

# **HYNDBURN BOROUGH COUNCIL**

## **Statement of Accounts (Audited)**

**Year Ended 31<sup>st</sup> March, 2009**



**HYNDBURN**

The place to be  
an excellent council

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### 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**

### **Opinion on the financial statements**

I have audited the Authority accounting statements and related notes of Hyndburn Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, 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 Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### ***Respective responsibilities of the Chief Financial Officer and auditor***

The Chief Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

### ***Basis of audit opinion***

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting

## AUDITOR'S REPORT continued

statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

### ***Opinion***

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

### **Conclusion on 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 regularly to review the adequacy and effectiveness of these arrangements.

#### ***Auditor's Responsibilities***

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority 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 in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. 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.

### ***Conclusion***

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Hyndburn Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

## AUDITOR'S REPORT continued

### **Certificate**

I certify that I have completed the audit of the accounts 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, Bolton, BL6 6QQ

28 September 2009

## **EXPLANATORY FOREWORD**

### **1. Introduction**

This publication is the Council's statement of accounts (SOA) for the financial year ended 31<sup>st</sup> March 2009. The main purpose of the document is to present fairly a summary of the significant financial transactions which have occurred during or for the year, and of the assets and liabilities of the authority at the balance sheet date.

The statements presented on the following pages comprise:

- (a) **Statement of Accounting Policies**  
This supports and explains the basis of the figures used in the accounts.
- (b) **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.
- (c) **Core Financial Statements**
  - (i) **Income and Expenditure Account for the Authority**  
In summary, the I & E account shows the resources generated and consumed by the authority in the year.
  - (ii) **Statement of the Movement on the General Fund Balance (SMGFB)**  
This is a reconciliation statement with the I & E Account, showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising council tax. The need for the SMGFB is in order to give a full presentation of the financial performance of an authority during the year and the actual spending power carried forward to future years. Thereby the outturn on the I&E Account is reconciled to the balance established by relevant statutory requirements on local authorities (including proper regard to demand on Council Tax).
  - (iii) **Statement of Total Recognised Gains and Losses (STRGL)**  
This financial statement brings together all the gains and losses of the authority for the year, in relation to total movement within 'net worth' given in the bottom-half of the Balance Sheet.
  - (iv) **Balance Sheet**  
This statement sets out the financial position of the Council at year-end 31 March. It shows a summary of fixed assets held, the current assets employed, the balances and reserves of the Council, and the Council's financial liabilities.

## EXPLANATORY FOREWORD

(v) **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.

(d) **Supplementary Financial Statements**

(i) **Housing Revenue Account (HRA)** - a statutory account, ring-fenced from the rest of the General Fund, and which comprises two statements:

(a) **HRA Income and Expenditure Account** - summarising revenue expenditure and income relating to this authority's (former\*) housing stock; and (b) **Statement of Movement on the HRA Balance** - this takes the outturn on the HRA I & E account and reconciles it to the surplus or deficit for the year on the HRA Balance.

*\*'Large Scale Voluntary Transfer' (housing stock transfer) was effected at Hyndburn from 30th March, 2006; and the last financial year of final transactions was 2007/08.*

Therefore those statements show only the prior year (2007/08) transactions and will not appear after this 2008/09 Statement of Accounts.

(ii) **Collection Fund income and expenditure account**

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. The Collection Fund balance sheet is included in the Council's consolidated balance sheet.

(e) **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.

## EXPLANATORY FOREWORD

### 2. General Fund revenue accounts position

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

Financial Year 2008/09	Updated Budget * £000	Actual Outturn £000	(Favourable) / Adverse Variance £000
Net Expenditure & other movements in year	15,387	14,086	(1,301)
financed by:			
HBC precept on the Collection Fund	5,216	5,216	0
Local Authorities Business Growth Incentive **	0	13	(13)
Revenue Support Grant	1,209	1,209	0
Business Rates (NNDR) share via the Govt's 'pool'	8,690	8,690	0
HBC Collection Fund (deficit)/surplus balance	(17)	(17)	0
<i>Resources total</i>	<i>15,098</i>	<i>15,111</i>	<i>(13)</i>
(Increase)/Reduction in GF Balance	289	(1,025)	(1,314)

\* The original budget was approved by Council on 28th February 2008. On 26<sup>th</sup> June 2008 the Council approved additional budget total of £289,000 to be met from GF reserves brought forward (with zero impact on net Budget Requirement).

\*\* Further information on the 'LABGI' grant from the Government is at note 14a to the core financial statements.

As indicated in the above table, the final Income & Expenditure Account, together with the Statement of the Movement on the General Fund Balance, reflects a GF Balance net increase of approximately £1,025,000. The approved updated budget had provided for a contribution of £289,000 from GF Balance, so there is an overall favourable variance of approximately £1,314,000. The £1,025k increases the General Reserves of the Council from approximately £2,041,000 at the end of year 2007/08 to a positive balance of some £3,066,000 at the end of 2008/09.

Thus, the outturn position marks a further significant improvement in the Council's overall financial management and forward position.

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

The Council's Cabinet, at its 20<sup>th</sup> May 2009 meeting, was presented with a report on the then 2008/09 GF Revenue Account provisional outturn.



## **EXPLANATORY FOREWORD**

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 intention remains to continue the sound and prudent management of finances, and taking appropriate in-year actions, in 2009/10 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.

### **Pension Costs Liabilities**

The financial statements incorporate the requirements of Financial Reporting Standard (FRS) 17. 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.

In compliance with the FRS and the statement of recommended accounting practice (the SORP), pensions liabilities are estimated for the year's accounts using an appropriate discount rate from AA 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 £37.2m to £35.8m. 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 2009

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 would be as at 31<sup>st</sup> March 2010.

The Council's net pensions liability embodies a liability (estimated by the pension fund Actuary, via Lancashire County Council, initially at £2.7m) for retained pension fund deficit for former HBC employees who transferred to the Hyndburn Homes company(ies) for the March 2006 Housing Stock Transfer. The Council had contributed almost £1m during 2006/07 specifically toward reducing the amount of that liability.

In taking the latter, and some upward adjustments, into account the actuary (Mercer Ltd) produced a figure in May 2008 of £2.2m 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.

## EXPLANATORY FOREWORD

### **3. Housing Revenue Account (HRA)**

As indicated in section 1(d) of this Explanatory Foreword, for and from year 2008/09 there are no transactions of the HRA Income and Expenditure Account, nor of the Statement of Movement on the HRA Balance.

Following issue by the Secretary of State of a 'Consent to Close Housing Revenue Account', the HRA was closed by HBC at 28th March 2008 and the Balance transferred to the Council's General Fund reserves. In due course any balances due to Hyndburn Homes within the terms of the housing stock transfer agreement were paid over, including the then final balance on the Major Repairs Reserve (subject to the MRR balance and Housing Revenue Account balance carried forward to the Council amounting to at least £400,000).

Also in relation to the housing stock transfer residual matters, within HBC earmarked reserves £36,075 (balance of LSVT residual costs reserve) was paid over to Hyndburn Homes Ltd in 2008/09 - Note 32(c)(1) refers.

### **4. Capital Expenditure**

Capital expenditure in year 2008/09 totalled £10.611 m as follows:

<b>Scheme</b>	<b>Amount £'000</b>
Housing Market Renewal (incl'g Equity Share loans *)	8,015
Housing Improvement Grants	903
Vehicles	227
Area Council Schemes	191
Floral Market Town – Landscaping	105
Lowerfold Park Improvements	88
Accrington Market Hall Refurbishment	75
Technology Refreshment Programme	64
Disabled Discrimination Act	59
Allotments Regeneration	59
Mobile CCTV NRF	55
Planned Asset Management	52
West End Community Centre Refurbishment	40
Customer Contact Centre	38
DDA Access to Open Spaces	35
Hippings Vale Door & Window Replacement	35
Borough Boundary Signs	35
Floral Market Town – Horticultural Features	32
Clayton Civic Hall Re-roof	32
Other capital schemes	471
<b>TOTAL</b>	<b>10,611</b>

## EXPLANATORY FOREWORD

This compares to capital expenditure of £10.565m in 2007/08. 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). The Council's Cabinet, at its 20th May 2009 meeting, was presented with a report of 2008/09 Capital Programme final outturn.

### \* Equity Share 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); and 2008/09 is 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 have been categorised as Deferred Charges capital expenditure (and from year 2008/09, under the SORP, any revenue accounts impact of deferred charges is now known as 'Revenue expenditure funded from Capital under Statute').

Under the circumstances of the related loan repayment conditions, it is not appropriate to include the ES loans in the Balance Sheet. If and when such loans may become due for repayment, the loan amount and the 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) are recorded, summarised and reconciled within the Council jointly by the departments involved. *Note 42 (Financial Instruments) also refers.*

From 2008/09, in accordance with a report approved by the Council's Cabinet in July 2007, there would be 'Purchase Assistance Loans' (PALs) under such new, related policy and conditions (including for any repayment) in conjunction with 'Elevate' and loan administrator (external). 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. In 2008/09 there were no PALs through HBC.

## **EXPLANATORY FOREWORD**

### **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 business plan. More information on this can be found on [www.althambid.co.uk](http://www.althambid.co.uk) website.

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 'SoRP', 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. 2008/09 is Year2 of the scheme. A required memorandum account, and further information, is at Note 34.

### **6. Balance Sheet**

As shown by the bottom-half of the Balance Sheet, the Net Worth as at 31st March 2009 is a negative position of almost £2m - an improved position from 31<sup>st</sup> March 2008 (which was £9.9m negative).

Commentary on the main elements and changes is given in the report accompanying this Statement of Accounts (Audit Committee 22nd June 2009 - paragraphs 13-18 and 46-54). Table 5 in that report shows the continuing growth in the positive Net Worth, 2005/06 onwards, if the Notional Pensions Reserve is excluded.

### **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.

## EXPLANATORY FOREWORD

### **8. Approval of the financial statements**

The whole draft Statement of Accounts (SOA) was presented to, for approval and authorisation by, the Audit Committee on 22nd June 2009 – as provided for by amendment(s) to terms of reference via Council on 10th March 2009. This approval of the draft accounts is subject to subsequent inclusion of any necessary and agreed adjustments after the Committee meeting, 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 22nd September 2009.

### **9. Further information**

If required, further information about the 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.

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 [www.hyndburnbc.gov.uk](http://www.hyndburnbc.gov.uk) - together with key summary financial statements and/or charts and a *Glossary of Accounting Terminology*. 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 ACCOUNTING POLICIES**

### **1. General**

The accounts follow the appropriate and prescribed accounting standards as required by the Code of Practice on Local Authority Accounting in the UK: a statement of recommended practice (the SoRP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

In accordance with the SoRP, the accounts have been prepared using the historic cost convention except in relation to fixed 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 14). Requirements for applicable recognition, measurement, disclosure and reporting for financial instruments have been reflected where appropriate.

### **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.
- 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) As allowed under the SORP, 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.

## **STATEMENT OF ACCOUNTING POLICIES**

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.

viii) In accordance with the SORP, 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 1<sup>st</sup> 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 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 for repayment of debt.
- The Collection Fund account reflects the statutory requirement contained in section 89 of the Local Government Finance Act 1988.
- The Housing Revenue Account is compiled following proper practice, which had been defined in section 66(4) of the Local Government and Housing Act 1989.

### **3. Fixed Assets**

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

Fixed 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 2008/09, as part of the Council's rolling programme of required revaluations, were carried out in accordance with RICS standards as applicable, and certified, by Mr A T Snape BA MRICS of the Valuation Office - an executive agency of HM Revenue & Customs.

## **STATEMENT OF ACCOUNTING POLICIES**

The principal valuation bases used for tangible fixed 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.
- 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 SORP all valuations are subject to review as part of a five year rolling revaluation programme.

Intangible Fixed Assets are defined in FRS 10 as 'non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights'. 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).

### **4. Depreciation**

Depreciation is provided for on fixed assets, where appropriate, with a finite useful life. In general (with the exception of vehicles & plant as from acquisitions in year 2008/09), 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 1<sup>st</sup> of the month following acquisition.

<b>Asset</b>	<b>Period (years)</b>
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.



## **STATEMENT OF ACCOUNTING POLICIES**

### **5. Capitalisation**

In 2003/04, the Council revised how it estimates its contribution to Capital Projects. The revision ensures the Council now charges an appropriate amount of staff time to capital projects in line with the Council's policy and application of the SORP (and accounting policy 19 below also refers); this amounted to £464,904 in 2008/09 (£321,555 in 2007/08) against a capital programme spend of £10.611m in 2008/09 (4.38%).

### **6. Revenue Expenditure Funded by Capital Under Statute (REFCUS)**

REFCUS charges were formerly 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 SORP, 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 the Statement of the Movement on the General Fund Balance, to the capital adjustment account.

### **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 the Income & Expenditure account for the authority; and the Statement of the Movement on the GF Balance (SMGFB) is credited with capital charges to services. Capital charges, therefore, have a neutral impact on the amounts required to be financed from local taxation and/or (formerly at HBC) Council house rents.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves, are disclosed separately in the SMGFB.

## **STATEMENT OF ACCOUNTING POLICIES**

### **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 'SSAP 21', 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 service(s) revenue account and the long-term liability.

### **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 unapplied account, whilst the proportion set aside under statutory requirements for debt repayment is held in the capital financing account.

### **10. Debtors and Creditors**

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the Code of Accounting Practice. 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.

### **11. Stocks and Work in Progress**

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

### **12. Provisions** (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 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 28 to the core financial statements.

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).

## **STATEMENT OF ACCOUNTING POLICIES**

### **13. Reserves** (in general, amounts set aside to meet expenditure which may be incurred in future periods)

Any amounts set aside for purposes falling outside the definition of provisions have been accounted for as reserves. As from 2006/07 and where appropriate, transfers to and from reserves have been shown in the Statement of the Movement on the General Fund Balance (and not within service expenditure in the Income & Expenditure A/c). Subsequent relevant expenditure is charged to Services respective revenue account(s) and/or capital programme, with financing from the applicable, specified reserve(s). Earmarked reserves are summarised in note 32 to the core financial statements.

### **14. Pensions**

From 2003/04, the 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.

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

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 has been implemented for 2008/09 onwards.

### **15. Government Grants**

Revenue grants are credited to income in the same period in which the related expenditure is charged. Government grants and contributions relating to fixed assets are credited to a government grants deferred account and released to the relevant Services in line with the depreciation of the asset. Where an asset is not depreciated, the grant or contribution is transferred to the capital adjustment account. Grants and contributions received in advance of the capital expenditure are credited to Grants and Contributions Unapplied account.

## **STATEMENT OF ACCOUNTING POLICIES**

### **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 investment consists of a loan to GEL joint venture company (Globe Enterprises Ltd). Further details are in note 23 to the core financial statements.

### **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.

SoRP 2007, for year 2007/08 onwards, provides that any premiums (losses) or discounts (gains) arising on early repayment of debt that are required (by the SoRP) to be carried forward on the Balance Sheet, should be used to adjust the carrying amount of the replacement or modified loan debt.

### **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.*

### **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 on the Income and Expenditure Account.

## **STATEMENT OF ACCOUNTING POLICIES**

### **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 onwards.

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.

### **21. Revaluation Reserve (Fixed Assets)**

The Council have included a Revaluation Reserve from 1<sup>st</sup> April 2007, in accordance with the SoRP. *Note 29 refers.*

### **22. Capital Adjustment Account**

In accordance with the SoRP 2007: (a) the (previous) Capital Financing Account was re-named 'Capital Adjustment Account' from 1<sup>st</sup> April 2007; and (b) the balance brought forward from the Fixed Asset Restatement Account as at 31<sup>st</sup> March 2007 was transferred, as an initial entry into the 2007/08 Capital Adjustment A/c. *Note 30 refers.*

### **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). *Note 42 also refers.*

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

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 Statement of Accounts.

*Peter Britcliffe*

Date: 21st September 2009      Signature:

P Britcliffe  
Leader of the Council

### **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 Great Britain ('the Code'), to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2009.

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 fairly the financial position of the authority as at 31<sup>st</sup> March 2009 and its income and expenditure for the financial year 2008/09.

These financial statements replace the unaudited financial statements authorised at the meeting of the Audit Committee on 22<sup>nd</sup> June 2009.

Date: 21st September 2009

Signature:

*J. V. McIntyre*

J. V. McIntyre CPFA,  
Executive Director / section 151 officer

## INCOME AND EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed in providing services and managing the authority during the last financial year.

2007/08	Outturn for the year for the authority	Note	2008/09		
Net Expend. * restated £'000			Gross Expend. £'000	Income £'000	Net Expend. £'000
9,353	Services to the Public				
7,804	- Central Services		13,932	(2,107)	11,825
1,615	- Cultural, Environmental and Planning Services		12,511	(4,162)	8,349
* (4,554)	- Highways, Roads and Transport Services		2,059	(568)	1,491
729	- Housing Services, including 'discontinued services'	1	32,885	(39,633)	(6,748)
1,165	Corporate and Democratic Core net costs		782	(0)	782
	Non Distributed Costs		(33)	(16)	(49)
* 16,112	<b>NET COST OF SERVICES</b>		62,136	(46,486)	15,650
	<b>CORPORATE INCOME AND EXPENDITURE:</b>				
* (3)	(Gain) or loss on disposal of fixed assets	5			124
9	Precepts of local precepting authorities: Altham Parish Council				10
(47)	(Surplus) / Deficit on Trading Undertakings	2	2,189	(2,282)	(93)
1,020	Interest Payable and similar charges				707
26	Contribution to Govt Housing 'Pooled' Capital Receipts	31			19
574	Pensions Interest Costs and Expected Return on Assets	33			1,853
(643)	Interest and Investment Income				(647)
* (982)	Other income / unattached capital receipt(s)	5, 31			(441)
* 16,066	<b>NET OPERATING EXPENDITURE</b>				<b>17,182</b>
	<b>PRINCIPAL SOURCES OF FINANCE:</b>				
(5,011)	Precept on Collection Fund for council tax, incl'g parish precept				(5,226)
9	Collection Fund (surplus) / deficit transfer				17
* (3,171)	General Government Grant(s)	14a			(4,131)
(8,264)	Non-Domestic Rate Income from national pool	14b			(8,690)
* (16,437)					<b>(18,030)</b>
(371)	<b>NET I &amp; E ACCOUNT (SURPLUS) / DEFICIT FOR YEAR</b>				(848)

### STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE

(371)	(Surplus) or deficit for the year on the Income and Expenditure Account, from the summary account above				(848)
(332)	Net additional amount required by statute and non-statutory proper practices to be debited or (credited) to the GF Balance for the year – analysed at (A) to (C) on next page				(177)
<b>(703)</b>	<b>(Increase) or decrease in GF Balance for the Year</b>				<b>(1,025)</b>
(1,338)	General Fund Balance brought forward				(2,041)
<b>(2,041)</b>	<b>General Fund Balance carried forward</b>				<b>(3,066)</b>

## **INCOME AND EXPENDITURE ACCOUNT**

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To complement the following Analysis page, an explanation of the purpose of the 'SMGFB' is given within section 1(c) of the Explanatory Foreword



## STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE

2007/08 £'000	STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE (continued):  Analysis	Note	2008/09 £'000
	<b>Analysis of the above net additional amount required to be debited or (credited) to the General Fund Balance for the year:</b>		
	<b>(A) Amounts included in the I&amp;E Account but required by statute to be excluded when determining the Movement on the GF Balance for the year</b>		
(10)	Amortisation of intangible fixed assets	15	(24)
(984)	Depreciation of fixed assets	15	(1,140)
173	Govt Grants Deferred amortisation, via Capital Adjustment A/c	30	121
0	REFCUS - in-year capital expenditure, written-out, net (contra)	16	0
985	Contra to net gain on sale of fixed assets, and unattached receipts		317
(2,309)	Net (charges) made for retirement benefits and liabilities in accordance with FRS 17: appropriation (from)/to Pensions Reserve		(3,419)
(6,957)	Contra to Fixed Assets values adjustments		(9,135)
(229)	Contra to Financial Instruments Adjustment A/c movement	42	2
7,117	Grants & contributions used in capital financing: enhancing assets		9,253
275	non-enhancing		43
<b>(1,939)</b>	<b>Total (A)</b>		<b>(3,982)</b>
	<b>(B) Amounts not included in the I&amp;E Account but required to be included by statute when determining the Movement of the GF Balance for the year</b>		
282	Minimum Revenue Provision for capital financing, net of grants commutation adjustment	7	382
(26)	Transfer from Usable Capital Receipts to meet payments to the Govt Housing capital receipts 'pool'	31	(19)
2,033	Employer's contributions payable to Pension Fund		3,099
<b>2,289</b>	<b>Total (B)</b>		<b>3,462</b>
	<b>(C) Transfers to or from the GF Balance that are required to be taken into account when determining the Movement on the GF Balance for the year</b>		
(526)	Contribution to / (from) HRA Reserve		0
4	Financing of capital expenditure by Direct Revenue Finance		53
(160)	Contribution(s) to / (from) earmarked GF reserve(s)		290
<b>(682)</b>	<b>Total (C)</b>		<b>343</b>
(332)	<b>Total net additional amount required to be debited or (credited) to the GF Balance for the year</b>		<b>(177)</b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

As indicated in the Explanatory Foreword this core statement brings together all the gains and losses of the authority for the year, and relates to the aggregate of the authority's net worth compared with the previous year-end.

2007/08 £000	STRGL : description of (gains) or losses for the year	Notes	2008/09 £000
(371)	(Surplus)/deficit for the year on the Income and Expenditure A/c for the authority		(848)
(2,593)	(Surplus) or deficit arising on revaluation of fixed assets		(5,403)
10,365	Actuarial (gains)/losses on pension fund assets and liabilities, in accordance with FRS17	33	(1,714)
263	Other (gains) and losses: movement on Collection Fund		60
0	other movements in Net Worth		5
<b>7,664</b>	Total recognised (gains) / losses for the year		<b>(7,900)</b>

From the 2007 SoRP, it is possible for authorities to have a line in the STRGL for '(Surplus)/deficit arising on revaluation of available-for-sale financial assets'. This authority has no such financial assets as at 31 March 2009 - note 42 refers.

2007/08			Summary of Movement in Net Worth  (additional Table )	Notes	2008/09		
Opening Balance £000	Net Change £000	Closing Balance £000			Opening Balance £000	Net Change £000	Closing Balance £000
(39,409)	39,409	0	Fixed Asset Restatement A/c to 1/4/07	29	0	0	0
0	2,596	2,596	Revaluation Reserve for Fixed Assets	29	2,596	4,748	7,344
56,872	(39,520)	17,352	Capital Adjustment Account	30	17,352	(264)	17,088
0	(229)	(229)	Financial Instruments Adjustment A/c	42	(229)	2	(227)
3,150	984	4,134	Usable Capital Receipts Reserve	31	4,134	764	4,898
(26,525)	(10,641)	(37,166)	Pensions Reserve	33	(37,166)	1,394	(35,772)
470	(470)	0	Major Repairs Reserve (HRA)	HRA 5	0	0	0
			<i>Fund Balances:</i>				
1,338	703	2,041	General Fund		2,041	1,025	3,066
72	(72)	0	Housing Revenue Account		0	0	0
(120)	(263)	(383)	Collection Fund		(383)	(60)	(443)
			<i>Earmarked Reserves:</i>				
1,917	(161)	1,756	Hyndburn Borough Council	32	1,756	291	2,047
(2,235)	<b>(7,664)</b>	(9,899)	Total Net Worth: positive/(negative) position		(9,899)	<b>7,900</b>	(1,999)

## BALANCE SHEET

2007/08 £'000	Balance Sheet for the Authority as at year ended 31 <sup>st</sup> March	Note	2008/09 £'000
	<b>LONG TERM ASSETS</b>		
103	Intangible fixed assets	15	147
25,571	Tangible Operational fixed assets	15	29,474
8,808	Tangible Non-operational fixed assets	15	8,897
34,482	Total Fixed Assets		38,518
593	Long Term Investments	23	583
25	Long Term Debtors	21	19
35,100			39,120
	<b>CURRENT ASSETS</b>		
38	Stocks & Work in progress	22	54
8,869	Debtors	24	10,825
7,967	Investments	23	8,896
0	Bank balance: cash at bank		0
6	Cash in hand		4
16,880			19,779
	<b>CURRENT LIABILITIES</b>		
(6,725)	Short Term borrowing	42	(6,827)
(668)	Grants and Contributions Unapplied		(846)
(4,607)	Creditors	25	(5,145)
(740)	Bank (overdraft)		(348)
(12,740)			(13,166)
<b>39,240</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>45,733</b>
	<b>LONG TERM LIABILITIES</b>		
(9,896)	Long Term borrowing	42	(9,915)
(11)	Deferred Capital Receipts	27	(7)
(985)	Provisions	28	(1,027)
(1,069)	Govt Grants Deferred Account (receipts in advance)		(1,002)
(12)	Deferred Liabilities	20	(9)
(37,166)	Net Pensions Liability	33	(35,772)
(49,139)			(47,732)
<b>(9,899)</b>	<b>TOTAL ASSETS LESS LIABILITIES financed by:</b>		<b>(1,999)</b>
	<b>CAPITAL ACCOUNTS &amp; RESERVES</b>		
2,596	Revaluation Reserve – for Fixed Assets	29	7,344
17,352	Capital Adjustment Account	30	17,088
(229)	Financial Instruments Adjustment Account	42	(227)
4,134	Usable Capital Receipts Reserve	31	4,898
	<b>NOTIONAL RESERVES</b>		
(37,166)	Notional Pensions Reserve	33	(35,772)
	<b>BALANCES</b>		
1,756	Earmarked Reserves	32	2,047
2,041	General Fund		3,066
(383)	Collection Fund		(443)
<b>(9,899)</b>	<b>TOTAL RESERVES AND BALANCES = Equity or Net Worth</b>		<b>(1,999)</b>

## CASH FLOW STATEMENT

2007/08 £000	Description	2008/09		
		£000	£000	£000
	<b>REVENUE ACTIVITIES</b>			
	<b>CASH OUTFLOWS</b>			
12,051	Cash paid to and on behalf of employees	14,281		
29,331	Precepts paid	30,131		
17,647	National non-domestic rate payments to national pool	18,067		
18,994	Housing Benefit paid out	21,244		
44	Payments to the Capital Receipts Pool	19		
10,265	Other operating payments	13,009		
88,332			96,751	
	<b>CASH INFLOWS</b>			
(27,756)	Council Tax receipts	(28,583)		
(16,907)	Non-domestic rate receipts	(19,036)		
(8,264)	National non-domestic rate receipts from national pool	(8,690)		
(1,387)	Revenue Support Grant	(1,209)		
(19,733)	DWP grants, for housing benefit paid out as Rent Allowances	(19,966)		
(10,652)	Other government grants - Note 40	(10,413)		
(4,943)	Cash received for goods and services	(11,264)		
(89,642)			(99,161)	
(1,310)	See also Note 39			(2,410)
	<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
	<b>CASH OUTFLOWS</b>			
786	Interest paid	630		
786			630	
	<b>CASH INFLOWS</b>			
(637)	Interest received	(681)		
(637)			(681)	
149				(51)
	<b>CAPITAL ACTIVITIES</b>			
	<b>CASH OUTFLOWS</b>			
7,502	Purchase of fixed assets	9,478		
2,572	Capital Grants	843		
473	Equity Share Loans	362		
10,547			10,683	
	<b>CASH INFLOWS</b>			
(1,089)	Sale of fixed assets	(792)		
(11,342)	Capital Grants received	(8,602)		
(79)	Other Capital cash payments / (income)	(171)		
(12,510)			(9,565)	
(1,963)				1,118
	<b>ACQUISITIONS AND DISPOSALS</b>			
	Sale of investments		(10)	(10)
(3,124)	<b>NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING</b>			(1,353)
	<b>MANAGEMENT OF LIQUID RESOURCES</b>			
1,900	Net increase/(decrease) in short term deposits			960
(1,224)				(393)
	<b>FINANCING</b>			
	<b>CASH OUTFLOWS</b>			
0	Net decrease in temporary borrowings	0		
5,100	Repayments of long term loans	6,700		
3	Finance Lease	3		
5,103			6,703	
	<b>CASH INFLOWS</b>			
(0)	New long term loans raised	0		
(5,100)	Net increase in temporary borrowings	(6,700)		
(5,100)			(6,700)	
3				3

## **CASH FLOW STATEMENT**

<b>(1,221)</b>	(Increase)/decrease in cash and cash equivalents		<b>(390)</b>
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## NOTES TO CORE FINANCIAL STATEMENTS

### 1. Housing Services - within the Income & Expenditure Account

The figures relating to Housing Services, in the I & E Account, can be further analysed as follows:

2007/08				2008/09		
Income * restated £'000	Exp. £'000	(Surplus) / Deficit £'000		Income £'000	Exp. £'000	(Surplus) / Deficit £'000
(27,241) * (9,285)	27,486 4,486	245 * (4,799)	Housing Benefits General Fund	(29,998) (9,635)	30,274 2,611	276 (7,024)
(10)	10	0	Housing Services Housing Revenue Account **	0	0	0
<b>* (36,536)</b>	<b>31,982</b>	<b>* (4,554)</b>	<b>TOTAL</b>	<b>(39,633)</b>	<b>32,885</b>	<b>(6,748)</b>

\*\* Housing Revenue A/c (HRA) related to HBC discontinued operations: Housing Stock Transfer of 30<sup>th</sup> March, 2006.

As indicated in the previous year's Statement of Accounts, following the Housing Stock Transfer of 30<sup>th</sup> March 2006 the Housing Revenue Account was required to remain open for at least a further financial year, in order to resolve any further relevant and residual transactions, which in 2007/08 were residual and relatively minimal. Following issue by the Secretary of State of a 'Consent to Close Housing Revenue Account', the HRA was closed by HBC at 28th March 2008, and the Balance transferred to the Council's General Fund reserves.

### 2. Trading Accounts within the I & E Account

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.

2007/08				2008/09		
Income £'000	Exp. £'000	(Surplus)/ Deficit £'000		Income £'000	Exp. £'000	(Surplus)/ Deficit £'000
(634)	462	(172)	Markets	(619)	507	(112)
(550)	594	44	Industrial Estates	(293)	294	1
(1,279)	1,360	81	MOT / Stores / Depot	(1,370)	1,388	18
<b>(2,463)</b>	<b>2,416</b>	<b>(47)</b>	<b>TOTAL</b>	<b>(2,282)</b>	<b>2,189</b>	<b>(93)</b>

## NOTES TO CORE FINANCIAL STATEMENTS

### **3. Agency Services & Local Authority (Goods and Services) Act 1970**

Since termination by the county council of the highways partnership agreement, with effect from 30<sup>th</sup> June 2006, the Borough Council no longer carries out certain work on an agency basis for which it would be reimbursed.

### **4. Publicity expenditure** (disclosure under Section 5 of 1986 Act)

In accordance with the Local Government Act 1986, section 5(1), a local authority is required to disclose its 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". In year 2008/09 the authority spent a total of £36,931 on publicity; and this was mainly on advertising job vacancies and Council services and promotions. This compares with £47,975 for 2007/08.

### **5. Gains and Losses on Disposal of Fixed 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 the Income & Expenditure Account.

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 items (ie quarterly payments to HBC as per the 30/3/06 Transfer Agreement, arising from sales of former HRA properties by Hyndburn Homes Ltd post-transfer) are no longer included as such gains; but are included in the I&E Account - within Other Income in net operating expenditure.

As there will be no direct net impact on the revenue balance, the items in the I&E Account are reversed out by matching entries in the Statement of Movement on the General Fund Balance.

<b>Description of (gains)/losses</b>	<b>2007/08 £000</b>	<b>2008/09 £000</b>
Miscellaneous non-housing asset disposals	(3)	124
Contra in Statement of Movement on GF Balance	3	(124)
Net Impact on General Fund Balance	0	0

## NOTES TO CORE FINANCIAL STATEMENTS

### 6. Leasing

The Council utilises assets through operating leases. The amount paid in respect of operating leases in year 2008/09 amounted to £221,100 (£368,358 in 2007/08).

The amount of rentals paid in 2008/09 are in respect of the following items:

Description	2008/09 £'000
IT-related items	14
Vehicles	118
Equipment	89
Total	221

The amounts outstanding in respect of future years is £581,326 at 31<sup>st</sup> March 2009, comprising the following elements:

Leases expiring	Land & Buildings	Other Operating Leases
	£000	£000
In financial year 2009/10	0	0
Between 2010/11 and 2014/15	0	452
After financial year 2015/16	0	129
TOTAL	0	581

There is a separate note on Finance Lease(s) - note 20.

### 7. Minimum Revenue Provision

Local Authorities are normally required each year to set aside some of their revenues as provision (ie MRP) for debt - in respect of capital expenditure financed by borrowing or credit arrangements.

The system has been revised by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 – the relevant parts of which became operative on 31<sup>st</sup> March 2008 (i.e. applicable for year 2007/08 and subsequent years). The former rules on MRP were replaced with a new 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.



## NOTES TO CORE FINANCIAL STATEMENTS

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) Depreciation option – alternatively for new borrowing (if any) under the Prudential system for which no Government support is being given.

The Council's MRP policy was ratified for 2008/09 by the full council in February 2009 - when the policy also for 2009/10, as part of the Revenue Budget, was approved.

The authority has charged 4% MRP in 2008/09. All 2008/09 capital expenditure has been supported from the authority's own resources (ie not by borrowing).

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

The gross MRP provision is adjusted for any losses made on the commutation of grants. The difference between the minimum revenue provision and the depreciation charged is shown as adjustment(s), within the Statement of the Movement on the General Fund Balance, from the Capital Adjustment Account.

Description	2007/08 £000	2008/09 £000
Non Housing Amount		
- 4% of Capital Financing Requirement	567	558
- Finance Lease (life of asset)	3	3
Less loss on Grant Commutation	(288)	(179)
<b>Total Minimum Revenue Provision</b>	<b>282</b>	<b>382</b>
Less amount charged as general fund depreciation	(994)	(1,165)
<b>Inclusion in Statement of Movement on GF Balance</b>	<b>(712)</b>	<b>(783)</b>

## **NOTES TO CORE FINANCIAL STATEMENTS**

### **8. Employees Remuneration (as defined for the 'SoRP')**

The number(s) of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000 were as follows:-

	2007/08	2008/09
£50,000 - £59,999	0	1
£60,000 - £69,999	1	1
£70,000 - £79,999	0	0
£80,000 - £89,999	1	1
£90,000 - £99,999	0	0
£100,000 - £109,999	0	0
£110,000 - £119,999	1	1

As additional information by HBC, the Managing Director is the highest paid employee; and the MD's salary for the year 2008/09 was £112,868.

### **9. Related Party Transactions**

In relation to Financial Reporting Standard 8 (FRS 8), it is a requirement that the financial statements contain the disclosures necessary to draw attention to the possibility that the reported financial position of the Council may have been affected by the existence of related parties and by material transactions with them. Related parties are individuals or organisations that have the potential to control or influence the Council or be controlled and influenced by the Council or are subject to common control; 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*. In relation to external grants received by the Council, the Council acted or acts as the accountable body for the distribution of eg Single Regeneration Budget (SRB); and details of grants received, where material, are in *Note 40*.
- (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.

## NOTES TO CORE FINANCIAL STATEMENTS

### **10. Discretionary Expenditure** (disclosure under Section 137 of 1972 Act, as amended)

As a consequence of the Local Government Act 2000 granting new powers to local authorities to promote well-being in their areas, the majority of the provisions of s137 of the Local Government Act 1972 were repealed with effect from October 2000 for 'principal' authorities (including district councils).

However, principal authorities are to continue to disclose any expenditure under s137, subsection 3, comprising expenditure on contributions to: (a) funds of any charitable body in furtherance of its work in the United Kingdom; or (b) funds of any body which provides any public service in the UK; or (c) any fund raised in connection with a particular event affecting UK residents on behalf of whom there is a mayoral appeal. There is no specific statutory limit on s137(3) expenditure.

The Council's expenditure under this power was £65,313 (£36,814 in 2007/08).

This is broken down as follows:

<b>2007/08</b> £	Contributions under s137(3), Local Govt Act 1972	<b>2008/09</b> £
21,488	(a) to charitable bodies	33,593
2,675	(b) to not-for-profit bodies providing public services: grant to Altham Parish Council	2,675
12,651	other bodies	29,045
0	(c) to mayoral appeals	0
<b>36,814</b>	Total	<b>65,313</b>

### **11. Building Control Regulations**

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control functions. However, certain activities performed by the Building Control Service cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below is a summary of the income received and expenditure incurred in respect of the above regulation.

## NOTES TO CORE FINANCIAL STATEMENTS

	2007/08		2008/09	
	Fee Earning £'000	Non-Fee Earning £'000	Fee Earning £'000	Non-Fee Earning £'000
<b><u>Income</u></b>				
Admin Fees	(1)			
Building Regulation Fees	(172)		(130)	
Sub-Total	<b>(173)</b>		<b>(130)</b>	
<b><u>Expenditure</u></b>				
Employees	145	62	144	62
Transport	9	4	10	4
Supplies & Services	24	10	12	5
Agency & Contracted	2	1	2	1
Central Support	39	17	42	18
Sub-Total	<b>219</b>	<b>94</b>	<b>210</b>	<b>90</b>
Deficit	46	94	80	90

### **12. Members Allowances**

The Council is required to disclose the total value of members' allowances paid in the year. For year 2008/09 the total was £297,850 (for 2007/08 it was £269,836).

### **13. Audit Fees**

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

	2007/08 £'000	2008/09 £'000
Fees payable with regard to external audit services carried out by the appointed auditor	98	114
Fees payable in respect of statutory inspection	6	6
Fees payable for the certification of grant claims and returns	25	16
Fees payable in respect of other services provided by the appointed auditor	1	2
	<b>130</b>	<b>138</b>

## NOTES TO CORE FINANCIAL STATEMENTS

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 2008/09 accounts and this disclosure note, the audit fee reflects the audit fee to be charged for 2008/09 financial year. The fees payable for the certification of grant claims and returns includes residual adjustments relating to previous year's costs amounting to a saving of £17,073 against estimate.

The fee payable in 2008/09 for external audit services includes £13,450 in respect of the 2007/08 CPA re-assessment.

### **14. General Government Grants and share of NNDR national pool**

(a) General Government Grants - this line in the Income and Expenditure account comprises:

2007/08 £000	Description	2008/09 £000
1,387	Revenue Support Grant	1,209
76	LABGI grant *	13
0	Area Based Grant(s) - <i>Note 35(c) refers</i>	1,278
1,708	Grants and contributions used in capital finance **	1,631
<b>3,171</b>	<b>Total per the I&amp;E Account 'GGG' line</b>	<b>4,131</b>

\* 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.

The £76,270 LABGI income in the 2007/08 accounts comprised £44,277 additional for Year 2 of the scheme (2006/07) and £31,993 provisionally for Year 3 (2007/08). Late in year 2008/09, HBC received a further £12,987 for Year 3.

The additional retrospective amounts had arisen from the Government widening the basis of relevant changes affecting the grant calculation.

\*\* Restated for 2007/08. A 'contra' amount for this is within the SMGFB (ie no impact on the GF movement for the year), and within the Capital Adjustment Account.

(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.

## NOTES TO CORE FINANCIAL STATEMENTS

From 2006/07, Formula Grant included for the then extended *Concessionary Bus Travel Scheme* from 1<sup>st</sup> April 2006. And from 1<sup>st</sup> April 2008, an additional (special) grant, over three years and outside RSG, was introduced by the Government relating to the national scheme from that date. This special grant distribution to Hyndburn for 2008/09 was £326,918 - budgeted and accounted for in Net Cost of Services in the I & E Account. Such special grant allocations for years 2009/10 and 2010/11 are to be, respectively, £334,628 & £343,879.

<b>2007/08 £000</b>	<b>Description</b>	<b>2008/09 £000</b>
1,387	Revenue Support Grant - as in table (a) above	1,209
8,264	NNDR share	8,690
<b>9,651</b>	<b>Total Formula Grant</b>	<b>9,899</b>

## NOTES TO CORE FINANCIAL STATEMENTS

### 15. Fixed Assets Values

	Tangible Operational Assets				Tangible Non-Operational Assets				Intangible Assets £000	GRAND TOTAL £000
	Land & Buildings £000	Vehicles/ Plant/Equip £000	Infra- structure £000	Community Assets £000	SUB TOTAL £000	Investment Properties £000	Assets under Constrn £000	Surplus Assets held for disposal £000		
<b>Gross Book Value</b>										
Value b/f as at 01.04.08	18,694	1,779	4,138	6,012	30,623	7,067	114	1,627	8,808	39,544
Asset Register adjustments										
Restated Cost GBV b/f as at 01.04.08	18,694	1,779	4,138	6,012	30,623	7,067	114	1,627	8,808	39,544
Additions	332	520	52	601	1,505	57	35	7,735	7,827	9,406
Disposals	0	(16)	(781)	0	(797)	(19)	0	(277)	(296)	(1,093)
Written Out	(260)	(25)	(18)	(645)	(948)	(84)	(8)	(7,662)	(7,754)	(8,708)
Revaluations	3,336	0	0	112	3448	629	0	(317)	312	3,760
Re-categorised	0	0	0	0	0	0	0	0	0	0
Gross Book Value as at 31.03.09	22,102	2,258	3,391	6,080	33,831	7,650	141	1,106	8,897	42,909
<b>Depreciation</b>										
Accum Depreciation b/f as at 01.04.08	1,375	704	2,814	159	5,052	0	0	0	0	5,062
Asset Register adjustments										
Restated Depreciation b/f as at 01.04.08	1,375	704	2,814	159	5,052	0	0	0	0	5,062
Charge for the year	373	282	414	71	1,140	0	0	0	0	1,164
Disposals	0	(9)	(610)	0	(619)	0	0	0	0	(619)
Written Out	(43)	0	0	(5)	(48)	0	0	0	0	(48)
Revaluations	(1,163)	0	0	(5)	(1,168)	0	0	0	0	(1,168)
Re-categorised	0	0	0	0	0	0	0	0	0	0
Accum'd Depreciation as at 31.03.09	542	977	2,618	220	4,357	0	0	0	0	4,391

<b>Net Book Value</b>										
As at 31.03.08	17,319	1,075	1,324	5,853	25,571	7,067	114	1,627	8,808	34,482
As at 31.03.09	21,560	1,281	773	5,860	29,474	7,650	141	1,106	8,897	38,518

## NOTES TO CORE FINANCIAL STATEMENTS

### Note 15 continued

Intangible Fixed 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 (Fixed Assets), the relevant cost is amortised, or written-off, over an appropriate period.

Intangible Fixed Assets 2008/09	Software £000
Opening Balance as at 1 <sup>st</sup> April	103
Written-off in year	(24)
Expenditure in year: £68,764 as summarised below	68
Closing Balance as at 31 <sup>st</sup> March	<b>147</b>

1. PARIS – Cash Receipting System £21.9k – To be written off over 4 years.
2. Academy Update £4.8k – To be written off over 3 years.
3. VMWare & Vision Core £11.2k – To be written off over 3 years.
4. Windows XP Licences £11.8k – To be written off over 3 years.
5. Business Objects Licences £2.5k – To be written off over 4 years
6. CeDar 3.4 Upgrade £16.5k – To be written off over 4 years



## NOTES TO CORE FINANCIAL STATEMENTS

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

Summary	2007/08		2008/09	
	£000	£000	£000	£000
Balance as at 1 <sup>st</sup> April		0		
Expenditure in year:				
- Improvement Grants	2,544		812	
- Equity Share Loans – referred to in Explanatory Foreword	473		362	
- Other	28	3,045	31	1205
less				
- Disabled Facility Grants received	(110)		(274)	
- Regional Housing Pot Grant received	(1,633)		(569)	
- Elevate Grant received	(1,302)	(3,045)	(362)	(1205)
		0		0
Amounts written out to Services, in the Income and Expenditure Account		0		0
		<b>0</b>		<b>0</b>

This disclosure (Note 16 above) is no longer obligatory from 2008/09 on 'REFCUS' (formerly Deferred Charges), 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:-

31 <sup>st</sup> March 2008 (Nos.)		31 <sup>st</sup> March 2009 (Nos.)
3	Cemeteries	3
1	Crematorium	1
32	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

\*\* The identification and numbers of these assets had been re-assessed in updating this table.

## NOTES TO CORE FINANCIAL STATEMENTS

### 18. Sources of finance for the Capital Programme

The capital expenditure was financed as follows:-

	2007/08 £000	2008/09 £000
<b>Capital Expenditure:</b>		
Fixed Asset Additions	7,520	9,406
Deferred Charges / REFCUS (Note 16)	3,045	1,205
<b>Total expenditure</b>	<b>10,565</b>	<b>10,611</b>
<b>Financed by:</b>		
Loan finance	0	0
Usable Capital Receipts	49	8
Grants	10,233	10,441
Contributions, incl'g use of s106 moneys	279	109
Direct Revenue Finance	4	53
<b>Total financing</b>	<b>10,565</b>	<b>10,611</b>

### 19. Capital Commitments

As at 31<sup>st</sup> March 2009 the Council is contractually committed to capital payments which are estimated at £662,467 (was £312,909 as at 31<sup>st</sup> March 2008).

### 20. Finance Leases

Assets held under finance leases were for equipment and had a gross book value (GBV) of £24,874 at 31<sup>st</sup> March 2009 (£24,874 GBV at 31<sup>st</sup> March 2008).

The Authority has accounted for these leases as part of Tangible Fixed Assets

	Other Land & Buildings £	Vehicles, Plant & Equipment £
GBV at 1 <sup>st</sup> April 2008	0	24,874
Additions	0	0
Depreciation (cumulative)	0	(12,966)
<b>Net Value at 31<sup>st</sup> March 2009</b>	<b>0</b>	<b>11,908</b>

Outstanding obligations to make payments under the Finance Lease (excluding finance costs) at 31<sup>st</sup> March 2009, and accounted for as part of long term liabilities, are as follows:

## NOTES TO CORE FINANCIAL STATEMENTS

	Other Land & Buildings £	Vehicles, Plant & Equipment £
In Financial Year 2009/10	0	2,977
Between 2010/11 and 2014/15	0	5,954
After Financial Year 2015/16	0	0
Deferred Liabilities - per Balance Sheet	<b>0</b>	<b>8,931</b>

Finance charges in 2008/09 amounted to £204.56 and have been charged directly to the revenue account

### 21. Long Term Debtors

2007/08 £000	Description	2008/09 £000
11	Mortgages on RTB sales	7
14	Other Housing advances	12
<b>25</b>		<b>19</b>

### 22. Stocks and Work in Progress

2007/08 £000	Description	2008/09 £000
37	General Fund - Stock	53
1	WIP	1
<b>38</b>	<b>Total</b>	<b>54</b>

### 23. Investments

The investments consist of:-

2007/08 £000	Summary of Balance Sheet carrying values	2008/09 £000
	<b>Long term:</b>	
575	Globe Enterprises Limited (2)	575
10	ADC Debenture (repaid to HBC in 2008/09)	0
8	Other	8
<b>593</b>		<b>583</b>
	<b>Short Term</b>	
<b>7,967</b>	Temporary Investments (1)	<b>8,897</b>
8,560		9,480

## **NOTES TO CORE FINANCIAL STATEMENTS**

- (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 and an entertainment / leisure facility situated in Accrington Town Centre.

The company held fixed assets valued at over £8.2 million at 31<sup>st</sup> December 2008, with Net Assets of £4.69m, 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..

### **24. Debtors**

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

<b>2007/08 £000</b>	Description	<b>2008/09 £000</b>
	Amounts falling due in one year:	
2,127	Government Departments other than HMRC	1,786
277	HM Revenue and Customs	253
1,052	Other Local Authorities	3,211
8,001	Collection Fund	7,496
2,572	Sundry Debtors	2,303
905	Housing Benefit debtors	926
<b>14,934</b>		<b>15,975</b>
	Amount falling due after one year:	
151	Car Loans to Employees	113
<b>15,085</b>		<b>16,088</b>
<b>(6,216)</b>	Less Provisions for Bad and Doubtful Debts at 31 March	<b>(5,263)</b>
<b>8,869</b>	Net Total as at 31 March	<b>10,825</b>

## NOTES TO CORE FINANCIAL STATEMENTS

### 25. Creditors

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

2007/08 £000	Description	2008/09 £000
(264)	Government Departments, other than HMRC	(1,043)
(256)	HM Revenue and Customs	(265)
	Receipts received in advance:	
(456)	- Council Tax	(436)
(226)	- NNDR - Business Rates	(72)
(1,119)	Collection Fund Creditors	(863)
(337)	Other Local Authorities	(160)
(1,949)	Sundry Creditors	(2,306)
<b>(4,607)</b>	<b>Total as at 31 March</b>	<b>(5,145)</b>

### 26. Parking Accounts

Under S.55 of the Road Traffic Regulation Act 1984, as amended by the Traffic Management Act 2004, all English authorities must keep an account of all parking income and expenditure related to their functions as an enforcement authority.

2007/08 £	Parking Account	2008/09 £
	<b>Off-Street</b>	
	<b>Income</b>	
9,016	Penalty Charge Notice (PCN) Income	2,100
<b>9,016</b>	<b>Total Income</b>	<b>2,100</b>
	<b>Expenditure</b>	
841	Contractors	1,902
2,098	In-house Staff	1,148
720	Traffic Enforcement charges	15
<b>3,659</b>	<b>Total Expenditure</b>	<b>3,065</b>
<b>(5,357)</b>	<b>TOTAL (Surplus)/Deficit</b>	<b>965</b>

## NOTES TO CORE FINANCIAL STATEMENTS

2007-08 £	Application of Parking (Surplus)/Deficit	2008-09 £
	<b>Off-Street</b>	
(5,357)	(Surplus)/Deficit	965
5,357	To General Fund	(965)
0	Brought Forward	0
0	Carried Forward	0

The Borough Council has accounts for on-street and off-street (car parks) transactions. The table above relates solely to off-street parking and reflects, respectively for Off-Street, the 'Parkwise' arrangement with Lancashire County Council.

The present Parkwise agreement with the county council runs from September 2004 to September 2009.

### **27. 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.

**28. 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.

## NOTES TO CORE FINANCIAL STATEMENTS

At the 31<sup>st</sup> March 2009 the Council had the following provisions:

Provisions Summary	As at 1.4.08 £000	Transfers in £000	Utilised £000	As at 31.3.09 £000
Industrial Units bonds	(14)			(14)
Insurance 'Excess' provision	(110)	(17)		(127)
Planning liability & advance *	(109)	(3)	9	(103)
Well being & Health Equality	(192)	(120)	201	(111)
Communities for Health	(165)	(120)	68	(217)
Dilapidations provision	(250)	(100)		(350)
ERDF potential clawback	(99)		6	(93)
ICT replacement items	(40)		35	(5)
Others	(6)	(1)		(7)
<b>Total</b>	<b>(985)</b>	<b>(361)</b>	<b>319</b>	<b>(1,027)</b>

\* This balance of approx. £103.5k relates to s106 (Town & Country Planning Act 1990) from the Lower Barnes Street C-le-M development, in which agreement HBC has a financial liability within or after a specified period. Note 32 includes other s106 balances.

### **29. Revaluation Reserve (Fixed Assets)**

The former Fixed Asset Restatement Account was superseded by the new '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 30. Therefore the new Revaluation Reserve started with a zero balance from 1<sup>st</sup> 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 the Income & Expenditure A/c 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.

summary	Total £000
Balance at 1 <sup>st</sup> April 2008	<b>(2596)</b>
Fixed Asset valuation movements	(4,930)
Disposal of fixed assets	182
<b>Balance at 31<sup>st</sup> March 2009</b>	<b>(7,344)</b>

## NOTES TO CORE FINANCIAL STATEMENTS

### **30. 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.

<b>Capital Adjustment A/c summary for year(s)</b>	<b>2007/08</b>	<b>2008/09</b>
	<b>£000</b>	<b>£000</b>
'CFA' Balance at 1 <sup>st</sup> April		
1.04.07 balance transfer from CFA to CAdjA	56,872	
Fixed Asset Restatement A/c balance b/f *	(39,408)	
'CAA' Balance at 1 <sup>st</sup> April	17,464	17,352
Capital receipts set aside	0	0
Capital Financing - Capital Receipts **	(4)	8
- Direct Revenue Financing	4	53
- Grants & Contributions	7,385	9,290
- Amortised Deferred Grant	172	121
Minimum revenue provision (less total depreciation)	(712)	(783)
Less write down of deferred charges / 'REFCUS'	0	0
Fixed Assets Revaluation Losses	(736)	(143)
Fixed Assets Non-Enhancing expenditure	(6,223)	(8,517)
Fixed Assets value adjustments	2	(293)
<b>Balance at 31<sup>st</sup> March</b>	<b>17,352</b>	<b>17,088</b>

\* A one-off transaction in 2007/08 was the transfer to the account of the whole 'FARA' balance brought forward. This transfer related to the inception from 1<sup>st</sup> April 2007 of the Fixed Assets Revaluation Reserve - see note 29.

\*\* 2007/08 figure comprised £49k used in capital financing, less £53k repayment from Globe Enterprises Ltd – note 23 refers.

### **31. Usable 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 2008/09 this amounted to £19,540.71 and related solely to repayments to the Council of former RTB discount (2007/08 was £26,360.24). Corresponding items for this are in the Income and Expenditure Account (the payment due to the DCLG) and the Statement of Movement on the General Fund Balance (a contra, equivalent item for transfer from Usable Capital Receipts Reserve), in accordance with the SORP.

<b>UCRR summary</b>	<b>2007/08 £000</b>	<b>2008/09 £000</b>
Balance at 1 <sup>st</sup> April	3,150	4,134
Capital receipts in Year	1,059	791
Less		
- Capital Receipts applied	(49)	(8)
- Capital Receipts set aside	0	0
- Capital Receipts to DCLG ('pooled')	(26)	(19)
<b>Balance at 31<sup>st</sup> March</b>	<b>4,134</b>	<b>4,898</b>

### **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.

<b>summary for year</b>	<b>Balance as at 1<sup>st</sup> Apr 2008 £000</b>	<b>Payments, ie used £000</b>	<b>Receipts £000</b>	<b>Balance as at 31<sup>st</sup> Mar 2009 £000</b>
Planning obligations under s106, Town & Country Planning Act 1990 - <i>note (a) below</i>	(650)	38	0	(612)
Housing & Planning Delivery Grant reserve	(315)	197	(83)	(201)
Area Based Grant reserve (note b)	0	0	(229)	(229)
Other earmarked reserves(note c)	(791)	36	(250)	(1,005)
<b>Total Earmarked Reserves</b>	<b>(1,756)</b>	<b>271</b>	<b>(562)</b>	<b>(2,047)</b>

## **NOTES TO CORE FINANCIAL STATEMENTS**

- (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. In addition, a separate s106 amount received in yr2005/06, with a balance as at 31 March 2009 of £103k, is included in Provisions as a particular liability for potential return to provider after a specified period - see note 28.
- (b) Area Based Grant (ABG) wholly non-ringfenced £1,278,329 was received by HBC from the Government in 2008/09. The £228,976 reserve is the amount unspent as at 31 March 2009; and is thereby carried forward for use in following year(s). Notes 14a and 35(c) also refer.
- (c) The £1,005k 'Other' (£1,005,353) comprises at year-end, to the nearest £:
- (1) balance of £63,069 remaining from reserves which had been created on the March 2006 housing stock transfer (Large Scale Voluntary Transfer), ie loans redemption reserve £63,069 - the balance of the LSVT residual costs reserve (£36,075) having been paid over to Hyndburn Homes Ltd in 2008/09;
  - (2) a reserve for LSVT-related Environmental Warranties of £765,783. This includes 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 is to be continue 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;
  - (3) a reserve of £100,000 created in 2006/07 for future asset(s) disposal transition costs and/or potential income loss; and
  - (4) a reserve of £76,501 in respect of the then 'LPSA1' Local Public Service Agreement with the Government in conjunction with the county council, this amount being 50% which Hyndburn BC is to allocate wholly to future capital resources in accordance with Schedule 4 of the Lancashire LPSA. The total LPSA performance reward grant received for HBC (£153,003) related mainly to achievement of performance targets over and by the 3-year period 2003/04 to 2005/06. Tranche 1 of £74,824.75 was received toward the end of 2006/07; and tranche 2 of £78,178.24 was received in March 2008. The final instalment (tranche 2) was accounted for in 2007/08 income via HBC Income & Expenditure Account (except for £25,000 which had been accrued by HBC in 2003/04); and a contribution of £1,677 to the Earmarked Reserve (contribution within the Statement of the Movement on the General Fund Balance) brought the treatment of the grant to 50% as capital grant and 50% as revenue grant.

Expected future LAA performance reward grant (LPSA2) is referred to at Note 35(b).

## **NOTES TO CORE FINANCIAL STATEMENTS**

### **33. Pensions liabilities and funding**

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, the authority is required under the SORP to fully implement FRS 17, on Retirement Benefits, into its accounts. The object of FRS17 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 Income and Expenditure Account and 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 impact on Council Tax levels.

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 31<sup>st</sup> March 2007 and was completed during 2007/08.

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.

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

## NOTES TO CORE FINANCIAL STATEMENTS

### Actuarial Assumptions

2007/08 %		2008/09 %
	<b>Financial Assumptions as at end of year</b>	
3.6	Rate of Inflation	3.3
5.35	Rate of increase in salaries	5.05
3.6	Rate of increase in pensions	3.3
6.1	Discount Rate *	7.1
	<b>Expected Rate of Return on Assets at end of year</b>	
7.5	Equities	7.5
4.6	Government Bonds	4.0
6.1	Other Bonds	6.0
6.5	Property	6.5
5.25	Cash / Liquidity	0.5
7.5	Other	7.5

\* The 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 and 31 March 2009. 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 in the fund are valued at fair value, and consist of the following categories:

2007/08 **		Value of Assets	2008/09	
£'000	%		£'000	%
39,535	62.2	Equities	30,747	61.2
14,047	22.1	Bonds	10,099	20.1
9,980	15.7	Other	9,395	18.7
63,562	100.0	Total Value	50,241	100.0

\*\* As restated for Fair Value of Plan Assets, by the actuary in April 2009

## NOTES TO CORE FINANCIAL STATEMENTS

As at 31<sup>st</sup> March 2009, the fund's actuaries estimated that the Authority had the following assets and liabilities relating to pensions payable through the fund:

2007/08 £m	Assets and Liabilities	2008/09 £m
** 63.6	Fair Value of Assets, per the previous table	50.2
(100.9)	Estimated present value of Liabilities	(86.0)
(37.3)	Net Liability	(35.8)

\*\* As restated per earlier table. The original deficit of £37,166k as at 31st March 2008 has been restated by the actuary as £37,297k, a loss of £131,000. As this is not material in relation to the overall Net Liability, it has been accounted for in the 2008/09 HBC accounts as part of Actuarial Gains / Losses.

## NOTES TO CORE FINANCIAL STATEMENTS

The movement in the deficit in the scheme during 2008/09 is analysed as follows:

	2007/08 £000	2008/09 £000
<b>Deficit at 1<sup>st</sup> April</b>	<b>(26,525)</b>	<b>(37,166)</b>
<b>SERVICE EXPENDITURE</b>		
Current Service Cost	(1,267)	(1,507)
Past Service Gain / (Cost)	(468)	0
Curtailment Gain / (Loss)	0	(59)
Less Employer Contributions	2,033	3,099
	298	1,533
<b>FINANCE GAINS &amp; LOSSES</b>		
Interest costs, net of Return on Assets	(574)	(1,853)
<b>ACTUARIAL GAINS &amp; LOSSES *</b>		
Actuarial Net Gain or (Loss)	(10,365)	1,714
<b>Deficit at 31<sup>st</sup> March</b>	<b>(37,166)</b>	<b>(35,772)</b>

\* The actuarial gains and losses included above for the subject financial year (2008/09) - subject to £131k loss included for restatement of 31st March 2008 position (referred to at earlier table) - represent the extent to which actual outcomes during 2008/09 differed from the assumptions used in calculating the estimated assets and liabilities at 31<sup>st</sup> March 2008. The table below shows these changes as percentages of the respective assets and liabilities at the end of the subject financial year.

History of Actuarial Gains & (Losses) and percentages of Total Assets/ (Liability)	2004/05		2005/06		2006/07		2007/08 restated		2008/09	
	£000	%	£000	%	£000	%	£000	%	£000	%
Gain / (loss) on difference between expected and actual return on assets	2,817	4.6	10,326	14.9	(496)	(0.7)	(11,692)	(18.4)	(17,262)	(34.4)
Gain / (loss) on difference between actuarial assumptions on liabilities and actual experience	(3,964)	(4.1)	(1,654)	(1.6)	0	0	1,351	1.3	19,107	22.2
Gain / (loss) on changes in demographic and financial assumptions affecting estimation of liabilities	(14,829)	(15.5)	(8,049)	(8.0)	4,654	4.7	0		0	
<b>Net Total</b>	<b>(15,976)</b>		<b>623</b>		<b>4,158</b>		<b>(10,341)</b>		<b>1,845</b>	

## **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 6<sup>th</sup> 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 have 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 again in the Explanatory Foreword, included in the HBC overall net pensions liability is a liability of the Council from 30<sup>th</sup> 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 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.

## **NOTES TO CORE FINANCIAL STATEMENTS**

### **Net Pensions Liability as at 31<sup>st</sup> March 2009**

The £35.772m net liability relating to the fund represents the difference between the value of the Authority's pension fund assets at 31<sup>st</sup> March 2009 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 1<sup>st</sup> April 2009 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 31<sup>st</sup> March 2007, carried out during 2007/08.

It can be seen that the change from an originally-estimated net liability of £37.166m at 31<sup>st</sup> March 2008 to the estimated net liability of £35.772m at 31<sup>st</sup> March 2009 (ie decrease of approximately £1.4m) relates to net impact of:

- (a) the net decrease of £13.5m in the value of the fund's investment assets; and
- (b) the decrease of £14.9m in present value of liabilities.

### **34. Altham Business Improvement District (BID)**

As outlined again in the Explanatory Foreword at the beginning of this Statement of Accounts, Altham Business Improvement District scheme is a security initiative devised, ratified, managed and paid for by the businesses in the Altham BID area. The aim of this BID is to install and monitor security cameras, using the latest technology with closed circuit television (CCTV) and automatic number plate recognition (ANPR) cameras; the cameras are monitored 'live' in the Police Communications Centre, providing an additional level of security for businesses. The system acts as a deterrent to criminals and has proved valuable for the police in gathering intelligence data to support prosecutions (the CCTV cameras have already been used in Year1 to assist a Crown Court prosecution). And a business watch email communication system was launched to provide a way of updating businesses on incidents and suspicious behaviour.



## NOTES TO CORE FINANCIAL STATEMENTS

Given below is a BID Revenue Account - a statutorily required memorandum account for the scheme.

HBC Income and Expenditure Account (BID)			
	Note	2007/08 £000	2008/09 £000
<b>Income:</b>			
BID Levy (local supplementary business rate)		(50)	(53)
<b>Expenditure:</b>			
Council expenditure on providing services	1	0	0
Payment for services provided by other parties	2	40	51
Further payment(s) due when collected	3	10	2
<b>Total Expenditure</b>	4	<b>50</b>	<b>53</b>
<b>(Surplus) / Deficit</b>		<b>0</b>	<b>0</b>

### BID Revenue Account Notes

(1) It remains expected that there will not be any HBC direct expenditure as part of ongoing implementation of the business plan. HBC accounting treatment of the Levy, per the 'SoRP', reflects in the above account the Council's role in acting as agent in billing and collecting the levy, ie not incurring scheme expenditure.

(2) The amount collected by HBC is paid over by the Council to Altham BID Company Ltd, a company limited by guarantee, being BID Levy billed and collected for the year; ie paid over after invoicing by the company via the Groundwork organisation who are managing agents for the BID Company.

(3) As at 31<sup>st</sup> March, there was Levy previously billed but still outstanding and therefore, under local protocol, not subject to paying over by the Council until collected. HBC debt recovery procedures were in progress.  
As at 31<sup>st</sup> March 2009, of the 2007/08 (Year1) £50,100 levy billed and 2008/09 (Year2) £53,148 levy, the arrears include for one of the businesses concerned in both years which went into receivership and left the premises.

(4) Up to 31<sup>st</sup> March 2009, there were no specific costs incurred by the Council on collecting the Year 1 levy and the Year 2 levy as the billing authority. However, should any costs be necessary to be incurred for any remaining levy collection or for subsequent year(s), they would be recharged to the business(es) concerned or to the BID Company – if the latter, then such future recharge may figure as an HBC expenditure item recovered against levy income.

## **NOTES TO CORE FINANCIAL STATEMENTS**

### **35. Local Area Agreement (LAA); LAA related Grants; and (from 2008/09) 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, particularly for year 2007/08, 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 has been superseded by the current agreement - 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)
- 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.

## NOTES TO CORE FINANCIAL STATEMENTS

Lancashire County Council acts as the accountable body overall for the LAA. Approximately £4,400 of HBC LAA Grant (community safety) allocation was brought forward into 2008/09 (from 2007/08); and approx. £1,600 of LAA grant has been carried forward into 2009/10.

In and from 2008/09, LAA grants have been mainly being replaced by 'Area Based Grant' received direct from the Government - *see below*

**(b) Performance Reward Grant (PRG) for 'LPSA2'** - this performance reward grant is money to be payable by the Government for the achievement of LAA 'stretch reward targets'. It is expected that the PRG will be awarded and paid by the Government, via the county council, in three tranches: by 31 March 2010, by 31 March 2011 and final instalment by 31 March 2012; and the money receivable by HBC would be spent through the District (Hyndburn) local strategic partnership - LSP. A county-wide protocol document has been drawn up in advance for PRG distribution and accounting and governance arrangements.

HBC would be crediting in the accounts for those years when the PRG, subject to achievement and grant determination, is distributed as final amounts.

The earlier 'LPSA1' performance reward grant is referred to at Note 32(c)(4).

**(c) Area Based Grant (ABG)** - ABG came in from April 2008 and is 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 2008/09 allocation to Hyndburn was £1,278,329 - and the summary table below shows the central government sources of the ABG and the amount spent in the year by HBC.

Sources and overall use of Area Based Grant	<b>ABG received by HBC £</b>	<b>ABG Utilised £</b>	<b>ABG Carried Forward £</b>
Cohesion	95,294	95,294	0
Working Neighbourhood Fund (WNF)	1,055,535	874,059	181,476
Preventing Violent Extremism (PVE)	105,000	80,000	25,000
'Climate Change (Planning Policy Statement)'	22,500	0	22,500
<b>Total ABG</b>	<b>1,278,329</b>	<b>1,049,353</b>	<b>228,976</b>

## **NOTES TO CORE FINANCIAL STATEMENTS**

The ABG spent in the year is included in the Services' expenditure within the HBC Income & Expenditure Account, and the full ABG received by the Council is included in General Government Grants per the 'SoRP' - Note 14a refers.

The £229k unspent at 31 March 2009 has been transferred to an Earmarked Reserve - per Note 32(b).

### **36. The European Single Currency**

At 31<sup>st</sup> March 2009 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.

### **37. Contingent Liabilities**

At the 31<sup>st</sup> March 2009 the Council had no contingent liabilities.

## NOTES TO CORE FINANCIAL STATEMENTS

### 38. Movement in Cash and Cash Equivalents

Movement In 2007/08 £000		Balance 1.4.08 £000	Balance 31.3.09 £000	Movement in 2008/09 £000
1	Cash in hand	6	4	(2)
1,220	Bank balance / (overdraft)	(740)	(348)	392
<b>1,221</b>		<b>(734)</b>	<b>(344)</b>	<b>390</b>

### 39. Reconciliation of I&E A/c (surplus)/deficit to Net Cash Flow

2007/08 £000	Description	2008/09 £000	£000
(371)	Net (surplus) / deficit on Income and Expenditure Account		(848)
	<b>Non-Cash Transactions in Revenue Account:</b>		
(994)	Depreciation	(1,164)	
173	Amortisation of capital grants	121	
932	Gain / (loss) on disposal of assets, incl'g LSVT	299	
(2,309)	Net adjustment for retirement benefits	(3,419)	
(6,957)	Fixed Assets values adjustments	(9,135)	
(229)	Financial Instruments adjustment account	2	
7,392	Grants & contributions used in capital financing	9,296	
(26)	Transfer from usable capital receipts	(19)	
2,033	Employer contributions payable to pension fund	3,099	
(160)	Contribution to/(from) earmarked reserves	(36)	
0	Major repairs reserve	0	
4	Financing of capital by direct revenue finance	53	
(330)	Other provisions	72	
53	Gain on investments / other receipts	18	
(263)	Contribution (from) / to revenue reserves	60	
(681)	<b>Movements in current assets / liabilities:</b>		(753)
(31)	Increase/(decrease) in Stocks	16	
(1,200)	Increase/(decrease) in Debtors	(22)	
1,122	(Increase)/decrease in Creditors	(854)	
(109)	<b>Items elsewhere in Cash Flow Statement:</b>		(860)
637	Interest Received	681	
(786)	External Interest Paid	(630)	
(149)			51
<b>(1,310)</b>	<b>REVENUE ACTIVITIES NET CASH FLOW</b>		<b>(2,410)</b>

## NOTES TO CORE FINANCIAL STATEMENTS

### 40. Analysis of 'Other Government Grants' in Cash Flow Statement

2007/08 £000	Government Grants Description	2008/09 £000
7,823	DWP grant for housing (Rent Rebates) and Council Tax benefits	7,892
134	European Funding (ERDF)	0
1,062	Single Regeneration Budget (SRB)	134
0	Neighbourhood Renewal Fund (NRF)	0
0	DCLG Housing subsidy	0
39	DCLG Local Authorities Business Growth Incentive	51
0	Crime and Disorder	0
938	Housing Market Renewal	702
0	Area Based Grant	1,278
656	Other	356
<b>10,652</b>		<b>10,413</b>

### 41. Movement in net debt - in relation to Cash Flow Statement

The table below reconciles the movement in cash to the movement in net debt during the year.

Description	2007/08 £000	2008/09 £000
(Decrease) / increase in cash	1,221	390
Net increase / (decrease) in liquid resources	1,936	929
Net (increase) / decrease in borrowing	(333)	(121)
<b>Movement in net debt in the year</b>	<b>2,824</b>	<b>1,198</b>
Net debt at beginning of year	(12,212)	(9,388)
Net debt at end of year	(9,388)	(8,190)
<b>Changes in net debt</b>	<b>2,824</b>	<b>1,198</b>

## **NOTES TO CORE FINANCIAL STATEMENTS**

### **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 Statement of Recommended Practice (SoRP) 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:

#### **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.

## **NOTES TO CORE FINANCIAL STATEMENTS**

(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). *The Council has no recognisable soft loans for accounts adjustment under financial instruments.* HBC had determined, prior to production and presentation of the Council's 2007/08 & 2008/09 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 (note within Explanatory Foreword, part 4 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 2008/09)

- *fair value through I & E Account:* 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 2009, has none of these - and does not include investments in Globe Enterprises Ltd - note 23 refers. 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 2008/09 and the balance as at 31 March 2009 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 2009 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 2009 for Balance Sheet comprise:



## NOTES TO CORE FINANCIAL STATEMENTS

TABLE 1

Summary as at 31 March 2009

	Principal Out- standing £000	Accrued Interest to 31 Mar £000	Adjusmt: Effective Int. Rate smooth'g £000	Carrying Value TOTAL £000
<u>Long Term Borrowing</u>				
PWLB	0	0	0	0
Money Market	9,520	79	(1) 227	(2) 9,826
Individuals	89	0	0	89
<b>Total per Table 2</b>	<b>9,609</b>	<b>79</b>	<b>227</b>	<b>9,915</b>
<u>Short Term Borrowing</u>				
PWLB	6,700	128	0	(2) 6,828
<b>Total per Table 2</b>	<b>6,700</b>	<b>128</b>	<b>0</b>	<b>6,828</b>
<u>Short Term Investments</u>				
Fixed Term Deposits	7,500	2	0	7,502
Other external fund (RBS)	1,390	5	0	1,395
<b>Total per Note 23</b>	<b>8,890</b>	<b>7</b>	<b>0</b>	<b>(3) 8,897</b>

- (1) via I&E A/c, SMGFB and Financial Instruments Adjustment A/c - see Table 3 below.  
 (2) Fair Value basis & totals (as different amounts than carrying values) - given in Table 2.  
 (3) Fair Value for these investments has been assessed at same as the carrying value.

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

### LONG TERM BORROWING

Source of Loans	Range of Interest Rates %	Carrying Value at 31.3.08 £000	Carrying Value at 31.3.09 £000	(1)Fair Value at 31.3.09 £000
Public Works Loan Board		0	0	0
Money Market (2)	1.90% to 4.90%	(3)(4) 9,828	9,826	10,417
Individuals	5.00%	68	89	89
		<b>9,896</b>	<b>9,915</b>	<b>10,506</b>

## NOTES TO CORE FINANCIAL STATEMENTS

### SHORT TERM BORROWING

Source of Loans	Range of Interest Rates %	Carrying Value at 31.3.08 £000	Carrying Value at 31.3.09 £000	(1) Fair Value at 31.3.09 £000
Public Works Loan Board	5.45% - 5.65%	(3) 6,725	6,828	6,938
		<b>6,725</b>	<b>6,828</b>	<b>6,938</b>

An analysis of loans by maturity is:-

	Carrying Value		Fair Value
	2007/08 £000	2008/09 £000	2008/09 £000
Within 12 months	6,725	6,828	6,938
1-2 years	68	89	89
2-5 years	0	0	0
5-10 years	0	0	0
over 10 years	9,828	9,826	10,417
	<b>16,621</b>	<b>16,743</b>	<b>17,444</b>

(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.

To evaluate PWLB debt the new borrowing rate has been used, as opposed to the repayment rate, as the discount factor.

(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) As outlined in the Explanatory Foreword, part 6, 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 2008/09 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 2008/09.

## NOTES TO CORE FINANCIAL STATEMENTS

### 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 has meant, for the Council's accounts, that the FI Adjustment A/c has been used to neutralise, via the Statement of the Movement on the GF Balance, the impact on the I&E A/c of an adjustment to smooth the effective interest rate over the life of the affected loans.

The table below summarises the transactions in the FI Adjustment Account for 2008/09.

F I Adjustments A/c summary		Total £000
Balance at 1 <sup>st</sup> April 2008	Dr	229
Smoothing of effective rate of interest on stepped loans (money market LOBOs):		(2)
<b>Balance at 31<sup>st</sup> March 2009 in Net Worth</b>	<b>Dr</b>	<b>227</b>

The net £227,196 debit will be used to adjust, in future years via the I&E A/c and the SMGFB, the carrying value of the related balances of Borrowing liabilities.

### Fair Value of the Council's other financial instruments (other than borrowings and investments)

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 (including 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 imprests total) - note 38

### Gain and Loss on financial assets and liabilities

The face of the HBC Income & Expenditure A/c gives for the year, within 'Corporate Income and Expenditure' prescribed 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:

## **NOTES TO CORE FINANCIAL STATEMENTS**

**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 mainly over HMRC, Other Government Depts, other local authorities, HBC Collection Fund (council tax and NNDR (business rates)), Housing Benefit debtors and Sundry Debtors.

**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.
- *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 and I&E Account), 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.

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 combined report for approval on the *Treasury Management Strategy* for the coming three years together with capital finance related and overall prudential indicators (the latter including the setting of external debt overall limits: 'authorised limit' and 'operational boundary').

## **NOTES TO CORE FINANCIAL STATEMENTS**

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 in February 2008 approved the authority's Treasury Management Strategy 2008/09 – 2010/11; and correspondingly the TMS 2009/10 – 2011/12 was approved by full Council in February 2009. In the meantime, there is a half-yearly update report prepared for Cabinet each October.

## HOUSING REVENUE ACCOUNT

2007/08 £000	HRA Income and Expenditure Account	Note	2008/09 £000
	<b>INCOME</b>		
	Gross Rental Income		
0	Dwelling rents		0
0	Non-Dwelling rents		0
0	Charges for Services & Facilities		0
6	HRA Subsidy (receivable) / adjustment		0
<b>6</b>	<b>Total Income</b>		<b>0</b>
	<b>EXPENDITURE</b>		
	Repairs, Maintenance & Management		
4	Repairs and Maintenance		0
13	Supervision and Management		0
0	Rents, Rates, Taxes and Other Charges   General		0
0	Depreciation and Impairment of Fixed Assets		0
0	Debt Management Costs		0
(7)	Increase/(Decrease) in Bad Debt Provision		0
<b>10</b>	<b>Total Expenditure</b>		<b>0</b>
<b>16</b>	<b>Net Cost of Services per Income and Expenditure Account</b>		<b>0</b>
0	Net (gain) / loss on sale of HRA fixed assets at housing stock transfer		0
0	Interest Payable and similar charges		0
0	Amortisation of Premiums and Discounts on borrowing		0
0	Interest and Investment Income		0
<b>16</b>	<b>(Surplus) or deficit for year on HRA services</b>	<b>1</b>	<b>0</b>

2007/08 £000	Statement of the Movement on the HRA Balance	Note	2008/09 £000
16	(Surplus) or deficit for year on HRA Income and Expenditure Account		0
	<b>Items included in the HRA I &amp; E Account but excluded from the movement on HRA Balance for the year</b>		
0	Contra to loss on sale of fixed assets in HRA I & E account		0
0	Transfer from Pensions Reserve, in accordance with FRS 17		0
	<b>Items not included in the HRA I &amp; E Account but included from the movement on HRA Balance for the year</b>		
0	Transfer from Major Repairs Reserve		0
0	Capital expenditure charged in year to HRA, direct revenue finance		0
0	Employer's Pension Fund Contributions		0
<b>16</b>	<b>(Increase) or Decrease in the Housing Revenue Account Balance</b>		<b>0</b>
(72)	Housing Revenue Account Surplus Brought Forward		0
<b>0</b>	<b>Housing Revenue Account (Surplus) Carried Forward</b>	<b>1</b>	<b>0</b>
<b>(56)</b>	<b>Final HRA Surplus transferred to General Fund 28/03/2008</b>	<b>1</b>	<b>0</b>

## **HOUSING REVENUE ACCOUNT**

### **NOTE**

#### **1. HRA Balance**

As indicated in sections 1(d) and 3 of the Explanatory Foreword, for and from year 2008/09 there are no transactions of the HRA Income and Expenditure Account, nor of the Statement of Movement on the HRA Balance.

## COLLECTION FUND

2007/08 £000	Income and Expenditure Account	2008/09	
		£000	£000
	<b>INCOME</b>		
(27,544)	Income from Council Tax		(28,515)
	Transfer from General Fund		
(6,685)	- Council Tax Benefits		(7,051)
(16,407)	Income collectable from Business Ratepayers		(19,919)
<b>(50,636)</b>	<b>Gross Income</b>		<b>(55,485)</b>
	<b>EXPENDITURE</b>		
	Precepts & Demands - <i>see notes 3 &amp; 4</i>		
25,002	- Lancashire County Council	25,576	
3,010	- Lancashire Police Authority	3,229	
1,372	- Lancashire Combined Fire Authority	1,429	
5,011	- Hyndburn Borough Council	5,226	35,460
	Business Rates (NNDR) - <i>see note 2</i>		
16,099	- Payments to National Pool	19,072	
52	- Interest	8	
139	- Cost of Collection	138	19,218
	Bad Debts Provisions in Year		
159	- Council Tax	287	
117	- Business Rates	700	987
	Contributions		
(62)	- Previous years surplus (deficit) distributed		(120)
<b>50899</b>	<b>Gross Expenditure</b>		<b>55,545</b>
263	(Surplus)/Deficit for the year		60
120	(Surplus)/Deficit as at 1 <sup>st</sup> April b/fwd		383
<b>383</b>	<b>(Surplus)/Deficit as at 31<sup>st</sup> March c/fwd</b>		<b>443</b>



## NOTES TO COLLECTION FUND ACCOUNTS

### 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 2008/09, 46.2p in the pound or 45.8p 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 £50.841m (at end of year 2007/08 it was £50.954m).

### 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 2008/09 was 23,746. This estimated number of dwellings was calculated as follows, and set by the Council at its meeting on 4<sup>th</sup> December, 2007.

Band	Number of Dwellings	Discount	Factor	Band D Equivalent whole nos
AA *	20	1	5/9	11
A	20129	2607	6/9	11681
B	5028	445	7/9	3564
C	5438	356	8/9	4517
D	2709	130	9/9	2579
E	882	46	11/9	1021
F	257	15	13/9	349
G	168	16	15/9	253
H	6	1	18/9	10
Total				23985
Collection Rate				99%
<b>Tax Base</b>				<b>23746</b>

\* Band A disabled relief number

### 4. 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.

# **Annual Governance Statement 2008/2009**

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# **Annual Governance Statement 2008/2009**

## **Introduction**

1. Governance is about how the Council ensures it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. It comprises systems, processes, cultures and values by which the Council is directed and controlled and through which it accounts to, engages with and, where appropriate, leads the community.
2. CIPFA<sup>3</sup>/SOLACE<sup>4</sup> has produced a new governance framework. It is an integrated system that brings together an underlying set of legislative requirements, governance principles and management processes. The governance framework produced by CIPFA/SOLACE remains a discretionary code and is offered to local authorities as good practice.
3. In England, the preparation and publication of an Annual Governance Statement in accordance with the CIPFA/SOLACE framework is necessary to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit Regulations (Amendment)(England) 2006 for authorities to prepare a statement on internal control in accordance with 'proper practices'.
4. To comply with this requirement, the Annual Governance Statement is produced in accordance with guidance provided by CIPFA.

## **Policy Statement**

In conducting its business, Hyndburn Borough Council is fully committed to the key principles of good governance as established by the Nolan Committee on Standards in Public Life. These key principles are:-

- A clear definition of the body's purpose and desired outcomes;
- Well defined functions and responsibilities;
- An appropriate corporate culture;
- Transparent decision making;
- A strong governance team;
- Real accountability to stakeholders.

The CIPFA/SOLACE framework for good governance adapts these core principles for the local authority context.

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<sup>3</sup>Chartered Institute of Public Finance and Accountancy  
<sup>2</sup> Society of Local Authority Chief Executives

## **The Six Core Principles of Good Governance**

The six core principles of good governance as recognised by the CIPFA/SOLACE framework are as follows:-

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

## **The Council's Corporate Governance Arrangements**

The Council takes its corporate governance arrangements seriously and as a result has put in place a rigorous process of reviewing the arrangements on a regular basis. The process of review is as follows:-

- **Management Team**

The Council's Corporate Management Team comprises the Managing Director, Deputy Managing Director, and the two service Executive Directors.

From a governance perspective, the role of Corporate Management Team (CMT) is to review the Council's governance and risk management arrangements. In particular, CMT undertakes a half yearly (in May and November of each year) detailed review of the Strategic and Operational Risk Registers.

- **The Cabinet**

The Cabinet has primary responsibility for the Council's governance and risk management arrangements and that includes reviewing such arrangements. Where necessary the Cabinet will make recommendations to the Council on the governance and risk management arrangements. The Cabinet is responsible for delivering identifiable, accountable, corporate leadership for the Council and the community it serves.

- **The Audit Committee**

The Audit Committee will review annually the effectiveness of the Council's corporate governance and risk management arrangements and will, where necessary, make recommendations to the Council and the Cabinet on any issues arising.

- **The Council**

The Full Council has a responsibility to act upon the recommendations made by the Cabinet or the Audit Committee in relation to the Council's policy on corporate governance and risk management. This will be subject to recommendations being made by the Cabinet and/or the Audit Committee but will, at the very least, occur at least once a year when the policies on corporate governance and risk management are reviewed following review by the Audit Committee.

- **Overview and Scrutiny Committee**

The Council's Overview and Scrutiny Committee(s) assist the Council and Cabinet in the development of its Budget and Policy Framework by in-depth analysis of policy issues. Specific Procedure Rules are in place within the Constitution to govern these arrangements and ensure an appropriate and full role is played in the corporate governance of the Council by Overview & Scrutiny.

- **Standards Committee**

The Council's Standards Committee promotes and maintains high standards of conduct by members, co-opted members and officers of the Council and Altham Parish Council, and has responsibility for monitoring and advising on revisions to the Council's Constitution, codes of conduct, complaints, ethical matters etc

A full review to assess the effectiveness and operation of the governance arrangements, internal control, and risk management procedures has been undertaken during the year of account. This informs the basis of the Annual Governance Statement which is supported by evidence gathered through the following review procedure.

## **The Annual Governance Review**

The Annual Governance Statement evidences through eight key steps Hyndburn Borough Council's compliance with statutory requirements, and the CIPFA/SOLACE framework, in accordance with guidance provided by CIPFA, by:

1. Establishment of the Council's corporate governance arrangements, principal statutory obligations and organisational objectives, applying the CIPFA/SOLACE core principles at all times.
2. Identification of the principle risks to achievement of its strategies and objectives.

3. Identification and evaluation of the key controls to manage principal risks.
4. Obtaining assurances on effectiveness of key controls.
5. Evaluation of assurances and identification of gaps in controls/assurances.
6. Preparation of an action plan to address weaknesses and ensure continuous improvement of the system of corporate governance.
7. Production of the Annual Governance Statement.
8. Reporting to Audit Committee and Council.

**Step 1: Establishment of the Council's corporate governance arrangements, principal statutory obligations and organisational objectives:**

The Council has adopted a "Local Code of Corporate Governance", in accordance with the CIPFA/SOLACE Framework for Corporate Governance, which incorporates a comprehensive and up to date Constitution. This sets out how the Council operates, how decisions are made, and the procedures which are followed to ensure that these are transparent and accountable to local people.

It includes:

- Articles of the Constitution – principal arrangements,
- Responsibility for Functions - terms of reference and scheme of delegation,
- Rules of procedure for Council, Executive and other key areas,
- Codes and Protocols for Council, members and officers,
- Members' Allowances Scheme.

In addition, the Council has in place Procedure Rules to help ensure that records of decisions and the deliberations of Committees are recorded and made publicly available. Agendas, reports and minutes can be found on the Council's website [www.hyndburnbc.gov.uk](http://www.hyndburnbc.gov.uk). A Forward Plan is published on a monthly basis (this can also be found on the Council's website), and this provides information to the public on the key decisions the Council, through the Cabinet or Officers, is due to take and provide an opportunity for involvement, and consultation in the democratic decision making process and allow the Cabinet to be held to account. Meetings are open to the public except where personal or confidential matters are being disclosed.

During 2008/09 full reviews and updates of the Council's Contracts Procedure Rules, Members Allowances Scheme, Complaints Policy and Local Code of Corporate Governance have been completed.

A review of the Council's governance arrangements has also been undertaken in order to meet the requirements of producing an Annual Governance Statement (AGS) in accordance with the statutory requirement set out in Regulation 4(2) of the Accounts and Audit Regulations (Amendment) (England) 2006. The AGS is submitted annually to the Council's Audit Committee in June.

Constitutionally and in related practice, the Council has set out a clear statement of the respective roles and responsibilities of the executive (Cabinet) and of the executive's members individually and the Council's approach towards putting this into practice. Respective roles and responsibilities of other authority members, members generally and senior officers have been defined within the Constitution, the terms of reference for Council, Cabinet and committees. HBC has a remit for each Cabinet Portfolio and a Civic Protocol.

The Council have determined a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the Council taking account of relevant legislation, and HBC ensures that it is monitored and updated annually.

The Chief Executive (Managing Director) is responsible and accountable to the Council for all aspects of operational management through the job description and we have developed protocols to ensure that the Leader and Managing Director negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.

A chief officer (the S151 officer) – Executive Director (Resources) - is responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control, including the preparation of an Internal Audit Plan. The role is supported by robust Financial Procedure Rules within the Constitution.

The Monitoring Officer – Executive Director (Legal and Democratic Services) - is responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with. Hyndburn has a very good record covering recent years with no challenges to the legality of its actions.

In addition, senior officers of the Council can make decisions under delegated authority. The Council publishes a Forward Plan which contains details of key decisions to be made by the Council, its committees and chief officers under their delegated powers.

Heads of departments have responsibility for identifying, evaluating, communicating, complying with, and monitoring new, or changes to, legislation affecting their departments and reporting to the relevant committee the implications for the Council of such legislation.

Protocols have been developed to ensure effective communication between members and officers in their respective roles, through the Member/ Officer Relations Protocol, the Members Code of Conduct, the Employee Code of Conduct and the Code of Conduct for Planning and Licensing Functions, all of which are backed up by regular training.

The Council has decided how value for money is to be measured. It ensures that the information needed to review value for money and manage performance effectively is obtained through its performance management arrangements, its Procurement Strategy and its Gershon efficiency savings process and annual efficiency targets. The environmental impact of policies, plans and decisions are also measured.

The Council has set out the terms and conditions for remuneration of members and officers and has an effective structure for managing the process, which includes, the Management Review Committee set up to determine the remuneration of the Managing Director and Deputy Managing Director, the Members Allowances Scheme, an effective independent remuneration panel to review members remuneration, the Pay and Workforce Strategy and the Personal Development Review Process. Job Evaluation has also been successfully implemented.

Effective mechanisms exist to monitor service delivery, including through the six monthly Performance Improvement Review Clinics.

The Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders. They are clearly articulated and disseminated via the Sustainable Community Strategy 2008-18, the Lancashire Local Area Agreement 2008-11, the Corporate Strategy 2008-13, service plans, the Local Strategic Partnership, the Budget and Policy Framework Procedure Rules, the Asset Management Plan 2007-10, the Medium Term Financial Strategy (2009/10–2011/12), the Equality Strategy, and performance management arrangements.

## 2. Purpose and Vision

The Council's purpose and vision has been developed and promoted principally through its Sustainable Community Strategy 2008 – 2018, the Lancashire Local Area Agreement 2008 – 2011, the HBC Corporate Strategy 2008-2013, and Service/Business Plans.

It reviews on a regular basis the Council's vision for the local area and its impact on the Council's governance arrangements which are embodied in the Local Code of Corporate Governance.

The Council ensures that its partnerships are underpinned by a common vision of their work that is understood and agreed by all parties.

The Council has published an Annual Report to communicate the Council's activities and achievements, its financial position and performance - eg through its Annual Report 2007/08 in addition to and complementing the Statement of Accounts for 2007/08 and key summaries.

The Council has determined how the quality of service for users is to be measured, and ensures that the information needed to review service quality effectively and regularly, is available by:

- Customer satisfaction surveys and feedback,
- Service standards being in place and monitored,
- Performance Management arrangements:



- Performance Management System implemented
  - Performance Management Team meeting regularly during the year
  - Performance Improvement Review Clinics being held every six months
  - Performance information being reported to corporate management team quarterly
- Equality Strategy and Equality Impact Assessment Process

The Council has also put in place effective arrangements to identify and deal with failure in service delivery via:

- Corporate Complaints Policy and Procedures.
- Internal Audit's Annual Audit Plan and inspection reports.
- External Annual Audit and Inspection Letter.
- Scrutiny Committee Annual Workplan and "call in" arrangements

### 3. Ethical framework and culture

The Council demonstrates the values of good governance through upholding high standards of conduct and behaviour. To achieve this we:

- ensure that elected members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.
- ensure that organisational values are put into practice and are effective

The Council's leadership sets a tone for the organisation by creating a climate of openness, support and respect, and the Council's Constitution provides a framework for good governance. Ongoing training is provided for officers and members following the initial induction training sessions.

We ensure that standards of conduct expected of members and staff, and between the Council, its partners and the community are defined and communicated through codes of conduct and protocols ie we have a Code of Conduct for Members, a Code of Conduct for Employees, Planning and Licensing codes of conduct, a Joint Venture Protocol, a Member Officer Relations Protocol, a Civic Protocol, an Anti-Fraud and Corruption Strategy, an Anti-Money Laundering Policy, and a Whistleblowing Policy. The latter for example is, via the Contracts Procedure Rules updated in 2008/09, incumbent upon service & contracts managers to be drawn to the attention of tenderers / potential contractors. Furthermore, the HBC Guide to Doing Business with the Council will have at least an electronic link to that policy.

Arrangements are in place to ensure that members and employees of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders, and appropriate processes to ensure that they continue to operate in practice. These arrangements include: Financial Procedure Rules, Contracts Procedure Rules, a Code of Conduct for Members and Employees, a Register of Members Interests which is reviewed monthly, and a Register of Gifts and Hospitality which is also reviewed monthly by the Executive Director (Legal and Democratic Services). There is ongoing member and officer related training.

We develop and maintain shared values including leadership values for both the organisation and staff, reflecting public expectations, and communicate these with members, staff, the community, and partners. These values include: a Code of Conduct for Members, a Code of Conduct for Employees, a Member Officer Relations Protocol, and there are ongoing member and officer development programmes.

We have put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice. Such arrangements are embodied in: the Council's Constitution, including Procedure Rules and Codes of Conduct, including the codes of conduct for planning and licensing functions, the Anti-Fraud and Corruption Strategy, the Anti-Money Laundering Policy, the Whistleblowing Policy, the Complaints Policy and Procedures, and new procedures developed for dealing with complaints of breach of the member code of conduct, and the Local Code of Corporate Governance.

An effective Standards Committee (ie chaired by an Independent Chairman), and its Sub-Committees, has been developed and maintained, for which the terms of reference are included in the Constitution. The composition and role of the Standards Committee meets statutory requirements and training is provided annually for this Committee. It also has a strong track record in its work.

The Council's shared values are used to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Council, by the respective use of standard formats/templates for reports to Cabinet, Council, committees and Corporate Management Team.

In pursuing the vision of a partnership a set of values have been agreed, against which decision making and actions can be judged. Such values have been demonstrated by partners' behaviour both individually and collectively. The Partnership Governance Arrangements are the subject of a current review, and the Joint Venture Protocol also covers these issues.

The Council provides quarterly and annual returns to the Standards Board for England (supplying information on progress with local assessment of any potential breaches of the code of conduct for members, and ethical governance arrangements).

An effective scrutiny function has been developed and maintained through the Overview & Scrutiny Committee which monitors the work of 2 Overview & Scrutiny Sub Committees (Resources, and Communities & Wellbeing), which, by their terms of reference, work plans, annual and ad hoc reports encourage constructive challenge and enhance the Council's performance overall.

The Resources Overview & Scrutiny Committee monitors the performance of Council services and makes suggestions for service improvements. It monitors the Council's budgetary position throughout the year and advises in respect of possible efficiency savings and steps required to address any budget deficit. It also monitors and oversees Service Delivery and Improvements, the Comprehensive Performance Assessment (and its successor) process and development, and assists with the development and review of Council policies and services, including those delivered in partnership.

The Community and Wellbeing Overview & Scrutiny Committee monitors the implementation of the Council's sustainable community strategy targets and objectives, community safety policies and strategies, the development of sustainable communities and the external public service providers including those who provide health services. The committee assists with the development and review of Council policies and services in those areas.

There are no Cabinet Members allowed on Overview & Scrutiny or Standards Committee, but Cabinet Members attend Overview and Scrutiny when called by these Committees to answer questions relating to their areas of responsibilities.

All Councillors are invited to attend Overview & Scrutiny meetings and are allowed to ask questions at the discretion of the Chair of the meeting.

The February 2008 CPA Report stated that; "Scrutiny is developing well, with examples of positive impact", and "The Council has an effective scrutiny process. It is well regarded and valued across the Council and is free from political influences. It receives good officer support which has enabled it to develop capacity to carry out meaningful and effective reviews which challenge the Council's performance".

Decision Making - there are open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based through the minutes of the meetings, which include a decision for each item considered and a reason for the decision.

The Council has developed and maintains an effective Audit Committee which is independent of the Executive and scrutiny functions and has appropriate arrangements for the discharge of its functions, through its terms of reference which are modelled on the CIPFA Code of Practice.

Audit reports from the Council's External Auditors are received by the Corporate Management Team, as well as the Cabinet and the Audit Committee. The External Auditors have free access to Members and present their major reports and summaries of their views on the Council directly to Members.

Arrangements are in place to safeguard members and employees against conflicts of interest and appropriate processes to ensure that they continue to operate in practice, through the Code of Conduct for Members, the Code of Conduct for Employees, the Register of Members' Interests, the Register of Gifts and Hospitality, and the Joint Venture Protocol.

The Corporate Complaints Policy and Procedure, and the Whistleblowing Policy and Procedures, each ensure that effective, transparent and accessible arrangements are in place for dealing with complaints.

Council decision makers are provided with information that is fit for the purpose, relevant, timely and gives clear explanations of technical issues and their implications, due to the use of standard formats for reports to Council, Cabinet and committees, and by ensuring that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making, and used appropriately.

Risk management is embedded into the culture of the Council, with members and managers at all levels recognising that risk management is part of their job.

Arrangements are in place for whistle-blowing to which staff, and all those contracting with the Council, have access.

The Council actively recognises the limits of lawful activity placed on it by, for example, the ultra vires doctrine but also strives to utilise powers to the full benefit of the community. The Constitution and the roles of the Monitoring Officer and the S151 Officer are central to this issue and the legal and financial officers attend Corporate Management Team, Council, Cabinet and committees. The Council recognises the limits of lawful action and observes both the specific requirements of legislation and the general responsibilities placed on local authorities by public law. It also observes all specific legislative requirements placed upon it, as well as the requirements of general law, and in particular integrates the key principles of good administrative law – rationality, legality and natural justice – into its procedures and decision making processes.

In addition to providing induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis the Council ensures that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council, by the use of Member and Officer induction programmes, service manager briefings, the Organisational Development Strategy, the Personal Development Review process, and ongoing continuing professional development training. For example, during the year the Executive Director (Legal & Democratic Services) has delivered Code of Conduct training to Members, and presented a reminder / update session at a special meeting of Service Managers on Council Constitution requirements and changes.

Skills are developed on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed. In assessing the skills required by members and officers the Council has made a commitment to develop those skills to enable roles to be carried out effectively through the annual Members Development Programme and member personal development plans, the annual Employees appraisal process and personal development plans and the annual Training and Development Plan. We are past winners of the Municipal Journal's prize for Member Development and have continued to build upon this success with Councillors undertaking an IDeA certificate in their role in the community, and the Council providing mentoring to other councils in effective leadership. This is evidenced by the retention in November 2008 of the Council's Investors in People Award.

Effective arrangements are in place for reviewing the performance of the executive (Cabinet) as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs. Individuals and teams from all sections of the community are encouraged to engage with, contribute to and participate in the work of the Council, and career structures are in place for members and officers to encourage participation and development through feedback, the Communication Strategy, Area Councils' community involvement and engagement strategy and toolkit, the Equality Impact Assessment Process, Pre-Cabinet review of new policies by Scrutiny, Programme/Project approach, the Data Quality Strategy and Action Plan, and training plans.

In order to engage with local people and other stakeholders to ensure robust public accountability, we make it clear to whom we are accountable and for what. We consider those institutional stakeholders to whom we are accountable and assess the effectiveness of the relationships and make changes where required. Evidence to support this can be found in the Sustainable Community Strategy 2008-18, the Lancashire Local Area Agreement 2008-11, the Corporate Strategy 2008-13, Service Plans, the Local Strategic Partnership, the ongoing review of partnership governance, the use of the Council's website and Civic Newspaper "The Beacon", and the production of the annual report on the activity of the overview and scrutiny function.

We ensure that clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements to ensure that we operate effectively. We hold meetings in public unless there are good reasons for confidentiality, and ensure that arrangements are in place to enable the Council to engage with all sections of the community effectively. These arrangements recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands. Examples of these are the establishment of Area Councils, Citizens' Panel, and the Customer Contact Centre.

We have established a clear policy on the types of issues we will meaningfully consult on or engage with the public and service users about, including a feedback mechanism for those consultees to demonstrate what has changed as a result. We use the Communication Strategy, the Consultation Strategy, and the website for customers to "have your say", consult on the budget process, and publish an Annual Report, and the Statement of Accounts.

On an annual basis we publish a Performance Plan, giving information on the Council's vision, strategy, plans and financial statements as well as information about our outcomes, achievements and the satisfaction of service users in the previous period via the Annual Report, Statement of Accounts and Annual Business/Service Plans.

HBC ensures that the Council as a whole is open and accessible to the community, service users and our staff and that we have made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so. Evidence of this can be found in the Access to Information Procedure Rules, the Freedom of Information Guidance on the website and ongoing staff training, the Complaints Policy and Procedures, the Customer Contact Centre, the Equality Standard, and Equality Impact Assessment process, and through Area Councils' involvement and participation.

HBC has developed and maintains a clear policy on how staff and their representatives are consulted and involved in decision making, including through the JNCC, the Council's quarterly publication 'Hyndsight', the annual staff survey/Times Best Council survey, regular team briefings, and the regular 'Newsround' process.

HBC publishes annually with the Council's annual Statement of Accounts an annual governance statement (ie this document), which sets out the principles of good governance to which this Council is committed, and the findings of the annual review of those governance arrangements, together with conclusions and proposals to deal with any issues identified.

#### 4. Partnership Governance

Hyndburn has a strong record of successful partnerships delivering outcomes which meet the requirements of the local communities.

To achieve this we have been able to:

- exercise appropriate leadership in the community which effectively engages with local people, partnerships and other stakeholders and develops constructive accountable relationships.
- take an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning.
- make clear to whom we are accountable and for what.
- consider those institutional stakeholders to whom we are accountable and assess the effectiveness of the relationships and any changes required.
- ensure that clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements to ensure that we operate effectively.
- ensure that the Council as a whole is open and accessible to the community, and that we have made a commitment to openness and transparency in all partnership dealings, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.

When working in partnership we ensure that members are clear about their roles and responsibilities, both individually and collectively in relation to the partnership and to the Council. We also ensure that there is clarity about the legal status of the partnership, and that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions. A Joint Venture Protocol is in place and Partnership Governance Arrangements are the subject of an ongoing review. All HBC partnerships relate to the agreed Corporate Strategy priorities and embody, and uphold, proper conduct, funding and monitoring arrangements.

Appointments of Hyndburn councillor members to outside bodies, including any boards of external partners / arrangements, are approved at the Annual Meeting of the full Council.

## **Step 2: Identification of the principal risks:**

A fundamental aspect of the Control Environment is Risk Management. The Council is committed to establishing and maintaining a framework and culture that ensures effective Risk Management is an integral part of all the Council's activities. This will contribute to the successful management of the Council's corporate objectives and support its strategic direction through informed decision making.

Effective risk management forms one of the six core principles of the Council's Code of Corporate Governance. The Council's risk management policy and framework was adopted by Cabinet in April 2003. The policy and framework is reviewed annually with significant changes being approved by Cabinet following consultation with Audit Committee and Corporate Management Team.

Supporting the corporate approach to risk management the Council maintains three separate and complementary Risk Registers covering strategic, generic and operational. Structuring the registers in this way ensures there is clear understanding of the main risks that the council faces and how those risks are being managed.

The review of the Council's risk registers is aligned to the cycle of Audit Committee meetings ensuring the registers are reviewed at least three times each year. The outcome of each review is reported initially to Corporate Management Team and then to Audit Committee. This approach to reviewing and reporting the risk registers ensures those charged with the governance of the council are kept regularly informed about the risks the council faces.

The Risk Management Policy sets out the process for assessing the likelihood and impact of individual risks. To determine the effectiveness of the controls the Council has in place to manage individual risks the likelihood and impact of each risk both with and without risk controls in place are assessed. This approach ensures priority is placed on those actions that have the greatest impact on managing the risk.

Allocation of accountability for risk management is clearly defined in the Risk Management Policy. Accountability for the management of individual risks is detailed in the individual risk registers.

The council recognises that the Risk Registers are an important element of any approach to risk management but do not ensure the effective management of risk. A sound system of corporate governance exists at the Council which ensures that risks management and mitigation occurs naturally and effectively within the Council. The March 2009 Annual Audit and Inspection Letter recognises the Council's 'Financial management, service planning and performance management arrangements are good...'

Looking beyond the risk registers it is clear that Risk Management is fully embedded in the Council's procedures. HBC financial management procedures are effective at managing and mitigating financial risks. The Medium Term Financial Strategy (MTFS) identifies significant cost pressures faced by the council. In-year reviews of the MTFS ensure it remains current and that changes to the financial outlook of the Council over the medium term are communicated to Corporate Management Team and Members with appropriate action being taken.

There are necessary and strong links, to Risk Management, of the Council's Treasury Management Strategy, covering cash borrowing and cash investment, and the CIPFA Prudential Code on capital finance. As given in the UoR current (2009) self-assessment for KLOE 1.1, Financial Planning and Financial Health – section 1, a combined report on the rolling medium-term years goes to Cabinet and full Council, deliberately at the same meetings when the Capital Programme and Revenue Budget are approved, and at which a further update for the Medium Term Financial Strategy appropriately is presented - further evidencing integration of planning - inclusive of any risk assessment and management issues.

For members, an update report on the Treasury Management Strategy, together with in-year monitoring of the Prudential statements / indicators, is given to Cabinet at its October meeting.

The Council has adopted a process and culture of financial management from a FTSE100 company - incorporating the detailed rigorous monitoring of monthly spend and concentrating financial effort on a detailed forecast of spend to the end of the financial year. More detail of this approach is given in the Use of Resources self-assessment supporting KLOE 1.2 Understanding Costs and Performance, and in the self assessment for KLoE 1.3 Financial Monitoring and Reporting. HBC robust financial management processes ensure budgetary risks are managed and mitigated effectively.

A strong approach to financial and performance management ensures that risks are actively managed. Evidence of this can be seen from the fact that the authority's approach to budget and performance monitoring has ensured the Council consistently delivers on its annual objectives within budget, improves performance in areas of importance, routinely achieves efficiency gains that exceed national targets whilst at the same time strengthening the Council's financial reserves.

Risk management is embedded within the Council's Programme and Project Management arrangements.

The Council's Project Management Framework, developed from recognised best practice models, establishes the corporate approach for the effective management of projects and covers the management of project risks. Ongoing training is provided to develop project management skills and capacity across the Council and embed effective project management practices. Evidence of the effectiveness of the council's approach to project management is seen in the fact that projects as diverse as housing stock transfer, job evaluation, development of the new council headquarters and the implementation of the Government Connect framework have been, or are being, successfully delivered.



Equally effective is the Council's approach to programme management.

When developing the capital programme, project bids for consideration must include details of known risks associated with the bid. Chaired by the Executive Director (Resources) and attended by Portfolio Holder for Finance and Asset Management, the Capital Programme Working Group (CPWG) is responsible for carefully scrutinising capital bids and developing a draft capital programme via Corporate Management Team / Directors, in relation to prioritisation and firm availability of finance funding. The draft capital programme is reviewed/proposed by Cabinet before being presented to full Council for approval.

To react to any in year factors affecting the overall Capital Programme, the approval of the Executive Director (Resources) must be obtained (Approval to Start) before any expenditure can be committed on individual capital projects, including with regard to any significant changes in cost, financing and time predictions since the capital budget was approved. The CPWG acts as the programme board for the capital programme and in monitoring and reporting progress, of accountable scheme managers, to Corporate Management Team and Cabinet. This rigorous approach to the development and management of the annual capital programme has mitigated the risks associated with it and repeatedly secured its successful delivery.

The scale of Hyndburn's Housing Market Renewal (HMR) Programme is unprecedented in the history of the borough. Comprehensive risk management procedures are embedded within the management of the programme. Risk mitigation is considered at programme development stage with consideration being given to the structure and phasing of the individual projects for example to mitigate against the impact of unforeseen funding changes. Project risks are initially considered at project proposal stage and inform the programme development. Detailed monthly programme monitoring ensures programme and project risks and associated risk responses are reviewed and updated regularly. The Council and its partners have responded during the year to the unique risks arising from the economic downturn that could if not managed proactively have impacted adversely on the HMR programme.

The Council provides a comprehensive range of training and guidance to officers and members to enable them to understand risk management and manage risk effectively. This range of activity covers general risk management training to more focused training areas such as business/services continuity planning, project management and health and safety designed to manage specific types of risk effectively. Across the Council there are a number of officers with responsibility for providing generalised and specialised risk management related support and guidance; these include Head of Audit and Investigations, Corporate Performance Manager and the Safety and Emergency Planning Officer.

Partnership Working: the Council recognises and effectively manages the different types of risks partnership working presents. Partnership risks that rest with the Council are routinely managed through its internal risk management processes. For partnerships risks that rest with the partnership the Council works with its partners to ensure effective risk management is in place.

All significant partnerships have clear governance structures in place with clear plans and strategies supported by robust financial and performance management arrangements. Where appropriate, partnership arrangements are underpinned by legal agreements.

The Council's partnership arrangements with the leisure trust (Leisure in Hyndburn Ltd) is a strong example of effective partnership. The Council has successfully managed its partnership relationship with Leisure in Hyndburn during a difficult period for the leisure trust. By providing appropriate financial and managerial support the Council has assisted the Trust in continuing to operate and de-risked potential issues around its closure. During the year 2008/09 an update report on the HBC/LeisureTrust arrangements was made to the Communities and Wellbeing Overview and Scrutiny Committee.

The Council also uses Partnerships to manage risks. The appointment of a preferred development partner to help deliver Hyndburn's HMR objectives illustrates how we have established a partnership that transfers development risks to an organisation more able to manage the risks effectively.

Further examples of positive outcomes achieved through good risk management that the Council can evidence include significant savings achieved on insurance premiums in 2008/09, reduction in the cost of lost time accidents and first aid cases each year for the last years, successful delivery of a range of innovative projects, and improved organisational reputation evidenced by 4 years of continuous improvement in the amount of positive media coverage given to the Council.

### **The System of Internal Control**

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

The Council has always had a strong system of internal control and to further strengthen the control environment, in line with recommended Best Practice the Council has an established Audit Committee; the main responsibilities being:

- To consider the reports of Internal Audit, External Audit and inspection agencies
- To consider the effectiveness of the Council's risk management arrangements and control environment.
- To satisfy itself that the Council's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions to improve it.

## **The Internal Control Environment:**

The Council's control environment comprises the authority's policies, procedures and operations in place to:

- Establish and monitor the achievement of the Council's objectives;
- Identify, assess and manage risks to achieving the Council's objectives;
- Facilitate policy and decision-making;
- Ensure the economical, effective and efficient use of resources;
- Ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations;
- Safeguard the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption; and,
- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

The key elements of the Council's internal control environment are described below.

The Council adopted a Risk Management Strategy and Strategic Risks Policy in April 2003. Operational Risks were added in July 2003. The addition of the process for ongoing monitoring, review, addition, deletion and amendment of risks was approved in September 2003. The Risk Management Strategy was reviewed in 2007 and a revised risk management definition was adopted by Cabinet on the 13<sup>th</sup> September 2007 which better reflected the current role of risk management within the council.

Three Risk Registers (Strategic, Generic and Operational) are in place and appropriate staff have been trained in the assessment, management and monitoring of risks. Management team undertake reviews aligned to Audit Committee cycles of the strategic risk register to ensure that risks are in-line with the corporate goals and objectives.

The Risk Management process is embedded into the culture of the Council. On a quarterly basis Risk Monitoring Reports are produced for inspection by the Audit Committee. The Risk Registers are updated regularly with feedback from Directors, Heads of Service and Other Senior Managers.

Improvements have been made to the format of the risk registers and the quarterly reports within the last 12 months. The Policy, Partnerships and Performance team, which is responsible for managing the quarterly review of the Risk Registers, is developing an online risk register database. This will enable full access to the risk registers for updating, reviewing and reporting and will become operational in 2009/10.

Services are delivered by trained and experienced staff. All posts have a detailed job description and person specification. Training needs are identified through the Appraisal Scheme and are recorded in an employee's work plan. Strategic training needs are defined in the Corporate Training Plan as are generic operational training needs identified in the development action plans. The Corporate Training Plan is produced annually in consultation with Directors, Heads of Service and other senior managers and is approved by Management Team and sent to Cabinet for information.

The Council has developed and maintains a politically balanced and effective Audit Committee, which is independent of the Executive and Scrutiny functions, and has appropriate arrangements for the discharge of its functions, through its terms of reference which are modelled on the CIPFA Code of Practice. Extensive training is provided to Audit Committee members on their roles, responsibilities and background issues. New members who join the committee also undergo training. The new Chair of the Committee for 2008/09 initiated regular pre-meetings with the Head of Audit and Investigations and the Executive Director (Resources) in order to increase the Chair's depth of knowledge and provide effective challenge in the discussions on the agenda items. The Committee's role includes consideration of: reports of internal audit, external audit, and inspection agencies; the effectiveness of the Council's risk management arrangements and control environment; the Council's assurance statements, including the Annual Governance Statement, to satisfy itself that these all properly reflect the risk environment and any actions to improve it.

The Audit Committee can demonstrate the positive impact of its work through providing effective challenge across the organisation. Whilst the Audit Committee does not formally review the work of other committees, the Overview and Scrutiny Committee includes within its workplan the scrutiny of items which have been considered by the Audit Committee.

The Council maintains an Internal Audit Section, which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'. The section is managed against a risk based Annual Audit Plan which includes all of the Council's key financial systems in its evaluation, and is resourced accordingly. Whilst the Head of Audit and Investigations is a direct report to the Executive Director (Resources), as part of the independence of HBC Internal Audit the reports are not only provided to the Section 151 Officer but are sent direct to the appropriate level of management for the area being audited. Internal Audit can report to anyone, anywhere in the authority, including Members (including of course the Audit Committee).

### **Step 3: Identification and evaluation of the key controls:**

The Council has an effective performance management framework. The System is driven by the Sustainable Community Strategy, and the Corporate Strategy 2008-13 setting out corporate priorities. The 2008 CPA report recognised 'Performance monitoring and reporting arrangements are comprehensive and effective.'

In 2005 the Performance Management Team was established, by Corporate Management Team, to strengthen the performance management culture of the Council. The Performance Management Team consists of cross-departmental senior managers with representation from each directorate. The remit of the team is to monitor key areas of performance, drive continuous performance improvement and to improve the arrangements for managing performance across the Council.

All key corporate performance indicators are monitored through the Council's performance management software PerformancePlus on a quarterly basis. Underperforming areas identified for special measures monitoring are monitored through the system on a monthly basis. Areas identified for special measures monitoring have included council tax and NNDR collection, and sickness absence. The use of the system is embedded in each Directorate. The use of PerformancePlus has been extended to service level performance management.

Innovative six monthly Performance Improvement Review Clinics, chaired by the Managing Director, have been introduced in 2008 to assist effectively in embedding the new corporate priorities, monitor performance and review service quality. Structured around the themes of Corporate Strategy the 'clinics' bring together relevant Portfolio Holders (Cabinet Member(s)), Directors and Service Managers. By considering progress against key corporate projects and performance indicators the clinics provide a holistic and shared view of progress against the corporate priorities.

Robust data quality procedures, which have been in place at the Council for a number of years, have demonstrably improved the level of data quality achieved throughout the organisation. To reinforce its commitment to data quality the Council has developed a comprehensive Data Quality Policy and Strategy. Performance Management Team has monitoring responsibility for compliance with defined data quality objectives, with quarterly review by the Policy, Partnerships and Performance Team to strengthen the links between risk management and performance management.

The financial management of the authority is conducted in accordance with the financial rules set out in Part 4 (f) of the Constitution and with Financial Regulations. A scheme of delegation is included at Part 3 of the Constitution. The Council has designated the Executive Director for Resources in accordance with Section 151 of the Local Government Act 1972.

Financial Procedure Rules are an integral part of the Council's Constitution and the means by which the Council's Section 151 officer lays down the internal controls that must be complied with to ensure the proper administration of the Council's financial affairs. Internal Audit continually reviews these internal controls and makes recommendations for changes and improvements where necessary.

The Council has continued to improve its budget monitoring and financial management, being given a level 3 (4 being the maximum) in the latest (2007-08) external Use of Resources Assessment - the main reasons leading to this improved assessment being:

- Sound budget setting, monitoring and control arrangements
- Clear Reporting of budget performance to members
- Reporting of non-financial and financial information to assist members in fully understanding budgetary performance
- Prompt and effective remedial action is taken when forecast deficits arise
- Clear lines of professional accountability to the Executive Director (Resources).

The Council produces a Medium Term Financial Strategy which looks at the financial position of the Council over a three-year period. This plan is updated as required during the year usually at least twice at the start and end of the budgetary process.

The Council is under a statutory obligation to produce an Annual Statement of Accounts. This details the Council's spending on an annual basis and is independently audited to professional standards, under a Code of Audit Practice approved by the Government.

The Council's Budget is set annually as required by legislation. Budget monitoring is undertaken on a monthly basis with Service Managers, supported by their designated Accountant. The Executive Director for Resources also monitors the Budget at a strategic level. At a corporate level, the Cabinet reviews monthly monitoring reports. Budgetary information is also submitted to Corporate Management Team.

Hyndburn has a strong record of successful partnerships delivering outcomes which meet the requirements of the local communities. To achieve this we have been able to exercise appropriate leadership in the community which effectively engages with partnerships and develops constructive accountable relationships. We have put in place monitoring arrangements to ensure that we operate effectively, by regular attendance at partnership meetings, reviews of outputs against targets/objectives and monitoring of financial reports.

Sound internal control arrangements for operating the housing and council tax benefit system throughout the year, and completion of the year-end subsidy claim form, are in place in accordance with relevant Housing Benefit regulations. Detailed procedure notes are used and staff receive refresher training to ensure up to date understanding of legislation. Reports from the HB system are audited by both Internal and External Audit to ensure that the year-end claim form is completed accurately and subsidy is maximised.

#### **Step 4: Obtaining assurances on effectiveness of key controls:**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control as part of the Annual Governance Review, which itself is reviewed by the Audit Committee. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the senior managers of the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

From the work undertaken by the Internal Audit Section during the year the Head of Audit and Investigations has reported in the Annual Audit Report 2009 that "Systems are adequate to achieve Council Objectives. The framework of control is adequate and controls are generally operating effectively".

During 2008/09 the Council updated the Local Code of Corporate Governance, with the actions being reported to Cabinet in April 2009. Examples of this work programme included the completion of updates to the Council Constitution, the Scheme of Delegation, and Various Council Procedure Rules. Suitable training has been provided on any new aspects of the Code to both Members and Officers.

#### **Step 5: Evaluation of assurances:**

The Audit Commission's Comprehensive Performance Assessment (CPA) report for 2008 assessed Hyndburn Borough Council as an EXCELLENT Council, and noted good practice in many areas, and said 'The Council has evolved over the past three years and a significant change in culture and working practices has resulted in a modern business operation where councillors and officers work well together.'

During and for 2007/08 the Council's external auditors undertook a Use of Resources Assessment which reviewed aspects of the Council's performance. The auditor's overall judgement issued in December 2008 was that the Council is performing consistently above minimum requirements, ie performing well, in ensuring value for money in its use of resources.

The Council's Direction of Travel Report in February 2009 stated that performance management arrangements are good. They are aligned with financial reporting and support the monitoring and improvement of services.

The Council's core financial systems are audited every year by both internal and external audit when the adequacy of these systems and their controls are evaluated. A comprehensive set of Financial Procedure Notes covering key financial systems is regularly reviewed and updated. All key financial systems, and feeder systems, are regularly reconciled.

The Council has business continuity plans in place for Corporate Property, and ICT, in relation to disaster recovery procedures which have been the subject of reviews during the year.

#### **Significant Internal Control Issues**

The Council identifies any significant internal control issues as those that may lead to:

- Closure of a service
- Seriously prejudicing or threatening the achievement of a principal objective of the Council
- Threaten the safety of service users or staff
- Provide significant damage to the reputation of the Council
- Significant financial imbalance requiring additional funding to be released from Reserves

The Council's position against each of these major control issues has been the subject of ongoing assessment in 2008-09, with no significant issues or required actions arising.

Other Control Issues which are not fundamental to the overall operation of the Council are identified, addressed, and managed effectively by the Council during the year.

**Step 6: Preparation of an action plan to address weaknesses and ensure continuous improvement of the system of corporate governance:**

The evaluation of assurances is followed by a number of action plans being prepared to monitor risks applicable to the achievement of the Council's objectives. Principally these will cover Generic and Operational Risks, Strategic Risks, and Audit Risks, with Action Plans being approved by Audit Committee and Corporate Management Team as appropriate.

**Step 7: Production of the Annual Governance Statement:**

The Annual Governance Statement is prepared at the end of the financial year, to review and report on the effectiveness of the arrangements during the financial year to ensure compliance with statutory requirements.

**Step 8: Reporting to Audit Committee and Council:**

The Annual Governance Statement is reported to Audit Committee in June for approval and inclusion in the Statement of Accounts for 2008/09.


**Conclusions Drawn from Annual Governance Review**

The Council's governance procedures were found to contain comprehensive systems, processes, cultures and values by which the Council is controlled, and through which it engages with the community in a timely, inclusive, open, honest and accountable manner.

No significant weaknesses were found requiring procedural changes.

Signed:   
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**Managing Director**

**Date: 8th June 2009**

Signed:   
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**Councillor Peter Britcliffe  
Leader of the Council**

**Date: 8th June 2009**



## **List of Evidence Files to Support Annual Governance Review**

### **Step 1: Establishment of the Council's corporate governance arrangements, principal statutory obligations and organisational objectives:**

#### **Step 1.1 – Effective Corporate Governance arrangements are embedded within the authority**

##### **Evidence**

- 1: Council Constitution
- 2: Executive Procedure Rules
- 3: Budget and Policy Framework Procedure Rules
- 4: Financial Procedure Rules
- 5: Contracts Procedure Rules
- 6: Local Code of Corporate Governance
- 7: Minutes of Audit Committee
- 8: CPA Report 2008

#### **Step 1.2 - Mechanism established to identify principal statutory obligations**

##### **Evidence**

- 9: Council Constitution
- 10: Scheme of Delegations
- 11: Job Descriptions of Key Officers
- 12: Structure Charts
- 13: Control of Staffing Resources
- 14: Communication Strategy – Media Protocol
  - Executive Briefing
  - News round
  - Media Releases
- 15: Corporate Induction Process

- 16: Internal Audit Report on Action Plan 2008/09  
List of Audit Reports 2008/09

**Step 1.3 – Mechanism in place to establish corporate objectives**

**Evidence**

- 17: Sustainable Community Strategy 2008 – 2018  
Corporate and Performance Plan 2004 – 2008  
Asset Management Plan 2007 – 2010  
Data Quality Policy and Strategy 2008

**Step 1.4 – Performance Management arrangements are in place**

**Evidence**

- 18: Performance Management Framework – HBC  
Performance Management Framework – LSP
- 19: Medium Term Financial Strategy
- 20: Forward Plans June 2008  
Internal Audit Service Plan 2008-2009  
Health & Safety Action Plan 2006-2008  
Asset Management Plan 2007-2010  
SRB6 Delivery Plan for 2008-2009  
Corporate Training & Organisational Development Plan & Report  
Local Strategic Partnership Plan
- 21: Council Tax and NNDR Performance Indicators  
Revenue Budgets – Monitoring Reports  
Revenue Budget Report 2008/09  
Report to Cabinet – Scrutiny of a service budget  
Self assessment of performance on National Performance Indicators  
2008-09 BVPI report to Performance Management Team and Corporate  
Management Team
- 22: Capital Monitoring Reports

**Step 2: Identification of the principal risks to achievement of its strategies and objectives:**

**Evidence**

- 23: Audit Committee Minutes approving 2008/09 Audit Plan
- 24: Risk Management Monitoring Reports to Audit Committee
- 25: ICF Review Statements from Lead Officers

26: Audit Committee Terms of Reference

**Step 3: Identification and evaluation of the key controls:**

**Evidence**

27: Prudential Indicators & Treasury Management Strategy 2008/09-2010/11

28: Authorised Signatures

29: Whistle Blowing Policy

30: Project Management Framework

31: Financial Reporting Partnership Organisations

32: Business Continuity Plan (BCP) IT back-up Disaster Recovery Policy

33: BCP Property Disaster Recovery Strategy

34: Register of Interests, Gifts and Hospitality - Members

35: Code of Conduct Employees & Members

36: Risk Management Monitoring Report

37: Procurement Strategy

38: Insurance Policies

39: Service Business Plans

40: Internal audit reports - Internal Control Framework (ICF)

41: Audit Commission Annual Audit and Inspection Letter March 2009  
External Audit – Use of Resources – November 2008

42: Health and Safety policy

43: Corporate Complaints Comments & Compliments Procedure

44: Fraud & Irregularity 2008/09  
Anti-Fraud and Corruption Strategy  
Anti-Money Laundering Policy

**Step 4: Obtaining assurances on effectiveness of key controls:**

**Evidence**

45: External Audit Report ISA 260 October 2008

46: CPA Assessment on Intranet

**Step 5: Evaluation of assurances:**

**Evidence**

47: Annual Internal Audit Report 2008/09  
IT Audit work 2008/09

**Step 6: Preparation of an action plan:**

**Evidence**

48: Audit Risk Tables & Action Plans  
Strategic Risks – March 2009  
Generic Operational Risks – March 2009  
Operational Risks – March 2009