue guidance (as well as or instead of regulations) on accounting practices, statutory MRP Guidance was issued to LAs by the Department for Communities & Local Government (DCLG) in conjunction with the particular 2008 amending regulation.

In the statutory guidance, LAs are asked to prepare an Annual MRP Statement – of policy on making MRP, for submission to full Council. *Four* particular options were included in the DCLG guidance:-

(1) Regulatory option (as if the former regulation(s) had not been revoked) and inclusive of the existing feature of commutation adjustment
(2) CFR option – still based on the concept of the Capital Financing Requirement
(3) Asset Life option (provision over the estimated life of the asset for which the borrowing is undertaken) – for new borrowing (if any) under the Prudential system for which no Government support is being given and is therefore self-financed; equal instalment method or annuity method
(4) Deprecation option – alternatively for new borrowing (if any) under the Prudential system for which no Government support is being given.

The Council's MRP policy for 2010/11, as part of the Revenue Budget, was approved by the full Council in February 2010.

The authority has charged 4% MRP in 2010/11. All 2010/11 capital expenditure has been supported from the authority's own resources (ie not by borrowing).

In relation to Finance Lease(s) a MRP charge has been made, equivalent to the amount of principal payable for the year under the lease - note 20 also refers.

Description	2009/10 £000	2010/11 £000
Non Housing Amount		
- 4% of Capital Financing Requirement	542	523
- Finance Lease (life of asset)	161	279
Less loss on Grant Commutation	(58)	0
Total Minimum Revenue Provision (MRP)	645	802
Less amount charged as general fund depreciation	(1,359)	(1,545)
Inclusion in movements in GF Balance	**(714)**	**(743)**

NOTES TO CORE FINANCIAL STATEMENTS

8. Employees Remuneration

Table 1

In England, regulation 7(2) of the Accounts and Audit Regulations 2011, and recommended accounting practice for local authorities, requires disclosure of amounts paid to officers - in multiples starting with £50,000. The remuneration is sums paid to or receivable by an employee; and for any cases of part-year working, the actual salaries, and any fees and benefits.

The number(s) of employees whose remuneration, excluding employer pension contributions, was £50,000 or more in bands of £5,000* were as follows:-

Remuneration (coverage as defined)	**2009/10**	**2010/11**
£50,000 - £54,999	1	6 **
£55,000 - £59,999	1	1
£60,000 - £64,999		
£65,000 - £69,999		1
£70,000 - £74,999	1	
£75,000 - £79,999	1	1
£80,000 - £84,999		
£85,000 - £89,999		
£90,000 - £94,999		
£95,000 - £99,999	1	1
£100,000 - £104,999		
£105,000 - £109,999		
£110,000 - £114,999		
£115,000 - £119,999		
£120,000 - £124,999	1	1

* The multiples or brackets for this disclosure via the above table were changed from £10,000 to £5,000 by the Accounts and Audit (Amendment No. 2) (England) Regulations 2009 - statutory instrument SI 3322/2009; and this change was incorporated in the Accounts and Audit (England) Regns 2011 (SI 817/2011).

** One of the employees was in this remuneration band by inclusion of approx. £17,900 redundancy payment.

NOTES TO CORE FINANCIAL STATEMENTS

9. Senior Employees' remuneration

Table 2

In compliance with further requirements of the above-mentioned amending regulations (SI 3322 of 2009), and the updated / revised regulations effective from year 2010/11 (SI 871 of 2011), the table below gives the break-down, identified to each person's job title, of the remuneration (and also as required the employer's pension contributions) of the Council's relevant senior employees (as defined for this purpose) and whose salary is at least £50,000 in the year. The salary is calculated pro rata for any such part-time employee.

NOTES TO CORE FINANCIAL STATEMENTS

Note 9 continued   The senior employees at HBC for the purpose of this Table 2 below, are among those who are either the head of paid service / chief executive or those officers who report directly to the chief executive.

The figures in parenthesis, in the second lines for each of the post-holders, are the corresponding amounts (where applicable) for the previous financial year.

RELEVANT SENIOR EMPLOYEES and with Salary £50,000 or more in the year **Post holder information / Post or Job title**	**In year 2010/11** **Salary - including fees (eg for elections if applicable)** **£**	**Bonuses if any** **£**	**Expense Allowances** **£**	**Compensation for loss of office** **£**	**Benefits in Kind** **£**	**TOTAL REMUNERATION** **£**	**Employer Contributions to the Person's Pension** **£**	**TOTAL OF Remuneration and Employer Pension Contributions** **£**
Managing Director / Chief Executive *(Previous Year)*	**113,491** *(113,209)*	0 *(0)*	0 *(0)*	0 *(0)*	7,226 *(6,855)*	**120,717** *(120,064)*	28,768 *(27,608)*	**149,485** *(147,672)*
Deputy Managing Director a.k.a. director for Community Services	**92,000** *(92,000)*	0 *(0)*	3,992 *(119)*	0 *(0)*	2,443 *(5,038)*	**98,435** *(97,157)*	22,816 *(21,896)*	**121,251** *(119,053)*
Executive Director (Resources)	**75,158** *(75,233)*	0 *(0)*	167 *(247)*	0 *(0)*	4,078 *(4,044)*	**79,403** *(79,524)*	18,577 *(17,828)*	**97,980** *(97,352)*
Executive Director (Legal & Democratic Services) *	**64,232** *(65,676)*	0 *(0)*	0 *(286)*	0 *(0)*	5,734 *(4,529)*	**69,966** *(70,491)*	15,895 *(14,455)*	**85,861** *(84,946)*
Head of Regeneration & Housing Services	***50,412*** *(less than £50,000 in year 2009/10)*	*0*	0	0	782	**51,194**	12,502	**63,696**

*the post-holder works 4 days per week

If a senior employee's *salary* should become £150,000 or more per year, from that point in time the Regulations require the remuneration details (and also employer's contributions to pension) to be identified by Name of the employee as well as by Job Title.

NOTES TO CORE FINANCIAL STATEMENTS

10. Related Parties

In relation to *Financial Reporting Standard 8 (FRS 8) up to and including 2009/10 pre-IFRS* - and now to *IAS 24 (Related Party Disclosures)* for 2010/11 statement of accounts onwards - the Council is required to disclose material transactions with related parties.

Related Parties are bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council - and include the following:-

(a) Central Government - details of receipts from central government are shown in the Cash Flow Statement and, especially for Formula Grant share, the Income and Expenditure Account.

(b) Precepting Authorities - details of precepts in respect of Lancashire County Council, Lancashire Police Authority and Lancashire Combined Fire Authority are shown in the Collection Fund Accounts.

(c) Joint Venture and Joint Venture Partners - the Council's interest in Globe Investments Ltd is given in *Note 23*.

A background and update report, prepared by the Council's Executive Director for Resources, was made to the Cabinet meeting of 3rd March 2010 on three key joint ventures - including Globe Investments Ltd (the other two being Barnfield and Hyndburn Ltd and Barnfield & Hyndburn Partnership), including information on the respective financial positions and the Boards' memberships. Approval was provided by the Council's budget setting process in February 2010 for an advance to the Barnfield & Hyndburn Ltd joint venture – this loan was made early in the financial year 2010/11 and was repaid to the Council by 31st March 2011 as agreed (Note 42 and restricted report to Cabinet 8th June 2011 meeting also refer).

In relation to external grants received by the Council, the Council acts from time to time as the accountable body for the distribution of particular grants. Grants received from government departments are within the subjective accounting analysis in Note 6 on segmental reporting for resources allocation decisions.

(d) Members and Chief Officers - some Council Members and Officers act in a number of capacities for related parties. This may include being employed by other local authorities, acting as a trustee or serving on the management board of companies and voluntary organisations. Members of the Council have direct control over the Council's financial and operating policies. Members' interests in related parties have been included, where applicable, in the Register of Members Interests comprising completions of a statutory form - which is open to public inspection. There are no Related Party issues.

11. Exceptional item(s) in the Comprehensive Income & Expenditure Statement / Cost of Services

The £812,016 income in the previous year was the result of claims for repayment to the Council of Valued Added Tax having been resolved, as detailed in the Statement of Accounts for 2009/10. No such further income was received in 2010/11.
Outstanding claim(s) not yet settled are referred to in Note 36 (Contingent Assets).

The 2010/11 significant income of £6,216,000 is a pensions 'past service' gain, which normally would be classified as Non-Distributed. This represents an estimated reduction in Net Pensions Liability arising from the change from RPI to CPI as 12 months inflation measure, for calculating pensions annual increase.
Note 33 refers. There is no impact on the General Fund Balance reserve, as at 31st March 2011, of this gain. There is an off-setting adjustment in the movements in the GF Balance.

NOTES TO CORE FINANCIAL STATEMENTS

12. Members Allowances

The Council is required to disclose the total value of members' allowances paid in the year. For year 2010/11 the total was £298,865 (for 2009/10 it was £300,922).

13. Audit Fees

Hyndburn Borough Council incurred the following fees relating to audit and inspection.

	2009/10 £'000	2010/11 £'000
Fees payable with regard to external audit services carried out by the appointed auditor	102	104
Fees payable in respect of statutory inspection	8	0
Fees payable for the certification of grant claims and returns	23	22
Fees payable in respect of other services provided by the appointed auditor	2	2
	135	128

In order to comply with the UK generally accepted accounting practice (UK GAAP), the fees shown and included in each financial year represent the actual fee to be charged for the audit of that financial year.

For 2010/11 accounts and this disclosure note, the audit fee reflects the audit fee to be charged for 2010/11 financial year. The fees payable for the certification of grant claims and returns includes residual adjustments relating to previous years' costs amounting to a saving of £11,000 against estimate.

NOTES TO CORE FINANCIAL STATEMENTS

14. Non-Current Assets valuation information and depreciation methodologies

'SoRP' (statement of recommended accounting practice) required disclosures on valuation information to be based on the provisions of Financial Reporting Standard (FRS) 15 - Tangible Fixed Assets. *For 2010/11 onwards, IFRS/ International Accounting Standard (IAS) 16 applies.*

The name and qualifications of the valuer of HBC's land and buildings, and whether internal or external valuer, is given in HBC Accounting Policy 3 (Non-Current Assets) earlier in this Statement of Accounts whole document - within Note 1.

A requirement in the 2010/11 Accounting Code of Practice for LAs for the effective date of valuations to be disclosed means that the total revalued amount continues to be necessary to be analysed across each of the preceding financial years, where a rolling programme of revaluations has been used. *The table below, with related HBC information, is based on CIPFA Guidance Notes' illustration in the context of progress of the Council's 5-year rolling programme for revaluation of non-current assets* - within Property, Plant & Equipment other than vehicles, plant, furniture and equipment.

VALUATIONS OF NON CURRENT ASSETS CARRIED AT CURRENT VALUE

	Property Plant & Equipment			
	Land & Buildings	Community Assets	Surplus Assets	TOTAL
Gross Book Value	£000s	£000s	£000s	£000s
Valued at Current Value				
2010/2011	**15,799**	**464**	**1,128**	**17,391**
2009/2010	3,354	1,912	1,291	**6,557**
2008/2009	13,402	408	1,015	**14,825**
2007/2008	4,637	725	0	**5,362**
2006/2007	2,985	208	0	**3,193**
Total	**40,177**	**3,717**	**3,434**	**47,328**

Information on HBC depreciation methodologies is given in Accounting Policy 4.

NOTES TO CORE FINANCIAL STATEMENTS

An overall analysis of movements in the year on Non-Current Assets values (including depreciation) is in the main table at Note 15.

NOTES TO CORE FINANCIAL STATEMENTS

15. Non Current Assets Values

2009/10	Property, Plant & Equipment											Intangible Assets		Total
	Land & Buildings £000's	Vehicles Plant/Equip £000's	Infra-Structure £000's	Community Assets * £000's	Surplus Assets £000's	Assets under Construction £000's	SUB TOTAL £000's	Other Land & Buildings Non - Op £	Investment Properties £000's	Assets Held for Sale £000's	SUB TOTAL £000's	£000's	SUB TOTAL £000's	GRAND TOTAL £000's
Cost or Valuation														
At 01.04.2009	**22,151**	**3,344**	**3,391**	**6,110**	**1,478**	**141**	**36,615**	**0.00**	**5,745**	**1,526**	**7,271**	**182**	**182**	**44,068**
Additions	223	412	51	1,094	7,815	1,306	10,901		1	3	4	86	86	10,991
Derecognition - disposals	(2)	(109)	0	0	0	0	(111)		0	(103)	(103)	0	0	(214)
Non Enhancing Expenditure recognised in the Surplus/Deficit on the Provision of Services	(23)	0	(51)	(1,084)	(7,399)	0	(8,557)		(1)	(3)	(4)	(8)	(8)	(8,569)
Revaluation increases/(decreases) recognised in the Surplus /Deficit on the Provision of Services	(250)	0	0	(3,902)	(102)	0	(4,254)		0	(20)	(20)	0	0	(4,274)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(146)	0	0	979	91	0	924		63	(80)	(17)	0	0	907
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0		0	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0	0	0		0	0	0	0	0	0
Impairments	(772)	0	0	0	0	0	(772)		(90)	0	(90)	0	0	(862)
At 31.03.2010 Gross Book Value	**21,181**	**3,647**	**3,391**	**3,197**	**1,883**	**1,447**	**34,746**	**0.00**	**5,718**	**1,323**	**7,041**	**260**	**260**	**42,047**
Accumulated Depreciation & Impairment														
At 01.04.2009	**566**	**1,594**	**2,619**	**220**	**121**	**0**	**5,120**	**0.00**	**0**	**0**	**0**	**35**	**35**	**5,155**
Charge for the year 2009/10	498	543	339	74	28	0	1,482		0	0	0	44	44	1,526
Derecognition - disposals	(2)	(100)	0	0	0	0	(102)		0	0	0	0	0	(102)
Revaluation increases/(decreases) recognised in the Surplus /Deficit on the Provision of Services	(154)	0	0	0	0	0	(154)		0	0	0	0	0	(154)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	25	0	0	(201)	0	0	(176)		0	0	0	0	0	(176)
Other movements in cost or valuation	0	0	0	0	0	0	0		0	0	0	0	0	0
Impairments	(309)	0	0	0	0	0	(309)		0	0	0	0	0	(309)
At 31.03.2010	**624**	**2,037**	**2,958**	**93**	**149**	**0**	**5,861**	**0.00**	**0**	**0**	**0**	**79**	**79**	**5,940**
Net Book Value														
As at 31 March 2009	**21,585**	**1,750**	**772**	**5,890**	**1,357**	**141**	**31,495**	**0**	**5,745**	**1,526**	**7,271**	**147**	**147**	**38,913**
As at 31 March 2010	**20,557**	**1,610**	**433**	**3,104**	**1,734**	**1,447**	**28,885**	**0**	**5,718**	**1,323**	**7,041**	**181**	**181**	**36,107**

15. Non Current Assets Values (cont'd)

2010/11	Property, Plant & Equipment											Intangible Assets		Total
	Land & Buildings £000's	Vehicles Plant/Equip £000's	Infra-Structure £000's	Community Assets * £000's	Surplus Assets £000's	Assets under Construction £000's	SUB TOTAL £000's	Other Land & Buildings Non - Op £	Investment Properties £000's	Assets Held for Sale £000's	SUB TOTAL £000's	£000's	SUB TOTAL £000's	GRAND TOTAL £000's
Cost or Valuation														
At 01.04.2010	**21,181**	**3,647**	**3,391**	**3,197**	**1,883**	**1,448**	**34,747**	**0.00**	**5,718**	**1,323**	**7,041**	**259**	**259**	**42,047**
Additions	1,010	228	13	1,496	4,184	1,081	8,012		0	1	1	109	109	8,122
Derecognition - disposals	0	(163)	0	0	0	0	(163)		0	(355)	(355)	0	0	(518)
Non Enhancing Expenditure recognised in the Surplus/Deficit on the Provision of Services	(107)	(1)	(13)	(434)	(3,863)	0	(4,418)		0	(1)	(1)	0	0	(4,419)
Revaluation increases/(decreases) recognised in the Surplus /Deficit on the Provision of Services	(430)	0	0	(61)	(1)	0	(492)		82	828	910	0	0	418
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,022	0	0	209	727	0	3,958		0	0	0	0	0	3,958
Assets reclassified (to)/from Held for Sale	0	0	0	0	90	0	90		0	(90)	(90)	0	0	0
Other movements in cost or valuation	31	0	0	0	0	(31)	0		0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0		(58)	0	(58)	0	0	(58)
At 31.03.2011 Gross Book Value	**24,707**	**3,711**	**3,391**	**4,407**	**3,020**	**2,498**	**41,734**	**0.00**	**5,742**	**1,706**	**7,448**	**368**	**368**	**49,550**
Accumulated Depreciation & Impairment														
At 01.04.2010	**624**	**2,037**	**2,958**	**93**	**149**	**0**	**5,861**	**0.00**	**0**	**0**	**0**	**79**	**79**	**5,940**
Charge for the year 2010/11	505	511	339	99	36	0	1,490		0	0	0	55	55	1,545
Derecognition - disposals	0	(131)	0	0	0	0	(131)		0	0	0	0	0	(131)
Revaluation increases/(decreases) recognised in the Surplus /Deficit on the Provision of Services	(105)	0	0	(27)	0	0	(132)		0	0	0	0	0	(132)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(252)	0	0	(2)	(18)	0	(272)		0	0	0	0	0	(272)
Other movements in cost or valuation	0	0	0	0	0	0	0		0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0		0	0	0	0	0	0
At 31.03.2011	**772**	**2,417**	**3,297**	**163**	**167**	**0**	**6,816**	**0.00**	**0**	**0**	**0**	**134**	**134**	**6,950**
Net Book Value														
As at 31 March 2010	**20,557**	**1,610**	**433**	**3,104**	**1,734**	**1,448**	**28,886**	**0**	**5,718**	**1,323**	**7,041**	**180**	**180**	**36,107**
As at 31 March 2011	**23,935**	**1,294**	**94**	*** 4,244**	**2,853**	**2,498**	**34,918**	**0**	**5,742**	**1,706**	**7,448**	**234**	**234**	**42,600**

* For year 2011/12 onwards, Heritage Assets are to be separated out from Community Assets and valuation requirements may change - Accounting Policy 3 refers.

Note 15 continued

Intangible Assets - from the 2004 SORP, Intangible Assets were added to LAs' balance sheets, as a separate heading for such value(s).

If / when applicable, there could be up to three broad categories:

(a) Development Expenditure, covered by SSAP 13 (accounting for research & development);
(b) Goodwill, covered by FRS 10 (goodwill and intangible assets);
(c) Other intangible assets - specifically (i) purchased software licence, (ii) licences, trademarks & artistic originals, and (iii) patents.

With regard to the to the applicability to this local authority of (c)(i) above, the following table gives the assessed value of software acquisition in the year and carried forward. As indicated in HBC Accounting Policy 3 (Non-Current Assets), the relevant cost is amortised, or written-off, over an appropriate period.

Intangible Assets 2010/11	**Software £000**
Opening Balance as at 1st April	180
Written-off in year	(55)
Expenditure in year: £108,875 as summarised below	109
Closing Balance as at 31st March	**234**

1. LDF Database – E-Gov Implementation £54.2k – To be written off over 8 years.

2. Windows XP Licences £54.6k – To be written off over 3 years.

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NOTES TO CORE FINANCIAL STATEMENTS

16. Revenue Expenditure Funded by Capital Under Statute (REFCUS)

Summary	2009/10		2010/11	
	£000	£000	£000	£000
Balance as at 1st April				
Expenditure in year:				
- Improvement Grants	1377		1456	
- Equity Share Loans / PALs (referred to in Explanatory Foreword)	37		78	
- Other	1	1,415	286	1,820
less				
- Disabled Facility Grants received	(240)		(305)	
- Regional Housing Pot Grant received	(1,138)		(993)	
- Elevate Grant received	(37)		(78)	
- S106 contribution(s) received	0		(200)	
- Elevate (HMR) Grant received	0	(1,415)	(10)	(1,586)
		0		234
Amounts written out to Services, in the Income and Expenditure Account		0		(234)
		0		**0**

This disclosure (Note 16 above) became no longer obligatory from 2008/09 on 'REFCUS' (formerly Deferred Charges: non-HBC assets capital expenditure in year, written out), but has been included for fuller information.

17. Information on Assets Held

Tangible Fixed Assets held by the Council, with reference to Balance Sheet and the Asset Register, include the following:-

NOTES TO CORE FINANCIAL STATEMENTS

31st March 2010 (Nos.)		31st March 2011 (Nos.)
3	Cemeteries	3
1	Crematorium	1
33	Parks & Recreation Grounds	33
1	Museums & Art Galleries	1
1	Theatre	1
3	Public Halls	3
3	OAP Centres	3
4	Community Centres	4
2	Markets	2
2	Leisure Centres	2
1	Athletics Tracks	1
2	Swimming Pools	2
1	Town Halls	1
4	Council Offices	4
4	Industrial Estates	4
3	Depots	3

NOTES TO CORE FINANCIAL STATEMENTS

18. Sources of finance for the Capital Programme / CFR

The capital expenditure was financed as follows:-

	2009/10 £000	2010/11 £000
(i) **Capital Expenditure**		
Non-Current Asset Additions (within Note 15)	10,647	8,122
REFCUS (Note 16)	1,415	1,820
Total expenditure	**12,062**	**9,942**
(ii) **Financed by**		
Loan finance	0	0
Usable Capital Receipts	675	2,339
Grants (other than PRG via earmarked reserve)	10,431	6,236
Contributions, incl'g use of s106 moneys	722	480
Direct Revenue Finance	95	532
D R F via earmarked reserves	139	355
Total financing	**12,062**	**9,942**

(iii) **Capital Financing Requirement (CFR)** - the CFR is a prescribed measure of the capital expenditure incurred historically by an authority that has yet to be financed. The Council's Capital Financing Requirement as at respective 31st March was:

£000	£000
13,268	12,841

As part of Capital Finance Prudential Indicators, the CFR is approved, and reported upon for monitoring and outturn information, at Cabinet and/or Full Council.

19. Capital Commitments

As at 31st March 2011 the Council is contractually committed to capital payments which are estimated at £3,791,042 (was £1,265,197 as at 31st March 2010).

20. Leases

(a) Finance Leases

NOTES TO CORE FINANCIAL STATEMENTS

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

	31st March 2011 £'000	31st March 2010 £'000	1st April 2009 £'000
Other Land & Buildings	11	104	0
Vehicle, Plant & Equipment	277	463	525
Net Value at 31st March	**288**	**567**	**525**

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

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

	31st March 2011 £'000	31st March 2010 £'000	1st April 2009 £'000
Finance lease liabilities (NPV of minimum lease payments)			
Current	100	279	143
Non Current	188	288	382
Finance Costs Payable in Future Years	155	195	230
Minimum Lease Payments	**443**	**762**	**755**

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

	31st March 2011 £'000	31st March 2010 £'000	1st April 2009 £'000
Not later than one year	130	319	185
Later than one year and not later than five years	252	370	479
Later than five years	61	73	91
Minimum Lease Payments	**443**	**762**	**755**

NOTES TO CORE FINANCIAL STATEMENTS

(b) **Operating Leases**

The Council has acquired several fleet vehicles together with items of equipment by entering into operating leases.
The future minimum lease payments due under non-cancellable leases in future years are:

Leases expiring	31st March 2011 £'000	31st March 2010 £'000	1st April 2009 £'000
Not later than one year	3	2	14
Later than one year and not later than five years	54	41	7
Later than five years	0	0	0
TOTAL	**57**	**43**	**21**

21. Long Term Debtors

2008/09 restated* £000	2009/10 restated* £000	Description	2010/11 £000
7	5	Mortgages on RTB sales	4
12	11	Other Housing advances	9
0	41	NNDR deferral scheme amounts due in 2011/12	0
0	0	Leisure In Hyndburn Ltd (2 loans by HBC)	**189
*50	*72	Car loans to employees	105
***69**	***129**		**307**

**LiH related figure includes accounting adjustment for 'soft loan' interest. This is accounted for via Financial Instruments Adjustment Account - Note 42 refers

22. Inventories / stocks and work in progress

2008/09 £000	2009/10 £000		2010/11 £000
53	57	General Fund - Stock	44
1	2	WIP	0
54	**59**	Total	**44**

NOTES TO CORE FINANCIAL STATEMENTS

23. Investments

The investments consist of:-

2008/09 £000	2009/10 £000	Summary of Balance Sheet carrying values	2010/11 £000
		Long term:	
575	575	Globe Enterprises Limited (2)	575
8	8	Other	8
583	**583**		**583**
		Short Term	
8,896	4,977	Temporary Investments (1)	11,486
9,479	**5,560**		**12,069**

(1) Further information on the carrying value, and also Fair Value, is given in Note 42.

(2) GEL - Since 1996/97, the Council has invested in Globe Enterprises Limited.

Globe Enterprise Limited is a property development and investment company based in Accrington, Lancashire. It owns a number of properties in the local area and undertakes property development as opportunities arise.

Its current portfolio of properties include a large office complex developed for Office Space, an entertainment / leisure facility situated in Accrington Town Centre, and a block of luxury apartments.

The company held fixed assets valued at over £9.3 million at 31st December 2010, with Net Assets of £5.78m, as given in that latest available year-end's Audited Financial Statements.

Surpluses on trading have been historically re-invested in the business. The Council owns one-third of the share capital of the company. The Council has also invested £710,000 of cash and £250,000 of land in the form of loans into Globe Enterprises to provide working capital to the Company. In return, the Council received a repayment of these loans of £332,000 as a contribution to the costs of developing its new Council Offices at Scaitcliffe House.
This left the Council with a net investment in Globe Enterprises Limited of £628,000.

Part (£52,872) of the loan investment was repaid to the Council in June 2007, resulting in the £575k shown above.

NOTES TO CORE FINANCIAL STATEMENTS

24. Debtors

As at year-ended 31st March the following amounts were owed to the Council:-

1-4-09 restated £000	2009/10 restated £000	Description	2010/11 £000
		Amounts falling due in one year:	
2,039	5,506	Central government bodies	3,930
4,439	3,854	Other local authorities	1,362
0	0	Public corporations & trading funds	30
2,206	2,547	Other entities and individuals	2,533
237	236	Prepayments	187
8,921	**12,143**	Net Total as at 31 March	**8,042**

Included in the net total are provisions made by the Council for bad debts, being £1,671k at 1-4-09, £1,581k at 2009/10 year-end and £2,019k at 2010/11 year-end.

25. Creditors

As at year-ended 31st March the following amounts were owed by the Council:-

1-4-09 restated £000	2009/10 restated £000	Description	2010/11 £000
(429)	(397)	Central government bodies	(255)
(160)	(477)	Other local authorities	(576)
(2,553)	(1,941)	Other entities and individuals	(2,353)
(3,142)	**(2,815)**	Total as at 31 March	**(3,184)**

26. Provisions - are amounts set aside for specific future losses and liabilities that are uncertain in amount and date. The Council maintains certain provisions which are used to provide for specific expenditure - *accounting policy (12) refers*.

At the 31st March 2011 the Council had the following Provisions:

Provisions Summary	**As at 1.4.09 £000**	**As at 1.4.10 £000**	**(Transfers in) £000**	**Utilised £000**	**As at 31.3.11 £000**	**Description / comments**
Industrial Units bonds	(14)	(14)			(14)	Comprises 3 deposits for leases (£14,359.02).
Insurance 'Excess' provision	(127)	(107)	(55)	107	(55)	For potential / outstanding insurance claims (£54,398)
Planning liability & advance (a)	(103)	(87)		87	0	Balance of this s106 money was utilised in year
Well being & Health Equality	(111)	(65)		65	0	Special revenue grant fully utilised / transferred
Communities for Health	(217)	(280)	(65)	257	(88)	Balance of a revenue grant, being used 11/12 or later
Free Swimming- Dept of CM&S	0	(9)	(32)	36	(5)	Balance of a revenue grant, being used in 2011/12.
Dilapidations provision	(350)	(500)	(174)		(674)	Enhanced provision for asset remedial work.
ERDF potential clawback	(93)	(96)	(8)	5	(99)	Maintaining this provision (until time-limited)
ICT replacement items, re flood	(5)	(5)			(5)	Balance available to utilise in 2011/12 (£5,140).
Payment due *(currently)*	0	0	(84)		(84)	Due to Hyndburn Homes for 'RTB' sale in progress.
Others (b)	(7)	(7)	(2)		(9)	Miscellaneous : (£8,712.80 net total)
Total	(1,027)	(1,170)	(420)	557	(1,033)	

(a) This balance of approx. £87.3k brought forward related to s106 (Town & Country Planning Act 1990) from the Lower Barnes Street C-le-M development, in which agreement HBC had a financial liability within or after a specified period. The balance was used as required. Note 32 includes other section 106 balances.

(b) 'Others' £8.7k carried forward consists of six items, some of which are being used/re-addressed in 2011/12.

NOTES TO CORE FINANCIAL STATEMENTS

27. Unusable Reserves

1 April 2009	31 March 2010		31 March 2011	Note
£000	**£000**		**£000**	
*6,263	* 6,806	Revaluation Reserve (re non-current assets)	11,037	*28*
*19,050	*16,144	Capital Adjustment Account balance	19,209	*29*
* 7	5	Deferred Capital Receipts Reserve	4	*30*
(227)	(225)	Financial Instruments Adjustment Account	(294)	*42*
(65)	(14)	Collection Fund Adjustments Account	(13)	
*(143)	* (155)	Accumulating Absences Account balance (1)	(130)	
(35,772)	(47,810)	Pensions Notional Reserve	(32,642)	*33*
***(10,887)**	***(25,249)**	**Total Unusable Reserves**	**(2,829)**	

*restated or included for IFRS-based accounting code of practice

(1) IFRS (IAS 19: Employee Benefits) accounting for untaken annual leave and time in lieu – accounting policy 14(a) refers

28. Revaluation Reserve (relating to Non Current Assets)

The former Fixed Asset Restatement Account was superseded by the 'Revaluation Reserve' from April 2007; and the then net balance brought forward from the Fixed Asset Restatement A/c was transferred to the 'Capital Adjustment Account' - *see note 29*. Therefore the Revaluation Reserve started with a zero balance from 1st April 2007.

Under arrangements required for local authorities' capital accounting, this 'reserve' represents the balance of surpluses and deficits arising from the revaluation of fixed assets. Within the revaluation reserve for fixed assets, revaluation gains are recorded at the level of individual assets (or appropriate groups of assets where assets are grouped, corresponding to structure of the fixed asset register). Any downward revaluation of an asset has to be written off to Comprehensive Income & Expenditure Statement as a loss where there are no accumulated gains for that asset in the Revaluation Reserve.

The 'reserve' is not available to support capital or revenue spending.

	2009/10 £000	2010/11 £000
Balance at 1st April	***(6,263)**	***(6,806)**
Asset valuation movements	*(1,021)	(4,231)
Disposal of fixed assets	66	0
Impairments	412	0
Balance at 31st March	***(6,806)**	**(11,037)**

*restated for IFRS-based accounting code of practice

NOTES TO CORE FINANCIAL STATEMENTS

29. Capital Adjustment Account

Under arrangements required for local authorities' capital accounting, the Capital Adjustment Account (which was called the Capital Financing Reserve prior to 2004/05 and then the Capital Financing Account (CFA) up to and including 2006/07), contains the amounts which have been required by statute to be set aside from capital receipts for the repayment of external loans and the amount of expenditure financed from revenue and from capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

The account is not available to support capital or revenue spending.

Capital Adjustment A/c summary for year(s)	2009/10 £000	2010/11 £000
'CAA' Balance at 1st April	*19,050	*16,144
Capital receipts set aside	0	0
Capital Financing - Capital Receipts	675	2,339
- Direct Revenue Financing	95	766
- Grants & Contributions	*9,753	5,251
- Amortised Deferred Grant	124	0
Minimum revenue provision (less total depreciation)	*(679)	(743)
Less write down of deferred charges / 'REFCUS'	0	(234)
Non-Current Assets Revaluation Adjustment	(4,120)	550
Non-Current Assets Non-Enhancing expenditure	(8,709)	(4,476)
Non-Current Assets value adjustments	(45)	(388)
Balance at 31st March	***16,144**	**19,209**

*restated or included for IFRS-based accounting code of practice

30. Deferred Capital Receipts

Deferred Capital Receipts are amounts derived from sales of assets which will be received in instalments over agreed periods of time. Currently they had arisen wholly from mortgages on sales of Council houses.

31. Capital Receipts & Capital Grants Unapplied

31(a) Capital Receipts Reserve

The *Usable* Capital Receipts Reserve represents the capital receipts which have not yet been used to finance capital expenditure and which are available for use in future financial years.

NOTES TO CORE FINANCIAL STATEMENTS

Since 2004/05 there has been a requirement, via Govt Regulations, to ‘pool’ (ie to pay over to the ODPM / DCLG) 75% of the relevant net capital receipts (in this instance for HBC, entirely relating to Right To Buy receipts). In 2010/11 this amounted to £nil (2009/10 was £nil). Any corresponding items for this are in the Comprehensive I&E Account (the payment due to the Dept for Communities & LG) and the General Fund Balance movements (a contra, equivalent item for transfer from Capital Receipts Reserve), in accordance with The Code.

Usable Capital Receipts Reserve Summary	2009/10 £000	2010/11 £000
Balance at 1st April	4,898	4,517
Capital receipts in Year	294	512
Less		
- Capital Receipts applied	(675)	(2,339)
- Capital Receipts set aside	0	0
- Capital Receipts to DCLG (‘pooled’)	0	0
Balance at 31st March	**4,517**	**2,690**

31(b) 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.
The table below gives a breakdown of the balance as at 31st March.

Purpose / Source	As at 1.4.09 £000	As at 31.3.10 £000	Received £000	Applied £000	As at 31.3.11 £000
Regional Housing Pot Grant (DCLG)	(829)	0	0	0	0
Milnshaw Bowling Club (Contribution)	0	0	(3)	3	0
Canal Bridge C-L-M (LCC)	(17)	(16)	0	1	(15)
MUGA Holt St Rishton (LCC)	0	(67)	0	67	0
Meadoway Allotments (LCC)	0	0	(10)	10	0
Heys Allotments (LCC)	0	15	(15)	0	0
Highams Playing Field (Big Lottery)	0	0	(3)	3	0
Bolton Avenue Huncoat (LCC)	0	0	(10)	10	0
Lowerfold Park Phase 2 (LCC)	0	0	(33)	33	0
Meadoway & Woodnook (LCC)	0	0	(15)	15	0
Woodlands Footpath Project (LCC)	0	0	(20)	20	0
Aiming High Disabled Kids (LCC)	0	0	(29)	28	(1)
Rhyddings Methodist Church (Contribution)	0	0	(5)	0	(5)
Roegreave Road (Contribution)	0	0	(8)	0	(8)
Lancs Drug & Alcohol Team (NHS)	0	0	(38)	36	(2)
Lowerfold Park (Contribution)	0	0	(3)	0	(3)
Elevate Grant (Housing Market Renewal)	0	0	(2,981)	0	(2,981)
Total	(846)	(68)	(3,173)	226	(3,015)

32. Earmarked Reserves

Reserves are amounts set aside to meet expenditure which may be incurred in future periods. Earmarked Reserves are allocated to a specific area of spending. *Accounting Policy (13) refers*.

ER summary for year : 2010/11 net movement (£2,391k), per line in the MiRS	**Balance as at 1st Apr 2009 £000**	**Balance as at 1st Apr 2010 £000**	**Payments, ie used £000**	**(Receipts) £000**	**Balance as at 31st Mar 2011 £000**
Planning obligations under s106, Town & Country Planning Act 1990 - *footnote (a) below*	(612)	(1,959)	360	(428)	(2,027)
Housing & Planning Delivery Grant reserve	(201)	(191)	80	0	(111)
Area Based Grant reserve (note b)	(229)	(490)	1,563	(1,785)	(712)
LPSA / LAA Performance Reward Grant (note c)	(76)	(478)	204	(169)	(443)
Other earmarked reserves (note d)	(929)	(1,356)	235	(2,451)	(3,572)
Total Earmarked Reserves	**(2,047)**	**(4,474)**	**2,442**	**(4,833)**	**(6,865)**

(a) At the year end all amounts received for such planning obligations were in connection with, wholly or partly, envisaged capital and/or revenue projects, in accordance with respective agreements. Excluded is a s106 balance b/fwd (in Provisions – note 26) and which was used.

(b) Area Based Grant (ABG) : **£712,427** reserve is the amount unspent as at 31 March 2011; and is thereby carried forward for use in following year(s). Notes 4a and 34(c) also refer, and give the overall amounts received and/or used in the year.

(c) Lancashire Local Area Agreement (LAA) Performance Reward Grant reserves **: £442,866** relating to future use for capital and revenue expenditure. Brought forward balance of £478,384 comprised equal amounts for capital and revenue use. The money came to HBC from the DCLG via the county council as accountable body. Tranche 1 of £478,384 was had been accrued into 2009/10 income (received at HBC in early April 2010). HBC credits the accounts for those years when the PRG, subject to achievement and grant determination, is distributed as final amount(s).
Tranche 2 of equivalent amount (which was expected to be received by March 2011) was cancelled by the Coalition Government as part of savings. However, a claim was approved by the DCLG for achievement of targets not previously completed; resulting in £169,062 being received by HBC, via LCC, in early April 2011 (and accrued into 2010/11 income).

(d) The £3,572k ‘Other’ (£3,572,179) comprises at year-end the following, to nearest £.

(1) **£1,265,783 reserve for LSVT-related Environmental Warranties**. This includes, as from 2008/09, a balance of £15,783 which had arisen at 31 March 2008 on the former

LSVT E W Insurance reserve (£238,315 of that reserve was used in 2007/08 on insurance premium cost (including I P Tax) and external fees).
The Environmental Warranties reserve continues to be increased by £250,000 annually over future years to provide the Council with prudent financial cover for any claims arising over and above the limits of the respective liability of Hyndburn Homes Ltd - the initial and future such contributions to this reserve were and are budgeted in line with the Council's medium term financial strategy.
Contingent Liabilities - Note 37 refers.

(2) **£100,000 reserve created in 2006/07 for future asset(s) disposal transition costs and/or potential income loss**.

(3) **£5,000 reserve being a donation to the Council in 2009/10, for use at Haworth Art Gallery**. There are proposals for utilising this money in year 2011/12.

(4) **£1,000,000 reserve for long-term investment opportunities -** established via Audit Committee June 2010.
(5) **£143,830 for Housing Market Renewal (HMR) revenue expenditure in future.**
(6) **£34,356 reserve relating to grant in advance** (March 2011).
(7) **£892,686 invest to save fund** - established as at 31st March 2011, via resolution of Council of 7th December 2010.

(8) **£130,524 consisting of reserves for Bradshaw St. Aftercare (£5,163), Roegreave Rd playground maintenance (£71,576) and Phoenix 2 landscaping/mtce (£53,785).**

(9) Nil balance of capital reserve for Oswaldtwistle Civic Theatre / Arts Centre - earmarked for future capital financing from 2009/10 revenue resources. *The £234,561 was utilised in 2010/11 as indicated in the summary table.*

33. Pensions liabilities and funding (FRS17 - IAS19 reporting)

The Borough Council participates, as an employing authority, in the Lancashire County Pension Fund, administered by Lancashire County Council. This pension scheme is a Defined Benefit scheme: retirement benefits are determined independently of scheme investments and the authority must contribute to any deficit where assets are insufficient to meet retirement benefits.

As stated in *the Explanatory Forward*, and at *Accounting Policy 14(c)*, the authority was required under the SoRP to fully implement FRS 17, on Retirement Benefits, into its accounts – under IAS 19 from 2010/11 SoA. The object of FRS17/IAS19 was/is to ensure that the Authority's financial statements reflect at fair value the future pension liabilities which have been incurred, and the extent to which assets have been set aside to fund them. This means that FRS17-based pensions assets and liabilities transactions are included in the Council's financial statements (including Balance Sheet), rather than merely being disclosed as additional notes to the accounts.

The inclusion of net pensions liabilities and the corresponding pensions reserve in the Council's Balance Sheet, however, does not represent a reduction in the cash reserves held by the authority and does not directly impact on Council Tax levels.

NOTES TO CORE FINANCIAL STATEMENTS

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:

	2009/10	2010/11
Comprehensive Income and Expenditure Statement	£000's	£000's
Cost of Services:		
Current Service Cost	1,010	1,567
Past service costs	0	(6,216)
Curtailment and Settlements	24	249
Financing and Investment Income and Expenditure		
Interest cost	5,996	6,238
Expected return on assets in the scheme	(3,146)	(4,117)
Total Post-Employment Benefit included in the Surplus or Deficit on the Provision of Services	**3,884**	**(2,279)**
Other Post -Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial gains and (losses)	10,664	(10,288)
Total Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**10,664**	**(10,288)**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(3,884)	2,279
Actual amount charged against the General Fund Balance for pensions in the year:		
Employer's contributions payable to scheme (Note 43 refers)	**2,510**	**2,601**

NOTES TO CORE FINANCIAL STATEMENTS

The Lancashire County Pension Fund is treated as a defined benefit scheme under FRS17, since the authority's liabilities to its current and former employees can be identified within the fund, and the authority will be liable to meet these, irrespective of the future performance of the fund.

The last full (triennial) actuarial review of the fund was carried out as at 31st March 2010 and was completed during year 2010/11. The next full review will be during 2013/14, as at 31st March 2013.

In calculating the authorities' (including this authority's) assets and liabilities, the fund's actuaries have to make a number of annual assumptions about events and circumstances in the future, meaning that the results of actuarial calculations are subject to uncertainties within a range of possible values.

Actuarial Assumptions

The following actuarial assumptions were made and given after the year-end:

2009/10 %		2010/11 %
	Financial Assumptions as at end of year (Mature duration profile of liabilities)	
3.3	Rate of Inflation RPI	3.4
2.8	Rate of Inflation CPI	2.9
5.05	Rate of increase in salaries	4.9
3.3	Rate of increase in pensions	2.9
5.6	Discount Rate *	5.5
	Expected Rate of Return on Assets at end of year (gross of expenses)	
7.5	Equities	7.5
4.5	Government Bonds	4.4
5.2	Other Bonds	5.1
6.5	Property	6.5
0.5	Cash / Liquidity	0.5
7.5	Other	7.5
50.0	**Take up option to convert annual pension into retirement lump sum.**	50.0
	Mortality assumptions	
	Longevity at 65 for *current* pensioners	
21.2 years	Men	21.6 years
24.1 years	Women	24.2 years
	Longevity at 65 for *future* pensioners	
22.2 years	Men	23.0 years
25.0 years	Women	25.8 years

* The statement of recommended accounting practice (SoRP) as applicable to 2004/05 Accounts onwards requires local authorities to use 'AA corporate bond' rate of return as the discount rate when determining the net present value of estimated pensions liabilities. This rate was lower than the rate previously specified in the 2003 SORP (the Government Actuarial Department (GAD) rate).

Rather than using the discount rate chosen by the fund actuaries up to 31 March 2007 balance sheet date (ie the redemption yield on iBoxx Sterling AA corporate bond over 15 years index - considered to be a relatively long-dated index and broadly appropriate for the majority of employers), there has been, instead, a more sophisticated approach in the opinion of the actuaries for 31 March 2008 onwards. The discount rate is calculated as a weighted average of "spot yields" on AA rated corporate bonds, to reflect more accurately the duration of the pension liabilities of the typical LGPS employer.

Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities

	2009/10 £000	2010/11 £000
Opening balance 1st April	86,013	112,743
Current Service Costs	1,010	1,567
Interest Cost	5,996	6,238
Contributions by scheme participants	533	533
Actuarial Gains / (Losses)	23,834	(6,868)
Estimated Benefits Paid	(4,667)	(4,810)
Past Service Costs / (Gains)	0	(6,216)
Losses / (gains) on Curtailments	24	249
Closing balance at 31st March	**112,743**	**103,436**

NOTES TO CORE FINANCIAL STATEMENTS

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

	2009/10 £000	2010/11 £000
Opening balance 1st April	50,241	64,933
Expected rate of return	3,146	4,117
Actuarial Gains / (Losses)	13,170	3,420
Employer contributions	2,510	2,601
Contributions by scheme participants	533	533
Benefits paid	(4,667)	(4,810)
Closing balance at 31st March	**64,933**	**70,794**

Assets in the fund are valued at fair value, and consist of the following main categories at year-end:

2009/10		Fair Value of Assets	2010/11	
£'000	%		£'000	%
42,856	66.0	Equities	45,307	64.0
12,337	19.0	Bonds	14,867	21.0
9,740	15.0	Other	10,620	15.0
64,933	100.0	Total Value	70,794	100.0

Scheme History

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Present value of Liabilities	(98,975)	(100,859)	(86,013)	(112,743)	(103,436)
Fair Value of Assets	72,450	63,693	50,241	64,933	70,794
Surplus / (deficit) in the scheme:	**(26,525)**	**(37,166)**	**(35,772)**	**(47,810)**	**(32,642)**

NOTES TO CORE FINANCIAL STATEMENTS

The movement in the deficit in the scheme during 2010/11 is analysed as follows:

	2009/10 £000	2010/11 £000
Deficit at 1st April	**(35,772)**	**(47,810)**
SERVICE EXPENDITURE		
Current Service Cost	(1,010)	(1,567)
Past Service Gain / (Cost) *- RPI-CPI note on next page(s)*	0	6,216
Curtailment Gain / (Loss)	(24)	(249)
Less Employer Contributions **	2,510	2,601
	1,476	7,001
FINANCE GAINS & LOSSES	(2,850)	(2,121)
Interest costs, net of Return on Assets		
ACTUARIAL GAINS & LOSSES *		
Actuarial Net Gain or (Loss)	(10,664)	10,288
Deficit at 31st March	**(47,810)**	**(32,642)**

* The actuarial gains and losses included above for the subject financial year (2010/11) represent the extent to which actual outcomes during 2010/11 differed from the assumptions used in calculating the estimated assets and liabilities at 31st March 2010. The table below shows these changes as percentages of the respective assets and liabilities at the end of the subject financial year.

** *The actuary-projected employer contributions for yr2011/12 is £2,523k, comprising normal contributions £2,013k and £ for £ recharges £510k.*

Projected deficit at 31st March 2012, assuming that actuarial assumptions are borne out in practice, is £33,123m. The actuary-certificated expected employer contribution rate for HBC is 24.8% for each of the three years 2011/12 – 13/14, whereas the Council has budgeted, and is paying, 28% for year 2011/12.

History of Actuarial Gains & (Losses) and percentages of Total Assets/(Liabilities)	**2006/07**		**2007/08**		**2008/09**		**2009/10**		**2010/11**	
	£000	**%**	**£000**	**%**	**£000**	**%**	**£000**	**%**	**£000**	**%**
Gain / (loss) on expected and actual return on assets	(496)	(0.7)	(11,692)	(18.4)	(17,262)	(34.4)	13,170	20.3%	3,420	4.8
Gain / (loss) on actuarial assumptions on liabilities and actual experience	0	0	1,351	1.3	19,107	22.2	(23,834)	(21.1%)	6,868	6.6
Gain / (loss) on changes in demographic and financial assumptions affecting estimation of liabilities	4,654	4.7	0		0		0		0	
Net Total	**4,158**		**(10,341)**		**1,845**		**(10,664)**		**10,288**	

NOTES TO CORE FINANCIAL STATEMENTS

Estimated Gain to Council due to change in scheme benefits

Changes made to the Local Government Pension Scheme permit employees retiring on or after 6th April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. The actuaries to the LCC pension fund had assumed, for 31 March 2006 disclosure items, that 50% of employees retiring after 6th April 2006 will take advantage of this change; and the actuaries then advised that this will reduce the value of the Hyndburn Borough Council pension liabilities by £0.996m. This was shown as a 'past service gain' in respective table for that year; and was accounted for within Non Distributed Costs.

The actuaries have re-considered the position for each subsequent 31 March and, again, have proposed that the 50% assumption be retained for the time being, for reasons given by them in their April supplementary paper.

'New Look' Local Government Pension Scheme from 1 April 2008
In the main, the changes only affect benefits accruing and member contributions from 1 April 2008 onwards, with the result that employers' Current Service costs changed with effect from that date - ie in the figures for and from 2008/09.
However, the new provisions gave rise to some changes in death benefits in relation to accrued service (eg introduction of pensions for cohabiting partners and an increase in the 'guarantee' period during which a pension continues after a pensioner's death). These particular changes brought an increase in the value of the accrued liabilities; this was shown as a 'Past Service cost' in 2007/08.

Estimated Deficit for Council relating to employees transferred to Hyndburn Homes
As referred to in previous years' Statements of Accounts, *subsumed in the HBC overall net pensions liability* is a liability of the Council from 30th March 2006 (the effective date of the Housing Stock Transfer agreement between HBC and Contour Housing Group / Hyndburn Homes Ltd) for Pension Fund deficit attributable to the HBC employees transferred to the then new RSL This deficit had been estimated initially at £2,700,000 by the Lancashire County Council pension scheme actuaries (Mercer Ltd) as an assessment of the "share of deficit" in respect of the transferring staff which has been retained by HBC.

During year 2006/07 this deficit reduced by three specific payments over to LCC, by HBC, totalling £998,608. The actuary (Mercer Ltd) produced a figure in May 2008 of £2,200,000 for 'updated deficit amount as at 31 March 2007'. Charged in 2007/08 accounts and approved by the full Council in June 2008, the Council made a further specific additional contribution of approximately £476,000.
From 1st April 2011 the Contour Housing Group (which had included from 30th March 2006 Hyndburn Homes and Hyndburn Homes Repairs), amalgamated with Vicinity Housing Group to form Symphony Housing Group, with registered corporate address in Liverpool.

Change from RPI to CPI for Pension Increases
In the UK budget statement on 22nd June 2010, the Chancellor of the Exchequer announced that with effect from 1st April 2011 public service pensions would be uprated in line with the Consumer Price Index (CPI) rather than the retail price index (RPI), which has been the practice in the past. As a result, pension increases under the (Lancashire County) Pension Fund are expected to be slightly lower, on average, than would have been the case if this change had not been made. The pension fund's actuary has assumed that over the long-term CPI will be less than RPI by 0.5% pa; and the effect is to reduce the calculated value of an employer's liabilities for FRS17/IAS19 accounting purposes, normally by about 5%-8%.

The financial effect in the Council's 2010/11 accounts is shown as *a Past Service Gain of £6.216m* and which has thereby reduced the Council's liabilities in the pension fund. The reduction has been recognised as a past service gain in accordance with guidance set down in UITF (Urgent Issues Task Force) Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund Balance. *Note 11 also refers.*

Net Pensions Liability as at 31st March 2011

The **£32.642m net liability** relating to the fund represents the difference between the value of the Authority's pension fund assets at 31st March 2011 and the estimated present value of the future pension payments to which it was committed at that date. These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1st April 2011 would also have an impact on the capital value of the pension fund assets. The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the actuaries at their last actuarial review of the Pension Fund, as at 31st March 2010, carried out during 2010/11.

It can be seen that the change from an originally-estimated net liability of £47.810m at 31st March 2010 to the estimated net liability of £32.642m at 31st March 2011 (ie decrease in net deficit of approximately £15.2m) relates to net impact of:

(a) net increase of £5.9m in the fair value of the fund's investment assets; and
(b) decrease of £9.3m in present value of liabilities (including Past Service gain of £6.216m estimated for change in Scheme benefits referred to above: change from RPI to CPI as affecting pension annual increases).

34. Local Area Agreement (LAA); LAA related Grants; and Area Based Grant

(a) Local Area Agreement - a Local Public Service Agreement (LPSA).
The Council is a participant in the Lancashire LAA - a partnership with other public, private and third-sector bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. For 2007/08, the second year was completed of the first Lancashire LAA 3-year agreement (2006-09). This was superseded by a 3-year agreement in 2008/09 - LAA(2) - covering 2008-11.

The purpose(s) of the LAA are:

- to identify priorities for Lancashire across a range of headings e.g. crime, health, education, social cohesion, the environment, employment
- to jointly negotiate the priorities and base on evidence and need
- to agree to deliver on these priorities during the period of the LAA.

Under the Local Government and Public Involvement in Health Act 2007 (section 108), all statutory partners have a duty to co-operate in delivering the priorities jointly agreed in the LAA.

The LAA partners are:

- Local government bodies - Lancashire County Council and all 12 District Councils of the LCC area (including Hyndburn)

NOTES TO CORE FINANCIAL STATEMENTS

- Community protection authorities – Lancashire's Police Authority, Constabulary, Fire & Rescue Service and Probation Service
- Health bodies – particularly the local NHS Primary Care Trust (e.g. Hyndburn & Ribble Valley PCT) and the strategic health authority
- Learning bodies – Learning & Skills Council (Lancashire)
- Voluntary organisations and other bodies such as Business Link, Connexions, East Lancashire Chamber of Commerce, Elevate East Lancashire (Housing Market Renewal), the Environment Agency, Job Centre Plus, Lancashire Drug Action Team, Lancashire Economic Partnership, North West Development Agency
- Local strategic partnerships, led by the above-mentioned local government bodies (e.g. Hyndburn Local Strategic Partnership) and which assist in the delivery and performance management of the LAA.

Lancashire County Council acts as the accountable body overall for the LAA.

In and from 2008/09, LAA grants were mainly being replaced by 'Area Based Grant' received direct from the Government - *see at (c) below*

(b) Performance Reward Grant (PRG) for 'LPSA2' - this performance reward grant is money payable by the Government for the achievement of LAA 'stretch reward targets'. It became expected that the PRG will be awarded and paid by the Government, via the county council, in two tranches: by 31 March 2010 and tranche 2 payment by 31 March 2011; and the money receivable by HBC would be spent through the District (Hyndburn) local strategic partnership – LSP *. A county-wide protocol document had been drawn up in advance for PRG distribution and accounting and governance arrangements.

HBC has credited in the accounts for those years when the PRG, subject to achievement and grant determination, is distributed as final amounts.
The tranche 1 payment of £478.4k was received at HBC in early April 2010; and was accrued into 2009/10 income and transferred to earmarked reserves. *There is a required split of 50% each for Capital and Revenue expenditure use.*

Tranche 2 payment of equivalent amount was expected to be received at the end of yr2010/11 and would be credited in that year's accounts; but, as of 10th June 2010 Coalition Government announcement via the DCLG, such Tranche 2 amount would not be paid. *However, by December 2010 the county council submitted a further claim to the DCLG, for achievement of LAA targets which had previously not been completed when the original claim was submitted in December 2009. In due course, the DCLG paid in late March 2011 to the county council; and Hyndburn BC received in early April a £169,062 share.* The approx. £169k has been accrued into 2010/11 income and transferred to earmarked reserves. *There is a required split for this PRG of 30% for Capital and 70% Revenue expenditure use.*

*The LSP was dissolved in January 2011 and Hyndburn Public Service Board has been established

Notes 4(a) and 32(c) also refer.

(c) Area Based Grant (ABG) - ABG came in from April 2008 and paid by the Government on a non-ringfenced basis; and therefore an authority is free to use it as it wishes. Unspent amounts can be carried forward by the authority. Allocations by the Government were announced on a three-year basis, with years 2009/10 and 2010/11 initially being

provisional or indicative. The revised 2009/10 allocation to Hyndburn was £1,879,894; and the original 2010/11 allocation to HBC was £2,024,075 (but subsequently reduced via the Government's June 2010 emergency budget).
2010/11 was the third (and final) year of ABG allocations from central government.
The summary table below shows the central government sources of the ABG * and the amount spent in the year by the Council.

Area Based Grant : sources and overall use 2010/11	ABG Brought Forward £	ABG Received by HBC * £	ABG Utilised in year £	ABG Carried Forward £
Cohesion	79,706	206,471	(95,343)	190,834
Working Neighbourhood Fund (WNF)	343,954	1,400,403	(1,306,835)	437,522
Preventing Violent Extremism (PVE)	21,243	148,193	(160,874)	8,562
Climate Change 'Planning Policy Statement'	45,000	22,500	0	67,500
Environmental Protection	311	319	0	630
Economic Assessment Duty		6,000	0	6,000
Guidance on Social Housing		1,380	0	1,380
Total ABG	490,214	1,785,266	(1,563,052)	712,428

The ABG spent in the year is included in the Services' expenditure within the HBC Comprehensive Income & Expenditure Statement, and the full ABG received by the Council is included in General Government Grants there per the Accounting Code of Practice - Note 4a refers.

*The ABG received in the year is net of the reductions via the Government's June 2010 emergency budget (affecting HBC sources of ABG from Cohesion, WNF and PVE), and offset by an adjustment grant of £26,567 received from the Government in early October 2010.

The overall £712k unspent at 31st March 2011 is in *ABG Earmarked Reserve account*, at that date - per Note 32(b).

35. The European Single Currency

At 31st March 2011 the Council has not entered into any financial commitments relating to the possible introduction of the Euro in the UK.

At present, there are no indications as to the future financial impact on the Council.

36. Contingent Assets - defined, from Financial Reporting Standard (FRS) 12, as 'a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control' If an uncertain inflow of economic benefits has become probable, an authority is expected to disclose the contingent asset as a note in the year of change.

VAT Refunds - The background is that European VAT law would have allowed councils to treat the subject original income as VAT free. The claims related to periods in the early 1990s; and were able to be considered by HM Revenue & Customs because of a House of Lords ruling in January 2008 concerning transitional arrangements - *the cases of Michael Fleming trading as Body Care and Conde Nast Publications Ltd v HMRC* - enabling the Council and other authorities to submit claims by 31st March 2009 for the outstanding VAT repayments.

In 2009/10, HBC claims were settled in the areas of Culture, Cemeteries and Sports - *Note 11 in this Statement of Accounts document refers.*

At the time of preparing these Accounts, outstanding areas of claims, not yet settled, are Coaching and also Trade Waste. While the net amount may be significant (if/when settled), there is not certainty so far as to the amount and timing of any settlement.

37. Contingent Liabilities

Financial Reporting Standard (FRS) 12 defines contingent liabilities as either:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control, or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that a transfer of economic benefits will be required to settle the obligation, or

(ii) the amount of the obligation cannot be measured with sufficient reliability .

Municipal Mutual Insurance Ltd (MMI) -

During 1992-93 Municipal Mutual, the insurer up to that time to many local authorities, experience trading difficulties. The company's creditors agreed a Scheme of Arrangement in 1993-94 (under s425 of the Companies Act 1985), which allowed MMI to work towards a solvent 'run-off' until all outstanding claims were settled. If the company becomes insolvent, there is a claw-back arrangement whereby the creditors may be required to repay a proportion of the claims paid.

The latest statement received for HBC from MMI (to 31st March 2011) continues to give Claims Payments Carried Forward £90,654; Estimated Outstanding Claims as Nil; and that the estimated amount liable to claw-back , if the scheme is triggered, is the total carried forward claim payments, less £50,000. *Therefore HBC might be liable for £40,654.*

The current or foreseeable possibility of 'transfer of economic benefits' from HBC to MMI has changed from being remote, as then noted in the Council's 2009/10 Statement of Accounts, to now being subject to some volatility while liability not certain - *per content of a report to MMI Creditors Committee meeting on 17th November 2010, received at HBC in April 2011.*

MMI's strategic direction remains to continue to pay all agreed claims in full and achieve a solvent run-off , with the negotiation of a possible transfer of liabilities to an alternative 'carrier' at some future date. However, the above-mentioned report includes that, based on figures at 30th September 2010, the run-off projection did not show a break-even point.

LSVT Environmental Warranties -

There may be potential liabilities arising to HBC from the Large Scale Voluntary Transfer of 30th March 2006 and the terms of the housing stock transfer related agreement of the same date, with Hyndburn Homes Ltd of Contour Housing Group * (subject to the respective limitations and obligations in the agreement). On this, the Council had:

(i) taken out Environmental Site Liability Insurance up to £20m, via a single premium, for the period 25th July 2007 to 24th July 2017; and

(ii) established a reserve for LSVT-related Environmental Warranties - this is being increased by £250,000 annually for at least 10 years overall - *Note 32(d)(1) refers*.

* from 1st April 2011 the Contour Housing Group amalgamated with Vicinity Housing Group to form Symphony Housing Group, with registered corporate address in Liverpool

Selective Landlords Licensing -

This scheme, covering private residential property in designated areas of the borough, was being introduced in 2010/11 after approval by the Government's Department of Communities & Local Government but, as referred to in the council's *Annual Governance Statement 2010/11* (AGS page 7, 2nd paragraph), there was a challenge to the legality of the council's actions. In 2011/12 a subsequent judicial review has found against the Council in relation to consultations. Some legal fees have been incurred by the authority.

As far as HBC contingent liabilities are concerned, the landlords claim of their legal costs is being addressed by internal, and indirectly external, consideration. The amount for HBC to pay or reimburse may be material.

An update for moving forward on a SLL scheme, including future consultations, was submitted to the council's Corporate Management Team 27th July 2011. A report is to be submitted to Cabinet for 14th September 2011 meeting.

38. Components of Cash and Cash Equivalents

	Balance 1.4.09 £000	Balance 31.3.10 £000	Balance 31.3.11 £000
Cash in hand	4	4	4
Bank balance / (overdraft)	(348)	(1,004)	(1,164)
	(344)	**(1,000)**	**(1,160)**

NOTES TO CORE FINANCIAL STATEMENTS

39. Cash flow statement - operating activities

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

2009/10 restated £000		2010/11 £000
	Receipts	
(1,885)	Revenue Support Grant	(1,290)
(8,167)	National Non Domestic Rate receipts from the national pool	(8,882)
(25,211)	DWP grant received for housing benefit paid out	(27,514)
(7,936)	DWP grant for Council Tax Benefit	(8,207)
(4,850)	Other grants received	(5,812)
(57)	Interest received	(61)
(11,928)	Other operating receipts	(9,049)
	Payments	
13,066	Cash paid to and on behalf of employees	13,035
25,269	Housing benefit paid out	27,505
778	Interest paid	499
16,473	Other operating payments	16,239
(4,448)		**(3,537)**

NOTES TO CORE FINANCIAL STATEMENTS

40. (a) Adjustments to net surplus or deficit on the provision of services for non-cash movements

2009/10 £000		2010/11 £000
(1,343)	Depreciation	(1,490)
(12,830)	Impairment & downward valuations	(3,951)
(44)	Amortisation	(55)
(79)	(Increase) / decrease in impairment provision for bad debts	(602)
156	(Increase) / decrease in creditors	(247)
260	Increase / (decrease) in debtors	(404)
5	Increase / (decrease) in stock	(15)
(1,374)	Pension liability	4,880
(111)	Carrying amount of non current asset disposals	(388)
8,805	Other non-cash items charged to the net surplus or deficit on the provision of services	7,836
(6,555)		**5,564**

40.(b) Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities

2009/10 £000		2010/11 £000
294	Proceeds from the sale of property, plant & equipment, investment property & intangible assets	511
294		**511**

NOTES TO CORE FINANCIAL STATEMENTS

41. (a) Cash flow statement - investing activities

2009/10 £000		2010/11 £000
12,170	Purchase of property, plant & equipment, investment property & intangible assets	7,924
100,845	Purchase of short term & long term investments	114,140
0	Other payments for investing activities	415
(294)	Proceeds from the sale of property, plant & equipment, investment property & intangible assets	(514)
(104,760)	Proceeds from short term & long term investments	(107,650)
(10,934)	Other receipts from investing activities	(9,805)
(2,973)		**4,510**

41. (b) Cash flow statement - financing activities

2009/10 £000		2010/11 £000
(5,200)	Cash receipts of short & long term borrowing	(2,700)
(265)	Other receipts from financing activities	(1,106)
161	Cash payments for the reduction of the outstanding liability relating to a finance lease	279
9,200	Repayments of short & long term borrowing	2,714
4,181	Other payments for financing activities	0
8,077		**(813)**

42. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The term ‘financial instrument’ covers both financial assets and financial liabilities; and includes both the most straightforward financial assets and liabilities such as trade receivables (Debtors period-end balances) and trade payables (Creditors balances) and the most complex ones such as ‘derivatives’ and ‘embedded derivatives’.

As referred to within the Council’s Accounting Policies 18 and 23 in this Statement of Accounts whole document, respective *disclosures* requirements are per Financial Reporting Standard 29 (issued by the Accounting Standards Board) and reflected in the Accounting Code of Practice for local authorities - except that rights and obligations arising from leases, and to Pension Schemes, are covered by specific provisions about their recognition, measurement and disclosure (and not under FRSs 25, 26 and 29).

Financial Assets of local authorities would mean a right to future economic benefits, controlled by the authority, represented by:
cash; an equity instrument of another entity; a contractual right to receive cash (or another financial asset) from another entity; a contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the authority.

Financial Liability means an obligation to transfer economic benefits, controlled by the authority, that is represented by:
a contractual obligation to deliver cash (or another financial asset) to another entity; a contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the authority.

Equity Instrument means a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities (such as an equity share in a company).

Typically for most local authorities’ financial instruments, the classification would need to go only as far as some or all of these:

<u>Financial Assets</u>

- *loans and receivables:* assets that have fixed or determinable payments but are not quoted in any active market. They are measured initially at fair value and carried at their amortised cost.

(Loans issued by the authority at preferential / concessionary rate(s) or interest-free would be covered if judged to be *‘soft loans’* (and measurable using an effective interest rate).
HBC had determined, prior to production and presentation of the Council’s 2008/09 & 2009/10 Statement of Accounts, that the Equity Share Loans made are not to be so included as financial assets and therefore not to be adjusted for via the I & E Account / CIES (note within Explanatory Foreword, part 3: capital expenditure, refers), because the related loan repayment conditions do not give at the outset in making the ‘loan’, or at any time subsequently, any definite repayment or maturity date - except principally in respect of when/if the property being purchased with the relocation loan is disposed of - and that position applies to 2009/10 & 2010/11 for Purchase Assistance Loans)
Soft loans outstanding as at 31st March 2011 had been advanced to the Leisure Trust - *the following table related to Financial Instruments Adjustment Account refers - Note (2) under Table 3.*

NOTES TO CORE FINANCIAL STATEMENTS

- *fair value through I & E Account / CIES:* assets that are held for trading (if applicable).

- *available-for-sale* (examples would be equity shareholdings and quoted investments).
The Borough Council, as at 31 March 2011, has none of these - and does not include investments in Globe Enterprises Ltd - note 23 refers. *A background and update report, prepared by the Council's Executive Director for Resources, was made to the Cabinet meeting of 3rd March 2010 on three key joint ventures - including Globe Investments Ltd (the other two being Barnfield and Hyndburn Ltd and Barnfield & Hyndburn Partnership), including information on the respective financial positions and the Boards' memberships.*
SoRP 2007 introduced a new account - 'Available-For-Sale Financial Assets Reserve' - to reflect changes in fair value for available-for-sale assets arising from any unrecognised gains or losses. As indicated above, there would be no transactions on such account for year 2010/11 and the balance as at 31 March 2011 is nil.

Financial Liabilities
- *amortised cost* (ie reflecting where part of some assets' and liabilities' (eg borrowing) carrying amount in the Balance Sheet will either be written down or written up, via the Income & Expenditure A/c, over the term of the instrument)

Financial Guarantees would also be covered (and a balance measured by applying a risk of the guarantee being called); *as at 31 March 2011 there were no such financial guarantee contracts made by the Borough Council*.

Carrying Value on the Balance Sheet and Fair Value: borrowing and investments
The carrying values as at 31 March 2011 for Balance Sheet comprise:

TABLE 1 Summary as at 31 March 2011	Principal Out-standing £000	Accrued Interest to 31 Mar £000	Adjusmt: Effective Int. Rate smooth'g £000	Carrying Value TOTAL £000
Long Term Borrowing				
PWLB	0	0	0	0
Money Market	9,520	80	(1) 223	(3) 9,823
Individuals	75	0	0	75
Total per Table 2	9,595	80	223	**9,898**
Short Term Borrowing				
PWLB	0	0	0	(3) 0
Money Market	(2) 2,700	7		2,707
Total per Table 2	2,700	7	0	**2,707**
Short Term Investments				
Fixed Term Deposits	11,000	20	0	11,020
Other external fund (RBS)	465	1	0	466
Total per Note 23	11,465	21	0	(4) **11,486**

(1) via CIES, GF Balance other movements and Financial Instruments Adjustment A/c - see Table 3 below.
(2) The £2.7m loan is for period 24/1/2011 to 24/1/2012 and is therefore due to be settled within 12 months of reporting period 2010/11.
(3) Fair Value basis & totals (as different amounts than carrying values) - given in Table 2.

(4) Fair Value for these investments has been assessed at same as the carrying value.

NOTES TO CORE FINANCIAL STATEMENTS

Long Term Investments (in note 23) - for reasons of materiality (Others total £8k), and separate information on GEL, no other fair values are given.

Further Information on Borrowing, including Fair Value - TABLE 2

(a) LONG TERM BORROWING

Source of Loans	Range of Interest Rates %	Carrying Value at 1.4.09 £000	Carrying Value at 31.3.10 £000	Carrying Value at 31.3.11 £000	(1)Fair Value at 31.3.11 £000
Public Works Loan Board		0	0	0	0
Money Market (2)	4.5% to 4.90%	9,826	9,825	9,823	11,080
Individuals	0.5%	89	89	75	75
		9,915	**9,914**	**9,898**	**11,155**

(b) SHORT TERM BORROWING

Source of Loans	Range of Interest Rates %	Carrying Value at 1.4.09 £000	Carrying Value at 31.3.10 £000	Carrying Value at 31.3.11 £000	(1) Fair Value at 31.3.11 £000
Public Works Loan Board	0.83% - 5.65%	6,828	2,701	0	0
Money Market	1.40%	0	0	2,707	2,715
		6,828	**2,701**	**2,707**	**2,715**

NOTES TO CORE FINANCIAL STATEMENTS

(c) An analysis of loans by maturity is:-

	Carrying Value			Fair Value
	1.4.09 £000	2009/10 £000	2010/11 £000	2010/11 £000
Within 12 months	6,828	2,701	2,707	2715
1-2 years	89	89	75	75
2-5 years	0	0	0	0
5-10 years	0	0	0	0
over 10 years	9,826	9,825	9,823	11,080
	16,743	**12,615**	**12,605**	**13,870**

(1) The 'fair value' of an instrument is determined by calculating the net present value of future cash flows. The discount rate used is equal to the current rate available in relation to the same instrument from a comparable lender.

(2) A number of these loans are provided on a stepped basis, with an initial low rate for 1 to 2 years, followed by an increase to the standard rate.
Such 'LOBO' loan(s) refers to Lender Option Borrower Option, where an interest rate is set up to a specified date at which point the lender can change various conditions of the loan. The borrower (Hyndburn BC) can either agree to these changes and continue to repay the loan up to the maturity date or reject the new terms and repay the loan in full.

(3) Under further Financial Instruments reporting requirements via the 2007 SORP onwards, accrued interest attributable to loans has been included in the Balance Sheet carrying value for the Council's borrowing.

(4) In addition, further interest charges in accounting for the Effective Rate of Interest applicable to stepped-interest loans (LOBOs) have also been credited to the 2010/11 Income & Expenditure Account – and an impact of £2k net is neutralised using the Financial Instruments Adjustment A/c.

(5) The Council has not restructured any long term debt in year 2010/11.

Financial Instruments Adjustment Account

SoRP 2007 introduced this account to allow for differences, in statutory requirements and proper accounting practices, for borrowings and investments. This means, for the Council's accounts, that the FI Adjustment A/c is used to neutralise, via the General Fund Balance Movements, the impact on the Comprehensive I&E Statement of an adjustment to smooth the effective interest rate over the life of the affected loans.

NOTES TO CORE FINANCIAL STATEMENTS

The table below summarises the transactions in the FI Adjustment Account for 2010/11.

TABLE 3

Financial Instruments Adjustment A/c summary	**LOBO Total £000**	**Soft Loans (2) Total £000**	**Total £000**
Balance at 1st April 2010	**Dr 225**		**Dr 225**
Smoothing of effective rate of interest on stepped loans (money market LOBOs):	(2)		(2)
Notional Interest Foregone		80	80
Interest		(8)	(8)
Balance at 31st March 2011 in Net Worth	**Dr 223**	**Dr 72**	**(1)Dr 295**

(1) The net £294,491 debit will be used to adjust, in future years via the CIES and the GF Balance other movements, the carrying value of the related balances of Borrowing liabilities.

(2) During the year the Council made two loans to the Leisure Trust (£160,000 in December 2010 and £105,000 in March 2011) which are classified as Long Term Debtors. The loans are both at 0% interest and are repayable by monthly instalments ending in December 2020. In addition a loan was made to the Barnfield & Hyndburn Ltd Joint Venture early in the financial year at 0% interest, and was repaid to the Council by 31st March 2011 as agreed - note 10 (Related Parties) also refers.

<u>Fair Value of the Council's other financial instruments (other than borrowings and investments)</u>

Fair value disclosures are not required for short-term trade receivables and payables, as the carrying amounts (in the Balance Sheet) can be taken as a reasonable approximation of fair value. Respectively, HBC debtors information as at year-end is given at note 24 (net of provisions total for bad and doubtful debts); and creditors information is at note 25.

In the context of particular financial instruments, information on other relevant carrying amounts (and thereby fair values) are given in this Statement of Accounts document:

Long Term Debtors - at note 21

Bank balance (or otherwise overdraft) - note 38

Cash in hand (cash impressts total) - note 38

Gain and Loss on financial assets and liabilities

NOTES TO CORE FINANCIAL STATEMENTS

The face of the HBC CIES gives for the year, within 'Financing and Investment I&E' section, the 'Interest payable and similar charges' and the Interest and investment income. There were no applicable premiums or discounts on early repayment of loan debt.

Risks arising from financial instruments

The Council's activities, and also potential external circumstances, can expose the authority to a variety of financial risks - as follows:

Credit risk - the possibility that other parties might fail to pay amounts due to the Council. The Council maintains, reviews and operates strict criteria for acceptance, and investment with, counterparties.

In the case of debtors amounts or 'trade' receivables, the year-end position is given in Note 24 - with analysis in gross terms over the categories of debtors, net of provisions for bad & doubtful debts as at 31st March. Associated age analyses of debts is also available.

Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments. The authority has ready access to borrowing from the Public Works Loan Board (PWLB), and the wider money markets to cover any day-to-day cash flow need, if not met by planned / forecast / actual cash inflows. There is the flexibility to borrow for any period and at fixed or variable rates, subject to local indicators and/or limits set.

Re-financing and Maturity risk - the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rate or terms. This is covered in the overall procedures for managing the risks.

Market risks - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements:

- *Interest Rate risk* - The authority has limited exposure to interest rate movements on its borrowings and investments but has a number of strategies for managing such risk, covered in the overall procedures for managing the risks. HBC does have information on Fair Values Sensitivity Analysis as at 31st March 2011 - ie how an increase of 1% in discount rates would affect Fair Value of the Council's financial assets (ie deposits) and financial liabilities (loans), and impact of a 1% fall or reduction being taken to produce the same movements but in reverse.
- *Price risk* - The Council (excluding the pension fund) does not generally invest in instruments with this type of risk.
- *Foreign Exchange risk* - Other than occasional expenditure transactions with a recognised trading party in another country (accounted for in sterling via Creditors (Accounts Payable) and the Comprehensive I&E Statement), the authority has no financial assets or liabilities denominated in foreign currencies.

Overall procedures for managing risk

In respect of financial instruments the Council's overall risk management policy and procedures focus on the unpredictability of financial markets and the implementation of restrictions to minimise the related risks.

NOTES TO CORE FINANCIAL STATEMENTS

The Council had adopted and complies with the CIPFA code of practice on Treasury Management in public services (including cash flow management procedures), and the CIPFA Prudential Code for capital finance in local authorities; and with requirements and guidance issued to authorities through legislation.

When the Cabinet (in early February), and then also the full Council for approval, considers the Revenue Budget for the forthcoming financial year and the Capital Programme, along with a further update report on the authority's Medium Term Financial Strategy over the next (rolling) three years, there is also a report for approval on the *Treasury Management Strategy* for the coming three years combined with capital finance related and overall prudential indicators. The Treasury Management indicators set include external debt overall limits: 'authorised limit' and 'operational boundary'.

The Council's treasury management strategy (for borrowing and cash investment) covers:

- Current treasury position when reporting
- Expected movement in interest rates
- Council's borrowing and debt strategy
- specific Treasury Management prudential indicators and limits on activity (ie upper limits on variable rate exposure; upper limits of fixed rate exposure; gross limits for maturity structure of borrowing (to reduce or limit the Council's exposure to large fixed sums falling due for refinancing at the same time); and maximum total principal sum invested for over 364 days)
- Debt re-scheduling considerations *(the approved TMS includes that in exceptional circumstances the Chief Finance Officer may approve rescheduling under emergency powers, eg where swift action is required to secure favourable rates, and such action would be reported to Cabinet)*
- Council's investment strategy.

The full Council on 24th February 2010 approved the authority's Treasury Management Strategy 2010/11 – 2012/13; and correspondingly the TMS 2011/12 – 2013/14 was approved by full Council on 1st March 2011. There is <u>a half-yearly update report</u> prepared for Cabinet each October (and which is combined with monitoring report on prudential indicators including for capital finance). <u>Annual respective outturn</u> is reported to the Cabinet after year-end (eg report(s) to Cabinet 8th June 2011 meeting for year 2010/11.

Following adoption by the Council in February 2010 of the CIPFA *Revised* Code of Practice on Treasury Management, the Council (on 30th March 2010) approved related updates to the *Financial Procedure Rules* and also agreed to revise the terms of reference of the Resources Overview and Scrutiny Committee to give it responsibility, at Member level, for the monitoring and review of the Council's TM strategies and policies.

43. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the Comprehensive Income and Expenditure Statement, recognised by the Authority in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. *The respective Total Adjustments relate to the corresponding line in the year's Movement in Reserves statement.*

2009/10 (and adjusted for IFRS)	**Usable Reserves**			
	General Fund Balance	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Unusable Reserves**
	£000's	**£000's**	**£000's**	**£000's**
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):				
Charges for depreciation of non-current assets	1483			(1483)
Impairment of non -current assets	8709			(8709)
Revaluation losses on property plant & equipment	4120			(4120)
Movements in the market value of investment properties	(63)			63
Amortisation of intangible assets	44			(44)
Capital grants & contributions applied	(8886)			8892
Movement in donated assets account				
Revenue expenditure funded from capital under statute				
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	111			(111)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(786)			786

NOTES TO CORE FINANCIAL STATEMENTS

2009/10 (and adjusted for IFRS)	Usable Reserves			
	General Fund Balance	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Unusable Reserves**
	£000's	**£000's**	**£000's**	**£000's**
Capital expenditure charged against the General Fund balances	(234)			234
Government grants deferred amortisation				
Additions to deferred Government grants in the year now				
Adjustments primarily involving the capital grants unapplied account				
Capital grants & contributions unapplied credited to CIES	(67)		67	0
Application of grants to capital financing transferred to CAA			(845)	845
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to CIES	(294)	292		0
Use of Capital receipts reserve to finance new capital expenditure		(675)		675
Contribution from the capital receipts reserve towards administrative costs of non-current assets disposals		2		(2)
Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool				
Transfer from deferred capital receipts reserve upon receipt of cash				
Adjustments primarily involving the deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to CIES				
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(2)			2
Adjustments primarily involving the Pensions Reserve:				

NOTES TO CORE FINANCIAL STATEMENTS

2009/10 (and adjusted for IFRS)	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000's	£000's	£000's	£000's
Reversal of items relating to retirement benefits debited or credited to the CIES	3884			(3884)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2510)			2510
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(51)			51
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	12			(12)
Total Adjustments	**5470**	**(381)**	**(778)**	**(4307)**

2010/11	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000's	£000's	£000's	£000's
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):				
Charges for depreciation of non-current assets	1490			(1490
Impairment of non -current assets	4476			(4476)
Revaluation losses on property plant & equipment	361			(361)
Movements in the market value of investment properties and Assets Held for Sale	(910)			910

NOTES TO CORE FINANCIAL STATEMENTS

2010/11	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000's	£000's	£000's	£000's
Amortisation of intangible assets	55			(55)
Capital grants & contributions applied	(5242)			5242
Movement in donated assets account				
Revenue expenditure funded from capital under statute	234			(234)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	388			(388)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(802)			802
Capital expenditure charged against the General Fund balances	(887)			887
Government grants deferred amortisation				
Additions to deferred Government grants in the year now				
Adjustments primarily involving the capital grants unapplied account				
Capital grants & contributions unapplied credited to CIES	(2850)		3173	(323)
Application of grants to capital financing transferred to CAA			(226)	226
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to CIES	(497)	507		(10)
Use of Capital receipts reserve to finance new capital expenditure		(2339)		2339
Contribution from the capital receipts reserve towards administrative costs of non-current assets disposals		5		(5)
Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool		0		0

NOTES TO CORE FINANCIAL STATEMENTS

2010/11	Usable Reserves			
	General Fund Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	Movement in Unusable Reserves £000's
Transfer from deferred capital receipts reserve upon receipt of cash				
Adjustments primarily involving the deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to CIES				
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	69			(69)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(2279)			2279
Employer's pensions contributions and direct payments to pensioners payable in the year	(2601)			2601
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(1)			1
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(25)			25
Total Adjustments	**(9021)**	**(1827)**	**2947**	**7901**

44. Transition to International Financial Reporting Standards (IFRS): disclosure(s) regarding differences between amounts presented under SoRP 2009 and the IFRS-based accounting code

The accounting code of practice for 2010/11 requires that an authority shall disclose any material differences between amounts presented under the former Statement of Recommended Practice (SoRP) and the IFRS-based Code.

(a) Balance Sheets differences - the table below shows any differences throughout the two previous balance sheets concerned.
Other than movements or re-classification within the balance sheet(s), the only *material net change* via restatement has been an impact of £85,730, as at 1st April 2009, arising from changes in leases prepayment IFRS accounting treatment. This has been reported to Members, in a report to Audit Committee 27th June 2011 meeting, on 'IFRS Accounts Update'; and is referred to in the Statement of Accounts' *Explanatory Foreword* - part 4 (Balance Sheet commentary) & part 6 (Transition to IFRS/ Restated Balance Sheets) - and in the *Movement in Reserves statement* (General Fund Balance column, footnote c).

Description within Balance Sheet	31.03.09 Audited £000	01.04.09 RESTATED £000	Change £000	31.03.10 Audited £000	31.03.10 RESTATED £000	Change £000	Comments
Tangible Operational fixed assets	29,474	0	-29,474	25,198	0	-25,198	
Tangible Non-operational fixed assets	*8,897	0	-8,897	*10,501	0	-10,501	*Included Investment Prop'y £7,650k & £6,655k; and Surplus Assets.
Property, Plant & Equipment		31,495	31,495		28,885	28,885	PP&E includes 'Surplus Assets'
Investment Property	*	5,745	5,745	*	5,718	5,718	Investment Prop'y as re-defined
Intangible assets	147	147		181	181		
Assets Held for Sale		1,526	1,526		1,323	1,323	New classification : 'Assets Held for Sale'
Fixed / Non-Current Assets total	*38,518*	*38913*	*395*	*35,880*	*36,107*	*227*	'Fixed' Assets now 'Non Current' Assets
Long Term Investments	583	583		583	583		
Long Term Debtors	19	69	50	57	129	72	
Long Term Assets	**39,120**	**39,565**	**445**	**36,520**	**36,819**	**299**	
Short Term Investments	8,896	8,896		4,976	4,976		
Stocks & WIP / Inventories	54	54		59	59		Inventories – new description
Short Term Debtors	9,057	8,921	-136	12,301	12,143	-158	Finance Leases *: £86k impact on GF Balance*
Cash and Cash Equivalents	4	4		4	4		
Current Assets	**18,011**	**17,875**	**-136**	**17,340**	**17,182**	**-158**	
Short Term Borrowing	(6,827)	(6.827)		(2,701)	(2,701)		
Grants and Contributions Unapplied	(846)	0	846	(68)	0	68	Restated to Capital Grants Unapplied
Short Term Creditors	(2,999)	(3,142)	-143	(2,660)	(2,815)	-155	
Bank overdraft	(348)	(348)		(1,004)	(1,004)		
Current Liabilities	**(11,020)**	**(10,317)**	**703**	**(6,433)**	**(6,520)**	**-87**	

Long Term Creditors	0	0		0	0		
Provisions	(1,027)	(1,027)		(1,170)	(1,170)		
Long Term Borrowing	(9,915)	(9,915)		(9,914)	(9,914)		
Deferred /Other Long Term Liabilities	(9)	(36,297)	-36,288	(191)	(48,377)	-48,186	Other LT L's including here Pensions Liability
Net Pensions Liability	(35,772)		35,772	(47,810)		47,810	See line above
Deferred Capital Receipts A/c	(7)	0	7	(5)	0	5	To Deferred Capital Receipts reserve
Govt Grants Deferred Account	(1,002)	0	1,002	(892)	0	892	To Capital Adjustment A/c
Donated Assets Account	0	0		0	0		
Capital Grants Received in Advance		0			0		
Long Term Liabilities	**(47,732)**	**(47,239)**	**493**	**(59,982)**	**(59,461)**	**521**	
NET ASSETS	**(1,621)**	**(116)**	**1,505**	**(12,555)**	**(11,980)**	**575**	
Represented by:							
Usable Reserves							
General Fund Balance reserve	3,066	2,980	-86	4,296	4,210	-86	*see Short Term debtors line above*
Earmarked Reserves	2,047	2,047		4,474	4,474		
Usable Capital Receipts Reserve	4,898	4,898		4,517	4,517		
Capital Grants Unapplied	0	846	846	0	68	68	
Usable Reserves total	10,011	10,771	760	13,287	13,269	-18	
Unusable Reserves							
Revaluation Reserve (fixed/NC assets)	7,344	6,263	-1,081	7,950	6,806	-1,144	
Capital Adjustment A/c balance	17,088	19,050	1,962	14,257	16,144	1,887	
Deferred Capital Receipts reserve	0	7	7	0	5	5	
Financial Instruments Adjustment A/c	(227)	(227)		(225)	(225)		
Collection Fund Adjustment A/c	(65)	(65)		(14)	(14)		
Accumulating Absences A/c	0	(143)	-143	0	(155)	-155	'holiday pay' accrued – neutral impact
Pensions Notional Reserve	(35,772)	(35,772)		(47,810)	(47,810)		
Unusable Reserves total	(11,632)	(10,887)	745	(25,842)	(25,249)	593	
TOTAL RESERVES	**(1,621)**	**(116)**	**1,505**	**(12,555)**	**(11,980)**	**575**	

(b) Comprehensive Income and Expenditure Statement (CIES) for 2009/10 restated : net differences / changes - the table below gives the net changes or inclusions in arriving at the restated CIES 2009/10. A summary description of the accounting changes for accounts concerned is given in the Explanatory Foreword, part 6 (Transition to IFRS/ Restated Comprehensive I & E Statement for 2009/10).

	2009/10 £000
(Surplus)/Deficit on Income and Expenditure Account previously reported	**948**
Accrual for holiday pay / accumulated absences	12

Removal of amortisation of Government Grants Deferred	110
Depreciation on assets reclassified as Surplus Assets	28
Investment Properties changes in assets fair value	(63)
Recognition of capital grants unapplied	845
Recognition of capital grants received in the year	(67)
(Surplus)/Deficit on Provision of Services, in restated CIES 2009/10	**1,813**
Items formerly reported in Statement of Total Recognised Gains and Losses (STRGL):	
(Surplus)/deficit arising on revaluation of fixed assets, restated	(609)
Actuarial (gains)/losses on pension fund assets and liabilities	10,664
Total Comprehensive (Income) and Expenditure	**11,868**

45. Events after the balance sheet date (if any such events)

No post balance sheet events (PBSE) have taken place after 31st March 2011 that will have an impact on the financial statements. However, note 37 (contingent liabilities) includes reference to Selective Landlords Licensing (SLL) scheme of 2010 on which there was a subsequent judicial review early in year 2011/12 which found against the Council in relation to consultations - this potential liability does not affect the Council's 2010/11 financial statements.

COLLECTION FUND

2009/10 * restated £000	Income and Expenditure Account	2010/11 £000	2010/11 £000
	INCOME		
(28,860)	Income from Council Tax		(28,732)
	Transfer from General Fund		
(7,823)	- Council Tax Benefits		(7,992)
(18,802)	Income collectable from Business Ratepayers		(17,909)
(55,485)	**Gross Income**		**(54,633)**
	EXPENDITURE		
	Precepts & Demands - *see notes 3 & 4*		
26,205	- Lancashire County Council	26,151	
3,359	- Lancashire Police Authority	3,451	
1,476	- Lancashire Combined Fire Authority	1,501	
5,463	- Hyndburn Borough Council	5,452	36,555
36,503			
	Business Rates (NNDR) - *see note 2*		
17,747	- Payments to National Pool	17,405	
63	- Interest	13	
137	- Cost of Collection	135	17,553
17,947			
	Bad Debts Provisions in Year		
344	- Council Tax	407	
854	- Business Rates	357	764
1,198			
	Contributions		
(511)	- Previous years surplus (deficit) distributed		(248)
55,137	**Gross Expenditure**		**54,624**
(348)	(Surplus)/Deficit for the year		(9)
443	(Surplus)/Deficit as at 1st April b/fwd		95
95	**(Surplus)/Deficit as at 31st March**		**86**
	Share of (Surplus)/Deficit		
14	Hyndburn Borough Council - to Collection Fund Adjustment A/c		13
69	Lancashire County Council - to Debtors /Other local authorities		62
8	Lancashire Police Authority - to Debtors /Other local authorities		8
4	Lancashire Combined Fire Authority - to Debtors / Other LAs		3
95			**86**
0	**Balance on the Collection Fund**		**0**

1. General

The Collection Fund income and expenditure account is a statutory requirement (the Local Government Finance Act 1988, as amended by the LGF Act 1992). The Act requires councils to maintain a separate Collection Fund to show the collection and distribution transactions relating to Council Tax and National Non Domestic Rates (NNDR). Collection Fund balances are included in the Council's Balance Sheet.

2. National Non-Domestic Rate (business rates)

The council is responsible for billing and collecting business rates due from relevant properties within its area. The proceeds are paid into a national pool which is managed by Central Government and redistributed back to local authorities based on population statistics. The Government sets a national non-domestic rating multiplier: for yr 2010/11, 41.4p in the pound or 40.7p for small businesses. Business Rates (ie NNDR) are calculated by multiplying the rateable value of the property (as set by HM Revenue & Customs) by the multiplier. The Council's total Non-Domestic rateable value at the financial year-end was £57.889m (at end of year 2009/10 it was £50.413m).

3. Council Tax

Council Tax is due from residential properties based on the statutory national valuation band in which the dwelling has been valued, for applicable date, by HM Revenue & Customs. The council tax is calculated by estimating the amount of income required from the collection fund by the Council and Precepting Authorities for the forthcoming year. This is divided by the council tax base, ie the total number of equivalent band D properties. The Council Tax base for year 2010/11 was 23,596. This estimated number of dwellings was calculated as follows, and set by HBC Cabinet at its meeting on 5th January, 2010.

Band	Number of Dwellings	Discount	Factor	Band D Equivalent whole nos
AA *	33	2	5/9	17
A	20082	2762	6/9	11547
B	5059	448	7/9	3586
C	5454	377	8/9	4513
D	2701	145	9/9	2556
E	875	50	11/9	1008
F	260	16	13/9	352
G	165	18	15/9	245
H	6	1	18/9	10
		Total		23834
		Collection Rate		99%
		Tax Base		**23596**

* Band A disabled relief number

Surpluses and Deficits

The actual surplus or deficit on the Council Tax at the financial year end is apportioned and distributed between the billing and precepting authorities in proportion to the value of their respective precepts on the collection fund. Any surplus is used to reduce future years council tax. The amounts transferred in respect to each year's surplus or deficit are based on an estimate made by mid-January and therefore do not directly relate to the balance shown in these accounts. Any difference between the estimate and outturn is taken into account when estimating the surplus or deficit for the following year.

In accordance with SORP 2009 the Collection Fund became a holding account which is used to determine the surplus/deficit on the fund based on the above criteria. The respective balances on the fund show the disposition or distribution of the year-end balance to the relevant precepting authorities. HBC's share of this balance is carried on the Collection Fund Adjustment Account within the Council's balance sheet.