

# HYNDBURN BOROUGH COUNCIL

## Statement of Accounts (Audited)

Year Ended 31st March, 2012



**HYNDBURN**

The place to be  
an excellent council

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# EXPLANATORY FOREWORD

## **INTRODUCTION**

This publication contains the Council's Statement of Accounts for the year ended 31<sup>st</sup> March 2012.

These accounts provide details of the money the Council spent on delivering services and where this money came from. The accounts also show the Council's financial performance and financial position for the year.

## **STEWARDSHIP OF PUBLIC MONEY**

The accounts have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in the United Kingdom and are based on International Financial Reporting Standards.

The Council's Internal and External auditors verify the regulations are being followed and the council's accounts are subject to scrutiny by its elected councillors and External auditors.

## **CONTENTS OF THE ACCOUNTS**

The different parts of the accounts and their purposes are set out below:

### **Annual Governance Statement**

This sets out key elements of the Council's governance framework, provides a review of its effectiveness and sets out plans for future development.

### **Independent Auditor's Report**

The report sets out the External Auditor's opinion on whether the accounts present a true and fair view of the financial performance and position of the authority and whether the authority has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

### **Statement of Responsibilities**

This sets out the responsibilities of the Council and its Chief Financial Officer in relation to the Statement of Accounts.

### **Movement in Reserves Statement**

The Movement in Reserves Statement (MiRS) is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year. It does this by analysing:

- The increase or decrease in the net worth of the Council as a result of incurring expenses and generating income
- The increase or decrease in the net worth of the Council as a result of movements in the fair value of its assets
- Movements between reserves to increase or reduce the resources available to the Council according to statutory provisions

### **Comprehensive Income and Expenditure Statement**

This statement consolidates all the gains and losses experienced by the Council during the financial year. As Councils do not have equity in their Balance Sheets, these gains and losses will reconcile to the overall movement in net worth.

The statement has two sections:

- Surplus or Deficit on the Provision of Services – the increase or decrease in the net worth of the Council as a result of incurring expenses and generating income
- Other Comprehensive Income and Expenditure – shows any changes in net worth which have not been reflected in the Surplus or Deficit on the Provision of Services. Examples include the increase or decrease in the net worth of the Council as a result of movements in the fair value of its assets and actuarial gains or losses on pensions assets and liabilities.

### **Balance Sheet**

This statement sets out the financial position of the Council at year-end 31 March. In its top half it contains the assets and liabilities that it holds or has accrued with other parties. As Councils do not have equity, the bottom half is comprised of reserves that show the nature of the Council's net worth, falling into two categories:

- Usable Reserves – which include the revenue and capital resources available to meet future expenditure
- Unusable Reserves – unrealised gains and losses, particularly the revaluation of property, plant and equipment e.g. Revaluation Reserve and adjustment accounts e.g. Capital Adjustment Account.

### **Cash Flow Statement**

The Cash Flow Statement summarises the flows of cash that have taken place in and out of the Council's bank accounts over the financial year. It separates the flows into:

- Those that have occurred as a result of the Council's operations
- Those arising from the Council's investing activities (including cash flows relating to non-current assets)
- Those attributable to financing decisions

### **Collection Fund**

This account shows the income raised from council tax and business rates and how these funds are distributed to local authorities and central government.

### **CHANGES IN THE STATEMENT OF ACCOUNTS**

For the first time heritage assets are recognised in the Statement of Accounts. They are a distinct class of asset which is reported separately from plant, property, equipment and intangible assets. Their key feature is that they have cultural, environmental or historical associations that make their preservation for future generations important. Heritage assets are maintained principally for their contribution to knowledge and culture and that distinguishes them from other assets.

The Code requires that heritage assets are reported on the face of the Balance Sheet.

Financial Reporting Standard 30 Heritage Assets sets out the reporting requirements and its adoption brings local authorities in line with the rest of the public sector where the FRS was adopted in 2010/11.

### **FINANCIAL SUMMARY**

The Council spent £12.9m in providing day to day services for the local community. It also invested £6.4m in capital projects during the year to maintain and develop the services it provides. Total usable reserves increased by £0.558m to £15.538m.

### **SERVICE PROVISION**

While the Comprehensive Income and Expenditure statement is presented in accordance with the Service Reporting Code of Practice for Local Authorities (SeRCOP), it is possible to analyse spending in line with the Council's services as shown in the table below.

<b>Description</b>	<b>Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>
Planning & Transport	915	1,006	-91
Environmental Health	972	947	25
Waste Services	3,166	2,627	539
Parks & Open Spaces	1,353	1,350	3
Culture & Leisure	1,434	1,359	75
Regeneration Services	1,644	1,674	-30
Property Services	-47	-51	4
Policy & Corporate Governance	4,764	4,063	701
<b>Total</b>	<b>14,201</b>	<b>12,975</b>	<b>1,226</b>
<b>Funding</b>			
Council tax	5,420		
Business rates	6,031		
Revenue Support Grant	1,864		
All other items (net)	886		
<b>Total</b>	<b>14,201</b>		

### **CAPITAL INVESTMENT IN THE YEAR**

Each year the Council invests money to buy new infrastructure, buildings and equipment and to pay for long term improvements to existing assets. The spending is needed to maintain and develop the services provided by the Council.

In 2011/12 the council spent £6.422m on capital projects against an approved programme of £9.4m. The resulting underspend of just over £3.0m was reduced by £1.46m of external funding not acquired during the year. It leaves a 'true' underspend of £1.5m which can be used to fund the programme in 2012/13.

#### What the money is spent on

<b>Capital Spend</b>	<b>£000</b>
Housing projects	3,252
Community & Leisure Projects	1,440
Internal Projects	1,730
<b>Total</b>	<b>6,422</b>

#### Where the money comes from

<b>Source of Funding</b>	<b>£000</b>
Housing Market Renewal	2,905
Grants	1,903
Reserves	1,000
Revenue	149
Other	465
<b>Total</b>	<b>6,422</b>

#### PENSIONS

Hyndburn BC participates, as an employing authority, in the Lancashire County Pension Fund administered by Lancashire County Council. The scheme is a defined benefit scheme i.e. retirement benefits are determined independently of scheme investments. A pensions reserve and pensions liability are incorporated within the Council's accounts reflecting the amount by which the Hyndburn element of the Lancashire is underfunded compared with the assessed payment liabilities to pensioners. At 31<sup>st</sup> March 2012 the overall liability of the Council was £39.334m. Note 36 explains the position in detail.

#### CURRENT ECONOMIC CLIMATE AND IMPACT

The government announced a reduction in the level of funding for 2011/12 and 2012/13 with no indication of future levels. Against this background Hyndburn Borough Council has recorded an underspend against budget of £1.2m in 2011/12; and for 2012/13 set a balanced budget which incorporates 15% efficiency savings together with a zero rate rise in council tax.

In 2011/12 Hyndburn BC spent £6.5m on its capital programme. It provided £2.9m to regenerate West and East Accrington acquiring and improving the housing offer in both areas. £400k was invested to assist the disabled to continue to live independent lives in their own homes and £88k was spent on allotment regeneration.

The Council had lodged claims with HM Revenue and Customs in relation to VAT charged on leisure income. Recent case law (the Fleming case) has established the Council could have retained this income rather than accounting for it as VAT. In 2011/12 Hyndburn BC obtained a refund of £113k.

In future, annual wage rises in line with inflation are unlikely but cost inflation e.g. energy price rises could put additional financial pressure on the authority. The medium term financial plan shows £4.4m needs to be saved over the next two years.

As part of the Localism policy the government will devolve business rates to local authorities and replace council tax benefit with council tax support. The full effect of both changes are not entirely clear but in the case of council tax support, the amount of central financial support for a local scheme will be reduced by 10%. The deficit is to be made good by altering the terms of the scheme and consequently reducing the total amount paid out or by using another source of funding. Whatever is decided these changes will lead to increased financial volatility in the Council's finances.

### **Acknowledgement**

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

### **Further information**

A Statement of Accounts inevitably uses technical terms and language. A comprehensive Glossary of Accounting Terminology is on the Council's website [www.hyndburnbc.gov.uk](http://www.hyndburnbc.gov.uk)

The availability of the accounts for inspection is advertised by the Council in the local press during July.

The Statement of Accounts, initially before audit completion and subsequently afterwards, is also placed on the Council's website.

If required, further information about the 2011/12 accounts is available from the Head of Accountancy Services, Hyndburn Borough Council, Scaitcliffe House, Ormerod Street, Accrington, BB5 0PF.

Suggestions or comments on the format and style of these documents are welcome.

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

# ANNUAL GOVERNANCE STATEMENT

## Annual Governance Statement

### Scope of responsibility

Hyndburn Borough 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.

To discharge this overall responsibility, the Council must have in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk.

Hyndburn Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 in relation to the production of an Annual Governance Statement.

### The purpose of the governance framework

The Council has approved and adopted a code of corporate governance that is consistent with best practice governance principles for public services and in particular local government. The Council also complies with the CIPFA statement on the role of the Chief Financial Officer in Local Government (2010).

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going 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 governance framework has been in place at Hyndburn Borough Council for the year ended 31 March 2012 and up to the date of approval of the statement of accounts.



## **The Council's governance framework**

The following paragraphs outline the key elements of the systems and processes which comprise Hyndburn Borough Council's governance framework and arrangements

### **1. Identifying and Communicating the Council's Vision**

The Council's purpose and vision has been developed and promoted through its:

- Sustainable Community Strategy 2008-2018 which sets a vision for the whole of Hyndburn
- Corporate Strategy 2008-2018 which is the Council's own planning document
- The Medium Term Financial Strategy which describes how Hyndburn BC will meet the financial challenges facing it as a result of government decisions and grant funding changes

### **2. Reviewing the Council's Vision**

The Community and Wellbeing Overview and Scrutiny Committee monitors the implementation of the Borough's Sustainable Community Strategy in particular its

- targets and objectives
- community safety policy and strategies
- development of sustainable communities
- external service providers including those who provide health services

Cabinet members are not allowed to be members of Overview and Scrutiny although they are invited to attend. They may ask questions at the discretion of the chair.

### **3. Measuring the Quality of Service for Users**

The Council has in place arrangements to identify and deal with failure in service delivery. They include:

- Corporate complaints policy and procedures
- Procedure for dealing with complaints about elected members
- Whistleblowing policy and procedures
- Internal Audit's Annual Audit Plan and inspection reports
- External Annual Audit
- Scrutiny Committee Annual workplan and 'call in' arrangements
- Councillors Call for Action

Hyndburn Borough Council also has a number of core customer service standards which apply to all customers and staff. They include response times for:

- letters and e-mails
- telephone calls
- complaints
- visits to council offices
- visits to customer homes
- out of hours emergencies

They cover the attitude and behaviour of staff and customers.

The Resources Overview and Scrutiny Committee monitors the performance of Council services and suggests improvements. It monitors the Council's budgetary position during the year and advises of possible efficiency savings and steps required to address any budget deficit. It also monitors service delivery and improvements; and the Council's Treasury Management strategy. In addition it monitors achievement of the annual business plans for each service area.

The Leader allocates portfolios to each cabinet member and he/she is then responsible for performance matters in that area.

At the corporate level the Corporate Management Team manages issues relating to performance management.

At service level, heads of service undertake day to day monitoring of performance.

At the operational level, Performance and Development Review for staff ensures employees' work task objectives link into the corporate strategy and they are monitored by line managers.

#### **4. Ensuring Quality Data**

The Council has developed a Data Quality Policy and Strategy.

#### **5. Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions and protocols for communication**

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

The Council has determined a Scheme of Delegation and Reserve Powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the Council taking account of relevant legislation, and this has been monitored and updated on an ongoing basis as and when necessary. The scheme is reviewed annually.

The Chief Executive is responsible and accountable to the Council for all aspects of operational management through his/her job description and the Council has developed protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.

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

The Monitoring Officer – Executive Director (Legal and Democratic Services) - is responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.

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

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

The roles of the scrutiny committees have been described in paragraphs 2 and 3 above.

Hyndburn Borough Council holds meetings in public unless there are good reasons for confidentiality, and ensures that arrangements are in place to enable the Council to engage with all sections of the community effectively. Examples of these are the establishment of Area Councils, Citizens' Panel, and the Customer Contact Centre.

Examples of the Council's methods of communication include:

- Access to Information Procedure Rules
- the Freedom of Information Guidance on the website
- the Complaints Policy and Procedures
- the Equality Standard, and Equality Impact Assessment process

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

## **6. Developing, Communicating and Embedding Codes of Conduct**

Arrangements are in place to ensure that members and employees of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with stakeholders. The arrangements include:

- Financial procedure rules
- Contract procedure rules
- Codes of Conduct for Members and Employees
- Member Officer Relations Protocol
- Register of Members Interests
- Register of Gifts and Hospitality which is reviewed monthly by the Monitoring Officer
- Procedures for dealing with complaints about elected members

Hyndburn Borough Council also has a Standards Committee which is responsible for dealing with complaints against councillors. Its terms of reference and membership can be found on the Council's website.

## **7. Reviewing and updating standing orders, standing financial instructions, a scheme of delegation, defining how decisions are taken and managing risks**

### Financial Control

The financial management of the authority is conducted in accordance with the financial rules set out in Part 4 (F) of the Constitution; Financial Procedures.

A scheme of delegation is included at Part 3 of the Constitution; Responsibility for Functions.

The Council has designated the Executive Director for Resources in accordance with Section 151 of the Local Government Act 1972.

Financial Procedure Rules (Financial Regulations) 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 controls and recommends changes and improvements where necessary.

### Decision Making / Scrutiny

The Constitution sets out how the Council operates, how decisions are made, and the procedures which are followed to ensure transparency and accountability to local people.

It includes:

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

The Council's two Overview and Scrutiny Committees (Resources; and Communities and Well Being) assist the Council and Cabinet in the development of a Budget and Policy Framework by in-depth analysis of policy issues. Specific Procedure Rules, and Terms of Reference, are in place within the Constitution to govern these arrangements and ensure an appropriate and full role is played in the corporate governance of the Council by the scrutiny committees.

The Council's committee report writing guidelines outline the necessity of including financial and legal considerations and where appropriate a risk assessment of the decisions members are being asked to make.

### Managing Risks

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 on-going monitoring, review, addition, deletion and amendment of risks was approved in September 2003. The Risk Management Strategy was reviewed in 2007 and a revised risk management definition was adopted by Cabinet on the 13th September 2007 which better reflected the current role of risk management within the Council.

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

Aligned to the Audit Committee cycle, Risk Monitoring Reports are produced for inspection by the Audit Committee. The Risk Registers are updated regularly with feedback from Directors, Heads of Service and Other Senior Managers, and changes reported to each meeting of the Audit Committee.

Insurable risks are regularly reviewed by officers and the council's insurer to confirm the appropriate

level of cover and value for money.

### **8. Undertaking the Core Functions of an Audit Committee**

The Council maintains an effective Audit Committee which is independent of the Executive. It has scrutiny functions and appropriate arrangements for the discharge of its functions, through its terms of reference, which were revised in 2009/10, and are modelled on the CIPFA Code of Practice.

In order to continue the Committee's development and raise its profile the number of members has been increased from four to six.

### **9. Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful**

All chief officers are required to plan and discharge their departmental functions in accordance with Council policies and legislative requirements.

Corporate management is provided by the Corporate Management Team led by the chief executive.

The chief finance officer (section 151) and the monitoring officer have the ability, after consulting with the chief executive, to report to the Cabinet or full Council and the Council's external auditor, if s/he considers that any proposal, decision or course of action will incur unlawfulness or unlawful expenditure.

Within the reporting system all committee reports contain a financial implications paragraph and legal implications paragraph which must be completed, together with a section requiring consideration of the equalities implications of any proposed decision.

Also relevant are the Council's Financial Regulations, Procedures and Schemes of Delegation. They are kept under review and are communicated to the relevant level of officer thereby ensuring the adequate control of financial transactions.

### **10. Process for whistle-blowing and for receiving and investigating complaints from the public**

Hyndburn Borough Council has put in place arrangements to ensure that systems and processes conform to appropriate ethical standards, and monitor their continuing effectiveness in practice.

Such arrangements are embodied in:

- the Council's Constitution including Procedure Rules and codes of conduct
- the codes of conduct for planning and licensing functions
- the Anti-Fraud and Corruption Strategy
- the Whistleblowing Policy
- the Complaints Policy and Procedures
- the procedures for dealing with complaints about elected members

### **11. Identifying the development needs of members and senior officers in relation to their strategic roles supported by appropriate training**

All posts have a job description and person specification. Training needs are identified through the Performance and Development Reviews and are recorded in an employee's work plan.

Strategic training needs are defined in the Corporate Training Plan as are generic operational ones in the development action plans.

The Corporate Training Plan is produced annually in consultation with Directors, Heads of Service and other senior managers and is approved by Management Team and sent to Cabinet for information.

In assessing the skills needed by members the Council has made a commitment to develop those skills to enable roles to be carried out effectively. It will use the annual Members Development Programme and member personal development plans.

The Council has been awarded the North West Charter for Member Development.

### **12. Establishing clear levels of communication with all sections of the community and other stakeholders**

Hyndburn Borough Council has established a clear policy on the types of issues it will meaningfully consult on or engage with the public and service users about, including a feedback mechanism for consultees to demonstrate what has changed as a result.

The Council uses the Communication Strategy, the Consultation Strategy, and the website for customers to “have your say”. It consults on the budget process and publishes an Annual Report, and the Statement of Accounts.

The Council has a well-established Citizens Feedback panel.

Hyndburn BC has improved and updated its website information on the work of the Standards Committee, which addresses complaints about councillors, corporate governance arrangements, and doing business with the Council.

The Council has obtained ‘achieving’ status under the Equality standard and has obtained the Navajo Standard.

### **13. Incorporate good governance arrangements in respect of partnerships and other groups**

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

To achieve this the Council has been able to:

- Exercise appropriate leadership in the community which effectively engages with local people, partnerships and other stakeholders and develops constructive accountable relationships.
- Take an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning.
- Make clear to whom it is accountable and for what.
- Consider those institutional stakeholders to whom the Council is accountable and assess the effectiveness of the relationships and any changes required.
- Ensure that clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements to ensure that the Council operates effectively.

- Ensure that the Council as a whole is open and accessible to the community, and that it has made a commitment to openness and transparency in all partnership dealings, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.

When working in partnership Hyndburn Borough Council ensures that members are clear about their roles and responsibilities, both individually and collectively, in relation to the partnership and to the Council.

The Council also ensures there is clarity about the legal status of the partnership, and that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.

A Joint Venture Protocol is in place. All Council partnerships relate to the agreed Corporate Strategy priorities and embody, and uphold, proper conduct, funding and monitoring arrangements.

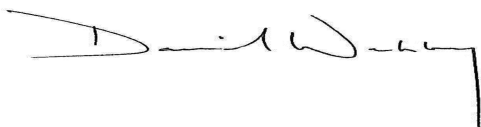
Appointments of Hyndburn councillors to outside bodies, including any boards of external partners / arrangements, are approved at the Annual Meeting of the full Council.

### **Review of Effectiveness**

Hyndburn Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Audit's annual report, and also comments made by the external auditors and other review agencies and inspectorates.

The Council is ultimately responsible for maintaining an up to date governance framework which is chiefly contained in its constitution and consists of its standing orders, financial regulations and scheme of delegation together with associated policies and procedures.

During the year the Council's internal auditors concluded that Hyndburn BC has effective arrangements in place for internal control and did not raise any significant issues of concern.



.....  
**Chief Executive**



.....  
**Leader of the Council**

**Date...14 June 2012..... Date..14 June 2012.....**

## AUDITOR'S REPORT

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

#### Opinion on the Authority's financial statements

I have audited the financial statements of Hyndburn Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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

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

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Executive is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

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

#### Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Hyndburn Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended; and



- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

### **Opinion on other matters**

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

### **Matters on which I report by exception**

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

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

#### **Respective responsibilities of the Authority and the auditor**

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

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

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

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

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

### **Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Hyndburn Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

### ***Delay in certification of completion of the audit***

The audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of matters brought to my attention by local authority electors. I am satisfied that these matters do not have a material effect on the financial statements or a significant impact on my value for money conclusion.

Karen Murray

District Auditor

Audit Commission

Aspinall House, Aspinall Close

Middlebrook

Bolton

BL6 6QQ

27<sup>th</sup> September 2012

## STATEMENT OF RESPONSIBILITIES

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

### **The Authority's Responsibilities**

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority that officer is the Chief Finance Officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the final Statement of Accounts.

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

As Chief Financial Officer, I am responsible for the preparation of the Authority's Statement of Accounts. This is required by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK ('the Code'), to present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2012.

In preparing the Statement of Accounts, I have:

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

I have also:

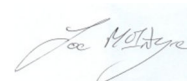
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The statement of accounts presents a true and fair view of the financial position of the authority as at 31st March 2012 and its income and expenditure for the financial year 2011/12.

These financial statements replace the unaudited financial statements previously authorised.

Date: 29th June, 2012

Signature:



J. V. McIntyre CPFA

Executive Director / section 151 officer

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

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

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

## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	TOTAL USABLE RESERVES	UNUSABLE RESERVES *restated	TOTAL AUTHORITY RESERVES *restated
	£000	£000	£000	£000	£000	£000	£000
<b>Balance as at 31<sup>st</sup> March 2010</b>	<b>4,210</b>	<b>4,474</b>	<b>4,517</b>	<b>68</b>	<b>13,269</b>	<b>*(20,827)</b>	<b>*(7,558)</b>
<b><u>Movement in Reserves during 2010/11</u></b>							
Surplus/(deficit) on provision of services	9,612				9,612	0	9,612
Other comprehensive expenditure and income	0				0	14,519	14,519
<b>Total Comprehensive Expenditure and Income</b>	<b>9,612</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,612</b>	<b>14,519</b>	<b>24,131</b>
Adjustments between accounting basis and funding basis under regulations (Note 6)	(9,021)		(1,827)	2,947	(7,901)	7,901	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>591</b>	<b>0</b>	<b>(1,827)</b>	<b>2,947</b>	<b>1,711</b>	<b>22,420</b>	<b>24,131</b>
Transfers (to)/from Earmarked Reserves (Note 7)	(2,391)	2,391			0	0	0
<b>Increase/(Decrease) in Year</b>	<b>(1,800)</b>	<b>2,391</b>	<b>(1,827)</b>	<b>2,947</b>	<b>1,711</b>	<b>22,420</b>	<b>24,131</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>2,410</b>	<b>6,865</b>	<b>2,690</b>	<b>3,015</b>	<b>14,980</b>	<b>* 1,593</b>	<b>*16,573</b>
<b><u>Movement in Reserves during 2011/12</u></b>							
Surplus/(deficit) on provision of services	627				627	0	627
Other comprehensive expenditure and income	0				0	(6,372)	(6,372)
<b>Total Comprehensive Expenditure and Income</b>	<b>627</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>627</b>	<b>(6,372)</b>	<b>(5,745)</b>
Adjustments between accounting basis and funding basis under regulations (Note 6)	(92)		538	(515)	(69)	69	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>535</b>	<b>0</b>	<b>538</b>	<b>(515)</b>	<b>558</b>	<b>(6,303)</b>	<b>(5,745)</b>
Transfers (to)/from Earmarked Reserves (Note 7)	265	(265)			0	0	0
<b>Net Increase/(Decrease) in Year</b>	<b>800</b>	<b>(265)</b>	<b>538</b>	<b>(515)</b>	<b>558</b>	<b>(6,303)</b>	<b>(5,745)</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>3,210</b>	<b>6,600</b>	<b>3,228</b>	<b>2,500</b>	<b>15,538</b>	<b>(4,710)</b>	<b>10,828</b>

## Comprehensive Income and Expenditure Statement

The statement shows the accounting cost in year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

The taxation position is shown in the Movement in Reserves Statement.

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2010/11				Note	2011/12		
Gross Expenditure £000 *restated	Gross Income £000 *restated	Net Expenditure £000 *restated			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
9,054	(2,543)	6,511	Central Services to the Public		9,275	(2,917)	6,358
*3,614	*(681)	*2,933	Cultural & Related Services		3,172	(310)	2,862
*6,245	*(2,197)	*4,048	Environmental & Regulatory		5,676	(2,347)	3,329
*3,391	*(1,344)	*2,047	Planning Services		1,997	(649)	1,348
1,735	(377)	1,358	Highways & Transport Services		319	(39)	280
41,007	(39,229)	1,778	Other Housing Services		41,679	(40,059)	1,620
779	(1)	778	Corporate & Democratic Core		675	(4)	671
218	0	218	Non-distributed costs		114	(14)	100
0	(6,216)	(6,216)	Exceptional Item		0	0	0
<b>*66,043</b>	<b>*(52,588)</b>	<b>*13,455</b>	<b>Cost of Services</b>		<b>62,907</b>	<b>(46,339)</b>	<b>16,568</b>
			<b>Other Operating Expenditure</b>				
		(71)	(Gain) / Loss on Disposal of Non-Current Assets	8			25
14		14	Parish Council Precepts	8	13		13
*1,423	*(1,345)	*78	(Gain) / Loss on Trading Accounts	28	1,326	(1,273)	53
		(39)	Other income / unattached capital receipts				(252)
			<b>Financing and Investment Income and Expenditure</b>				
		506	Interest payable and other similar charges	9			502
		(89)	Interest receivable and similar income	9			(106)
6,238	(4,117)	2,121	Pension interest cost and expected return on pension assets	9,36	5,600	(4,571)	1,029
*1,236	*(1,428)	*(192)	Income, expenditure & changes in the fair value of investment properties	12	1,517	(1,567)	(50)
			<b>Taxation and Non-Specific Grant Income</b>				
		36	Collection Fund (surplus) deficit				54
		(5,453)	Council Tax				(5,433)
		(3,244)	Non-ringfenced government grants	32			(4,465)
		(8,882)	Non-domestic rates				(6,031)
		(7,852)	Capital Grants and Contributions				(2,534)
		(9,612)	<b>(Surplus ) Deficit on Provision of Services</b>				(627)
		(4,231)	(Surplus) / Deficit on revaluation property, plant and equipment	22			(422)
		0	(Surplus) / Deficit on revaluation of available for sale financial assets				0
		(10,288)	Actuarial (gains) / losses on pension assets and liabilities	36			6,794
		<b>(14,519)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>6,372</b>
		<b>(24,131)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>5,745</b>

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Reserves are reported in two categories:

- Usable reserves which can be used by the Council to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use e.g. Capital Receipts Reserve can only be used to fund capital expenditure or repay debt.
- Unusable reserves which the Council cannot use to provide services. This category includes reserves that hold unrealised gains or losses e.g. the Revaluation Reserve, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.



## BALANCE SHEET

2010/11 £000 *restated	Balance Sheet for the Council as at year end 31st March	Note	2011/12 £000
*34,632	Property, Plant & Equipment	10	33,518
*4,708	Heritage Assets	11	4,708
5,742	Investment Property	12	7,389
234	Intangible Assets	13	154
*45,316	<b>Total Non-Current Assets</b>		45,769
583	Long Term Investments	14	583
307	Long Term Debtors	14	274
*46,206	<b>LONG TERM ASSETS</b>		<b>46,626</b>
44	Inventories	15	60
8,042	Short Term Debtors	16	5,307
11,486	Short Term Investments	14	13,142
1,706	Assets Held for Sale	17	1,046
4	Cash & Cash Equivalents	18	4
*21,282	<b>CURRENT ASSETS</b>		<b>19,559</b>
*(2,787)	Short Term Borrowing	14	(2,084)
(3,184)	Short Term Creditors	19	(1,962)
(1,164)	Bank (overdraft)	18	(516)
(84)	Provisions current	20	(0)
* (7,219)	<b>CURRENT LIABILITIES</b>		<b>(4,562)</b>
*(9,817)	Long Term Borrowing	14	(9,815)
(949)	Provisions – Long Term	20	(1,442)
(288)	Deferred Liabilities: Finance Leases		(204)
(32,642)	Net Pensions Liability	36	(39,334)
* (43,696)	<b>LONG TERM LIABILITIES</b>		<b>(50,795)</b>
*16,573	<b>NET ASSETS</b>		<b>10,828</b>
	<b>CAPITAL ACCOUNTS &amp; RESERVES</b>		
	<i>Usable Reserves</i>	21	
2,410	General Fund Balance Reserve		3,210
6,865	Earmarked Reserves		6,600
2,690	Usable Capital Receipts Reserve		3,228
3,015	Capital Grants Unapplied		2,500
*1,593	Unusable Reserves and Accounts	22	(4,710)
*16,573	<b>TOTAL RESERVES AND BALANCES</b>		<b>10,828</b>

## Cash Flow Statement

This statement shows the changes in cash and cash equivalents for the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, financing and investing activities.

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

## CASH FLOW STATEMENT

<b>2010/11</b>		<b>2011/12</b>
£ 000		£000
(9,612)	Net (surplus) or deficit on the provision of services	(627)
5,564	Adjustments to net surplus or deficit on the provision of services for non-cash movements – Note 23 i	(3,761)
511	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities - Note 23 ii	559
<b>(3,537)</b>	Net cash flows from Operating Activities - Note 24	<b>(3,829)</b>
4,510	Investing Activities - Note 25	4,008
(813)	Financing Activities - Note 26	(827)
<b>160</b>	Net (increase) or decrease in cash and cash equivalents	<b>(648)</b>
(1,000)	Cash and cash equivalents at the beginning of the reporting period	(1,160)
<b>(1,160)</b>	<b>Cash and cash equivalents at the end of the reporting period</b> - Note 18	<b>(512)</b>

## LIST OF NOTES

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26. Cash flow statement – financing activities
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38. Contingent assets
39. Nature and extent of risks arising from financial instruments
40. Collection fund

## **1. ACCOUNTING POLICIES**

### **i. General Principles**

The Statement of Accounts summarises the Authority's transactions for 2011/12 financial year and its position at the year-end 31<sup>st</sup> March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations (2011), which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2010/11, supported by the International Financial Reporting Standards (IFRS).

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

### **ii. Accruals of Income and Expenditure**

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

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

### **iii. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of more than 24 hours. Cash equivalents are represented by short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant change in value.

### **iv. Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's accounts.

#### **v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

#### **vi. Charges to Revenue for Non-Current Assets**

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement.

Depreciation, revaluation and impairment losses and amortisation are replaced by a Minimum Revenue Provision calculated on a prudent basis by the Council in accordance with statutory guidance. This is achieved through an adjusting transaction between the General Fund Balance and the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### **vii. Employee Benefits**

##### *Benefits Payable During Employment*

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits e.g. cars for current employees and are recognised as an expense for the services in the year which employees render service to the authority.

An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time of in lieu) earned by employees but not taken by the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves statement so that holiday benefits are charged to the revenue in the financial year in which the holiday absence occurs.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on accruals basis to the Non distributed costs line in the Comprehensive Income and Expenditure statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

### Post Employment Benefits

Employees of the Council are eligible to join the Local Government Pension Scheme administered by Lancashire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees work for the Council.

### The Local Government Pension Scheme

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

- The liabilities of the Lancashire County Pension Scheme attributable to Hyndburn Borough Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.
- Liabilities are discounted to their market value at current prices, using a discount rate of 4.9% (5.5% 31<sup>st</sup> March 2011) based on the indicative rate of return on high quality (AA rated) corporate bonds.
- The assets of the Lancashire County Council Pension Fund attributable to Hyndburn Borough Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Utilised securities – current bid price
  - Property – market value



- The change in the Net Pensions Liability is analysed into seven components:
  - Current Service Cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked.
  - Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed costs.
  - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - Expected Return on Assets – the annual investment return on the fund assets attributable to Hyndburn Borough Council base on an average of the expected long – term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - Gains or Losses on Settlements and Curtailments – the result of actions to relieve Hyndburn Borough Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed costs.
  - Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the pension reserve.
  - Contributions paid to the Lancashire County Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

#### Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **viii. Events After the Reporting Period**

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### **ix. Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The term ‘financial instrument’ covers both financial assets and financial liabilities; and includes the most straightforward assets and liabilities e.g. debtors period end balances and creditor balances and the most complex e.g. derivatives.

#### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

#### Financial Assets

Financial assets are classified in two types:

- Loans and receivables – assets that have fixed and determinable payments but are not quoted in a active market
- Available for sale assets – assets that have a quoted market price and / or do not have fixed or determinable payments. Hyndburn BC does not have any of these.

### Loans and Receivables

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

However, the Council has made loans to an organisation at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisation, with the difference serving to increase the amortised cost of the loan in the balance sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

#### **x. Government Grants and Contributions**

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **xi. Heritage Assets**

### **Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets)**

The Council's heritage assets are held in the Haworth Art Gallery. The Gallery has three collections of heritage assets which are held in support of the primary objective of the museum i.e. maximise the recognition, appreciation and use of Haworth Art Gallery and its unique Tiffany Glass collection as a historic and contemporary art, education, leisure and tourism asset of local, regional and national importance.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However some of the measurement rules are relaxed in relation to heritage assets as detailed below.

#### *The Tiffany Glass Collection*

The Tiffany Glass collection includes handmade blown glass vases, glass tiles, jewels and mosaics; as well as pottery, metalwork and enamel items.

The items are reported in the Balance Sheet at insurance valuation which is based on market values. The insurance valuations are updated periodically.

The collection is relatively static and acquisitions and donations are rare.

#### *The Art Collection*

The art collection includes paintings (both oil and watercolour) as well as etchings, book illustrations and chromolithographs. It is reported in the Balance Sheet at market value.

#### *Numismatics Collection*

The collection comprises coins, medals and tokens. The medals show portraits of famous people through history, while the trade tokens have a strong local connection.

The items are reported in the Balance Sheet at insurance valuation which is based on market values. The insurance valuations are updated periodically.

Assets within all three collections are deemed to have indeterminate lives and, in the case of the glass and art collections, a high residual value; hence the Council does not consider it appropriate to charge depreciation.

#### *Community Collection*

The Council considers that obtaining valuations for the vast majority of the Community Collection would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. This is because of the diverse nature of the assets held and the lack of comparable values.

## **xii. Intangible Assets**

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

Intangible assets are initially measured at cost. Amounts are only re-valued where the fair value of an asset can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods and services.

## **xiii. Inventories**

Inventories are held in the Balance Sheet at purchase price. The cost of inventories is assigned using the First In First Out costing formula.

## **xiv. Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. Properties are not depreciated but revalued annually according to market conditions at year end. Gains and losses on revaluation are posted to the financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **xv. Leases**

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

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

### *The Council as Lessee*

#### Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception. The asset recognised is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets

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

#### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased property, plant or equipment.

## **xvi. Overheads and Support Services**

The cost of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the Cipfa Service Reporting Code of Practice 2011/12 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and

support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council’s status as a multi-functional, democratic organisation.
- Non- distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

## **xvii. Property, Plant and Equipment**

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

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on accruals basis, provided it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset’s potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Statement as it is incurred.

### Measurement

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

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

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

### Impairment

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

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

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

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

### Depreciation

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



The Council operates a straight line method for depreciation over the useful economic life of the asset as follows:

<b>Asset</b>	<b>Period (Years)</b>
Operational Buildings	30*
Non-Operational Buildings	30*
Community Assets	15 - 30
Infrastructure	10
Vehicles & Plant	2-10

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

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

#### Disposals

Where an asset is disposed of or decommissioned, the carrying amount of the asset in the balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Receipts from disposals, if any, are also credited to the same line in the Comprehensive Income and Expenditure Statement. The net value of these transactions then reflects the net gain or loss on the disposal of the asset. Any revaluation gains accumulated on the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves statement to ensure that gains or losses on disposals do not affect the council tax.

A proportion of receipts relating to housing disposals must be paid over to the Government under a pooling arrangement (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances). The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's capital financing requirement. Receipts are appropriated to the Capital Receipts Reserve in the Movement in Reserves Statement.

#### **xviii. Provisions, Contingent Liabilities and Contingent Assets**

Provisions are made where an event takes place that will probably lead to a future expense, but where the timing or amount of the expense is uncertain.

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, based on the best estimate

of the likely cost. Payments are then charged to the provision set up in the Balance Sheet when they are eventually made.

Provisions are reviewed at the end of each financial year and adjusted to reflect the current best estimate of the likely cost. Where a provision is no longer required it will be reversed and credited back to the relevant service.

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

A contingent asset arises where an event has taken place that gives the Council a possible asset but whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

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

#### **xix. Reserves**

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

Certain reserves are kept to manage the accounting processes for non-current assets, retirement and employee benefits. These do not represent usable resources for the Council, and include the capital adjustment account, revaluation reserve and pensions reserve.

#### **xx. Revenue Expenditure Funded From Capital Under Statute**

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

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

**xxi. VAT**

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

**2. CHANGE IN ACCOUNTING POLICY:****Heritage Assets**

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Council. As set out in the summary of significant accounting policies, the Council now requires heritage assets to be carried in the balance sheet at valuation.

*Heritage Assets*

For 2011/12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community assets (that are now classed as heritage assets) that were donated to the Council were held at valuation as a proxy for historical cost. The Council's accounting policies for recognition and measurement of heritage assets are set out in the Council's summary of significant accounting policies (see note xi page 34).

In applying the new accounting policy, the Council has identified that the assets that were previously held as community assets within property, plant and equipment at should now be recognised as heritage assets and measured at £286.3k with a corresponding increase in the Revaluation Reserve. The Council will also recognise an additional £4.4 million for the recognition of heritage assets that were not previously recognised in the Balance Sheet. Again this increase is also recognised in the Revaluation Reserve. The 1<sup>st</sup> April 2010 and 31<sup>st</sup> March 2011 balance sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

*Effect on Opening Balance Sheet 1<sup>st</sup> April 2010*

	Opening balances as at 1 <sup>st</sup> April 2010	Restatement	*Restatement required to opening balances as at 1 <sup>st</sup> April 2010
	£000	£000	£000
Property plant equipment	28,885	(286)	*28,599
Heritage assets	0	4,708	*4,708
Long term assets	36,819	4,422	*41,241
<b>Total net assets</b>	<b>(11,980)</b>	<b>4,422</b>	<b>*(7,558)</b>
Unusable reserves	(25,249)	4,422	*(20,827)
<b>Net worth / Total</b>	<b>(11,980)</b>	<b>4,422</b>	<b>*(7,558)</b>

*Movement in Reserves Statement – Unusable Reserves 2010/11*

The restatement of the relevant lines of the Movement in Reserves Statement as of 31<sup>st</sup> March 2011, as a result of the application of this new accounting policy is presented in the table below.

	As previously stated 31 <sup>st</sup> March 2011	*As restated 31 <sup>st</sup> March 2011	Restatement 2011
	£000	£000	£000
Balance as at end of the previous reporting period – 31 <sup>st</sup> March 2010	(25,249)	*(20,827)	4,422
<b>Surplus or Deficit on the Provision of Services</b>			
Other Comprehensive Income and Expenditure	14,519	14,519	
Adjustments between the accounting basis and the funding basis under regulations	7,901	7,901	
<b>Increase / (decrease) in the year</b>	<b>22,420</b>	<b>22,420</b>	
<b>Balance at the end of the current reporting period 31<sup>st</sup> March 2011</b>	<b>(2,829)</b>	<b>*1,593</b>	<b>4,422</b>

The resulting restated Balance Sheet for 31<sup>st</sup> March 2011 is provided on page 22. The adjustments that have been made to the Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

*Effect on balance Sheet 31<sup>st</sup> March 2011*

	As previously stated 31 <sup>st</sup> March 2011	*As restated 31 <sup>st</sup> March 2011	Restatement 31 <sup>st</sup> March 2011
	£000	£000	£000
Property plant equip	34,918	*34,632	(286)
Heritage assets	0	*4,708	4,708
<b>Long term assets</b>	<b>41,784</b>	<b>*46,206</b>	<b>4,422</b>
<b>Total net assets</b>	<b>12,151</b>	<b>*16,573</b>	<b>4,422</b>
Unusable reserves	(2,829)	*1,593	4,422
<b>Net worth</b>	<b>12,151</b>	<b>*16,573</b>	<b>4,422</b>

The effect of the change in accounting policy in 2010/11 has been that heritage assets are recognised at £4.708 million on the Balance Sheet resulting in an increase to the Revaluation Reserve of £4.422 million and property, plant and equipment being restated by the amount of heritage assets previously recognised at cost in community assets of £286.1k.

### **Re-categorisation of Investment Property Income and Expenditure**

Investment Property rental income and related expenditure reported in 10/11 has been re-categorised within the Comprehensive Income & Expenditure Statement from Planning Services and Gain/ Loss on Trading Accounts to the more appropriate Income & Expenditure in relation to Investment Properties to provide a total position.

Summary of changes:

2010/11	As previously stated			Restated*		
	Expenditure	Income	Net	Expenditure	Income	Net
	£000	£000	£000	£000	£000	£000
Planning Services	3,652	(1,628)	2,024	*3,391	*(1,344)	*2,047
Gain/Loss on Trading Accounts	2,341	(2,407)	(66)	*1,423	*(1,345)	*78
Income & Expenditure in Relation to Investment Property	58	(82)	(24)	*1,236	*(1,428)	*(192)

### **3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However this uncertainty is not yet sufficient to provide an indication of what assets might be impaired as a result of the need to make savings and potentially reduce service levels in certain areas
- The Council has leased its sports centres, the Town Hall and civic theatre to Leisure in Hyndburn (LiH). It has also entered into an annual funding agreement with them. None of the current legal arrangements enable LiH to determine council policy.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's balance Sheet at 31<sup>st</sup> March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment	Assets are depreciated over useful lives that rely on assumptions about the level of repair and maintenance. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful life assigned to assets.	It is estimated that the annual depreciation charge for buildings would increase by £32k for every year that useful lives had to be reduce.
Pensions liability	Estimation of the net liability to pay pension depends on a number of complex judgements.	The effects on the net pension liability of changes in individual assumptions can be measured. However the assumptions interact in complex ways. Note 36 provides details on actuarial gains and losses in recent years.
Arrears	Note 16 gives detail of debtors and their associated bad debt provisions. However in the current economic climate it is not certain that these provisions will be sufficient.	If collection rates were to deteriorate, then the level of bad debt provisions would have to be increased.

## **5. EVENTS AFTER THE BALANCE SHEET DATE**

The draft Statement of Accounts was signed by the s151 officer on 25<sup>th</sup> June 2012. Events taking place after this date have not been reflected in the financial statement or notes. Where events taking place before this date provide information about conditions existing at 31<sup>st</sup> March 2012, the figures in the financial statements and notes have been adjusted in all material aspects to reflect the impact of this information.

The financial statements and notes have not been adjusted for events that took place after 31<sup>st</sup> March 2012, where they provide information that is relevant to an understanding of the Council's financial position but do not relate to conditions at that date.

## **6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources

that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

#### General Fund Balance

The General Fund is the statutory fund into which all the receipts of the authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. It summarises the resources the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources the Council is required to recover) at the end of the financial year.

#### Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources which have yet to be applied for these purposes at year end.

#### Capital Grants Unapplied

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

<b>Adjustments between Accounting and Funding basis Under Regulations 2011/12</b>	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
<b><i>Adjustments primarily involving the Capital Adjustment Account</i></b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Charges for depreciation of non-current assets	1,268	-	-	(1,268)
Impairment of non-current assets	5,969	-	-	(5,969)
Revaluation losses on property, plant & equipment	(1,713)	-	-	1,713
Movements in the market value of investment properties and assets held for sale	449	-	-	(449)
Amortisation of intangible assets	80	-	-	(80)
Capital grants and contributions applied	(296)	-	-	296
Movement in donated assets account	-	-	-	-
Revenue expenditure funded from capital under statute	41	-	-	(41)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	331	-	-	(331)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Statutory provision for the financing of capital investment	(600)	-	-	600
Capital expenditure charged against the General fund balances	(2,522)	-	-	2,522
<b><i>Adjustments primarily involving the Capital Grants Unapplied Account</i></b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(2,427)	-	2,427	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(2,942)	2,942



<b>Adjustments between Accounting and Funding basis Under Regulations 2011/12</b>	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
<b><i>Adjustments primarily involving the Capital Receipts Reserve</i></b>				
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to CIES	(559)	559	-	-
Use of capital receipts reserve to finance new capital expenditure	-	(21)	-	21
Contribution from the capital receipts reserve towards administrative costs of non-current assets disposals	-	-	-	-
Contribution from the capital receipts reserve to finance the payments to the govt. capital receipts pool	-	-	-	-
<b><i>Adjustments primarily involving the Financial Instruments Adjustment Account</i></b>				
Amount by which finance costs charged to CIES are different from finance costs chargeable in year in accordance with statutory requirements	(14)	-	-	14
<b><i>Adjustments primarily involving the Pensions Reserve</i></b>				
Reversal of items relating to retirement benefits debited or credited to CIES	2,648	-	-	(2,648)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,750)	-	-	2,750
<b><i>Adjustments primarily involving the Collection Fund Adjustment Account</i></b>				
Amounts by which the council tax income credited to CIES is different from council tax calculated for the year in accordance with statutory requirements	27	-	-	(27)
<b><i>Adjustments primarily involving the Accumulated Absences Account</i></b>				
Amount by which officer remuneration charged to CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(24)	-	-	24
<b>TOTAL ADJUSTMENTS</b>	(92)	538	(515)	69

<b>Adjustments between Accounting and Funding basis Under Regulations 2010/11</b>	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
<b><i>Adjustments primarily involving the Capital Adjustment Account</i></b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Charges for depreciation of non-current assets	1,490	-	-	(1,490)
Impairment of non-current assets	4,476	-	-	(4,476)
Revaluation losses on property, plant & equipment	361	-	-	(361)
Movements in the market value of investment properties and assets held for sale	(910)	-	-	910
Amortisation of intangible assets	55	-	-	(55)
Capital grants and contributions applied	(5,242)	-	-	5,242
Movement in donated assets account	-	-	-	-
Revenue expenditure funded from capital under statute	234	-	-	(234)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	388	-	-	(388)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Statutory provision for the financing of capital investment	(802)	-	-	802
Capital expenditure charged against the General fund balances	(887)	-	-	887
<b><i>Adjustments primarily involving the Capital Grants Unapplied Account</i></b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(2,850)	-	3,173	(323)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(226)	226

<b>Adjustments between Accounting and Funding basis Under Regulations 2010/11</b>				
<b><i>Adjustments primarily involving the Capital Receipts Reserve</i></b>				
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to CIES	(497)	507	-	(10)
Use of capital receipts reserve to finance new capital expenditure	-	(2339)	-	2339
Contribution from the capital receipts reserve towards administrative costs of non-current assets disposals	-	5	-	(5)
Contribution from the capital receipts reserve to finance the payments to the govt. capital receipts pool	-	-	-	-
<b><i>Adjustments primarily involving the Financial Instruments Adjustment Account</i></b>				
Amount by which finance costs charged to CIES are different from finance costs chargeable in year in accordance with statutory requirements	69	-	-	(69)
<b><i>Adjustments primarily involving the Pensions Reserve</i></b>				
Reversal of items relating to retirement benefits debited or credited to CIES	(2,279)	-	-	2,279
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,601)	-	-	2,601
<b><i>Adjustments primarily involving the Collection Fund Adjustment Account</i></b>				
Amounts by which the council tax income credited to CIES is different from council tax calculated for the year in accordance with statutory requirements	(1)	-	-	1
<b><i>Adjustments primarily involving the Accumulated Absences Account</i></b>				
Amount by which officer remuneration charged to CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(25)	-	-	25
<b>TOTAL ADJUSTMENTS</b>	<b>(9,021)</b>	<b>(1,827)</b>	<b>2,947</b>	<b>7,901</b>

## 7. TRANSFERS TO / FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/12.

	Balance at 01.04.10 £000	Transfers Out 10/11 £000	Transfers In 10/11 £000	Balance at 31.03.11 £000	Transfers Out 11/12 £000	Transfers In 11/12 £000	Balance at 31.03.12 £000
Planning Fund	1,959	(360)	428	2,027	(257)	76	1,846
Housing and Planning Fund	191	(80)	0	111	(7)	0	104
Area Based Grant Reserve	490	(1,563)	1,785	712	(325)	0	387
Performance Reward Reserve	478	(204)	169	443	(102)	0	341
Environmental Warranties	1,016	0	250	1,266	0	250	1,516
Transitional Grant	0	0	0	0	0	1,344	1,344
Corporate Reserves	340	(235)	2,201	2,306	(1,334)	90	1,062
<b>Total</b>	<b>4,474</b>	<b>(2,442)</b>	<b>4,833</b>	<b>6,865</b>	<b>(2,025)</b>	<b>1,760</b>	<b>6,600</b>

## 8. OTHER OPERATING EXPENDITURE

	2010/11 £000	2011/12 £000
Parish Council Precepts	14	13
Gains / losses on the disposal of non - current assets	(71)	25
<b>Total</b>	<b>(57)</b>	<b>38</b>

## 9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2010/11 £000 *restated	2011/12 £000
Interest payable and other similar charges	506	502
Pensions interest cost and expected return on pensions assets	2,121	1,029
Interest receivable and similar income	(89)	(106)
Income and expenditure in relation to investment properties and changes in their fair value	*(192)	(50)
<b>Total</b>	<b>*2,346</b>	<b>1,375</b>

**10. PROPERTY PLANT AND EQUIPMENT**

<b>2011/12</b>	<b>Other land and buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Infrastructure £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total £000</b>
<b>Cost or Valuation</b>							
At 1 <sup>st</sup> April 2011	<b>24,707</b>	<b>3,711</b>	<b>3,391</b>	<b>4,121</b>	<b>3,020</b>	<b>2,498</b>	<b>41,448</b>
Additions	370	355	13	692	3,202	0	4,632
Revaluation increases / (decreases) recognised in the Revaluation Reserve	107	0	0	0	178	0	285
Non-enhancing expenditure recognised in the Surplus / Deficit in the Provision of Services	(2,517)	(212)	(13)	(692)	(2,184)	0	(5,618)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(150)	0	0	(180)	1,811	0	1,481
Derecognition - disposals	0	(187)	0	0	(250)	0	(437)
Assets reclassified (to) / from Held for Sale	(630)	0	0	60	27	0	(543)
Other movements in cost or valuation	2,266	221	0	134	(2)	(2,498)	121
Impairments recognised in the Surplus / Deficit in the Provision of Services	(392)	0	0	0	0	0	(392)
Impairments recognised in the Revaluation Reserve	(216)	0	0	0	0	0	(216)
<b>Cost at 31<sup>st</sup> March 2012</b>	<b>23,545</b>	<b>3,888</b>	<b>3,391</b>	<b>4,135</b>	<b>5,802</b>	<b>0</b>	<b>40,761</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 <sup>st</sup> April 2011	772	2,417	3,297	163	167	0	6,816
Depreciation charge	657	374	70	102	64		1,267
Depreciation written out to the Revaluation Reserve	(224)	0	0	0	(150)	0	(374)
Depreciation written out to the Surplus / Deficit on the Provision of Services	(232)	0	0	0	0	0	(232)
Derecognition - disposals	0	(156)	0	0	(20)	0	(176)
Depreciation on Impairments	(58)	0	0	0	0	0	(58)
<b>Depreciation at 31<sup>st</sup> March 2012</b>	<b>915</b>	<b>2,635</b>	<b>3,367</b>	<b>265</b>	<b>61</b>	<b>0</b>	<b>7,243</b>
<b>Net book value at March 31<sup>st</sup> 2012</b>	<b>22,630</b>	<b>1,253</b>	<b>24</b>	<b>3,870</b>	<b>5,741</b>	<b>0</b>	<b>33,518</b>
Net book value at March 31 <sup>st</sup> 2011	23,935	1,294	94	3,958	2,853	2,498	34,632

<b>2010/11</b> <b>*restated</b>	<b>Other land and buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Infrastructure £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total £000</b>
<b>Cost or Valuation</b>							
<b>At 1<sup>st</sup> April 2010</b>	<b>21,181</b>	<b>3,647</b>	<b>3,391</b>	<b>*2,911</b>	<b>1,883</b>	<b>1,448</b>	<b>*34,461</b>
Additions	1,010	228	13	1,496	4,184	1,081	8,012
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,022			209	727		3,958
Non-enhancing expenditure recognised in the Surplus / Deficit in the Provision of Services	(107)	(1)	(13)	(434)	(3,863)		(4,418)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(430)	0	0	(61)	(1)	0	(492)
Derecognition - disposals	0	(163)	0	0	0	0	(163)
Assets reclassified (to) / from Held for Sale	0	0	0	0	90	0	90
Other movements in cost or valuation	31	0	0	0	0	(31)	0
<b>Cost at 31<sup>st</sup> March 2011</b>	<b>24,707</b>	<b>3,711</b>	<b>3,391</b>	<b>*4,121</b>	<b>3,020</b>	<b>2,498</b>	<b>*41,448</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 <sup>st</sup> April 2010	624	2,037	2,958	93	149		5,861
Depreciation charge	505	511	339	99	36		1,490
Depreciation written out to the Revaluation Reserve	(252)			(2)	(18)		(272)
Depreciation written out to the Surplus / Deficit on the Provision of Services	(105)			(27)			(132)
Derecognition - disposals		(131)					(131)
<b>Depreciation at March 2011</b>	<b>772</b>	<b>2,417</b>	<b>3,297</b>	<b>163</b>	<b>167</b>		<b>6,816</b>
<b>Net book value at March 31<sup>st</sup> 2011</b>	<b>23,935</b>	<b>1,294</b>	<b>94</b>	<b>*3,958</b>	<b>2,853</b>	<b>2,498</b>	<b>*34,632</b>
Net book value at March 31 <sup>st</sup> 2010	20,557	1,610	433	*2,818	1,734	1,448	*28,600

### Capital Commitments

At 31<sup>st</sup> March 2012 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in future years budgeted to £1.867m. Similar commitments as at 31<sup>st</sup> March 2011 were £3.791m.

The major commitments are:

£800k Sports Facility Lyndon Playing Fields.

£125k Hyndburn Leisure Centre PH2.

£182k Area Management Capital Improvement Schemes.

£120k Memorial & Rhyddings Park Improvement.

#### Effects of Changes in Estimates

In 2011/12 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

#### Revaluations

The Council carries out a rolling programme of valuations that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations are carried out as recommended by Cipfa and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors. Valuations in 2011/12 were carried out and certified by Mr H M Haworth FRICS and Mr M J Messenger BSocSc (Hons) Dip Val MRICS of NPS Group Ltd (Kendal).

The significant assumptions applied in estimating fair value are:

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

	Land & Buildings	Community Assets	Surplus Assets	Total
	£000	£000	£000	£000
Valued at Current Value				
31 <sup>st</sup> March 2012	2,387	0	1,412	3,799
31 <sup>st</sup> March 2011	15,799	464	1,128	17,391
31 <sup>st</sup> March 2010	3,354	1,912	1,291	6,557
31 <sup>st</sup> March 2009	13,402	408	1,015	14,825
31 <sup>st</sup> March 2008	4,637	725	0	5,362

## 11. HERITAGE ASSETS

### Reconciliation of the Carrying Value of Heritage Assets Held by the Council

*restated	Art Collection £000	Local & Community Collection £000	Glass Collection £000	Civic Regalia £000	Total £000
<b>Cost or Valuation</b>					
<b>At 1<sup>st</sup> April 2010</b>	*2,650	*107	*1,665	*286	*4,708
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Revaluations	0	0	0	0	0
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0
Impairment losses (reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0
<b>31<sup>st</sup> March 2011</b>	*2,650	*107	*1,665	*286	*4,708
<b>At 1<sup>st</sup> April 2011</b>	2,650	107	1,665	286	4,708
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Revaluations	0	0	0	0	0
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0
Impairment losses (reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0
<b>31<sup>st</sup> March 2012</b>	2,650	107	1,665	286	4,708

#### Heritage Assets: Five Year Summary of Transactions

It is not practicable to provide information before 1<sup>st</sup> April 2010. As the above table shows there have been no additions or disposals over the last two financial years.



## 12. INVESTMENT PROPERTIES

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure section in the Comprehensive Income and Expenditure Statement.

	2010/11	2011/12
*restated	£000	£000
Rental income from investment property	*(1,346)	(1,351)
Direct operating expenses arising from investment property	*1,178	851
<b>Subtotal net (gain) / loss</b>	<b>*(168)</b>	<b>(500)</b>
Net (gains) / losses from fair value adjustments	(24)	469
Other	0	(19)
<b>Total income &amp; expenditure in relation to investment properties &amp; change in fair value</b>	<b>*(192)</b>	<b>(50)</b>

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

The movement in the fair value of investment properties is shown below:

	2010/11	2011/12
	£000	£000
Balance at start of year	<b>5,718</b>	<b>5,742</b>
Additions	0	1,106
Disposals	0	0
Net gains / (losses) from fair value adjustments	24	(469)
Other changes	0	1,010
Balance at end of year	<b>5,742</b>	<b>7,389</b>

### 13. INTANGIBLE ASSETS

The Council accounts for purchased software licences as intangible assets. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use. The carrying amount of intangible assets is amortised on a straight line basis.

	2010/11	2011/12
	£000	£000
Balance at start of year:		
Gross carrying amount	259	368
Accumulated amortisation	(79)	(134)
<b>Net carrying amount at start of year</b>	<b>180</b>	<b>234</b>
Purchases	109	17
Non-enhancing expenditure written out	0	(17)
Amortisation for the period	(55)	(80)
<b>Net carrying amount at year end</b>	<b>234</b>	<b>154</b>

	2010/11	2011/12
	£000	£000
Balance at end of year:		
Gross carrying amount	368	368
Accumulated amortisation	(134)	(214)
<b>Net carrying amount at year end</b>	<b>234</b>	<b>154</b>

### 14. FINANCIAL INSTRUMENTS

Financial liabilities are classified as liabilities at amortised cost. Financial assets are classified as loans and receivables. Details of the carrying value of these instruments are provided in the balance sheet and these notes.

The fair value of the debtors and creditors (as shown in notes 16 and 19) are taken to be the invoiced or billed amount.

The fair value of investments maturing in the next twelve months is assumed to approximate to its carrying value.

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

Categories of Financial Instruments

The fair value of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost are disclosed below.

	Long - Term				Current	
	2010/11		2011/12		2010/11	2011/12
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Carrying Amount
	*restated £000	£000	£000	£000	£000	£000
<b>Investments</b>						
Loans and receivables	583	583	583	583	11,486	13,143
Available for sale financial assets	0	0	0	0	0	0
<b>TOTAL</b>	<b>583</b>	<b>583</b>	<b>583</b>	<b>583</b>	<b>11,486</b>	<b>13,143</b>
<b>Debtors</b>						
Loans and receivables	307	307	274	274		
Financial assets carried at contract amount					2,951	1,967
<b>Total</b>	<b>307</b>	<b>307</b>	<b>274</b>	<b>274</b>	<b>2,951</b>	<b>1,967</b>
<b>Borrowings</b>						
Financial liabilities at amortised amount	*9,817	11,075	9,815	10,231	*2,787	2,084
<b>Total</b>	<b>9,817</b>	<b>11,075</b>	<b>9,815</b>	<b>10,231</b>	<b>2,787</b>	<b>2,084</b>
<b>Creditors</b>						
Financial liabilities carried at contract amount					2,838	1,555
<b>Total</b>					<b>2,838</b>	<b>1,555</b>

*Long Term Debtors*

	2010/11	2011/12
	£000	£000
Mortgages on right to buy sales	4	4
Other housing advances	9	7
Leisure in Hyndburn Ltd	189	175
Car loans to employees	105	88
<b>Total</b>	<b>307</b>	<b>274</b>

### *Material Soft Loans Made By the Council*

#### Loan to the trust Leisure in Hyndburn (LiH)

The two loans to LiH are deemed to be material soft loans. They are interest free loans of £234k (loan 1 £140k; loan 2 £94k) repayable by monthly instalments ending in December 2020.

	2010/11 £000	2011/12 £000
Opening balance 1 <sup>st</sup> April	<b>0</b>	<b>189</b>
Nominal value of new loans granted in year	265	0
Fair value adjustment on initial recognition	(74)	0
Loans repaid	(4)	(26)
Impairment losses	0	0
Increase in discounted amount	0	0
Other changes	2	12
Closing balance at end of year	<b>189</b>	<b>175</b>
Nominal value at 31 <sup>st</sup> March	<b>261</b>	<b>234</b>

The interest rate at which the fair value of this soft loan has been made is arrived at by taking the authority's prevailing cost of borrowing (4.4% for loan 1 and 4.6% for loan 2) and adding an allowance for the risk that the loan might not be repaid by LiH in this case 2%.

#### *Employees Car Loans*

The Council makes loans for car purchase to 31 employees in the authority who are in posts that require them to drive regularly on the authority's business.

Interest is charged at different rates depending upon the emissions of the vehicle: < 1400cc 8.5%, 1400-1600cc 9% and > 1600cc 9.5%.

	2010/11 £000	2011/12 £000
Opening balance	145	185
Nominal value of new loans granted in year	117	36
Loans repaid	(89)	(80)
Other changes – Interest Charged	12	13
Other changes	-	(13)
Closing balance at end of year	<b>185</b>	<b>141</b>

The interest rate at which fair values of these soft loans have been recognised is arrived at by taking the authority's prevailing cost of borrowing for a comparable loan at the date of the advance and adding an allowance for the risk that the loan might not be repaid.

*Equity Share Loans (ESL) and Purchase Assistance Loans (PAL)*

Hyndburn BC has made both ESL and PAL loans. Neither type of loan has a definite repayment or maturity date and is not included in the Balance Sheet. Details are in the table below.

Equity Share Loans	Year	No. of Loans	Value of Loans (£)
	06/07	20	655,450
	07/08	15	447,750
	08/09	9	324,200
<b>Total</b>		<b>44</b>	<b>1,427,400</b>
<b>Purchase Assistance Loans</b>			
	09/10	3	37,220
	10/11	4	77,948
	11/12	2	37,200
<b>Total</b>		<b>9</b>	<b>152,368</b>

*Borrowing*

Summary as at 31 March 2011	Principal Outstanding £000	Accrued Interest to 31 Mar £000	Adjustment: Effective Int. Rate Smoothing £000	Carrying Value TOTAL £000	Fair Value Total £000
<b>*restated</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<u>Long Term Borrowing</u>					
PWLB	0	0	0	0	0
Money Market	9,520	*0	222	* 9,742	11,000
Individuals	75	0	0	75	75
<b>Total</b>	<b>9,595</b>	<b>0</b>	<b>222</b>	<b>*9,817</b>	<b>11,075</b>
<u>Short Term Borrowing</u>					
PWLB	0	0	0	0	0
Money Market	2,700	7	0	2,707	2,715
Money Market (L/T Loan)	0	*80	0	*80	81
Individuals	0	0	0	0	0
<b>Total</b>	<b>2,700</b>	<b>*87</b>	<b>0</b>	<b>* 2,787</b>	<b>2,796</b>
<u>Total Borrowing</u>					
PWLB	0	0	0	0	0
Money Market	12,220	87	222	12,529	13,796
Individuals	75	0	0	75	75
<b>Total</b>	<b>12,295</b>	<b>87</b>	<b>222</b>	<b>12,604</b>	<b>13,871</b>

Summary as at 31 March 2012	Principal Outstanding £000	Accrued Interest to 31 Mar £000	Adjustment: Effective Int. Rate Smoothing £000	Carrying Value TOTAL £000	Fair Value Total £000
<u>Long Term Borrowing</u>					
PWLB	0	0	0	0	0
Money Market	9,520	0	220	9,740	10,156
Individuals	75	0	0	75	75
<b>Total</b>	<b>9,595</b>	<b>0</b>	<b>220</b>	<b>9,815</b>	<b>10,231</b>
<u>Short Term Borrowing</u>					
PWLB	0	0	0	0	0
Money Market	2,000	3	0	2,003	1,995
Money Market (L/T Loan)	0	81	0	81	82
Individuals	0	0	0	0	0
<b>Total</b>	<b>2,075</b>	<b>84</b>	<b>0</b>	<b>2,084</b>	<b>2,077</b>
<u>Total Borrowing</u>					
PWLB	0	0	0	0	0
Money Market	11,520	84	220	11,824	12,233
Individuals	75	0	0	75	75
<b>Total</b>	<b>11,595</b>	<b>84</b>	<b>220</b>	<b>11,899</b>	<b>12,308</b>

## 15. INVENTORIES

	2010/11 £000	2011/12 £000
General fund - stock	44	59
Work in progress	0	1
<b>Total</b>	<b>44</b>	<b>60</b>

## 16. DEBTORS

	2010/11 £000	2011/12 £000
Central government bodies	3,930	1,723
Other local authorities	1,362	1,452
Public corporations and trading funds	30	0
Other entities and individuals	4,552	3,809
Prepayments	187	208
Sub total	<b>10,061</b>	<b>7,192</b>
Bad debt provision	(2,019)	(1,885)
<b>Total</b>	<b>8,042</b>	<b>5,307</b>

**17. ASSETS HELD FOR SALE**

	<b>2010/11</b> <b>£000</b>	<b>2011/12</b> <b>£000</b>
Balance outstanding at start of year	1,323	1,706
Assets newly classified as held for sale:		
Property Plant and Equipment	0	693
Revaluation gains	828	0
Assets declassified as held for sale:		
Property, Plant and Equipment	(90)	(150)
Investment Property	0	(1,133)
Assets sold	(355)	(70)
<b>Balance outstanding at year end</b>	<b>1,706</b>	<b>1,046</b>

**18. CASH AND CASH EQUIVALENTS**

	2010/11 £000	2011/12 £000
Cash in hand	4	4
Bank balance / (overdraft)	(1,164)	(516)
<b>Total Cash and Cash Equivalents</b>	<b>(1,160)</b>	<b>(512)</b>

**19. CREDITORS**

	2010/11 £000	2011/12 £000
Central government bodies	(255)	(302)
Other local authorities	(576)	(141)
Other entities and individuals	(2,353)	(1,519)
<b>Total</b>	<b>(3,184)</b>	<b>(1,962)</b>

## 20. PROVISIONS

Provisions Summary	Balance at 1 <sup>st</sup> April 2011	Additional provisions made in 2011/12	Amounts used in 2011/12	Unused amounts reversed in 2011/12	Balance 31 <sup>st</sup> March 2012
Industrial units bonds deposits for leases	-14				-14
Insurance 'excess provision' for potential claims	-55	-46			-101
Communities for health balance remaining on grant	-88		41		-47
Free swimming utilisation of grant	-5		5		0
Dilapidations provision for asset remedial work	-674	-502	-	-	-1,176
ERDF potential claw back maintained until time barred	-99				-99
ICT replacement of items damaged in flood	-5		5		0
Hyndburn Homes amount payable re Right To Buy sales	-84		84		0
Other	-9		4		-5
<b>Total</b>	<b>1,033</b>	<b>-548</b>	<b>139</b>		<b>-1,442</b>

## 21. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

## 22. UNUSABLE RESERVES

*restated	2010/11 £000	2011/12 £000
Revaluation Reserve	*15,459	15,881
Capital Adjustment Account	19,209	19,165
Financial Instruments Adjustment Account	(294)	(280)
Deferred Capital Receipts Reserve	4	4
Pensions Reserve	(32,642)	(39,334)
Collection Fund Adjustment Account	(13)	(40)
Accumulated Absences Account	(130)	(106)
<b>Total Unusable Reserves</b>	<b>*1,593</b>	<b>(4,710)</b>



### Revaluation Reserve

This reserve contains the gains made by the Council arising from increases in the value of the Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

This reserve contains only revaluation gains accumulated since 1<sup>st</sup> April 2007, the date the reserve was created. Accumulated gains arising before that date are consolidated into the balance of the Capital Adjustment Account.

	2010/11	2011/12
*restated	£000	£000
<b>Balance at 1<sup>st</sup> April</b>	<b>*11,228</b>	<b>15,459</b>
<i>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</i>		
Upward revaluation of assets	4,232	817
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of services	(1)	(395)
Sub-total	4,231	422
<i>Amount written off to the Capital Adjustment Account</i>		
Difference between fair value depreciation and historical cost depreciation	0	0
Accumulated gains on assets sold or scrapped		
Sub-total	0	0
<b>Balance at end of year</b>	<b>*15,459</b>	<b>15,881</b>

### *Capital Adjustment Account*

The account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of these assets under statutory provisions.

The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment properties. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1<sup>st</sup> April 2007, the date the Revaluation Reserve was created to hold such gains. Note 5 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2010/11 £000	2011/12 £000
<b>Balance at 1<sup>st</sup> April</b>	16,144	19,209
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</i>		
Charges for depreciation and impairment of non-current assets	(1,490)	(1,268)
Revaluation losses on Property, Plant and Equipment	(3,927)	(4,705)
Amortisation of intangible assets	(55)	(80)
Revenue expenditure funded from capital under statute	(234)	(41)
Non-current assets written off as part of the gain / loss on disposal of assets	(388)	(331)
Sub-total	(6,094)	(6,425)
<i>Capital financing applied in the year</i>		
Use of the Capital Receipts Reserve to finance new capital expenditure	2,340	21
Use of the Major Repairs Reserve to finance new capital expenditure	0	0
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	5,182	296
Application of grants to capital financing from the Capital grants Unapplied Account	68	2,942
Accumulated gains on assets sold or scrapped	0	0
Minimum Revenue Provision	802	600
Capital Expenditure Charged Against Revenue Account	767	2,522
Sub-total	9,159	6,381
Adjusting amounts written out of the Revaluation Reserve	0	0
<b>Balance at end of year</b>	<b>19,209</b>	<b>19,165</b>

#### *Financial Instruments Adjustment Account*

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions.

	2010/11 £000	2011/12 £000
<b>Balance at 1<sup>st</sup> April</b>	(225)	(295)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure statement	80	5
Proportion of premiums incurred in previous financial years to be charge against the General fund balance in accordance with statutory requirements	(10)	(20)
Sub total	(70)	15
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in year in accordance with statutory requirements		
<b>Balance at end of year</b>	<b>(295)</b>	<b>(280)</b>

### *Pensions Reserve*

The reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to incorporate inflation, changing assumptions and investment returns on any resources set aside to meet costs.

However statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in benefits earned by past and current employees and the resources set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2010/11 £000	2011/12 £000
<b>Balance at 1<sup>st</sup> April</b>	(47,810)	(32,642)
Actuarial gains or losses on pension assets and liabilities	10,288	(6,794)
Reversal of items relating to retirement benefits debited or credited to the	2,279	(2,648)
Employer's pension contributions and direct payments to pensioners payable	2,601	2,750
<b>Balance at end of year</b>	<b>(32,642)</b>	<b>(39,334)</b>

### *Collection Fund*

The account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from the council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2010/11 £000	2011/12 £000
<b>Balance at 1<sup>st</sup> April</b>	(14)	(13)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements	1	(27)
<b>Balance at end of year</b>	<b>(13)</b>	<b>(40)</b>

### Accumulated Absences Account

The Accumulated Absences Account absorbs differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31<sup>st</sup> March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2010/11	2011/12
	£000	£000
<b>Balance at 1<sup>st</sup> April</b>	(155)	(130)
Settlement or cancellation of accrual made at the end of the preceding year		
Amounts accrued at the end of the current year		
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	25	24
<b>Balance at end of year</b>	<b>(130)</b>	<b>(106)</b>

## 23. CASHFLOW STATEMENT

### i) Adjustments to net surplus or deficit on the provision of services for non-cash movements

	2010/11	2011/12
	£000	£000
Depreciation	(1,490)	(1,268)
Impairment & downward valuations	(3,951)	(4,705)
Amortisation	(55)	(80)
(Increase)/ decrease in impairment provision for bad debts	(602)	(137)
(Increase)/decrease in creditors	(247)	1,204
Increase/(decrease) in debtors	(404)	(720)
Increase/(decrease) in stock	(15)	16
Pension liability	4,880	102
Carrying amount of non-current asset disposals	(388)	(331)
Other non-cash items charged to the net surplus or deficit on the provision of services	7,836	2,158
	<b>5,564</b>	<b>(3,761)</b>

- ii) Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:

	2010/11 £000	2011/12 £000
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	511	559
	<b>511</b>	<b>559</b>

#### 24. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2010/11 £000	2011/12 £000
Interest received	(61)	(97)
Interest paid	499	505

#### 25. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2010/11 £000	2011/12 £000
Purchase of property, plant and equipment, investment property and intangible assets	7,924	5,556
Purchase of short term and long term investments	114,140	106,379
Other payments for investing activities	415	150
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(514)	(386)
Proceeds from short term and long term investments	(107,650)	(104,714)
Other receipts from investing activities	(9,805)	(2,977)
<b>Net cash flows from investing activities</b>	<b>4,510</b>	<b>4,008</b>

#### 26. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2010/11 £000	2011/12 £000
Cash receipts of short - and long – term borrowing	(2,700)	(2,000)
Other receipts from financing activities	(1,106)	(1,941)
Cash payments for the reduction of outstanding liabilities relating to finance leases and ion balance sheet PFI contracts	279	98
Repayments of short – and long – term borrowing	2,714	2,700
Other payments for financing activities	0	316
<b>Net cash flows from financing activities</b>	<b>(813)</b>	<b>(827)</b>

## 27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure except depreciation whereas revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement
- The cost of retirement benefits is based on cash flows (payment of employer's contributions) rather than current service cost of benefits accrued in year
- Certain contributions to and from reserves are included within service reports

### **Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement**

	2010/11	2011/12
	£000	£000
Net Expenditure in the Service Analysis	15,875	12,351
Net expenditure of services and support services not included in the analysis	0	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	(2,912)	3,767
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	492	450
<b>Cost of services in Comprehensive Income and Expenditure Statement</b>	<b>13,455</b>	<b>16,568</b>

The income and expenditure of the Council's principal services recorded in the budget reports for the year is as follows:

<b>Service Income and Expenditure 2011/12</b>	<b>&amp; Planning &amp; Transportation</b>	<b>Environmental Health</b>	<b>Waste Services</b>	<b>Parks &amp; Open Spaces</b>	<b>&amp; Culture Leisure</b>	<b>Concessionary Bus Travel</b>	<b>Regeneration &amp; Housing Services</b>	<b>Property Services</b>	<b>&amp; Policy Corporate Governance</b>	<b>Total</b>
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(489)	(1,148)	(2,569)	(789)	(158)	0	(1,039)	(822)	(5,875)	(12,889)
Govt Grants	0	(10)	(20)	0	(164)	0	(732)	0	(38,056)	(38,982)
<b>Total Income</b>	<b>(489)</b>	<b>(1,158)</b>	<b>(2,589)</b>	<b>(789)</b>	<b>(322)</b>	<b>0</b>	<b>(1,771)</b>	<b>(822)</b>	<b>(43,931)</b>	<b>(51,871)</b>
Employee expenses	761	864	2,458	1,005	82	0	1,202	263	5,358	11,993
Other operating expenses	418	197	2,304	851	1,024	0	915	395	40,140	46,244
Depreciation, Amortisation & Impairment	52	19	210	154	496	0	105	69	236	1,341
Support service recharges	264	1,025	244	129	79	0	599	44	2,260	4,644
<b>Total Expenditure</b>	<b>1,495</b>	<b>2,105</b>	<b>5,216</b>	<b>2,139</b>	<b>1,681</b>	<b>0</b>	<b>2,821</b>	<b>771</b>	<b>47,994</b>	<b>64,222</b>
<b>Net Expenditure</b>	<b>1,006</b>	<b>947</b>	<b>2,627</b>	<b>1,350</b>	<b>1,359</b>	<b>0</b>	<b>1,050</b>	<b>(51)</b>	<b>4,063</b>	<b>12,351</b>

<b>Service Income and Expenditure 2010/11 Comparative Figures</b>	<b>Planning &amp; Transportation</b>	<b>Environmental Health</b>	<b>Waste Services</b>	<b>&amp; Parks Open Spaces</b>	<b>&amp; Culture Leisure</b>	<b>Concessionary Bus</b>	<b>Regeneration &amp; Housing</b>	<b>Property Services</b>	<b>&amp; Policy Corporate Governance</b>	<b>Total</b>
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(451)	(2,090)	(2,561)	(222)	(152)	0	(1,423)	(790)	(5,151)	(12,840)
Govt Grants	(42)	(24)	0	(76)	(317)	(344)	(2,993)	0	(36,554)	(40,350)
<b>Total Income</b>	<b>(493)</b>	<b>(2,114)</b>	<b>(2,561)</b>	<b>(298)</b>	<b>(469)</b>	<b>(344)</b>	<b>(4,416)</b>	<b>(790)</b>	<b>(41,705)</b>	<b>(53,190)</b>
Employee expenses	960	1,466	2,691	759	120	0	1,627	247	5,398	13,268
Other operating expenses	370	556	2,404	708	1,259	1,333	3,229	466	39,100	49,425
Depreciation, Amortisation & Impairment	131	51	305	107	433	0	73	251	207	1,558
Support service recharges	264	1,270	244	93	80	0	581	44	2,238	4,814
<b>Total Expenditure</b>	<b>1,725</b>	<b>3,343</b>	<b>5,644</b>	<b>1,667</b>	<b>1,892</b>	<b>1,333</b>	<b>5,510</b>	<b>1,008</b>	<b>46,943</b>	<b>69,065</b>
<b>Net Expenditure</b>	<b>1,232</b>	<b>1,229</b>	<b>3,083</b>	<b>1,369</b>	<b>1,423</b>	<b>989</b>	<b>1,094</b>	<b>218</b>	<b>5,238</b>	<b>15,875</b>

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

<b>Reconciliation to Subjective Analysis 2011/12</b>	Service Analysis	Amounts not reported for decision making	Amounts not included in I& E	Allocation of Recharge	Net cost of services	Corporate Amounts	<b>Total</b>
	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(12,889)	216	2,640	2,825	(7,208)	(2,623)	(9,831)
Interest and investment income						(106)	(106)
Income from council tax						(5,379)	(5,379)
Government grants and contributions	(38,982)	(385)	236		(39,131)	(13,030)	(52,161)
<b>Total Income</b>	<b>(51,871)</b>	<b>(169)</b>	<b>2,876</b>	<b>2,825</b>	<b>(46,339)</b>	<b>(21,138)</b>	<b>(67,477)</b>
Employee expenses	11,993	(1,151)	(594)		10,248	1,623	11,871
Other service expenses	46,244	811	(1,556)		45,499	1,306	46,805
Support service recharges	4,644		(49)	(2,825)	1,770	49	1,819
Depreciation, amortisation and impairment	1,341	4,276	(227)		5,390	677	6,067
Interest payments						502	502
Precepts						13	13
Gain or Loss on disposal of fixed asset						(227)	(227)
<b>Total Expenditure</b>	<b>64,222</b>	<b>3,936</b>	<b>(2,426)</b>	<b>(2,825)</b>	<b>62,907</b>	<b>3,943</b>	<b>66,850</b>
<b>Surplus or Deficit on the provision of services</b>	<b>12,351</b>	<b>3,767</b>	<b>450</b>	<b>0</b>	<b>16,568</b>	<b>(17,195)</b>	<b>(627)</b>



<b>Reconciliation to Subjective Analysis 2010/11</b>	Service Analysis	Amounts not reported for decision making	Amounts not included in I& E	Allocation of Recharge	Net cost of services	Corporate Amounts	<b>Total</b>
	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(12,840)	(6,345)	2,787	2,960	(13,438)	(2,690)	(16,128)
Interest and investment income						(89)	(89)
Income from council tax						(5,417)	(5,417)
Government grants and contributions	(40,350)	(606)	1,806		39,150	(19,962)	(59,112)
<b>Total Income</b>	<b>(53,190)</b>	<b>(6,951)</b>	<b>4,593</b>	<b>2,960</b>	<b>(52,588)</b>	<b>(28,158)</b>	<b>(80,746)</b>
Employee expenses	13,268	(811)	(661)		11,796	2,782	14,578
Other service expenses	49,425	899	(2,896)		47,428	1,394	48,822
Support service recharges	4,814		(58)	(2,960)	1,796	58	1,854
Depreciation, amortisation and impairment	1,558	3,951	(486)		5,023	462	5,485
Interest payments						505	505
Precepts						13	13
Gain or Loss on disposal of fixed asset						(123)	(123)
<b>Total Expenditure</b>	<b>69,065</b>	<b>4,039</b>	<b>(4,101)</b>	<b>(2,960)</b>	<b>66,043</b>	<b>5,091</b>	<b>71,134</b>
<b>Surplus or Deficit on the provision of services</b>	<b>15,875</b>	<b>(2,912)</b>	<b>492</b>	<b>0</b>	<b>13,455</b>	<b>(23,067)</b>	<b>(9,612)</b>

## 28. TRADING OPERATIONS

The Council operates a MOT testing station and associated activities including a transport management organisation as internal trading accounts.

*restated	2010/11			2011/12		
	Income £000	Expenditure £000	(Surplus) / Deficit £000	Income £000	Expenditure £000	(Surplus) / Deficit £000
MOT / Stores / Depot	*(1,345)	*1,423	*78	(1,273)	1,326	53
<b>TOTAL</b>	<b>*(1,345)</b>	<b>*1,423</b>	<b>*78</b>	<b>(1,273)</b>	<b>1,326</b>	<b>53</b>

## 29. MEMBERS ALLOWANCES

The Council paid £287,623 to members of the Council during the year; in 2010/11 it paid £298,865.

## 30. OFFICERS REMUNERATION

The remuneration paid to the Council's senior officers is shown in the tables below. The first shows, the number of employees whose remuneration, excluding employer pension contributions, was £50,000 or more in bands of £5,000.

Remuneration	2010/11	2011/12
£50,000 - £54,999	6	4
£55,000 - £59,999	1	1
£60,000 - £64,999		
£65,000 - £69,999	1	
£70,000 - £74,999		1
£75,000 - £79,999	1	
£80,000 - £84,999		2
£85,000 - £89,999		
£90,000 - £94,999		
£95,000 - £99,999	1	0
£100,000 - £104,999		
£105,000 - £109,999		
£110,000 - £114,999		
£115,000 - £119,999		
£120,000 - £124,999	1	1
£125,000 - £129,999		

The second table includes the post title and shows the remuneration paid to the same senior officers whose salary is £50,000 or more

Post Holder Information	Salary, Fees & Allowances	Bonuses	Expense Allowances	Benefits in Kind	Employer Pension Contributions	Total Remuneration
	£	£	£	£	£	£
<b>Chief Executive</b>						
2011/12	<b>114,733</b>	<b>0</b>	<b>0</b>	<b>7,860</b>	<b>32,480</b>	<b>155,073</b>
2010/11	113,491	0	0	7,226	28,768	149,485
<b>Deputy Chief Exec</b>						
2011/12	<b>80,250</b>	<b>0</b>	<b>158</b>	<b>0</b>	<b>12,880</b>	<b>93,288</b>
2010/11	92,000	0	3,992	2,443	22,816	121,251
<b>Exec Director (Resources)</b>						
2011/12	<b>78,545</b>	<b>0</b>	<b>229</b>	<b>3081</b>	<b>21,931</b>	<b>103,786</b>
2010/11	75,158	0	167	4,078	18,577	97,980
<b>Exec Director (Legal &amp; Democratic)</b>						
2011/12	<b>62,627</b>	<b>0</b>	<b>0</b>	<b>7,502</b>	<b>17,006</b>	<b>87,135</b>
2010/11	64,232	0	0	5,734	15,895	85,861
<b>Head of Planning &amp; Transport</b>						
2011/12	<b>56,888</b>	<b>0</b>	<b>205</b>	<b>0</b>	<b>15,355</b>	<b>72,448</b>
2010/11	Less than £50k					
<b>Head of Environmental Services</b>						
2011/12	<b>54,627</b>	<b>0</b>	<b>368</b>	<b>0</b>	<b>14,949</b>	<b>69,944</b>
2010/11	Less than £50k					
<b>Head of Environmental Health</b>						
2011/12	<b>52,107</b>	<b>0</b>	<b>342</b>	<b>0</b>	<b>14,124</b>	<b>66,573</b>
2010/11	Less than £50k					
<b>Head of Housing &amp; Regeneration</b>						
2011/12	<b>50,412</b>	<b>0</b>	<b>75</b>	<b>1,065</b>	<b>14,115</b>	<b>65,667</b>
2010/11	50,412	0	0	782	12,502	63,696

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

Exit package cost band (incl. special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0 - £20,000	5	7	9	6	14	13	119,900	91,603
£20,001 – £40,000		2	8	2	8	4	246,087	128,748
£40,001 – £60,000			3	2	3	2	140,159	105,617
£60,001 – £80,000								
£80,001 – £100,000								
£100,000 – £150,000								
<b>Total</b>	<b>5</b>	<b>9</b>	<b>20</b>	<b>10</b>	<b>25</b>	<b>19</b>	<b>506,146</b>	<b>325,968</b>

### 31. AUDIT FEES

The Council has incurred the following fees in relation to the audit of the Statement of Accounts, certification of grant claims and to non-audit services provided by the Council's external auditors:

	2010/11	2011/12
	£000	£000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	104	93
Fees payable for the certification of grant claims and returns	25	21
Fees payable in respect of other services provided by the appointed auditor	2	0
<b>Total</b>	<b>131</b>	<b>114</b>

### 32. GRANT INCOME

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

	2010/11	2011/12
	£000	£000
<b><i>Credited to Taxation and Non Specific Grants</i></b>		
Revenue Support Grant	1,290	1,864
Transition Grant	0	2,529
New Homes Bonus Grant	0	72
Area Based Grant	1,785	0
Local Area Agreement Performance Reward Grant	169	0
<b>Sub Total</b>	<b>3,244</b>	<b>4,465</b>
<b><i>Credited to Services</i></b>		
Council tax benefit subsidy	8,101	8,121
Housing benefit / Rent allowance subsidy	26,983	28,670
Housing benefit and council tax administration grant	936	884
Transition Grant	0	181
Other housing benefit grant	55	71
Disabled facilities	305	398
Housing market renewal	770	394
Regional housing pot: non-ring fenced	993	0
Concessionary travel special grant	344	0
Homelessness priority needs	38	81
Communities for health	191	0
Local enterprise growth initiative	27	0
Council Tax Freeze Grant	0	136
Other grants	122	195
<b>Total</b>	<b>38,865</b>	<b>39,131</b>

### **33. RELATED PARTIES**

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

#### *Central Government*

Central government is responsible for providing the statutory framework within which the Council operates. It provides the majority of the Council's funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties. Details of grant income are shown in note 31.

#### *Other Public Bodies*

Precept payments to Lancashire County Council, Lancashire Fire Authority and Lancashire Police Authority are shown in the Collection Fund, while the total precepts paid to Parish Councils are shown in note 7. Details of payments to the Pension Fund are shown in note 36.

#### *Members & Officers*

Members of the Council have direct control over the Council's financial and operating policies. The total of member allowances paid in 2011-12 is shown in note 28.

Some council members 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' interests in related parties have been included, where applicable, in the Register of Members Interests which is open to public inspection. There are no related party issues.

Under the Authority's Code of Conduct for Employees officers must declare any interests, financial and non-financial which could conflict with the authority's interests. No material declarations were made during the year.

#### *Entities Influenced by the Council*

Since 1996/97 the Council has invested in Globe Enterprises Ltd. It is a property and investment company based in Accrington, Lancashire. 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 to Globe Enterprises to provide working capital for the company. The Council received a part repayment of £332,000 of the loans as a contribution to the development of Scaitcliffe House. It was also repaid £52,872 in June 2007 leaving an outstanding balance of £575k.

### 34. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure is shown in the table below (including the value of assets acquired under finance leases and long term contracts), together with the resources used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement, which is a measure of the capital expenditure incurred by the Council that has yet to be financed.

	2010/11	2011/12
	£000	£000
<b>Operating Capital Financing Requirement</b>	13,644	12,842
<i>Capital Investment</i>		
Property, Plant and Equipment	8,012	4,632
Investment Properties		1,106
Held For Sale	1	
Intangible Assets	109	17
Revenue Expenditure Funded from Capital under Statute	1,820	681
<i>Sources of Finance</i>		
Capital Receipts	(2,339)	(21)
Government grants and other contributions	(6,716)	(3,718)
Direct revenue contributions	(887)	(2,683)
Minimum Revenue Provision	(802)	(600)
<b>Closing Capital Financing Requirement</b>	12,842	12,256
<i>Explanation of Movement in Year</i>		
Increase in underlying need to borrow	0	0
Assets acquired under finance leases	0	23
Movements in other long term liabilities	0	0
Minimum Revenue Provision	(802)	(609)
Other		
<b>Change in Capital Financing Requirement</b>	(802)	(586)

### 35. LEASES

#### *Authority as Lessee: Finance Leases*

The Council has acquired a number of vehicles and items of equipment under finance leases. They have a net value of £204k in 2011/12 and £288k in 2010/11.

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability and the finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2010/11	2011/12
	£000	£000
Finance lease liabilities (NPV of minimum lease payments)		
Current	100	79
Non-Current	188	125
Finance costs payable in future years	155	134
Minimum lease payments	443	338

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

	2010/11	2011/12
	£000	£000
Not later than one year	130	108
Later than one year and not later than five years	252	181
Later than five years	61	49
Total	443	338

#### *Operating Leases*

The Council has acquired several fleet vehicles together with items of equipment by entering into operating leases.

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

	2010/11	2011/12
	£000	£000
Not later than one year	3	3
Later than one year and not later than five years	54	159
Later than five years	0	34
Total	57	196

### **36. DEFINED BENEFIT PENSION SCHEMES**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that the employees earn their future entitlement.



The Council participates in the Local Government pension scheme which is administered by Lancashire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with the investment assets.

#### *Transactions Relating to Retirement Benefits*

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are actually paid as pensions. However the charge we are required to make against council tax is based on the cash payable in the year. Consequently the accounting cost of post employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement:

	Local Government Pension Scheme	
	2010/11	2011/12
	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Cost of Services</i>		
Current service cost	1,567	1,270
Past service cost / gain (-)	-6,216	171
Settlements and curtailments	249	178
<i>Financing and Investment Income and Expenditure</i>		
Interest cost	6,238	5,600
Expected return on scheme assets	-4,117	-4,571
Total post employment benefit charged to the Surplus or Deficit on the Provision of Services	-2,279	2,648
Actuarial (Gains) and Losses	-10,228	6,794
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	-10,228	6,794
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the code	2,279	-2,648
Actual amount charged against the General Fund Balance for pensions	2,601	2,750

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure statement to 31<sup>st</sup> March 2012 is a loss of £6.794m (31<sup>st</sup> March 2011 gain of £10,228).

*Assets and Liabilities in Relation to Post Employment Benefits*

Reconciliation of the present value of scheme liabilities	Local Government Pension Scheme	
	2010/11	2011/12
	£000	£000
<b>Opening Balance</b>	112,743	103,436
Current service cost	1,567	1,270
Interest cost	6,238	5,600
Contributions by scheme participants	533	461
Actuarial gains and losses	-6,868	3,373
Benefits paid	-4,810	-4,956
Past service costs / gains	-6,216	171
Curtailements	249	178
<b>Closing Balance</b>	103,436	109,533

Reconciliation of the fair value of assets	Local Government Pension Scheme	
	2010/11	2011/12
	£000	£000
<b>Opening Balance</b>	64,933	70,794
Expected rate of return	4,117	4,571
Actuarial gains and losses	3,420	-3,421
Employer contributions	2,601	2,750
Contributions by scheme participants	533	461
Benefits paid	-4,810	-4,956
<b>Closing Balance</b>	70,794	70,199

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. The actual return on scheme assets in the year was a gain of £1.150m (gain of £5.173m in 2010/11).

*Scheme History*

	2011/12	2010/11	2009/10	2008/09	2007/08
	£000	£000	£000	£000	£000
Present Value of local government pension scheme liabilities	(109,533)	(103,436)	(112,743)	(86,013)	(100,859)
Fair value of Local Government Pension Scheme assets	70,199	70,794	64,933	50,241	63,693
Net value of liabilities	(39,334)	(32,642)	(47,810)	(35,772)	(37,166)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. Statutory arrangements for the funding of these liabilities mean that the financial position of the Council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the working life of employees (i.e. before payments fall due) as assessed by the scheme actuary
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid

The total contributions the Council expects to pay to the pension scheme in the year to 31<sup>st</sup> March 2013 are £2.285m.

#### *Basis for Estimating Assets and Liabilities*

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

Mercer Ltd, and independent firm of actuaries has assessed these liabilities based on the last full actuarial valuation of the scheme as at 31<sup>st</sup> March 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2010/11	2011/12
	%	%
<i>Long term expected rate of return on assets in the scheme:</i>		
Equity investments	7.5	7.0
Government bonds	4.4	3.1
Other bonds	5.1	4.1
Property	6.5	6.0
Cash / liquidity	0.5	0.5
Other	7.5	7.0
	Years	Years
<i>Mortality Assumptions:</i>		
Longevity at 65 for current pensioners:		
Men	21.6	21.7
Women	24.2	24.3
Longevity at 65 for future pensioners:		
Men	23.0	23.1
Women	25.8	25.9
	2010/11	2011/12
	%	%
Rate of CPI inflation	2.9	2.5
Rate of increased in salaries	4.9	4.5
Rate of increase in pensions	2.9	2.5
Rate for discounting scheme liabilities	5.5	4.9
Take-up option to convert annual pension into retirement lump sum	50.0	50.0

### *History of Experience Gains and Losses*

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Differences between the expected and actual return on assets	-18.4	-34.4	20.3	4.8	4.9
Experience gains and losses on liabilities	1.3	22.2	-21.1	6.6	0.0

### **37. CONTINGENT LIABILITIES**

At 31<sup>st</sup> March the Council had three material contingent liabilities:

#### *Municipal Mutual Insurance Ltd*

During 1992/93 Municipal Mutual Insurance Ltd (MMI) experienced trading difficulties and accepted no new business. The company's creditors, including Hyndburn BC, agreed a Scheme of Arrangement in 1993/94 whereby they agreed to return to MMI some proportion of their historical claim payments received from MMI if the scheme were to trigger.

The Scheme can be triggered at any point at which MMI directors decide that there is no 'reasonable prospect' of avoiding insolvent liquidation.

Although MMI's strategy remains to continue to pay all agreed claims and achieve a solvent run-off, the latest report and accounts (June 2011) assume MMI will ultimately become insolvent based on a KPMG estimate of future latent exposures. On 28<sup>th</sup> March 2012 the Supreme Court placed insurance liability at the time an employee was exposed to asbestos, not when symptoms of mesothelioma appeared. This decision means that the scheme could trigger at any point as there is no longer the prospect of the Supreme Court judgement improving the solvency position of MMI.

Hyndburn is potentially liable for approximately £41k if the scheme is triggered.

#### *Large Scale Voluntary Transfers Environmental Warranties*

There may be potential liabilities arising to Hyndburn BC from the Large Scale Voluntary Transfer of 30<sup>th</sup> March 2006 and the terms of the housing stock transfer related agreement of the same date, subject to the respective limitations and obligations in the agreement. Initially the agreement was with Hyndburn Homes Ltd of Contour Housing Group, subsequently Contour Housing amalgamated with Vicinity Housing Group to form Symphony Housing Group. On the agreement the Council had:

- Taken out Environmental site Liability Insurance up to £20m, via a single premium, for the period 25<sup>th</sup> July 2007 to 24<sup>th</sup> July 2017
- Established a reserve for LSVT – related Environmental Warranties which is increased by £250k per annum for at least ten years

### *Housing Market Renewal Transition Grant*

Hyndburn Borough Council was included in the original Housing Market Renewal Pathfinder Programme which was introduced to tackle the problem of low demand for housing in certain areas of the country with the aim of improving the quality and choice of housing. This programme was halted by the change of Government in 2010 leaving areas part way through a programme of change. To alleviate the problems caused by the sudden withdrawal of support additional transitional funding was provided to complete part finished projects: £2.3 million being allocated to Hyndburn. The awarding of this transitional funding has been legally challenged by SAVE Britain's Heritage on the grounds that the demolition of housing has continued rather than their refurbishment. The challenge was successful resulting in the granting of a Judicial Review. There is a possibility that transitional funding received by the authority may have to be fully or partially repaid depending on the outcome of the Judicial Review.

## **38. CONTINGENT ASSETS**

### *VAT Refunds*

European VAT law would have allowed councils to treat the original subject income as VAT free. In fact, VAT was paid on the transactions in the early 1990s. Hyndburn BC has submitted claims for the repayment of the outstanding tax and has been reimbursed in the areas of culture, cemeteries and sports and coaching. The outstanding area is trade waste.

The net amount outstanding may be significant but so far there is no certainty about the value and timing of any settlement.

## **39. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The Council's activities expose it to a variety of financial risks:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility the Council might not have funds available to meet its commitments to make payments.
- Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out within the Council's finance team under policies approved by the Council in the annual treasury management strategy.

The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and has set treasury management indicators to control key financial instrument risks.

When the Council considers the revenue budget and capital programme in March, it also approves the Treasury Management Strategy for the coming three years. The strategy covers:

- Current treasury position when reporting
- Expected movement in interest rates
- Council's borrowing and debt strategy
- Prudential indicators and limits on activity e.g. upper limits on variable rate exposure, upper limits on fixed rate exposure, gross limits for maturity structure of borrowing, maximum total principal sum invested for over 364 days
- Debt re-scheduling considerations

#### *Credit Risk*

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

The risk is minimised through the annual investment strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria within the Council's treasury management practices. The Council maintains strict credit criteria for investment counterparties and monitors activity against these criteria. As a result of these high credit criteria there has been no experience of defaults.

The Council maintains an approved list of organisations for investment purposes, consisting of major banks, building societies and other local authorities. Maturity limits apply for each counterparty category and maximum investment limits also exist per counterparty and sector.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The following analysis summarises the Council's potential maximum exposure to credit risk based on past experience and current market conditions.

	Amount at 31 <sup>st</sup> March 2012	Historical experience of default	Historical experience adjusted for market conditions	Estimated Maximum Exposure to Default and uncollectability
	£000	%	%	£000
Banks & Building Societies	2,130	0.00%	0.00%	0
Other Local Authorities & Govt Bodies	11,000	0.00%	0.00%	0
Sundry Debtors	1,352	4.60%	4.60%	62
<b>Total</b>	<b>14,482</b>			<b>62</b>

The Council does not generally allow credit for its sundry debtors. The sundry debtors outstanding which are past their due date for payment at 31<sup>st</sup> March 2012 can be analysed by age as shown in the table below.

Aged Sundry Debt – 31 <sup>st</sup> March 2012	£000
Less than 30 days	352
30 days to 59 days	380
60 days to 89 days	37
90 days to 119 days	37
120 + days	546
<b>Total</b>	<b>1,352</b>

#### *Liquidity Risk*

The Council has ready access to borrowings from the Public Works Loan Board for long term borrowing and the money markets to cover any day-to-day cash flow need. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above as well as through cash flow management procedures required by the Code of Practice.

The approved prudential indicator limits for the maturity structure of debt and the limits placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategy addresses the main risks and the accountancy section address the operational risks within the approved parameters. The maturity analysis of financial liabilities is as follows:

Financial Liabilities by Maturity Risk	31 <sup>st</sup> March 2011	31 <sup>st</sup> March 2012
	£000	£000
Less than one year	2,905	2,184
Between 1 and 2 years	189	131
Between 2 and 5 years	63	50
Between 5 and 10 years	61	49
More than 10 years	9,520	9,520
<b>Total</b>	<b>12,738</b>	<b>11,934</b>

#### *Market Risk*

##### Interest rate risk

The Council has limited exposure to interest rate movements on its borrowings and investments.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on

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

The aim of the prudential indicators is to contain the activity of the treasury function within certain limits thereby reducing the risk or likelihood of an adverse movement in interest rate or borrowing decisions that could impact negatively on the Council's overall financial position.

The accountancy section monitors market and forecast interest rates within the year to adjust exposure appropriately.

#### *Price Risk*

The Council, excluding the pension fund, does not generally invest in instruments with this type of risk.

#### *Foreign Exchange Risk*

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.



**40. COLLECTION FUND**

These accounts represent the transactions of the collection fund for which there is a statutory requirement contained in the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates. Collection Fund balances are consolidated in the Balance Sheet.

2010/11 £000	Income & Expenditure Account	2011/12 £000
(28,732)	<b>Income</b> Income from council tax	(28,121)
	Transfer from General Fund	
(7,992)	Council Tax Benefits	(8,030)
(17,909)	Business rates	(19,616)
<b>(54,633)</b>	<b>Gross Income</b>	<b>(55,767)</b>
	<b>Expenditure</b>	
	Precepts and Demands:	
26,151	Lancashire County Council	26,060
3,451	Lancashire Police Authority	3,439
1,501	Lancashire Combined Fire Authority	1,497
5,452	Hyndburn Borough Council	5,433
36,555	Total Precepts and Demands	36,429
	Business Rates (NNDR)	
17,405	Payments to national pool	18,952
13	Interest	5
135	Cost of collection	133
17,553	Total NNDR	19,090
	Bad Debts Provision in Year	
407	Council tax	87
357	Business rates	526
764	Total Bad Debts	613
	Contributions	
(248)	Previous years surplus (deficit) distributed	(184)
<b>54,624</b>	<b>Gross Expenditure</b>	<b>55,948</b>
<b>(9)</b>	<b>(Surplus) / Deficit for the year</b>	<b>181</b>
95	(Surplus) / Deficit as at 1 <sup>st</sup> April B/F	86
<b>86</b>	<b>(Surplus) / Deficit as at 31<sup>st</sup> March</b>	<b>267</b>
	Share of (Surplus) / Deficit	
62	Lancashire County Council	191
8	Lancashire Police Authority	25
3	Lancashire Combined Fire Authority	11
13	Hyndburn Borough Council	40
<b>86</b>	<b>Total</b>	<b>267</b>

### *National Non-Domestic Rates (NNDR)*

NNDR is the business rate and is organised on a national basis. The government specifies an amount (43.3p in 2011/12 and 41.4p in 2010/11) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying that amount by their rateable value.

The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into a national NNDR pool. The government then redistributes the sums paid into the pool back to local authorities on the basis of a fixed amount per head of population.

The Council's total non-domestic rateable value at the end of the financial year 2011/12 was £58.932m and £57.889m for 2010/11.

### *Council Tax*

Council tax is due from residential properties based on the statutory national valuation band in which the property has been placed. The council tax is calculated by estimating the amount of income required from the collection fund by the Council and the Precepting authorities for the forthcoming year. This is divided by the council tax base i.e. the total number of equivalent Band D properties.

<b>Band</b>	<b>Number of Dwellings</b>	<b>Discount</b>	<b>Factor</b>	<b>Band D Equivalent Whole Numbers</b>
AA	36	2	5/9	18
A	20,142	2,801	6/9	11,560
B	5,109	453	7/9	3,620
C	5,436	375	8/9	4,498
D	2,710	147	9/9	2,563
E	882	45	11/9	1,023
F	253	16	13/9	342
G	161	17	15/9	240
H	5	1	18/9	8
Total				23,872
Collection Rate				98.5%
Tax Base				<b>23,514</b>

*Surpluses and Deficits*

The actual surplus or deficit on the council tax collected at the financial year end is apportioned and distributed between the billing and the 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 mid-January and therefore do not relate directly to the balance shown in these accounts. Any difference between the estimate and the outturn is taken into account when estimating the surplus or deficit the following year.