

# **HYNDBURN BOROUGH COUNCIL**

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

**Year Ended 31<sup>st</sup> March, 2006**



**HYNDBURN**

making Hyndburn a better place to live, work and visit

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# **HYNDBURN BOROUGH COUNCIL**

## **AUDITOR'S REPORT**

### **Independent auditors' report to Hyndburn Borough Council**

We have audited the financial statements of Hyndburn Borough Council for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Collection Fund, the Housing Revenue Account, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, and the related notes.

These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Hyndburn Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority or its Members as a body, for our audit work, for this report, or for the opinions we have formed.

#### ***Respective responsibilities of the Chief Finance Officer and auditors***

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

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

We report to you our opinion as to whether the financial statements presents fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

We review whether the statement on internal control reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements.

We are not required to consider, nor have we considered, whether the Statement on Internal Control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

We read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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

We conducted our 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### ***Opinion***

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of Hyndburn Borough Council as at 31 March 2006 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 to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a Best Value Performance Plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

We are 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 us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

### **Conclusion**

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July/August 2005, in all significant respects, Hyndburn Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2006.

### **Best Value Performance Plan**

We issued our statutory report on the audit of the authority's best value performance plan for the financial year 2005/06 in December 2005. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

### **Certificate**

We certify that we 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.

*RSM Robson Rhodes LLP*

RSM Robson Rhodes LLP  
Colwyn Chambers  
19 York Street  
Manchester  
M2 3BA

27<sup>th</sup> September 2006

## **EXPLANATORY FOREWORD**

### **1. Introduction**

This publication is the Council's statement of accounts for the financial year ended 31<sup>st</sup> March 2006. 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 Responsibilities for the Statement of Accounts**  
This sets out the respective responsibilities of the Council and the Chief Finance Officer for the accounts.
- (b) **Statement on the System of Internal Control**  
This statement sets out the framework within which internal control is managed and reviewed and the main components of the system, including the arrangements for internal audit. The statement reports on any significant identified weaknesses and the actions undertaken, or being undertaken, to rectify these.
- (c) **Statement of Accounting Policies**  
This supports and explains the basis of the figures used in the accounts.
- (d) **Consolidated Revenue Account (CRA)**  
This account shows the net cost for the year of all functions for which the authority is responsible (including the Housing Revenue A/c summary transactions) and compares that cost with the money provided from charges made by the authority, income from local taxpayers and from central government. The CRA includes Services' income and expenditure as presented in summary form, consistent with the service expenditure analysis ('SEA') prescribed for total net cost of services in the Best Value accounting code of practice.
- (e) **Housing Revenue Account (HRA)**  
The main items of housing revenue spending incurred by the Council as landlord are shown in this account together with the income from rents, subsidy and other income. *'Large Scale Voluntary Transfer' was effected from 30th March, 2006 - referred to later in this Explanatory Foreword.*
- (f) **Consolidated 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.
- (g) **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.

## EXPLANATORY FOREWORD

(h) **Statement of Total Movement in Reserves**

This statement summarises all recognised gains and losses of the Council during the year, analysed between capital and revenue reserves.

(i) **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.

The whole Statement of Accounts (SOA) was presented to, and approved by, the full Council on 29th June, 2006. This was normally subject to subsequent inclusion of any necessary and agreed adjustments after that date, arising from the external audit of the accounts, as being reported to the Audit Committee on 25th September 2006.

## 2. General Fund (other than the HRA)

A summary of General Fund Services revenue account for financial year 2005/06:

	Original Budget £000	Actual Outturn £000	Variance from Budget £000
Net Expenditure	11,994	11,787	(207)
financed by:			
HBC precept on the Collection Fund	4,506	4,506	0
'Revenue Support Grant' from the Government	5,413	5,413	0
Business Rates (NNDR) share via the Govt	2,361	2,361	0
HBC Collection Fund (deficit)/surplus balance	(34)	(34)	0
	12,246	12,246	0
(Surplus)/Deficit (to)/from GF working balance	(252)	(459)	(207)

The original budget was approved by Council on 2<sup>nd</sup> March 2005.

As indicated above, the final Consolidated Revenue Account for the year reflects a General Fund net underspend of approximately £206,000. This overall favourable variance increases the budgeted £252,433 General Fund (GF) surplus for the year, leaving an actual surplus of approx. £459,000 to be contributed to the Council's GF reserves. This more than doubles the General Reserves of the Council from £300,000 at the end of 2004/05 to some £759,000 at the end of 2005/06.

Variances against budgets have been continually reported during the year to the Council's Management Team, the former Budget Panel and the Cabinet.

## **EXPLANATORY FOREWORD**

As indicated above, the in-year surplus of some £459,000 resulted in the year ending with a positive General Fund Balance of approximately £759,000. Thus, the outturn position marks a further significant improvement in the Council's overall financial management and forward position.

Despite having to face both substantial one-off events and what will be recurring impact of price increases (especially on energy / utilities costs during the year) which could not have been predicted before the start of the year, the Council has been able to absorb these events within its overall financial management. The intention remains to continue the sound and prudent management of finances, and taking appropriate in-year actions, in 2006/07 and onwards, in order to continue the Council's financial recovery and related achievements, and to sustain such improved position.

The Council's Cabinet was presented with a report on the then 2005/06 GF Revenue Account provisional final outturn at the 14th June 2006 meeting.

### **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 which appropriations are made to the consolidated revenue account 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 AA corporate bond discount rate.

Over the course of the year the size of the net pension deficit decreased from £34.9m to £34.2m. The reduction in the deficit is due to annual re-estimation of the pension fund's assets and liabilities by the Fund's Actuary in April 2006, and also updated in June 2006, reflecting increased pensions liabilities, mainly around pensioners living longer, and changes in the value of pension fund assets reflecting stock market performance. 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 19 to the Consolidated Balance Sheet. It is intended that, in due course, the reported net liability will be addressed through regular triennial reviews of the pension fund, and proposed statutory amendments to the scheme.



## **EXPLANATORY FOREWORD**

The net pensions liability of £34.2m also reflects 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. The Council are to receive quarterly from Hyndburn Homes Ltd agreed net proceeds of Right To Buy sales, under the legal agreement for transfer of the Council's housing stock and associated staff - referred to below in this Explanatory Foreword. The Council plans to fund the liability through the application of these receipts.

### **3. Housing Revenue Account**

A summary of the Housing Revenue Account (HRA) for financial year 2005/06:

	<b>Original Budget</b>	<b>Actual Outturn</b>	<b>Variance from Original Budget</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Total Expenditure	10,016	10,984	968
financed by:			
Gross Rent Income, dwellings	7,732	7,718	(14)
Government Subsidy	910	969	59
Other Income	637	633	(4)
Pensions Reserve		340	340
Transfers from Asset Management Revenue A/c	904	1,283	379
	10,183	10,943	760
(Surplus)/Deficit (to)/from Working Balance	(167)	41	208

The original budget was approved by Cabinet on 21<sup>st</sup> February 2005 and Council on 2<sup>nd</sup> March 2005.

During the course of the year, the budgeted net surplus for the year decreased by some £208,000 to a deficit of approximately £40,710. The main causes of this was increased expenditure on the repair and maintenance of void properties and, latterly, a need to increase by £141,703 the bad debts provision over the amount budgeted.

As shown within this Statement of Accounts, the in-year surplus resulted in the year ending with a positive HRA Balance of approximately £107,000.

The Council's Cabinet was presented with a report on the then 2005/06 HRA provisional final outturn at the 14th June 2006 meeting.

#### **Agreed Transfer of the Council's Housing Stock and associated Staff**

The Cabinet of the Council at its meeting on the 10<sup>th</sup> December 2003 had resolved to apply to the Office of the Deputy Prime Minister (ODPM) for permission to transfer its housing stock to a registered social landlord (RSL). After successful endorsement by a tenants' ballot in the Spring of 2005 and confirmation by the full Council on 14<sup>th</sup> June 2005 and 2<sup>nd</sup> March 2006, the transfer to a new Hyndburn Homes RSL established within the existing Contour Housing Group took place with effect from 30<sup>th</sup> March 2006.

## EXPLANATORY FOREWORD

### 4. Capital Expenditure

Capital expenditure in year 2005/06 totalled £9.971m as follows:

Scheme	Amount £'000
Council Housing	1,704
Housing Improvement Grants (incl'g Disabled Facilities)	793
Housing Market Renewal	5,906
Broadway Reconstruction	392
E-Government Initiatives	230
Area Councils' schemes	159
Play Area Refurbishment	132
Baxenden Youth Facility	97
King George V Playing Fields	88
Vehicles	84
Disabled Discrimination Act	47
Planned Asset Maintenance	42
Other Schemes	297
<b>TOTAL</b>	<b>9,971</b>

This compares to expenditure of £9.320m in 2004/05. The financing of the capital expenditure is given in note 4 to the Consolidated Balance Sheet.

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 14<sup>th</sup> June 2006 meeting, was presented with a report of 2005/06 Capital Programme final outturn.

### 5. Balance Sheet

The most significant changes, in terms of the scale of figures now reflected in the Council's consolidated balance sheet, are:

- (i) removal of HRA fixed assets and all PWLB loans, as a consequence of the 30<sup>th</sup> March 2006 Housing Stock Transfer or LSVT (Large Scale Voluntary Transfer);
- (ii) inclusion in respective Debtors and Creditors year-end figures of approximately £9m VAT arising from arranged 'VAT shelter', associated with the Housing Stock Transfer / LSVT; and

## **EXPLANATORY FOREWORD**

- (iii) negative position for Total Assets Less Liabilities, due to (i) above and the continued situation of a Net Pensions Liability of over £34m. As referred to earlier under 'Pension Costs Liabilities', the latter Net Pensions Liability continues to be reported primarily under the FRS 17; and the statutory arrangements mean that the financial position of the Council remains healthy in that regard.

### **6. Acknowledgement**

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

### **7. Further information**

If required, further information about the accounts would be available from the Chief Finance Officer, 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 in the local press.

J.V. McIntyre CPFA  
Chief Finance Officer

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

The following responsibilities are placed upon the authority and the Chief Finance 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.

Date: 27<sup>th</sup> September, 2006

Signature:



P. Britcliffe  
Leader of the Council

### **The Chief Finance Officer's Responsibilities**

As Chief Finance 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 2006.

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 2006 and its income and expenditure for the financial year 2005/06.

Date: 27<sup>th</sup> September, 2006

Signature:



J. V. McIntyre CPFA,  
Chief Finance Officer / s151 Officer

## **STATEMENT ON THE SYSTEM OF INTERNAL CONTROL**

### **1. SCOPE OF RESPONSIBILITY**

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

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

### **2. THE PURPOSE OF 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 further elements have been added to the system of internal control in 2005-06 to further strengthen the control environment, for example in line with recommended Best Practice the Council introduced an Audit Committee. The main responsibilities of the Audit Committee being

To consider the reports of 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 statement of internal control, properly reflect the risk environment and any actions to improve it

## **STATEMENT ON THE SYSTEM OF INTERNAL CONTROL**

### **3. 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 District Council has adopted a Constitution, which 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.

The Council's Executive is responsible for delivering identifiable, accountable, corporate leadership for the Council and the community it serves.

The Council's Overview and Scrutiny Committees assist the Council and Executive in the development of its budget and policy framework by in-depth analysis of policy issues. Specific procedure rules are in place within our Constitution to govern these arrangements and ensure an appropriate and full role is played in the Corporate Governance of the Council by Overview & Scrutiny.

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. A Forward Plan is published on a monthly basis to provide information to the public on the key decisions the Council is due to take and provide an opportunity for involvement, and consultation in the democratic decision-making process and allow the Executive to be held account.

## **STATEMENT ON THE SYSTEM OF INTERNAL CONTROL**

Meetings are open to the public except where personal or confidential matters are being disclosed. 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.

The District Council has adopted a “Local Code of Corporate Governance” in accordance with the CIPFA/SOLACE Framework for Corporate Governance. The local code contains appropriate monitoring and reporting procedures, and can be found on the Council’s website at [www.hyndburnbc.gov.uk](http://www.hyndburnbc.gov.uk). Examples of the policies include a scheme of officer delegation, codes of conduct and a whistle-blowing policy.

The Monitoring Officer and Chief Finance Officer in his capacity as Section 151 Officer have arrangements in place to ensure compliance with relevant procedures, laws and regulations.

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

The current system provides the Council with multiple checks on the power of the Executive and provides a strong independent system within the Council to aid it to provide effective Corporate Governance.

The Standards Committee is chaired by a person who is independent of Councillors.

The Budget Panel is a cross party working panel and there are 3 cross-party Overview & Scrutiny Committees. There are no Executive Members allowed on Overview & Scrutiny or Standards Committee.

Executive Members attend Overview and Scrutiny Panel when called by these Committees to answer questions relating to their areas of responsibilities.

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

A fundamental aspect of the Control Environment is Risk Management. The Council is committed to establishing 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.

## **STATEMENT ON THE SYSTEM OF INTERNAL CONTROL**

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.

A Risk Register is in place and appropriate staff have been trained in the assessment, management and monitoring of risks. Management team regularly review the risk management table to ensure that strategic risks are in-line with the corporate goals and objectives.

The Risk Management process is embedded into the culture of the Council. On a regular basis Risk Monitoring Reports are produced for inspection by the Audit Committee. The Risk register is constantly updated with feedback from Heads of Service and Service Managers.

However, while the Council has adopted risk management arrangements across a variety of areas, it recognises that a more consistent approach is required if it is to achieve its objective of fully embedding risk management.

Through reviews by external auditors, external agencies, Internal Audit, and its Management, the District Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty.

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 addressed by a Corporate Training Group.

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 Council has an effective performance management framework. The System is driven by the Community Strategy, Corporate Plan and Performance Plan which focuses attention on corporate priorities.

In 2005-06 a Performance Management Team was established to review performance reports and special measures issues, prior to further consideration by the Corporate Management Team and councillors. The Performance Management Team reviews the annual Best Value Performance Indicators report which compares the Council's performance against national benchmarks. The Performance Management Team consists of cross-departmental officers with a remit of improving performance management arrangements across the Council.

PerformancePlus software package was originally purchased in 2003; the Council has plans to extensively roll-out its functionality to ensure that the software tool can effectively support the Council's drive to embed performance management within the Council's organisation.



## **STATEMENT ON THE SYSTEM OF INTERNAL CONTROL**

Resourcing issues have prevented the Council implementing PerformancePlus in accordance with its original project plan. During 2005-06 the Council procured additional staff resource from Blackburn with Darwen Council to assist in the implementation of the system. The system is now being used to monitor special measure performance areas and will be used to monitor all BVPIs and Quality of Life indicators during 2006-07. To further strengthen performance management within the Council and support the development of PerformancePlus a new performance support post has been created and will be recruited in to during the summer of 2006.

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. The Council has designated the Chief Finance Officer 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 for budget monitoring and management (4 being the maximum) in the latest External Audit Use of Resources Assessment. The main reasons leading to this improved assessment being

- Good 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; and
- Prompt and effective remedial action is taken when forecast deficits arise.

The Council produces a Medium Term Financial Plan 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 Houses of Parliament.

The Council's Budget is annually updated as required by legislation. Budget monitoring is undertaken on a monthly basis with Services, supported by their designated Accountant. The Chief Finance Officer also monitors the Budget at a strategic level. At a corporate level, the Budget Panel reviews monthly monitoring reports. Budgetary information is submitted to Corporate Management Team and the Council's Executive.

## **STATEMENT ON THE SYSTEM OF INTERNAL CONTROL**

### **4. REVIEW OF EFFECTIVENESS**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. 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.

During 2005/06 the Council continued to update the Code of Corporate Governance, with the actions being reported to Cabinet, examples of this work programme included

Revised Disciplinary Policy & Procedure

Revised Redeployment Policy

Procurement Strategy

Workplace Smoking Policy

Suitable training will be provided on any new aspects of the Code to both Members and Officers.

The Audit Commission's Comprehensive Performance Assessment (CPA) for 2003 assessed Hyndburn Borough Council as a fair Council and noted good practice in many areas. The CPA score was 1 point short of placing the Council in the good category. It was also commented that, based on current plans, the Council is well placed to further improve the way it works and the services it provides to local people.

Further Direction of travel assessments in both December 2004 and December 2005 by the Audit Commission confirmed that the Council continued to make significant progress in improving many areas of its activities.

During 2005/06 the Council's External Auditors (RSM Robson Rhodes) undertook a Use of Resources Audit which reviewed the following aspects of the Council's performance including:

- Performance Management
- Best Value Performance Plan (BVPP) / Best Value Performance Indicators
- Financial Reporting and Management
- Internal control
- Value for Money

## **STATEMENT ON THE SYSTEM OF INTERNAL CONTROL**

Robson Rhodes has drawn attention to the efforts of the Council in implementing recommendations from previous audits.

Performance management arrangements were judged to be satisfactory and developing.

The Council's BVPP received an unqualified opinion and complied in all respects with the statutory requirements.

Financial management and internal control was assessed as adequate with good prospects for improvement in the areas of financial reporting and financial standing.

From the work undertaken during the year, Internal Audit has reached the opinion that there were no fundamental breakdowns of controls resulting in material discrepancy, based upon the audit areas examined and associated audit work carried out.

### **5. SIGNIFICANT INTERNAL CONTROL ISSUES**

Significant Internal Control Issues are identified 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 in 2005-06 is identified in the table below. Other Control Issues are identified and addressed during the year, but are not reported here as they are not fundamental to the overall operation of the Council. These however are managed effectively by the Council throughout the year.

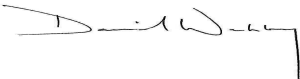
## **STATEMENT ON THE SYSTEM OF INTERNAL CONTROL**

<b>Major Control Risk</b>	<b>Council's Position 2005/06</b>
Closure of a Service	<p>There was no loss of service during the year. During the national Local Government strike on 28<sup>th</sup> March 2006 all essential services were maintained and disruption to the Public minimised. Control systems worked adequately to ensure provision of all the Council's major services.</p> <p>Work is on-going to improve Business Continuity Plans.</p>
Service Threats to Principal Objectives	<p>There were no service threats to the Council achieving its principal objectives in the year. Progress against key targets are discussed at Corporate Management Team and appropriate action taken by Strategic Directors to ensure outputs are achieved.</p> <p>As in the previous year outputs around the Elevate programme were threatened and the Managing Director took personal control to ensure the maximum outputs were achieved.</p>
Threaten the safety of service users or staff	<p>The Council operated its Health and Safety Policies adequately during the year. Workplace accidents reduced by 22%. Over 3 day reportable accidents reduced by 50%.</p>
Significant Damage to the Council's Reputation	<p>The Council continued to manage its business in a professional manner, in line with its Constitution and high standards expected from Public Servants. The Council has adequate arrangement in place to consult over significant decisions and has good liaison with the Press to ensure the accuracy of reporting of stories and employs a professional Senior Marketing and Communications Officer.</p>

**STATEMENT ON THE SYSTEM OF INTERNAL CONTROL**

Major Control Risk	Council's Position 2005/06
<p>Significant additional financial reserves required</p>	<p>The Council managed its overall finances effectively during the year. The budgeted surplus of £252k was exceeded by £207k leaving £459k to be contributed to the Council General Fund reserves. This more than doubles the General Reserves of the Council from £300,000 at the end of 2004-05 to £759,000 at the end of 2005-06.</p> <p>A further £400k contribution to the Council's General Fund reserves will be made from the Housing Revenue Account following the transfer of the Council's housing stock to Hyndburn Homes Limited.</p> <p>As in previous years while overall expenditure was contained across the Council's Budget, performance was inconsistent in achieving the original budgeted spend across a number of cost centres. No individual areas exceeded the threshold established within the Risk Plan during the year. The Council continued to improve the financial management of the Council at a cost centre level.</p>

The Council also recognises that despite the good work it has already put in place on Risk Management that it needs to further embed the risk management culture within the organisation and continue to develop skills and experience around this subject.

Signed: 

Dated: 27<sup>th</sup> September, 2006

**Managing Director**

Signed: 

Dated: 27<sup>th</sup> September, 2006

**Councillor Peter Britcliffe  
Leader of the Council**

## **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).

### **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.
- 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.

## **STATEMENT OF ACCOUNTING POLICIES**

- 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 2005/06, as part of the Council's rolling programme of required revaluations, were carried out in accordance with RICS standards as applicable by Mr A T Snape BA MRICS of the Valuation Office - an executive agency of HM Revenue & Customs. There is also a supporting covering note by Mr I Hoole MRICS, the HBC Corporate Property Manager.

## **STATEMENT OF ACCOUNTING POLICIES**

The principal valuation bases used 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. In addition, and in accordance with the former Office of the Deputy Prime Minister guidance then in force, council house valuations had been reduced by a regional adjustment factor in recognition of their status as social housing; however, those assets were transferred, from 30 March 2006, to a Hyndburn Homes company within the Contour Housing Group.
- 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 open market value on the basis of net realisable value. Investment properties are valued on the basis of open market value.

In accordance with the SORP all valuations are subject to review as part of a five year rolling revaluation programme.

### **4. Depreciation**

Depreciation is provided for on fixed assets, where appropriate, with a finite useful life. It is calculated on a straight-line method over the remaining estimated useful life of the asset, as detailed below. No depreciation is charged in financial year of acquisition.

<b>Asset</b>	<b>Period (years)</b>
Council Dwellings	30
Other Land & Buildings	30
Vehicles & Plant	2-10
Infrastructure	10
Community Assets	15-30
Non-Operational Other Land & Buildings	30

### **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 £558,459 in 2005/06 (£612,479 in 2004/05) against a capital programme spend of £9.971m in 2005/06 (5.6%).



## **STATEMENT OF ACCOUNTING POLICIES**

### **6. Deferred Charges**

Deferred charges are payments of a capital nature where no fixed asset is created. Such expenditure is primarily in relation to improvement grants, but also includes expenditure on E-Government, Leisure Trust Grant and grants given by the Area Councils.

Under the SORP, deferred charges are written off in the year of expenditure. In order to prevent such charges impacting on taxpayers, the charges are reversed out of the revenue account as an appropriation to the capital financing 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. The charge comprises a provision for depreciation (where appropriate) and a notional interest charge.

The notional interest charge used (using the rates prescribed for the financial year by CIPFA's Local Authority Accounting Panel (LAAP)) is 3.5% for those fixed assets included in the balance sheet at current value and 4.95% for infrastructure assets and community assets which are included in the balance sheet at historic cost. The charge made to the Housing Revenue Account is also 3.5%.

External interest payable is charged to the asset management revenue account, which is credited with capital charges to services. The net movement on the Asset Management Revenue Account is then treated as an appropriation to the Consolidated Revenue Account. Capital charges, therefore, have a neutral impact on the amounts required to be financed from local taxation or 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 as appropriations, on the face of the consolidated revenue account, below operating expenditure.

### **8. Leases**

Rentals paid under leasing agreements have been accrued and accounted for through the Revenue Accounts in the period to which they relate.

## **STATEMENT OF ACCOUNTING POLICIES**

### **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 14 to the Consolidated Balance Sheet.

Provision for Bad and Doubtful debts has been made in respect of Housing Revenue A/c, General Fund and Collection Fund debts. These have been netted off Debtors in the Consolidated Balance Sheet (see CBS note 10).

### **13. Reserves** (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 and, where appropriate, transfers to and from reserves have been shown in the appropriations section of the revenue account and not within service expenditure. 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 18 to the Consolidated Balance Sheet.

### **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.

## **STATEMENT OF ACCOUNTING POLICIES**

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 19 to the Consolidated Balance Sheet.

### **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 asset management account in line with the depreciation of the asset. Where an asset is not depreciated, the grant or contribution is transferred to the capital financing reserve.

### **16. Investments**

Investments are shown in the Consolidated 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 Globe joint venture company (Globe Enterprises Ltd). Further details are in note 9 to the Consolidated Balance Sheet.

### **17. Repurchase / early settlement of debt**

Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the Consolidated Revenue Account in the period during which the repurchase or early settlement is made. Where, however, the repurchase of borrowing was 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.

### **18. Accounting for Interest**

The Council accounts for interest payable in the year on an accruals basis. When the Council has entered into loan arrangements, which provide an initial discount on the standard rate of the loan, the amount paid in the year is shown in the accounts.

## **STATEMENT OF ACCOUNTING POLICIES**

### **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 distributable costs are not charged or apportioned to services and are separately classified on the Consolidated Revenue Account.

### **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.

There is the existing consolidation arrangements for accounts up to 31 March, 2006, of the Lancashire Economic Partnership (named as the East Lancashire Partnership prior to April 2005) - note 10 to the Council's Consolidated Revenue Account refers.

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.

## CONSOLIDATED REVENUE ACCOUNT

This statement shows the gross expenditure, income and net expenditure analysed by service and how it was met from the Collection Fund and the other sources of finance.

2004/05 Net £'000	Outturn and Balance	Note	Gross £'000	2005/06 Income £'000	Net £'000
1,032	Services to the Public				
	- Central Services		5,291	(3,521)	1,770
8,708	- Cultural, Environmental and Planning Services		14,006	(5,464)	8,542
914	- Highways, Roads and Transport Services		3,345	(2,527)	818
999	- Housing Services, including 'discontinued services'	1	37,175	(36,396)	779
1,576	Corporate and Democratic Core net costs		1,278	(67)	1,211
973	Non Distributed Costs		1,051	(996)	55
14,202	<b>NET COST OF SERVICES</b>		62,146	(48,971)	13,175
171	(Surplus) / Deficit on Trading Undertakings	2	3,500	(3,125)	375
(644)	Asset Management Revenue Account	5			(1,246)
1,370	Contribution to Govt Housing 'Pooled' Capital Receipts	CBS17			1,302
795	Pensions Interest Costs and Expected Return on Assets	CBS19			1,154
(81)	East Lancashire P'ship/ Lancashire Economic Partnership	CRA10			27
(117)	Interest and Investment Income				(133)
15,696	<b>NET OPERATING EXPENDITURE</b>				14,654
	<b>APPROPRIATIONS</b>				
234	Contribution to / (from) HRA Reserve				(41)
0	Contribution(s) to / (from) Earmarked HRA Reserves				0
0	Contribution(s) to / (from) Earmarked GF Reserves				356
(2,872)	Contribution to / (from) Pensions Reserve				(2,452)
27	Financing of Capital Expenditure: direct revenue finance				75
(1,370)	Transfer from Usable Capital Receipts equal to the 'pooling' figure above, before Net Operating Expenditure	CBS17			(1,302)
(1,216)	Provision for repayment of external loans (MRP, net)	CRA7			(922)
1,958	Transfer to Major Repairs Reserve				1,966
157	Govt Grants Deferred Account	5			350
81	ELP / Lancashire Economic Partnership Reserve(s)	10			(27)
(1,637)	Deferred Charges	CBS2			(870)
11,058	<b>AMOUNT TO BE MET FROM GOV'T GRANTS AND LOCAL TAXATION</b>				11,787
	<b>SOURCES OF FINANCE</b>				
(4,265)	Precept on Collection Fund				(4,506)
91	Collection Fund Transfer				34
(5,066)	Revenue Support Grant				(5,413)
(2,229)	Non-Domestic Rate Income from national pool				(2,361)
(11,469)					(12,246)
(411)	<b>GENERAL FUND (SURPLUS) / DEFICIT FOR YEAR</b>				(459)
111	Balance on General Fund brought forward 1 <sup>st</sup> April				(300)
<b>(300)</b>	<b>BALANCE ON GENERAL FUND c/fwd 31<sup>st</sup> March</b>				<b>(759)</b>

## NOTES TO CONSOLIDATED REVENUE ACCOUNT

### 1. Housing Services

The figures relating to Housing Services can be further analysed as follows:

2004/05				2005/06		
Income £'000	Exp. £'000	(Surplus) / Deficit £'000		Income £'000	Exp. £'000	(Surplus) / Deficit £'000
(24,834)	25,229	395	Housing Benefits	(25,693)	25,919	226
(1,037)	2,614	1,577	General Fund	(1,383)	2,313	930
(8,558)	7,585	(973)	Housing Services			
			Housing Revenue	(9,320)	8,943	(377)
			Account *			
<b>(34,429)</b>	<b>35,428</b>	<b>999</b>	<b>TOTAL</b>	<b>(36,396)</b>	<b>37,175</b>	<b>779</b>

\* HRA relates to HBC discontinued operations: Hsg Stock Transfer from 30<sup>th</sup> March, 2006.

Following such Large Scale Voluntary Transfer, the HRA net transactions in 2006/07 should be minimal (prior to formal termination of the HRA on or after 1 April 2007) and the Major Repairs Reserve balance will be cleared

- notes 9 & 12 to the separate Housing Revenue Account refer.

### 2. Trading Accounts

The Council operates the Covered Markets in Accrington and Great Harwood, its Industrial Estates and MOT testing station, and associated other activities, as external / internal trading accounts.

2004/05				2005/06		
Income £'000	Exp. £'000	(Surplus)/ Deficit £'000		Income £'000	Exp. £'000	(Surplus)/ Deficit £'000
(612)	797	185	Markets	(613)	838	225
(308)	634	326	Industrial Estates	(232)	531	299
(2,425)	2,085	(340)	MOT / Stores / Depot	(2,280)	2,131	(149)
<b>(3,345)</b>	<b>3,516</b>	<b>171</b>	<b>TOTAL</b>	<b>(3,125)</b>	<b>3,500</b>	<b>375</b>

## NOTES TO CONSOLIDATED REVENUE ACCOUNT

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

The Council carried out certain work on an agency basis for which it is reimbursed. The principal areas of work are:

- ◆ as Highways agent for Lancashire County Council, the Council supervised work carried out on the district's highways including general maintenance on roads and streets and general improvement schemes. The Council entered into a highways partnership agreement with Lancashire County Council on 1<sup>st</sup> July 2003 (Lancashire Highways Partnership) - and this is to be terminated 30<sup>th</sup> June, 2006, by LCC.
- ◆ The Council's contract to operate as an agent for United Utilities plc ended in 2003/04.

Total expenditure and income for the year was as follows:-

	<b>Lancashire County Council</b>	
	<b>2004/05</b>	<b>2005/06</b>
	<b>£000</b>	<b>£000</b>
Expenditure	1,956	2,263
Income	(2,095)	(2,401)
<b>Net Cost/(Surplus)</b>	<b>(139)</b>	<b>(138)</b>

The net surplus of the Agency work in financial year 2005/06 was £138,038 (2004/05 was £138,785 net surplus).

### **4. Publicity**

In accordance with the Local Government Act 1986, section 5, 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 2005/06 the authority spent a total of £49,408 on publicity; and this was mainly on advertising job vacancies, Council services and promotions and on the proposed Housing Stock Transfer. This compares with £257,083 for 2004/05.

## NOTES TO CONSOLIDATED REVENUE ACCOUNT

### 5. Transactions on the Asset Management Revenue Account

The Asset Management Revenue Account balances the external costs of using assets with the internal charges to services for the use of those assets. The account is credited with the income from charges to services for the use of assets. There are charges to the account for depreciation and the cost of external interest. The balance on the account is recorded in the Consolidated Revenue Account.

Description	2004/05 £000	2005/06 £000
<b>Income</b>		
Capital Charges		
- General Fund	(2,473)	(2,578)
- Housing Revenue Account	(4,838)	(5,117)
Grants released from Govt. Grants Deferred A/c	(157)	(350)
	(7,468)	(8,045)
<b>Expenditure</b>		
Provision for depreciation	3,860	3,760
External interest charges	2,964	3,039
	6,824	6,799
<b>Balance to Consolidated Revenue Account</b>	<b>(644)</b>	<b>(1,246)</b>

### 6. Leasing

The Council utilises assets through operating leases. The amount paid in respect of operating leases in year 2005/06 amounted to £621,787 (£714,529 in 2004/05). The amount of rentals paid in 2005/06 are in respect of the following items:

Description	2005/06 £'000
IT-related items	47
Vehicles	367
Equipment	208
Total	622



## NOTES TO CONSOLIDATED REVENUE ACCOUNT

The amounts outstanding in respect of future years is £1.576m at 31<sup>st</sup> March 2006, comprising the following elements:

Leases expiring	Land & Buildings	Other Operating Leases
	£000	£000
In financial year 2006/07	0	0
Between 2007/08 and 2011/12	0	1,058
After financial year 2012/13	0	518
<b>TOTAL</b>	<b>0</b>	<b>1,576</b>

### **7. Minimum Revenue Provision**

The Authority is required by statute to set aside a minimum revenue provision (MRP) for the redemption of external debt. The method of calculating the provision is defined by statute. The 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 an appropriation to the Consolidated Revenue Account from the Capital Financing Account.

Description	2004/05 £000	2005/06 £000
Non Housing Amount		
- 4% of Capital Financing Requirement	852	913
Less loss on Grant Commutation	(859)	(570)
<b>Total Minimum Revenue Provision</b>	<b>(7)</b>	<b>343</b>
Less amount charged as general fund depreciation	(1,209)	(1,265)
<b>Appropriation to Consolidated Revenue Account</b>	<b>(1,216)</b>	<b>(922)</b>

### **8. Employees Remuneration**

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

	2004/05	2005/06
£50,000 - £59,999	2	3
£60,000 - £69,999	0	0
£70,000 - £79,999	2	1
£80,000 - £89,999	1	2
£90,000 - £99,999	0	0
£100,000 - £109,999	1	0

## **NOTES TO CONSOLIDATED REVENUE ACCOUNT**

### **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, for Formula Grant share, the Consolidated Revenue Account.
- (b) Precepting Authorities - details of precepts in respect of Lancashire County Council and Lancashire Police Authority are shown in the Collection Fund Accounts.
- (c) Joint Venture and Joint Venture Partners - the Council acts as the accountable body for the distribution of Single Regeneration Budget (SRB), Home Office funds, Neighbourhood Renewal Funds (NRF) and European Regional Development Funds (ERDF). Details of the grants received, where material, are in the Cash Flow Statement, note 3.
- (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.

### **10. East Lancashire Partnership / Lancashire Economic Partnership**

In August 1997 the Council, together with other Councils, formed East Lancashire Partnership (ELP). From 1<sup>st</sup> April 2005, ELP became Lancashire Economic Partnership. Pending the establishment of the Partnership as a separate legal entity Hyndburn BC, acting as lead authority / employing organisation, has consolidated the Partnership's income and expenditure into the Council's accounts - and particularly the net (income) / expenditure within the Consolidated Revenue Account.

## NOTES TO CONSOLIDATED REVENUE ACCOUNT

The account of the Partnership for 2005/06 is summarised below:

2004/05				2005/06		
Income £000	Exp. £000	(Surplus)/ Deficit £000		Income £000	Exp. £000	(Surplus)/ Deficit £000
4,064	3,983	(81)	ELP / LEP	3,581	3,608	27

The figures include the impact of use of reserves in 2005/06, including a net contribution of £820 from the Partnership's general reserve, and the creation of new earmarked reserves -

Consolidated Balance Sheet note 18 refers to the earmarked reserves.

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

The Local Authority Building Control Regulations 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.

	2004/05		2005/06	
	Fee Earning £'000	Non-Fee Earning £'000	Fee Earning £'000	Non-Fee Earning £'000
<b><u>Income</u></b>				
Admin Fees	0		(3)	
Building Regulation Fees	(144)		(153)	
Sub-Total	<b>(144)</b>		<b>(156)</b>	
<b><u>Expenditure</u></b>				
Employees		320		334
Transport		22		22
Supplies & Services	0	17	0	16
Central Support	110	116	110	116
Sub-Total	<b>110</b>	<b>475</b>	<b>110</b>	<b>488</b>
(Surplus)/Deficit	(34)	475	(46)	488

## **NOTES TO CONSOLIDATED REVENUE ACCOUNT**

### **12. Members Allowances**

The Council is required to disclose the total value of members' allowances paid in the year. For year 2005/06 the total was £226,533 (for 2004/05 it was £199,849).

### **13. Audit Fees**

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

	<b>2004/05 £'000</b>	<b>2005/06 £'000</b>
Fees payable with regard to external audit services carried out by the appointed auditor	163	120
Fees payable in respect of statutory inspection	12	10
Fees payable for the certification of grant claims and returns	88	40
Fees payable in respect of other services provided by the appointed auditor	0	0
	<b>263</b>	<b>170</b>

There was a change in accounting at the Council for audit fees from the 2004/05 financial statement onwards, in order to comply with the UK generally accepted accounting practice (UK GAAP). The fees shown and included in each financial year will represent the actual fee to be charged for the audit of that financial year.

In 2003/04 and previous years, the audit fee for a particular financial year was charged to revenue accounts which, in effect, straddled two accounting periods. The charge for 2004/05 in HBC accounts for that financial year therefore included the full audit fee then estimated for 2004/05 and also charges for part of 2003/04.

For 2005/06 accounts and this disclosure note, the audit fee reflects largely the audit fee to be charged for 2005/06 financial year only (together with, in this instance, residual adjustment(s) relating to previous year's audit costs).

Audit fees charged to East Lancashire Partnership/Lancashire Economic Partnership, wholly in respect of grant claims/returns, are excluded from this table.

## HOUSING REVENUE ACCOUNT

2004/05 £000	Outturn and Balance	Note	2005/06 £000
	<b>INCOME</b>		
(7,728)	Gross Rental Income		
(98)	Dwelling rents	1	(7,718)
(494)	Non-Dwelling rents		(87)
(238)	Charges for Services & Facilities	2	(546)
0	HRA Subsidy Receivable	6	(969)
	Housing Benefit Discretionary Relief from General Fund	3	
<b>(8,558)</b>	<b>Total Income</b>		<b>(9,320)</b>
	<b>EXPENDITURE</b>		
2,009	Repairs, Maintenance & Management		
	Repairs and Maintenance		2,452
1,849	Supervision and Management		
1,074	General		2,083
51	Special		1,217
150	Rents, Rates, Taxes and Other Charges		55
2,209	Provision for Bad Debts	11	291
	Cost of Capital Charge		2,642
2,636	Depreciation of Fixed Assets		
14	Dwellings		2,481
11	Other Assets		14
	Debt Management Costs		8
<b>10,003</b>	<b>Total Expenditure</b>		<b>11,243</b>
<b>1,445</b>	<b>Net Cost of Services</b>		<b>1,923</b>
(910)	Adjusting transfer from Asset Management Revenue A/C	8	(1,283)
0	Contribution to Major Repairs Reserve		0
217	Amortised Premiums		181
(1)	Investment Income		(1)
<b>751</b>	<b>Net Operating (Income)/Expenditure</b>		<b>820</b>
	<b>Appropriations</b>		
0	Direct Revenue Finance (to Capital)		75
(677)	Transfer from Major Repairs Reserve	9	(514)
(308)	Transfer from Pensions Reserve		(340)
<b>(234)</b>	<b>(Surplus)/Deficit for the year</b>		<b>41</b>
	<b>HOUSING REVENUE ACCOUNT BALANCE</b>		
86	Balance brought forward 1 <sup>st</sup> April		(148)
(234)	(Surplus)/Deficit for the year		41
<b>(148)</b>	<b>Balance carried forward 31<sup>st</sup> March</b>	12	<b>(107)</b>

## **HOUSING REVENUE ACCOUNT**

### **NOTES**

#### **1. Rent Income**

Gross rent income for dwellings is the total income due for the year for occupied houses, garages and shops. The total rental income for 2005/2006 was £7,805,228 (£7,826,000 in 2004/2005). The sale of 46 properties during the year has had a detrimental impact upon the income received (90 in 2004/2005).

#### **2. Charges for Services and Facilities**

This represents income in respect of services or facilities provided by the Council. This includes TV aerials (£19,000), sheltered accommodation (£67,000), furnished tenancies (£30,000) and provision of the warden lifeline service and supporting people service (£430,000).

#### **3. Rent Rebates**

Assistance with rents is available under the Housing Benefit Scheme for those on low income. Approximately 66% of the Council's tenants received some help with the costs of rent. This funding is now part of the General Fund and is not shown within the Housing Revenue Account.

#### **4. Housing Stock**

The Council's stock of dwellings is shown below (see also Note 7):

	<b>2004/2005</b>	<b>2005/2006</b>
Bedsits	60	0
1 Bedroom	1,329	0
2 Bedrooms	1,171	0
3 Bedrooms	801	0
4 or more bedrooms	46	0
<b>Total stock</b>	<b>3,407</b>	<b>0</b>

#### **5. Vacant Possession**

The total vacant possession value as at 31<sup>st</sup> March 2006 is no longer applicable, due to the 30<sup>th</sup> March 2006 Housing Stock Transfer (£126.2m was the value at 31<sup>st</sup> March 2005). The vacant possession value and balance sheet value of dwellings showed the economic cost to Government of providing council houses at less than open market value.

## HOUSING REVENUE ACCOUNT

### 6. Housing Subsidy Receivable

Part VI of the Local Government and Housing Act 1989 made statutory provisions regarding the Housing Revenue Account and Housing Subsidy. The Housing Revenue Account has been prepared in accordance with the various regulations and determinations and the Subsidy calculated in accordance with the Housing Revenue Account Subsidy (Consolidation) Determination 2005/2006 as follows:-

	£000	£000
<b>EXPENDITURE</b>		
Management & Maintenance Allowance	(4,537)	
Major Repairs Allowance	(1,980)	
Charges to Capital	(2,179)	
Anti Social Behaviour	0	
		(8,696)
<b>INCOME</b>		
Interest on Receipts	1	
Guideline Rent Income	7,721	
		7,722
Adjustment in 2005/06 for year 2004/05 Housing Subsidy		5
		<b>(969)</b>

### 7. Fixed Assets and Capital Expenditure Financing

The balances on fixed assets at 31<sup>st</sup> March 2006 are as follows:

	2004/05 £000	2005/06 £000
Operational Assets		
Dwellings	74,429	0
Residents Associations	64	0
Sub-total	74,493	0
Non-Operational Assets		
Garages	336	0
Shops	93	0
Total balances	74,922	0

From 30<sup>th</sup> March 2006, the relevant fixed assets were transferred to a Hyndburn Homes company within the Contour Housing Group - after agreement by the Council and the Secretary of State.

## HOUSING REVENUE ACCOUNT

### Fixed Assets and Capital Expenditure Financing (cont'd)

The depreciation charge for the year was £2,495,085 (2004/05 £2,650,125) analysed as follows:

	2004/05 £000	2005/06 £000
Operational Assets		
Dwellings	2,636	2,481
Residents Associations	2	2
Non-Operational Assets		
Garages	9	9
Shops	3	3
	2,650	2,495

### Overall capital expenditure during the year was as follows:

	£000's
Expenditure	
Renovation of Council Houses	1,704

### The expenditure was financed in the year as follows:

Major Repairs Allowance	1,596
Grants (Housing Market Renewal)	30
Contributions	3
Direct Revenue Finance	75
	1,704

### Capital receipts during the year were as follows:

	£000's
Council House Sales	1,809
Mortgages	0
External Contributions	3
	1,812



## HOUSING REVENUE ACCOUNT

### 8. Asset Management Revenue Account

The cost of capital charge reflects the cost of capital tied up in Council housing and other HRA assets. It is calculated as 3.5% (3.5% in 2003/04) of the value of HRA assets at the start of the year.

However, this does not impact on the amount of income to be generated to achieve a balanced budget.

As in previous years, the actual charge to the HRA is its share of the total debt and financing costs of the Council.

To reflect this, the capital asset charges accounting adjustment is made as a credit to the HRA, being the difference between the cost of capital charge and the actual HRA debt charges.

	2004/05 £000	2005/06 £000
Cost of Capital Charge	(2,209)	(2,642)
External Interest Charge	1,279	1,339
Internal Interest Charge	20	20
Adjusting Transfer to HRA	(910)	(1,283)

### 9. Major Repairs Reserve

Authorities are required by the applicable Accounts and Audit Regulations, to establish and maintain the Major Repairs Reserve. The main credit to the reserve is an amount equivalent to the total depreciation charges for all HRA assets. The determination under item 8 of part 6 of the Local Government and Housing Act 1989 requires any difference between the depreciation credit on the reserve and the Major Repairs Allowance to be transferred back to the HRA. Authorities are able to charge capital expenditure directly to the reserve. The following table identifies the movement on the Major Repairs Reserve for the financial year:

2004/05 £000	Major Repairs Reserve	2005/06 £000
(92)	Brought forward at 1 <sup>st</sup> April	86
2,650	Transfer from Capital Financing A/c (depreciation)	2,495
	<b>Transfer (to)/from HRA</b>	
(14)	Depreciation on non-dwellings	(14)
(663)	(Excess)/Shortfall of depreciation on dwellings over MRA	(501)
(1,795)	Financing of Capital Expenditure	(1,596)
86	Carried forward at 31 <sup>st</sup> March (see following paragraph)	470

## HOUSING REVENUE ACCOUNT

### **Major Repairs Reserve (cont'd)**

Within the terms of the housing stock transfer agreement between the Council and Contour Housing Group's 'Hyndburn Homes', the balance on the Major Repairs Reserve (MRR) is to be passed to Hyndburn Homes Ltd provided that the Housing Revenue Account balance carried forward to the Council is at least £400,000. The final figure of MRR to be transferred to Hyndburn Homes therefore will be determined as part of the process of final and formal closure of the HRA in due course, after year 2005/06; and during 2006/07 there may be other residual adjustments, relating to 2005/06 capital expenditure accruals (any such impact is expected to be minimal and would be financed as necessary from the MRR balance before the latter is transferred to Hyndburn Homes Ltd).

### **10. Rent Arrears**

	<b>2004/05</b>	<b>2005/06</b>
	<b>£</b>	<b>£</b>
Current Tenant Arrears *	221,747	276,219
Former Tenant Arrears	396,669	380,810
Gross totals	<b>618,416</b>	<b>657,029</b>

The figures shown above are gross, before any overpayments or credits; and before the settlement due from Hyndburn Homes Ltd for Current Tenants arrears.

\* As from the transfer of the housing stock on 30<sup>th</sup> March 2006, Current Tenants arrears were taken over wholly by Hyndburn Homes as part of the transfer agreement - and for which 75% of the then net arrears are payable by the company to the Council.

The Council retained ownership of its Former Tenants arrears and continues to collect those outstanding debts.

### **11. Bad Debt Provision**

An amount of some £291,000 was set aside during the year as a provision for bad and doubtful debts. The provision has been utilised in full.

### **12. HRA Balance**

As also outlined in the Explanatory Foreword, the Housing Revenue Account balance carried forward as at 31<sup>st</sup> March 2006 is £106,788. Following the Housing Stock Transfer the HRA must remain open for a further financial year, during which there may be further relevant and residual transactions; and these are not expected to be material. In due course, and subject to specific approval by the Secretary of State, the HRA Balance as at 1<sup>st</sup> April 2007 can be transferred to the Council's General Fund reserves.

## COLLECTION FUND

2004/05 £000	Income and Expenditure Account	2005/06	
		£000	£000
	<b>INCOME</b>		
(23,760)	Income from Council Tax		(24,780)
	Transfer from General Fund		
(6,038)	- Council Tax Benefits		(6,184)
(16,167)	Income collectable from Business Ratepayers		(16,823)
<b>(45,965)</b>	<b>Gross Income</b>		<b>(47,787)</b>
	<b>EXPENDITURE</b>		
	Precepts & Demands - <i>see notes 3 &amp; 4</i>		
21,821	- Lancashire County Council	22,507	
2,370	- Lancashire Police Authority	2,551	
1,168	- Lancashire Combined Fire Authority	1,234	
4,265	- Hyndburn Borough Council	4,506	30,798
	Business Rates (NNDR) - <i>see note 2</i>		
15,703	- Payments to National Pool	16,330	
22	- Interest	11	
142	- Cost of Collection	139	16,480
	Bad Debts Provisions in Year		
621	- Council Tax	288	
301	- Business Rates	341	629
	Contributions		
(627)	- Previous years surplus (deficit) distributed		(237)
<b>45,786</b>	<b>Gross Expenditure</b>		<b>47,670</b>
(179)	(Surplus)/Deficit for the year		(117)
597	(Surplus)/Deficit as at 1 <sup>st</sup> April b/fwd		418
<b>418</b>	<b>(Surplus)/Deficit as at 31<sup>st</sup> March c/fwd</b>		<b>301</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 Consolidated 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 2005/06, 42.2p in the pound or 41.5p for small businesses); and the business rates are calculated by multiplying the rateable value of the property (as set by HM Revenue & Customs) by this multiplier. The Council's total Non-Domestic rateable value at the financial year-end was £51.460m.

### 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 2005-06 was 23,684. This estimated number of dwellings was calculated as follows, and set by the Council at its meeting on 27 January, 2005.

Band	Number of Dwellings	Discount	Factor	Band D Equivalent whole nos
AA *	18	1	5/9	9
A	20393	2658	6/9	11823
B	4894	429	7/9	3472
C	5378	328	8/9	4489
D	2633	121	9/9	2512
E	862	45	11/9	999
F	264	16	13/9	357
G	171	18	15/9	254
H	5	1	18/9	8
Total				23923
Collection Rate				99%
<b>Tax Base</b>				<b>23684</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.

## CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2006

2004/05 £'000	Consolidated Balance Sheet	Note	2005/06 £'000
	<b>LONG TERM ASSETS</b>		
108,645	Fixed Assets	<b>1</b>	32,964
646	Long Term Investments	<b>9</b>	646
1,758	Long Term Debtors	<b>7</b>	30
111,049			33,640
	<b>CURRENT ASSETS</b>		
306	Stocks & Work in progress	<b>8</b>	272
13,321	Debtors	<b>10</b>	21,325
236	Investments	<b>9</b>	1,331
0	Bank balance: cash at bank		476
8	Cash in hand		6
13,871			23,410
	<b>CURRENT LIABILITIES</b>		
(4,750)	Short Term borrowing		(3,100)
(6,485)	Creditors	<b>11</b>	(15,600)
(176)	Lancashire Economic Partnership (general)		(165)
(1,096)	Bank (overdraft)		0
(12,507)			(18,865)
<b>112,413</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>38,185</b>
	<b>LONG TERM LIABILITIES</b>		
(45,959)	Long Term borrowing	<b>12</b>	(14,688)
(12)	Deferred Capital Receipts	<b>13</b>	(12)
(20)	Provisions	<b>14</b>	(405)
0	Deferred Liabilities		0
(34,853)	Net Pensions Liability	<b>19</b>	(34,167)
(80,844)			(49,272)
<b>31,569</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>(11,087)</b>
	<b>CAPITAL ACCOUNTS &amp; RESERVES</b>		
47,432	Fixed Asset Restatement Account	<b>15</b>	(33,353)
16,203	Capital Financing Account	<b>16</b>	51,254
1,540	Govt Grants Deferred Account		1,225
435	Usable Capital Receipts Reserve	<b>17</b>	1,320
86	Major Repairs Reserve	<b>HRA 9</b>	470
	<b>NOTIONAL RESERVES</b>		
(34,853)	Notional Pensions Reserve		(34,167)
	<b>BALANCES</b>		
696	Earmarked Reserves	<b>18</b>	1,599
300	Balances - General Fund		759
148	- Housing Revenue Account		107
(418)	- Collection Fund		(301)
<b>31,569</b>	<b>TOTAL RESERVES AND BALANCES = Equity or Net Worth</b>		<b>(11,087)</b>

## NOTES TO CONSOLIDATED BALANCE SHEET

### 1. Fixed Assets

	Tangible Operational Assets					Tangible Non-Operational Assets					GRAND TOTAL £000	
	Council Dwellings £000	Other Land & Buildings £000	Vehicles/ Plant/Equip £000	Infra- structure £000	Community Assets £000	SUB TOTAL £000	Investment Properties £000	Assets under Construc't'n £000	Surplus Assets held for disposal £000	SUB TOTAL £000		
<b>Gross Book Value</b>												
Value b/f as at 01.04.05	81,727	21,239	3,047	4,389	6,447	116,849	4,857	0	0	4,857	121,706	
Additions	1,704	610	149	89	383	2,935	24	0	5,906	5,930	8,865	
Disposals	(2,860)	(60)	0	0	(7)	(2,927)	(28)	0	0	(28)	(2,955)	
Housing Stock Transfer	(78,864)	(80)	(21)	0	(14)	(78,979)	(477)	0	0	(477)	(79,456)	
Written Out	(1,707)	(1,075)	(239)	(89)	(383)	(3,493)	(24)	0	(5,906)	(5,931)	(9,424)	
Revaluations	0	882	0	0	67	949	227	0	0	227	1,176	
Re-categorised	0	0	0	0	0	0	0	0	0	0	0	
Gross Book Value as at 31.03.06	(0)	21,516	2,936	4,389	6,493	35,334	4,578	0	0	4,578	39,912	
<b>Depreciation</b>												
Accumulated Depreciation b/f as at 01.04.05	7,298	2,111	1,636	1,668	112	12,825	236	0	0	236	13,061	
Charge for year	2,481	579	174	440	37	3,711	52	0	0	52	3,763	
Disposals	0	0	0	0	0	0	0	0	0	0	0	
Housing Stock Transfer	(9,779)	(20)	(17)	0	0	(9,816)	(60)	0	0	(60)	(9,876)	
Written Out	0	0	0	0	0	0	0	0	0	0	0	
Revaluations	0	0	0	0	0	0	0	0	0	0	0	
Re-categorised	0	0	0	0	0	0	0	0	0	0	0	
Accum'd Depreciation as at 31.03.06	0	2,670	1,793	2,108	149	6,720	228	0	0	228	6,948	
<b>Net Book Value</b>												
As at 31.03.05	74,429	19,128	1,411	2,721	6,335	104,024	4,621	0	0	4,621	108,645	
As at 31.03.06	(0)	18,846	1,143	2,282	6,344	28,614	4,350	0	0	4,350	32,964	

## NOTES TO CONSOLIDATED BALANCE SHEET

### Note 1 continued

#### Large Scale Voluntary Transfer (LSVT) of Housing Stock

As referred to in the Explanatory Foreword, the transfer of the housing stock took place with effect from 30<sup>th</sup> March, 2006, to Hyndburn Homes Ltd within the Contour Housing Group.

The transfer value for the stock was calculated on rules laid out by the former ODPM. The value was unlikely to reflect the historic value of Council Houses as recorded in the Council's Accounts as the former value takes into consideration the cost of repairing and improving the stock against the future rental stream.

As the Council had a higher level of debt surrounding its Council Houses than raised under the ODPM calculation methodology, the ODPM assisted the Council by meeting the cost of any overhanging debt remaining after the transfer to the new Registered Social Landlord. The impact of the transfer on the Council's Balance Sheet has included a significant reduction in the fixed asset base of the Council (as shown in the table above in this Note) and in the amounts of loan capital exposure - the latter reduction is referred to in Note 12 below.

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 potential applicability to LAs of (c)(i), there are no values to disclose as Intangible Assets in this authority's balance sheet as at 31.03.06.

## 2. Deferred Charges

	2004/05		2005/06	
	£000	£000	£000	£000
Balance as at 1 <sup>st</sup> April		0		0
Expenditure in year:				
- Improvement Grants	1,274		793	
- Other	529	1,803	314	1,107
Less Disabled Facilities Grants Received		(166)		(237)
		1,637		870
Amounts written off to Consolidated Revenue Account		(1,637)		(870)
		<b>0</b>		<b>0</b>

## **NOTES TO CONSOLIDATED BALANCE SHEET**

### **3. Information on Assets Held**

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

<b>31<sup>st</sup> March 2005 (Nos.)</b>		<b>31<sup>st</sup> March 2006 (Nos.)</b>
3,407	Council Dwellings	0 *
8	Shops	0 *
3	Cemeteries	3
1	Crematorium	1
155	Parks & Recreation Grounds	28 **
1	Museums & Art Galleries	1
1	Theatre	1
3	Public Halls	3
3	OAP Centres	3
2	Community Centres	4
2	Markets	2
2	Leisure Centres	2
1	Athletics Tracks	1
2	Swimming Pools	2
1	Town Halls	1
9	Council Offices	4
4	Industrial Estates	4
3	Depots	3

\* Large Scale Voluntary Transfer of the housing stock, from 30 Mar' 2006.

\*\* The identification and numbers of these assets have been re-assessed and rationalised in updating, as at year 2005/06, the coverage of the Fixed Asset Register.

### **4. Sources of finance for the Capital Programme**

The capital expenditure was financed as follows:-

	<b>2004/05 £000</b>	<b>2005/06 £000</b>
<b>Capital Expenditure:</b>		
Fixed Asset Additions	7,517	8,864
Deferred Charges	1,803	1,107
<b>Total expenditure</b>	<b>9,320</b>	<b>9,971</b>
<b>Financed by:</b>		
Loan finance	1,592	2,082
Usable Capital Receipts	843	(89)
Major Repairs Allowance (HRA related)	1,795	1,596
Other Grants	5,081	6,279
Other Contributions, incl'g use of s106 moneys	40	28
Direct Revenue Finance	27	75
Movement in Capital Creditors	(58)	0
<b>Total financing</b>	<b>9,320</b>	<b>9,971</b>



## NOTES TO CONSOLIDATED BALANCE SHEET

### 5. Capital Commitments

As at 31<sup>st</sup> March 2006 the Council is contractually committed to capital payments which are estimated at £47,988 (was £203,680 as at 31<sup>st</sup> March 2005).

### 6. Finance Leases

Assets held under finance leases were for equipment and had a gross book value of £9,989 at 31<sup>st</sup> March 2006 (£9,989 at 31<sup>st</sup> March 2005). There are no outstanding obligations (no such leases with the Council as at 31<sup>st</sup> March 2006); and there is no change on the latter since the previous year.

### 7. Long Term Debtors

2004/05 £000	Description	2005/06 £000
1,727	Unamortised Premiums*	0
12	Mortgages on RTB sales	12
19	Other Housing advances	18
<b>1,758</b>	* see summary below	<b>30</b>

* Unamortised Premiums (summary of these transactions for previous table)	2005/06 £'000
<b>Opening Balance</b>	1,727
Discount Received	0
Capital Financing Charges	12
Premium Write-offs	(212)
PWLB Premia re Early Repayment of loans, on LSVT	10,987
ODPM Payment to PWLB, associated with the large scale voluntary transfer (LSVT): housing stock transfer of March 2006	(12,514)
<b>Balance carried forward</b>	<b>0</b>

The Council has not restructured any long term debt in year 2005/06.

The balance outstanding has been reduced to Nil as a result of the Housing Stock Transfer to Hyndburn Homes company (the former ODPM has repaid all outstanding premia relating to the Public Works Loan Board overhanging debt).

## NOTES TO CONSOLIDATED BALANCE SHEET

### 8. Stocks and Work in Progress

2004/05 £000		2005/06 £000
186	General Fund - Stock	56
120	WIP	218
<b>306</b>	<b>Total</b>	<b>274</b>

### 9. Investments

The investments consist of:-

2004/05 £000		2005/06 £000
	<b>Long term:</b>	
628	Globe Enterprises Limited (see note below)	628
10	ADC Debenture	10
8	Other	8
646		646
	<b>Short Term</b>	
236	Temporary Loans	1,331
<b>882</b>		<b>1,977</b>

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 £8.4 million at 31<sup>st</sup> December 2005, within Net Assets of £3m as at that latest year end - as given in the 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 leaves the Council with a net investment in Globe Enterprise Limited of £628,000.

## NOTES TO CONSOLIDATED BALANCE SHEET

### 10. Debtors

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

2004/05 £000	Description	2005/06 £000
	Amounts falling due in one year:	
2,899	Government Departments, other than HMRC	1,061
-	HM Revenue and Customs	9,704
2,247	Other Local Authorities	1,947
618	Housing Rents	-
8,695	Collection Fund	9,174
4,176	Sundry Debtors	5,399
772	Housing Benefit debtors	778
19,407		28,063
	Amount falling due after one year:	
491	Car Loans to Employees	362
19,898		28,425
(6,577)	Less Provisions for Bad and Doubtful Debts at 31 March	(7,100)
<b>13,321</b>	<b>Net Total as at 31 March</b>	<b>21,325</b>

### 11. Creditors

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

2004/05 £000	Description	2005/06 £000
(1,316)	Government Departments, other than HMRC	(553)
(379)	HM Revenue and Customs	(387)
(74)	Housing Rents (prepayments)	-
(1,773)	Collection Fund	(1,908)
(895)	Other Local Authorities	(290)
(2,048)	Sundry Creditors	(12,462)
<b>(6,485)</b>	<b>Total as at 31 March</b>	<b>(15,600)</b>

## NOTES TO CONSOLIDATED BALANCE SHEET

### 12. Long Term Borrowing

Source of Loans	Range of Interest Rates %	Outstanding at 31.3.05 £000	Outstanding at 31.3.06 £000
Public Works Loan Board **	4.38% to 13.75%	31,272	0
Money Market *	1.90% to 4.90%	14,620	14,620
Individuals	5.00%	67	68
		<b>45,959</b>	<b>14,688</b>

An analysis of loans by maturity is:-

	2004/05 £000	2005/06 £000
1-2 years	1,667	68
2-5 years	0	0
5-10 years	2,350	0
over 10 years	41,942	14,620
	<b>45,959</b>	<b>14,688</b>

\* 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.

\*\* Public Works Loan Board loans have reduced to nil as a result of the Council Housing Stock Transfer to Hyndburn Homes. The debt has been repaid by the former ODPM.

### 13. 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.

### 14. Provisions - are amounts set aside for specific future losses and liabilities that are uncertain in amount and date.

The Council maintains certain provisions which are used to provide for specific expenditure - accounting policy 12 refers.

At the 31<sup>st</sup> March 2006 the Council had the following provisions:

## NOTES TO CONSOLIDATED BALANCE SHEET

Summary	As at 1.4.05 £000	Transfers in £000	Utilised £000	As at 31.3.06 £000
Industrial Units bonds	14	0	0	14
Insurance 'Excess' provision		242	0	242
Planning liability & advance		143	0	143
Section 38 highway adoption	1	0	1	0
Others	5	1	0	6
<b>Total</b>	<b>20</b>	<b>386</b>	<b>1</b>	<b>405</b>

### **15. Fixed Asset Restatement Account**

This Account, under arrangements required for local authorities' capital accounting, represents the balance of surpluses and deficits arising from the revaluation of fixed assets. The balance is written down by the net book value of assets which are disposed of.

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

	General Fund £000	HRA £000	Total £000
Balance at 1 <sup>st</sup> April 2005	7,390	40,042	47,432
Fixed Asset valuation movements	(6,543)	(917)	(7,460)
Disposal of fixed assets	36	(73,361)	(73,325)
<b>Balance at 31<sup>st</sup> March 2006</b>	<b>883</b>	<b>(34,236)</b>	<b>(33,353)</b>

### **16. Capital Financing Account**

The Capital Financing Account (which was called the Capital Financing Reserve prior to 2004/05), under arrangements required for local authorities' capital accounting, 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 balance on the account has increased to reflect Government grant to repay debt to the PWLB as part of the LSVT.

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

## NOTES TO CONSOLIDATED BALANCE SHEET

### Capital Financing Account (cont'd)

	2004/05 £000	2005/06 £000
Balance at 1 <sup>st</sup> April	14,175	16,203
Capital receipts set aside	7	0
Capital Financing - Capital Receipts	843	(89)
- Revenue (DRF & s106)	67	103
- Major Repairs Allowance	1,795	1,596
- Other Grants & Contributions	4,821	6,356
Govt. Grant to discharge the principal element of attributable debt, associated with the LSVT		31,372
Minimum revenue provision (less total depreciation)	(3,868)	(3,417)
Less write down of deferred charges	(1,637)	(870)
Less write down of impairment	0	0
<b>Balance at 31<sup>st</sup> March</b>	<b>16,203</b>	<b>51,254</b>

### 17. 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.

Since 2004/05 there has been a new requirement, via Govt Regulations, to 'pool' (ie to pay over to the ODPM) 75% of the relevant net capital receipts (in this instance for HBC, entirely relating to Right To Buy receipts). In 2005/06 this amounted to £1,302,106.51 (£1,369,967.63 in 2004/05). A contra item for this is in the Consolidated Revenue Account, in accordance with the SORP.

	2004/05 £000	2005/06 £000
Balance at 1 <sup>st</sup> April	308	435
Capital receipts in Year	2,347	2016
Less		
- Capital Receipts applied	(843)	171
- Capital Receipts set aside	(7)	0
- Capital Receipts to ODPM ('pooled')	(1,370)	(1,302)
<b>Balance at 31<sup>st</sup> March</b>	<b>435</b>	<b>1,320</b>

## NOTES TO CONSOLIDATED BALANCE SHEET

### 18. 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.

	Balance as at 1 <sup>st</sup> Apr 2005	Payments, ie used	Receipts	Balance as at 31 <sup>st</sup> Mar 2006
	£000	£000	£000	£000
<b>General Fund:</b>				
Planning obligations under s106, Town & Country Planning Act 1990 - <i>note (a) below</i>	(587)	30	(155)	(712)
Planning Delivery Grant reserve			(356)	(356)
Other earmarked reserves( <i>note b</i> )			(430)	(430)
<b>ELP / LEP:</b>				
ELSERG (c)	(84)	84		0
Rapid Transit (d)	(25)	25		0
Northern Way (e)			(85)	(85)
ELLP (f)			(16)	(16)
<b>Total Earmarked Reserves</b>	<b>(696)</b>	<b>139</b>	<b>(1,042)</b>	<b>(1,599)</b>

- (a) At the year end all amounts received for such planning obligations were in connection with envisaged capital or revenue projects and would be required to be spent on those projects or returned to the provider. *Amounts received in yr2005/06 (approx. £143k) relating to one development are included in Provisions as particular liabilities - see note 14 to the CBS.*
- (b) Other HBC earmarked reserves of £429,887 were created by appropriate transfers within the balance sheet and/or money received, directly or indirectly related to the March 2006 housing stock transfer (Large Scale Voluntary Transfer):
- (i) environmental warranties reserve £254,098; (ii) LSVT residual costs reserve £112,720; and (iii) loans redemption reserve £63,069.
- (c) Lancashire Economic Partnership's (formerly East Lancashire Partnership's) 'East Lancashire Strategic Economic Research Group' (ELSERG) one-off project was established to undertake a baseline assessment of the East Lancashire economy and to consider options for its future development. The earmarked reserve of £84,003, created in 2004/05 to ring-fence surpluses on this project for future ELSERG activity, was utilised in full during 2005/06.

## **NOTES TO CONSOLIDATED BALANCE SHEET**

### **Earmarked Reserves (cont'd)**

- (d) LEP's (formerly ELP's) Rapid Transit project was established to improve the connectivity of different modes of transport. The earmarked reserve of £24,479, created in 2004/05 to ring-fence the contributions for any future related residual/other costs, was utilised in full during 2005/06.
- (e) The 'Northern Way' initiative was introduced by the former ODPM with a view to improving the economy of Northern cities. Central Lancashire city region was established in response; and attracted funding from key partners. Overall, funding exceeded expenditure by £85,000 during the year – this surplus is to be held as a LEP earmarked reserve for use on future City Region / Northern Way activity.
- (f) The East Lancashire Learning Partnership (ELLP) is funded predominantly by the Learning & Skills Council. Surpluses are held in a LEP earmarked reserve to ensure that use is restricted to eligible activity – the balance now totals £15,410.

### **19. Pensions liabilities and funding**

As stated in the Explanatory Forward, 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 are included in the Consolidated Revenue 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 Consolidated 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 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 actuarial review of the fund was carried out as at 31<sup>st</sup> March 2004; and the next such full review is to be as at 31<sup>st</sup> March 2007.

In calculating the authorities' (including this authority's) assets and liabilities, the fund's actuaries have to make a number of 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.



## NOTES TO CONSOLIDATED BALANCE SHEET

The following actuarial assumptions were made:

### Actuarial Assumptions

2004/05 %		2005/06 %
	<b>Financial Assumptions as at end of year</b>	
2.9	Rate of Inflation	2.9
4.65	Rate of increase in salaries	4.65
2.9	Rate of increase in pensions	2.9
5.4	Discount Rate *	4.9
	<b>Expected Rate of Return on Assets at end of year</b>	
7.5	Equities	7.0
4.7	Government Bonds	4.3
5.4	Other Bonds	4.9
6.5	Property	6.0
4.75	Cash / Liquidity	4.5
7.5	Other	7.0

\* The SORP (as applicable to 2004/05 Accounts onwards) requires local authorities to use the '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).

## NOTES TO CONSOLIDATED BALANCE SHEET

Assets in the fund are valued at fair value, principally market value for investments and consist of the following categories:

<b>2004/05</b>		<b>Value of Assets</b>	<b>2005/06</b>	
<b>£'000</b>	<b>%</b>		<b>£'000</b>	<b>%</b>
39,684	65.0	Equities	44,803	64.5
14,653	24.0	Bonds	15,977	23.0
6,717	11.0	Other	8,684	12.5
61,054	100.0	Total Value	69,464	100.0

As at 31<sup>st</sup> March 2005, the fund's actuaries estimated that the Authority had the following assets and liabilities relating to pensions payable through the fund:

<b>2004/05 £'m</b>	<b>Assets and Liabilities</b>	<b>2005/06 £'m</b>
61.0 (95.9)	Fair Value of Assets, per the previous table Estimated present value of Liabilities	69.5 (103.6)
(34.9)	Net Liability	(34.1)

## NOTES TO CONSOLIDATED BALANCE SHEET

The movement in the deficit in the scheme during 2005/06 is analysed as follows:

	2004/05 £000	2005/06 £000
<b>Deficit at 1<sup>st</sup> April</b>	<b>(18,440)</b>	<b>(34,853)</b>
<b>SERVICE EXPENDITURE</b>		
Current Service Cost	(1,903)	(2,008)
Past Service Gain / (Cost), Curtailment Gain / (Loss), excluding Settlement Gain of £2,414k	(174)	996
Less Employer Contributions	2,435	2,515
	358	1,503
<b>Pensions deficit full liability for employees to H H Ltd:</b> from £2,414k, via FRS17, to estimated £2,700k		(286)
<b>FINANCE GAINS &amp; LOSSES</b>		
Net Interest / Return on Assets	(795)	(1,154)
<b>ACTUARIAL GAINS &amp; LOSSES *</b>		
Actuarial Net Gain or (Loss)	(15,976)	623
<b>Deficit at 31<sup>st</sup> March</b>	<b>(34,853)</b>	<b>(34,167)</b>

\* The actuarial gains and losses included above for the subject financial year (2005/06) represent the extent to which actual outcomes during 2005/06 differed from the assumptions used in calculating the estimated assets and liabilities at 31<sup>st</sup> March 2005. The table below shows these changes as percentages of the respective assets and liabilities at the end of the subject financial year. The SORP requires that these figures be provided for such current year and for the previous *four* accounting periods (for 2005/06, the figures will only have been accumulated for three previous years - ie from yr2002/03 onwards).

	2002/03		2003/04		2004/05		2005/06	
	£000	%	£000	%	£000	%	£000	%
<b>History of Actuarial Gains &amp; (Losses) and percentages of Total Assets/ (Liability)</b>								
Gain / (loss) on difference between expected and actual return on assets	(14,470)	32.3	7,141	13.1	2,817	4.6	10,326	14.9
Gain / (loss) on difference between actuarial assumptions on liabilities and actual experience	0	0	0	0	(3,964)	(4.1)	(1,654)	(1.6)
Gain / (loss) on changes in demographic and financial assumptions affecting estimation of liabilities	0	0	0	0	(14,829)	(15.5)	(8,049)	(8.0)
<b>Net Total</b>	<b>(14,470)</b>		<b>7,141</b>		<b>(15,976)</b>		<b>623</b>	

## **NOTES TO CONSOLIDATED BALANCE SHEET**

### Estimated Gain to Council of £996,000 due to change in scheme benefits

Changes 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 have assumed that 50% of employees retiring after 6<sup>th</sup> April 2006 will take advantage of this change to the pension scheme. The actuaries have advised that this will reduce the value of the Hyndburn Borough Council pension liabilities by £0.996m. This is shown as a 'past service gain' in a table on the previous page; and has been included within Non Distributed Costs on the face of the Consolidated Revenue Account.

### Estimated Deficit for Council relating to employees transferred to Hyndburn Homes

As referred to in the Explanatory Foreword, there 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 Hyndburn Homes Ltd. This deficit has been estimated initially at £2,700,000 by the Lancashire County Council pension scheme actuary (Mercer Human Resource Consulting) as an assessment of the "share of deficit" in respect of the transferring staff which has been retained by HBC under the Fund.

A final assessment of the deficit is to be provided by the LCC pension scheme actuary by or after the next Triennial Valuation of the pension fund (ie, as at 31<sup>st</sup> March 2007). In the meantime, from April 2006 and in effect under the above-mentioned agreement, the deficit will start to reduce by payments over to LCC, upon or after receipt(s) by HBC from Hyndburn Homes Ltd of agreed net proceeds of 'RTB' sales.

### Net Pensions Liability as at 31<sup>st</sup> March 2006

The £34.167m 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 2006 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 2006 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, carried out at 31<sup>st</sup> March 2004.

From the respective tables, it can be seen that the change from an estimated net liability of £34.853m at 31<sup>st</sup> March 2005 to the estimated net liability of £34.167m at 31<sup>st</sup> March 2006 (ie decrease of approximately £0.7m) relates to net impact of:

- (a) the increase of £8.4m in the value of the fund's investment assets; and
- (b) the increase of £7.7m in present value of liabilities, inclusive of the estimated deficit attributable to employees transferred from the Council as part of the LSVT.

## **NOTES TO CONSOLIDATED BALANCE SHEET**

### **20. The European Single Currency**

At 31<sup>st</sup> March 2006 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.

### **21. Contingent Liabilities**

At the 31<sup>st</sup> March 2006 the Council had no contingent liabilities.

**STATEMENT OF TOTAL MOVEMENTS IN RESERVES**  
**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2006**

	Capital accounts & reserve(s)					Notional Reserve	Other Reserves			TOTAL Net Worth per CBS ** £'000
	Fixed Asset Restatement Account	Capital Financing Account	Usable Capital Receipts	Govt. Grants Deferred Account	Major Repairs Reserve ***	Pensions Reserve	General Fund	Specific Reserves *	HRA	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Balances as at 1/4/05</b>	<b>47,432</b>	<b>16,203</b>	<b>435</b>	<b>1,540</b>	<b>86</b>	<b>(34,853)</b>	<b>300</b>	<b>278</b>	<b>148</b>	<b>31,569</b>
Net surplus / (deficit) for year	0	(4,287)	0	(315)	384	686	459	1,020	(41)	(2,094)
Revaluation of fixed assets	(7,460)	0	0	0	0	0	0	0	0	(7,460)
Disposal of fixed assets	(73,325)	0	714	0	0	0	0	0	0	(72,611)
Financing of fixed assets	0	7,966	171	0	0	0	0	0	0	8,137
LSVT Grant, debt principal	0	31,372	0	0	0	0	0	0	0	31,372
<b>Balances as at 31/3/06</b>	<b>(33,353)</b>	<b>51,254</b>	<b>1,320</b>	<b>1,225</b>	<b>470</b>	<b>(34,167)</b>	<b>759</b>	<b>1,298</b>	<b>107</b>	<b>(11,087)</b>

\* 'Specific Reserves' in this table comprise the Earmarked Reserves and the Collection Fund Balance.

\*\* A further analysis of particular accounts and reserves can be found in the respective notes to the Consolidated Balance Sheet (CBS) :-

- Fixed Asset Restatement Account - Note 15
- Capital Financing Account - Note 16
- Usable Capital Receipts Reserve - Note 17
- Earmarked Reserves - Note 18
- Pensions Notional Reserve - Note 19

\*\*\* Further analysis of the Major Repairs Reserve movements is tabled within Note 9 to the Housing Revenue Account.

## CASH FLOW STATEMENT

2004/05 £000	Description	2005/06		
		£000	£000	£000
	<b>REVENUE ACTIVITIES</b>			
	<b>CASH OUTFLOWS</b>			
17,047	Cash paid to and on behalf of employees	17,479		
24,824	Precepts paid	26,088		
16,042	National non-domestic rate payments to national pool	16,542		
11,947	Housing Benefit paid out	12,312		
1,271	Payments to the Capital Receipts Pool	1,093		
11,497	Other operating payments	10,972		
82,628			84,486	
	<b>CASH INFLOWS</b>			
(2,520)	Rents (after rebates)	(3,081)		
(24,030)	Council Tax receipts	(24,991)		
0	Community Charge receipts	0		
(16,871)	Non-domestic rate receipts	(17,013)		
(2,229)	National non-domestic rate receipts from national pool	(2,361)		
(5,066)	Revenue Support Grant	(5,413)		
(11,663)	DWP grants for housing benefit paid out	(12,116)		
(18,128)	Other government grants	(17,828)		
(6,296)	Cash received for goods and services	(8,205)		
(86,803)			(91,008)	
(4,175)				(6,522)
	<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
	<b>CASH OUTFLOWS</b>			
2,891	Interest paid	3,053		
2,891			3,053	
	<b>CASH INFLOWS</b>			
(99)	Interest received	(135)		
(99)			(135)	
2,792				2,918
	<b>CAPITAL ACTIVITIES</b>			
	<b>CASH OUTFLOWS</b>			
7,359	Purchase of fixed assets	8,753		
1,803	Capital Grants	1,107		
9,162			9,860	
	<b>CASH INFLOWS</b>			
(2,347)	Sale of fixed assets	(2,016)		
(5,019)	Capital Grants received	(6,780)		
(89)	Other Capital cash payments/income	(84)		
(7,455)			(8,880)	
1,707				980
324	<b>NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING</b>			(2,624)
	<b>MANAGEMENT OF LIQUID RESOURCES</b>			
(60)	Net (increase)/decrease in short term deposits			1,095
	<b>FINANCING</b>			
	<b>CASH OUTFLOWS</b>			
1,110	Net decrease in temporary borrowings	19,100		
6,920	Repayments of long term loans	1,600		
8,030			20,700	
	<b>CASH INFLOWS</b>			
(8,520)	New long term loans raised	(4,891)		
0	Net increase in temporary borrowings	(15,850)		
(8,520)			(20,741)	
(490)				(41)
(226)	(Increase)/decrease in cash and cash equivalents			(1,570)

## NOTES TO CASH FLOW STATEMENT

### 1. Movement in Cash and Cash Equivalents

Movement In 2004/05 £000		Balance 1.4.05 £000	Balance 31.3.06 £000	Movement in 2005/06 £000
0	Cash in hand	8	6	(2)
226	Bank balance / (overdraft)	(1,096)	476	1,572
<b>226</b>		<b>(1,088)</b>	<b>482</b>	<b>1,570</b>

### 2. Reconciliation of General Fund Surplus to Net Cash Flow

2004/05 £000	Description	2005/06 £000    £000	
(411)	(Surplus)/deficit as per Consolidated Revenue Account		(459)
	<b>Non-Cash Transactions in Revenue Account:</b>		
(241)	Amortisation of premiums	(212)	
7	Minimum revenue provision (net of commutation)	(343)	
23	Other provisions	(1)	
(27)	Revenue contribution to capital outlay	(75)	
(414)	Contribution from / (to) revenue reserves	(76)	
(652)	<b>Movements in current assets / liabilities:</b>		(707)
(23)	Increase/(decrease) in Stocks	(34)	
(126)	Increase/(decrease) in Debtors	7,450	
(171)	(Increase)/decrease in Creditors	(9,854)	
(320)	<b>Items elsewhere in Cash Flow Statement:</b>		(2,438)
	Interest Received	135	
99	External Interest Paid	(3,053)	
(2,891)			
(2,792)			(2,918)
<b>(4,175)</b>	<b>REVENUE ACTIVITIES NET CASH FLOW</b>		<b>(6,522)</b>



## NOTES TO CASH FLOW STATEMENT

### 3. Analysis of Government Grants

2004/05 £000	Description	2005/06 £000
	<b>GOVERNMENT GRANTS</b>	
12,243	DWP grant for housing and council tax benefits *	12,938
1,864	European Funding (ERDF)	618
1,271	Single Regeneration Budget (SRB)	1,092
1,293	Neighbourhood Renewal Fund (NRF)	1,294
284	ODPM Housing subsidy *	969
640	ELEVATE for housing market renewal	0
134	ODPM Street wardens	60
73	Crime and disorder	157
326	Other	700
<b>18,128</b>		<b>17,828</b>

\* from 2004-05 the DWP took over responsibility for paying grant to local authorities for housing rent rebates

### 4. Movement in net debt

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

Description	2004/05 £000	2005/06 £000
(Decrease) / increase in cash	226	1,570
Net increase / (decrease) in liquid resources	(60)	1,095
Net (increase) / decrease in borrowing	(490)	32,921
<b>Movement in net debt in the year</b>	<b>(324)</b>	<b>35,586</b>
Net debt at beginning of year	(51,237)	(51,561)
Net debt at end of year	(51,561)	(15,975)
<b>Changes in net debt</b>	<b>(324)</b>	<b>35,586</b>