

**HYNDBURN
BOROUGH COUNCIL**

**Statement of Accounts
(Audited)**

Year Ended 31st March, 2007



HYNDBURN

making Hyndburn a better place to live, work and visit

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اگر آپ یہ لیفلٹ اپنی زبان میں سمجھنا چاہتے ہیں
تو برائے مہربانی کمیونٹی ایڈوائس سنٹر سے
380144 01254 پر رابطہ کریں۔

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AUDITOR'S REPORT

Independent auditors' report to Members of Hyndburn Borough Council

We have audited the financial statements of Hyndburn Borough Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes.

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

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

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

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

We report to you our opinion as to whether the financial statements presents fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of Hyndburn Borough Council as at 31 March 2007 and its income and expenditure for the year then ended.

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

Authority's Responsibilities

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

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

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

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

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, in all significant respects, Hyndburn Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2007.

Best Value Performance Plan

We issued our statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 in December 2006. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Colwyn Chambers
19 York Street
Manchester
M2 3BA

31 October 2007

EXPLANATORY FOREWORD

1. Introduction

This publication is the Council's statement of accounts (SOA) for the financial year ended 31st March 2007. The main purpose of the document is to present fairly a summary of the significant financial transactions which have occurred during or for the year, and of the assets and liabilities of the authority at the balance sheet date.

The statements presented on the following pages comprise:

- (a) **Statement of Accounting Policies**
This supports and explains the basis of the figures used in the accounts.
- (b) **Statement of Responsibilities for the Statement of Accounts**
This sets out the respective responsibilities of the Council and the Chief Financial Officer for the accounts.
- (c) **Core Financial Statements**
 - (i) **Income and Expenditure Account for the Authority**
In summary, the I & E account shows the resources generated and consumed by the authority in the year.
 - (ii) **Statement of the Movement on the General Fund Balance (SMGFB)**
This is a reconciliation statement with the I & E Account, showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising council tax.
 - (iii) **Statement of Total Recognised Gains and Losses (STRGL)**
This financial statement brings together all the gains and losses of the authority for the year, and in relation to year-end 'net worth' given in the Balance Sheet.
 - (iv) **Balance Sheet**
This statement sets out the financial position of the Council at year-end 31 March. It shows a summary of fixed assets held, the current assets employed, the balances and reserves of the Council, and the Council's financial liabilities.
 - (v) **Cash Flow Statement**
This statement summarises the Council's inflows and outflows of cash arising from transactions with third parties during the year, for revenue and capital purposes.

EXPLANATORY FOREWORD

(d) **Supplementary Financial Statements**

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

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

**'Large Scale Voluntary Transfer' (housing stock transfer) was effected at Hyndburn from 30th March, 2006.*

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

All the money collected from council taxpayers and non-domestic ratepayers is paid into this account and the precepts, being the money required by the borough council, the county council and the police and fire authorities to meet net spending on services provided, is distributed out of this account. The Collection Fund balance sheet is included in the Council's consolidated balance sheet.

(e) **Statement on the System of Internal Control**

This self-contained statement sets out the framework within which internal control is managed and reviewed and the main components of the system, including the arrangements for internal audit. The statement reports on any significant identified weaknesses and the actions undertaken, or being undertaken, to rectify these.

2. General Fund (other than the HRA)

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

Financial Year 2006/07	Updated Budget * £000	Actual Outturn £000	(Favourable) / Adverse Variance £000
Net Expenditure & other movements in year	13,945	13,424	(521)
financed by:			
HBC precept on the Collection Fund	4,749	4,749	0
Local Authorities Business Growth Incentive **	0	87	(87)
Revenue Support Grant	1,491	1,491	0
Business Rates (NDR) share via the Govt's 'pool'	7,725	7,725	0
HBC Collection Fund (deficit)/surplus balance	(49)	(49)	0
<i>Resources total</i>	<i>13,916</i>	<i>14,003</i>	<i>(87)</i>
(Increase)/Reduction in GF Balance	29	(579)	(608)

EXPLANATORY FOREWORD

* The original budget was approved by Council on 2nd March 2006. On 29th June 2006 the Council approved additional budget total of £29,000 to be met from the GF reserves brought forward (with zero impact on net Budget Requirement).

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

As indicated in the above table, the final Income & Expenditure Account, together with the Statement of the Movement on the General Fund Balance, reflects a GF Balance net increase of approximately £579,000. As the approved updated budget provided for a contribution of £29,000 from GF Balance, there is an overall favourable variance of approximately £608,000. The £579k increases the General Reserves of the Council from approximately £759,000 at the end of year 2005/06 to a positive balance of some £1,338,000 at the end of 2006/07.

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

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

The Council's Cabinet was presented with a report on the then 2006/07 GF Revenue Account provisional final outturn at the June 2007 meeting.

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

A significant feature is that the surplus funds position envisaged by the year-end enabled the prudent financing from revenue account of transfer payments made in the year, totalling almost £1m, for reduction of the estimated £2.7m liability of the Council in relation to the Local Government Pension Scheme deficit attributable to Hyndburn Homes (as part of the March 2006 housing stock transfer). Initially, the payments by the Council were intended to be made from receipts from Hyndburn Homes Ltd; but, after extensive discussions with the Council's external auditor, those receipts are being accounted for as 'capital receipts'.

The intention remains to continue the sound and prudent management of finances, and taking appropriate in-year actions, in 2007/08 and onwards, in order to continue the Council's strong financial management and related achievements, and to sustain such improved position and capacity for further service improvements.

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Pension Costs Liabilities

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

In compliance with the FRS and the statement of recommended accounting practice (the SORP), pensions liabilities are estimated for the year's accounts using an AA corporate bond discount rate.

Over the course of the year the size of the net pension deficit decreased from £31.4m to £26.5m. The reduction in the deficit is due to the annual re-estimation of the pension fund's assets and liabilities by the Fund's Actuary in April 2007 reflecting increased pensions liabilities, mainly around pensioners living longer; but more than offset by changes in actuarial financial assumptions and changes in the value of pension fund assets reflecting stock market performance. Statutory arrangements for the funding of the pension scheme mean that the financial position of the Council remains healthy in this regard.

Further information on pension liabilities and funding is given in Note 33 to the core financial statements. It is intended that, in due course, the reported net liability will be addressed through regular triennial reviews of the pension fund, and proposed statutory amendments to the scheme.

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

3. Housing Revenue Account (HRA)

A summary of the HRA outturn and net movements on HRA Balance:

Financial Year 2006/07		Actual Outturn
		£000
Total Expenditure & other movements		143
financed by:		
Gross Rent Income, dwellings: adjustment		6
Government Subsidy receivable: adjustment for year 05/06		(114)
		(108)
(Increase)/Reduction in HRA Balance		35

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A contingency full year HRA budget for 2006/07 was approved by Cabinet on 15th February 2006 and Council on 2nd March 2006, in case the intended Housing Stock Transfer did not take place. In the event, such budget was not required as the stock transfer took place on 30th March 2006.

During the course of the year, the resolution of residual items within the HRA resulted in a reduction of the balance by approximately £35,000. The main causes of this were increased expenditure of £62,000 on property costs previously held outside the HRA, £28,000 on outstanding repair costs of former properties, £40,000 on management costs, and a need to increase by approximately £13,000 the bad debts provision. Additional subsidy of £114,000 was also received. As shown within this Statement of Accounts, the in-year deficit resulted in the year ending with a HRA Balance of approximately £72,000 surplus.

The Council's Cabinet was presented with a report on the then 2006/07 HRA provisional final outturn at the 25th June 2007 meeting.

Within the terms of the housing stock transfer agreement between the Council and Contour Housing Group's 'Hyndburn Homes', the balance on the Major Repairs Reserve (MRR) is to be passed to Hyndburn Homes Ltd provided that the Housing Revenue Account balance carried forward to the Council is at least £400,000. It is envisaged that the final figure of MRR to be transferred to Hyndburn Homes will be determined during year 2007/08 as part of the process of final and formal closure of the HRA, which is subject to the agreement of, and the issue of a determination by, the Secretary of State.

4. Capital Expenditure

Capital expenditure in year 2006/07 totalled £8.468 m as follows:

Scheme	Amount £'000
Housing Market Renewal (incl'g Equity Share Loans *)	5,813
Housing Improvement Grants	1,219
Broadway Reconstruction	248
Area Councils Schemes	215
Foxhill Pavilion	121
Planned Asset Management	94
Disabled Discrimination Act	78
Play Area Refurbishment	74
Tinker Brook Flood Damage	72
CCTV Equipment Upgrades	64
Legionella Controls	23
Other capital schemes	447
TOTAL	8,468

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This compares to capital expenditure of £9.971m in 2005/06. The financing of the capital expenditure is given in note 18 to the core financial statements.

Schemes' progress and any variances against budgets have been continually monitored; and overviewed during the year via the Officers / Member capital programme working group (CPWG). The Council's Cabinet, at its 25th June 2007 meeting, was presented with a report of 2006/07 Capital Programme final outturn.

*** Equity Share Loans**

From year 2006/07, such ES loans have been made by the Council: 2006/07 total so advanced is £682,250 (21 loans); and related entirely to home relocations financed by central government via 'Elevate East Lancashire' housing market renewal programme. In future, the Council intends to use ES loans also for appropriate instances of home improvements, financed from capital programme resources. As indicated in Note 16 to the core financial statements, equity share loans are categorised as Deferred Charges capital expenditure.

Under the circumstances of the related loan repayment conditions, it is not appropriate to include the ES loans in the Balance Sheet. If and when such loans become due for repayment, the loan amount, the cumulative administration fees and any interest charges (if applicable) would then be recognised as capital and revenue income respectively in the financial statements. In the meantime, and on an ongoing basis, transactions relating to ES loans (including administration fees and any interest) are recorded, summarised and reconciled within the Council jointly by the departments involved.

5. Business Improvement District (BID)

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

The Council's financial role is to bill the annual local BID Levy to all the businesses in advance of the relevant financial year (this was done in the latter part of year 2006/07 for the initial year's total of £50,100); and to pay over amounts collected to Altham BID Co Ltd plus VAT. Other than any 'debtors' and 'creditors' related Levy figures, the levy amounts are not to be included in the Council's own financial statements of income and expenditure within this Statement of Accounts (SOA), in accordance with the Regulations and the 'SORP'.

From the information above, it is proposed to include a 'BID Revenue Account' as a statutorily required memorandum account for and from the 2007/08 year's SOA notes.

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6. 2006 'SORP' : impact on (re-stated) year 2005/06 surplus or deficit

Significant changes for local authorities' statement of accounts have been introduced for and from year 2006/07 financial statements by the new statement of recommended practice (SORP); and the explicit requirement within 2006 SORP to re-state the 2005/06 comparative figures. The changes emanate from intended further convergence with UK GAAP (generally accepted accounting principles/practice, as found in private sector organisations' published accounts). In particular:

- (a) the former Consolidated Revenue Account has become 'Income and Expenditure Account' (I&E account) followed by a 'Statement of the Movement on the General Fund Balance' (SMGFB); and a corresponding change has affected the Housing Revenue Account content and presentation;
- (b) the I & E account for the authority:
 - (i) includes the contribution (especially in re-stated 2005/06 in the case of HBC) to the Government's housing pooled capital receipts, but no longer the corresponding credit for the transfer from usable receipts (that credit is in the SMGFB);
 - (ii) includes a line for gains or losses on disposal of fixed assets (a 'contra' for this is in the SMGFB);
 - (iii) no longer includes the (former) Notional Interest capital charges; and
 - (iv) reflects credits for release of grant from Govt Grants Deferred A/c now going to relevant Services rather than in former 'AMRA' line;
- (c) remaining items of the (former) Asset Management Revenue A/c (AMRA) have been split up: external interest payable remains in the I&E account while other items have gone to the Statement of the Movement on the GF Balance;
- (d) for 2005/06 revenue account surplus or deficit for the year, the new I & E account needs to be read in conjunction with respective statement of the movement on the balance - *in other words, the resultant re-stated net movement of the balance remains the same as originally before 2006 SORP*;
- (e) within the new reporting framework outlined above, the original General Fund 2005/06 surplus of £0.459m has been re-stated as a deficit of £34.518m; from the respective statement of the movement on the balance, it will be seen that the adverse difference of £34.977m relates to:
 - (1) net 'loss' of £36.513m on disposal of fixed assets (in particular for dwellings stock transfer on 30/3/06);
 - (2) transfer for Govt 'pooling' of housing capital receipts £1.302m ((b)(i) above),
 - (3) Depreciation of fixed assets equivalent 'contra' total for GF £1.265m,
 - (4) Deferred Charges write-out contra total £0.870m,
 - (5) pensions net FRS 17 contra total (£0.248m),
 - (6) removal, from I&E A/c, of employer pension contributions payable (£1.703m)
 - (7) less £3.022m comprising other items formerly in 'appropriations' part of former consolidated revenue a/c (mainly contributions to/from reserves and remaining former 'AMRA' items);

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- (f) similarly the original HRA 2005/06 deficit of £0.041m has been re-stated as a deficit of £37.122m; from respective statement of the movement on the balance, it will be seen that the adverse difference of £37.081m comprises the equivalent, contra item to 'loss' on disposal of fixed assets £36.618m (ie relating to dwellings transferred to Hyndburn Homes Ltd on 30th March 2006) and mainly 'appropriations' items totalling a net £0.463m.

7. Balance Sheet

The most significant changes now reflected in the Council's balance sheet, are as follows.

- (a) The negative position which arose as at 31st March 2006 for Total Assets less Total Liabilities (equivalent to 'Net Worth'), following the Housing Stock Transfer of that year and reported with the 2005/06 Accounts, has reduced by some £7.4m to a lesser negative position of £2.2m. This is after restatement of 2005/06 including a relocation of Govt Grants Deferred Account to top-half of the balance sheet (2006 SORP new requirement). The positive movement of £7.4m in Net Worth comprises (i) net reduction of £4.9m in the Pensions Liability (as summarised at the end of Note 33 to the core financial statements and referred to earlier in this Explanatory Forward), (ii) an improvement of £3.9m in Total Assets less current liabilities, *less* (iii) an increase of £1.4m in long-term borrowing and other long-term liabilities.
- (b) Debtors and Creditors overall balances have reduced markedly from the previous year-end; approximately £9m in each case related to the inclusion as at 31st March 2006 of value added tax which arose from a 'VAT shelter' arrangement as part of the March 2006 housing stock transfer process. After allowing for that previous, one-off VAT transaction, Debtors overall balance has reduced by 8.3% year-on-year, and Creditors has reduced by 3.2%.
- (c) The Lancashire Economic Partnership (LEP) became a separate entity from the borough council during the year, in the form of Lancashire Economic Partnership Ltd. Therefore the Council's balance sheet as at 31st March 2007 no longer includes LEP/LEP Ltd balances - Notes 10 and 32 refer. Overall impact on the enclosed balance sheet is neutral.

The Council has Total Assets, less current liabilities, of £42.1m and Long Term Borrowings' balance of £16.3m, with other liabilities of £1.5m, giving an overall position of £24.3m - apart from the Pensions Liability shown.

As referred to earlier under 'Pension Costs Liabilities', the Net Pensions Liability continues to be reported primarily under the FRS 17; and the statutory arrangements mean that the financial position of the Council remains healthy in that regard.

EXPLANATORY FOREWORD

8. Acknowledgement

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

9. Approval of the financial statements

The whole Statement of Accounts (SOA) was presented to, for approval by, the full Council on 26th June 2007 – via prior report and any recommendation(s) of the Audit Committee meeting earlier on same date.

This was subject to subsequent inclusion of any necessary and agreed adjustments after the Council meeting, if such adjustments (if any) arise in or from the external audit of the accounts, as reported if significant to the Audit Committee on 25th September 2007.

10. Further information

If required, further information about the accounts would be available from the Head of Accountancy Services, Hyndburn Borough Council, Scaitcliffe House, Ormerod Street, Accrington, BB5 0PF. This is part of the Council's policy of providing full information about the Council's affairs. The availability of the accounts for inspection is advertised in the local press. The Statement of Accounts, initially before audit completion and subsequently afterwards, is also placed on the Council's website www.hyndburnbc.gov.uk.

11. Appointed Auditors

RSM Robson Rhodes LLP ("Robson Rhodes") merged its audit practice with that of Grant Thornton UK LLP ("Grant Thornton") with effect from 2 July 2007, with the successor firm being Grant Thornton. The Audit Commission has confirmed that where Robson Rhodes act as Appointed Auditors (eg for the 2006/07 accounts) the external audit appointment will be transferred to Grant Thornton.

Also, as part of periodic changes to external audit appointments, the Audit Commission had announced that for and from 2007/08 accounts this Council's external auditor will be the Audit Commission.



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

STATEMENT OF ACCOUNTING POLICIES

1. General

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

In accordance with the SORP, the accounts have been prepared using the historic cost convention except in relation to fixed assets where the accounting treatment varies depending on the type of asset (see accounting policy 3) and present value of pensions estimated liabilities (see within accounting policy 14).

2. Fundamental Accounting Concepts

- i) The revenue and capital accounts are maintained on an accruals basis. *This means that expenditure and income are recognised in the accounts in the period in which they are incurred or earned (ie when goods/services/work are received, or when income is due), not as money is paid or received.* Income is also matched with associated costs and expenses as far as the relationship can be established or justifiably assumed.
- ii) Consistent accounting policies have been applied both within the year and between years. Where accounting policies are changed, the reason and effect have been separately disclosed.
- iii) Income has only been recognised in the accounts where there is reasonable certainty, and proper allowances have been made for foreseeable losses and liabilities.
- iv) The accounts have been prepared on a going concern basis.
- v) The accounting statements have been prepared so as to reflect the reality or substance of the transactions and activities underlying them, rather than their formal legal character.
- vi) As allowed under the SORP, the concept of materiality has been utilised in the process of preparing the accounts, such that insignificant items and fluctuations under an acceptable level of tolerance are permitted provided that in aggregate they would not affect the interpretation of the accounts by an informed reader.
- vii) Where estimating techniques are required to enable the accounting practices adopted to be applied, then the techniques which have been used are, in the Authority's view, appropriate and consistently applied. Where the effect of a change to an estimation technique is material, a description of the change, and, if practicable, the effect on the results for the current period are separately disclosed.

STATEMENT OF ACCOUNTING POLICIES

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

- Capital receipts from the disposal of assets are treated in accordance with the provisions within Part 1 of the Local Government Act 2003, applicable from 1st April 2004.
- Legislation covering the amounts chargeable to Council Tax and the Local Government Pension Scheme specify the amounts which should be charged to revenue in respect of pension costs. Local Authorities therefore account for the difference between the FRS17 charge, and contributions, through the Pensions Reserve.
- In accordance with the requirements of legislation the authority is required to set aside a minimum revenue provision for repayment of debt.
- The Collection Fund account reflects the statutory requirement contained in section 89 of the Local Government Finance Act 1988.
- The Housing Revenue Account is compiled following proper practice, which had been defined in section 66(4) of the Local Government and Housing Act 1989.

3. Fixed Assets

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

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Valuations in year 2006/07, as part of the Council's rolling programme of required revaluations, were carried out in accordance with RICS standards as applicable by Mr A T Snape BA MRICS of the Valuation Office - an executive agency of HM Revenue & Customs. There is also a supporting covering note by Mr I Hoole MRICS, the HBC Corporate Property Manager.

STATEMENT OF ACCOUNTING POLICIES

The principal valuation bases used for tangible fixed assets are as follows:

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

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

Intangible Fixed Assets are defined in FRS 10 as 'non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights'. They are valued at cost and written off on a straight-line basis for and from the year after acquisition, over an appropriate period of years (eg using a relevant period of licence(s) for purchased software).

4. Depreciation

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

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

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

5. Capitalisation

In 2003/04, the Council revised how it estimates its contribution to Capital Projects. The revision ensures the Council now charges an appropriate amount of staff time to capital projects in line with the Council's policy and application of the SORP (and accounting policy 19 below also refers); this amounted to £288,935 in 2006/07 (£558,459 in 2005/06) against a capital programme spend of £8.468m in 2006/07 (3.41%).

STATEMENT OF ACCOUNTING POLICIES

6. Deferred Charges

Deferred charges are payments of a capital nature where no fixed asset is created. Such expenditure has been primarily in relation to improvement grants, but also has included expenditure on E-Government, Leisure Trust Grant, grants given by the Area Councils and, from year 2006/07, equity share loans in relation to private sector housing .

Under the SORP, deferred charges are written off in the year of expenditure. In order to prevent such charges impacting on taxpayers, the charges are reversed out via the Statement of the Movement on the General Fund Balance, to the capital financing account.

7. Basis of Charges for Capital

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

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

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

8. Leases

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

STATEMENT OF ACCOUNTING POLICIES

9. Capital Receipts

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

10. Debtors and Creditors

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

11. Stocks and Work in Progress

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

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

Provisions have been recognised in the accounts when there is a legal or constructive obligation to transfer economic benefits that can be estimated with a degree of certainty as a result of a past event.

A summary of these are given in note 28 to the core financial statements.

Provision for Bad and Doubtful debts has been made in respect of Housing Revenue A/c, General Fund and Collection Fund debts. These have been netted off Debtors value in the Balance Sheet (see note 24).

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

Any amounts set aside for purposes falling outside the definition of provisions have been accounted for as reserves and, where appropriate, transfers to and from reserves have been shown in the appropriations section of the revenue account and not within service expenditure. Subsequent relevant expenditure is charged to Services respective revenue account(s) and/or capital programme, with financing from the applicable, specified reserve(s). Earmarked reserves are summarised in note 32 to the core financial statements.

14. Pensions

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

STATEMENT OF ACCOUNTING POLICIES

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

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

15. Government Grants

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

16. Investments

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

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

17. Repurchase / early settlement of debt

Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the Income and Expenditure Account in the period during which the repurchase or early settlement is made. Where, however (up to and including year 2006/07), the repurchase of borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains or losses have been recognised over the life of the replacement borrowing.

18. Accounting for Interest

The Council accounts for interest payable in the year on an accruals basis, in accordance with FRS4 principles. When the Council has entered into loan arrangements, which provide an initial discount on the standard rate of the loan, the amount paid in the year is shown in the accounts.

STATEMENT OF ACCOUNTING POLICIES

19. Allocation of costs

Central Support Services are recharged to front-line services, trading undertakings, capital accounts and other support services. The costs of service management are apportioned to the accounts representing the activities managed. All the bases of apportionment are adopted consistently for all heads to which apportionment should be made. The costs of the Corporate and Democratic Core and of Non Distributed Costs are not charged or apportioned to services and are separately classified on the Income and Expenditure Account.

20. Group Accounts

Group financial statements are required if and where an authority has substantial or material interest in subsidiary or associated companies - the aim being to provide a fuller picture of such authority's overall financial position. The SORP had brought in changes to the requirements, from the 2004/05 accounts disclosures onwards.

There has been consolidation arrangements for accounts up to 30th September 2006, of the Lancashire Economic Partnership - note 10 to the core financial statements refers.

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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

The Authority's Responsibilities

The Authority is required:

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

Date: 31st October 2007

Signature:



B. Roberts
Deputy Leader of the Council

The Chief Financial Officer's Responsibilities

As Chief Financial Officer, I am responsible for the preparation of the Authority's Statement of Accounts. This is required by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code'), to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2007.

In preparing the Statement of Accounts, I have:

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

I have also:

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

The statement of accounts presents fairly the financial position of the authority as at 31st March 2007 and its income and expenditure for the financial year 2005/06.

Date: 31st October 2007

Signature:



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

INCOME AND EXPENDITURE ACCOUNT

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

2005/06 Net *Restated £'000	Outturn for the year for the authority	Note	Gross Expend. £'000	2006/07 Income £'000	Net Expend. £'000
*1,302	Services to the Public				
	- Central Services		5,212	(4,118)	1,094
*6,312	- Cultural, Environmental and Planning Services		13,312	(6,242)	7,070
*649	- Highways, Roads and Transport Services		2,528	(1,013)	1,515
*(2,079)	- Housing Services, including 'discontinued services'	1	30,119	(29,338)	781
*2,718	Corporate and Democratic Core net costs		1,658	(76)	1,582
*(1,043)	Non Distributed Costs		8	(16)	(8)
7,859	NET COST OF SERVICES		52,837	(40,803)	12,034
	CORPORATE INCOME AND EXPENDITURE:				
*36,513	(Gain) or loss on disposal of fixed assets	5			(1,030)
*79	(Surplus) / Deficit on Trading Undertakings	2	2,492	(2,428)	64
*3,038	Interest Payable and similar charges				708
1,302	Contribution to Govt Housing 'Pooled' Capital Receipts	31			20
1,154	Pensions Interest Costs and Expected Return on Assets	33			685
(133)	Interest and Investment Income				(378)
49,812	NET OPERATING EXPENDITURE				12,103
	PRINCIPAL SOURCES OF FINANCE:				
(4,506)	Precept on Collection Fund for council tax				(4,749)
34	Collection Fund (surplus) / deficit transfer				49
(5,413)	General Government Grant(s)	14a			(1,578)
(2,361)	Non-Domestic Rate Income from national pool	14b			(7,725)
(12,246)					(14,003)
37,566	NET I & E ACCOUNT (SURPLUS) / DEFICIT FOR YEAR				(1,900)

STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE

*37,566	(Surplus) or deficit for the year on the Income and Expenditure Account, from the summary account above				(1,900)
*(38,025)	Net additional amount required by statute and non-statutory proper practices to be debited or (credited) to the GF Balance for the year – analysed at (A) to (C) on next page				1,321
(459)	(Increase) or decrease in GF Balance for the Year				(579)
(300)	General Fund Balance brought forward				(759)
(759)	General Fund Balance carried forward				(1,338)

* Year 2005/06 now restated for impact of 2006 SORP from 2006/07 accounts – by including this new Statement and giving prior-year, comparative figures to those for year 2006/07

STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE

2005/06 *Restated £'000	STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE (continued): Analysis	Note	2006/07 £'000
	Analysis of the above net additional amount required to be debited or (credited) to the General Fund Balance for the year:		
	(A) Amounts included in the I&E Account but required by statute to be excluded when determining the Movement on the GF Balance for the year		
(0)	Amortisation of intangible fixed assets - <i>initially Note 15, 2006/07</i>	7	(0)
(3,760)	Depreciation of fixed assets: GF & HRA in 05/06, only GF in 06/07	30	(1,029)
350	Govt Grants Deferred amortisation, via Capital Financing A/c	30	115
(870)	Deferred Charges of in-year capital expenditure, written-out (contra)		0
(36,513)	Contra to net gain on sale of fixed assets, non- HRA		1,030
(2,166)	Net (charges) made for retirement benefits and liabilities in accordance with FRS 17: appropriation (from)/to Pensions Reserve Loan premiums written-off		(2,305)
(1,590)			0
(44,549)	Total (A)		(2,189)
	(B) Amounts not included in the I&E Account but required to be included by statute when determining the Movement of the GF Balance for the year		
343	Minimum Revenue Provision for capital financing, net of grants commutation adjustment	7	158
(1,302)	Transfer from Usable Capital Receipts to meet payments to the Govt Housing capital receipts 'pool'	31	(20)
2,515	Employer's contributions payable to Pension Fund		3,089
1,556	Total (B)		3,227
	(C) Transfer to or from the GF Balance that are required to be taken into account when determining the Movement on the GF Balance for the year		
(41)	Contribution to / (from) HRA Reserve		(35)
2,495	Transfer of fixed assets' depreciation charges, HRA		0
75	Financing of capital expenditure by Direct Revenue Finance		0
1,966	Transfer to Major Repairs Reserve		0
473	Contribution(s) to / (from) earmarked GF reserve(s)		318
4,968	Total (C)		283
<u>(38,025)</u>	Total net additional amount required to be debited or (credited) to the GF Balance for the year		<u>1,321</u>
*	Year 2005/06 now restated for impact of 2006 SORP from 2006/07 accounts – by including the SMGFB and giving prior-year, comparative figures to those for year 2006/07		

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

From the 2006 SORP, this statement (the 'STRGL') has replaced the former, collective Statement of Total Movements in Reserves & Accounts.

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

2005/06 £000	STRGL : description of (gains) or losses for the year	Notes	2006/07 £000
37,566	(Surplus)/deficit for the year on the Income and Expenditure A/c for the authority		(1,900)
2,242	Arising on revaluation / writing-out of fixed assets, net		(1,074)
(623)	Actuarial (gains)/losses on pension fund assets and liabilities, in accordance with FRS17	33	(4,158)
(117)	Movement on Collection Fund		(181)
573	Other (gains) and losses, net		(64)
39,641	Total recognised (gains) / losses for the year		(7,377)

2005/06 Restated			Summary of Movement in Net Worth (additional Table)	Notes	2006/07		
Opening Balance	Net Change	Closing Balance			Opening Balance	Net Change	Closing Balance
£000	£000	£000			£000	£000	£000
47,432	(80,785)	(33,353)	Fixed Asset Restatement A/c (<i>FARA</i>)	29	(33,353)	(6,056)	(39,409)
16,203	35,051	51,254	Capital Financing Account (<i>CFA</i>)	30	51,254	5,618	56,872
435	885	1,320	Usable Capital Receipts Reserve	31	1,320	1,830	3,150
(34,853)	3,386	(31,467)	Pensions Reserve	33	(31,467)	4,942	(26,525)
86	384	470	Major Repairs Reserve (<i>HRA</i>)	<i>HRA 7</i>	470	0	470
			Fund Balances:				
300	459	759	General Fund		759	579	1,338
148	(41)	107	Housing Revenue Account		107	(35)	72
(418)	117	(301)	Collection Fund		(301)	181	(120)
			Earmarked Reserves:				
587	911	1,498	Hyndburn Borough Council	32	1,498	419	1,917
109	(8)	101	LEP/LEP Ltd specific reserves	32	101	(101)	0
30,029	(39,641)	(9,612)	Total Net Worth: positive/(negative) position		(9,612)	7,377	(2,235)

BALANCE SHEET

2005/06 *Restated £'000	Balance Sheet for the Authority as at year ended 31 st March	Note	2006/07 £'000
	LONG TERM ASSETS		
32,964	Fixed Assets	15	32,301
646	Long Term Investments	23	646
30	Long Term Debtors	21	28
33,640			32,975
	CURRENT ASSETS		
272	Stocks & Work in progress	22	69
21,325	Debtors	24	11,161
1,331	Investments	23	6,031
476	Bank balance: cash at bank		0
6	Cash in hand		5
23,410			17,266
	CURRENT LIABILITIES		
(3,100)	Short Term borrowing		0
(15,600)	Creditors	25	(6,234)
(165)	Lancashire Economic Partnership (general)	10	0
0	Bank (overdraft)		(1,960)
(18,865)			(8,194)
38,185	TOTAL ASSETS LESS CURRENT LIABILITIES		42,047
	LONG TERM LIABILITIES		
(14,688)	Long Term borrowing	26	(16,288)
(12)	Deferred Capital Receipts	27	(11)
(405)	Provisions	28	(299)
(1,225)	*Govt Grants Deferred Account (receipts in advance)		(1,159)
0	Deferred Liabilities		0
*(31,467)	Net Pensions Liability	33	(26,525)
*(47,797)			(44,282)
*(9,612)	TOTAL ASSETS LESS LIABILITIES financed by:		(2,235)
	CAPITAL ACCOUNTS & RESERVES		
*(33,353)	Fixed Asset Restatement Account	29	(39,409)
*51,254	Capital Financing Account	30	56,872
1,320	Usable Capital Receipts Reserve	31	3,150
470	Major Repairs Reserve	HRA 9	470
	NOTIONAL RESERVES		
*(31,467)	Notional Pensions Reserve		(26,525)
	BALANCES		
1,599	Earmarked Reserves	32	1,917
759	Balances - General Fund		1,338
107	- Housing Revenue Account		72
(301)	- Collection Fund		(120)
*(9,612)	TOTAL RESERVES AND BALANCES = Equity or Net Worth		(2,235)

NOTES TO CORE FINANCIAL STATEMENTS

1. Housing Services - within the Income & Expenditure Account

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

2005/06				2006/07		
Income £'000	Exp. £'000	(Surplus) / Deficit £'000		Income £'000	Exp. £'000	(Surplus) / Deficit £'000
(25,693)	*25,927	*234	Housing Benefits	(26,627)	26,888	261
(1,382)	*2,068	*686	General Fund	(2,602)	3,087	485
(9,320)	*6,321	*(2,999)	Housing Services Housing Revenue Account **	(109)	144	35
(36,395)	34,316	(2,079)	TOTAL	(29,338)	30,119	781

* Year 2005/06 figures have been restated for impact of 2006 SORP from 2006/07 – giving prior-year comparative figures to those for 2006/07.

** Housing Revenue A/c (HRA) relates to HBC discontinued operations: Housing Stock Transfer of 30th March, 2006.

Following the Large Scale Voluntary Transfer, the HRA net transactions in 2006/07 are residual and relatively minimal. After 1st April 2007 the HRA and the Major Repairs Reserve balances will be cleared at the time the HRA becomes closed, following agreement, and subject to the issue of a Determination, by the Secretary of State

- notes 6 & 9 to the separate Housing Revenue Account, within this SOA, refer.

2. Trading Accounts within the I & E Account

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

2005/06 restated for 2006 SORP				2006/07		
Income £'000	Exp. £'000	(Surplus)/ Deficit £'000		Income £'000	Exp. £'000	(Surplus)/ Deficit £'000
(613)	751	138	Markets	(650)	498	(152)
(232)	403	171	Industrial Estates	(218)	303	85
(2,280)	2,050	(230)	MOT / Stores / Depot	(1,560)	1,691	131
(3,125)	3,204	79	TOTAL	(2,428)	2,492	64

NOTES TO CORE FINANCIAL STATEMENTS

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

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

- ◆ as Highways agent for Lancashire County Council, the Council supervised work carried out on the district's highways including general maintenance on roads and streets and general improvement schemes. The Council had entered into a highways partnership agreement with Lancashire County Council on 1st July 2003 (Lancashire Highways Partnership). This agreement terminated on 30th June, 2006, after notice given by LCC.

Total expenditure and income for the year (2006/07 = part year) was as follows:-

	Lancashire County Council	
	2005/06	2006/07
	£000	£000
Expenditure	2,263	436
(Income)	(2,401)	(431)
Net Cost/(Surplus)	(138)	5

The net cost of the Agency work in financial year 2006/07 was £4,744, for the part year (2005/06 full year was £138,038 net surplus).

4. Publicity

In accordance with the Local Government Act 1986, section 5, a local authority is required to disclose its expenditure on publicity. The Act defines publicity as "any communication, in whatever form, addressed to the public at large or to a section of the public". In year 2006/07 the authority spent a total of £57,614 on publicity; and this was mainly on advertising job vacancies and Council services and promotions. This compares with £49,408 for 2005/06.

NOTES TO CORE FINANCIAL STATEMENTS

5. Gains and Losses on Disposal of Fixed Assets

This is a disclosure requirement introduced by the 2006 SORP, applicable to the year 2006/07 financial statements, and thereby has required corresponding inclusion in the re-stated 2005/06 Income & Expenditure Account figures (for comparative, previous year information for the Statement of Accounts).

The total net gains shown for years 2005/06 and 2006/07 are from a comparison of the relevant capital receipts with the 'carrying value', appropriately updated where necessary, of the fixed assets concerned; together with LSVT related items.

Housing stock transfer (LSVT) related items are, for 2005/06, the balance of the asset value of dwellings transferred under the LSVT less funded by PWLB loans repaid by the Government, net £36,618k; and, for 2006/07, quarterly payments to HBC as per the 30/3/06 Transfer Agreement, arising from sales of former HRA properties by Hyndburn Homes Ltd post-transfer.

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

Corresponding information relating to Housing Revenue Account fixed assets is given (particularly for year 2005/06) in the HRA and related note.

Description of (gains)/losses	2005/06 £000	2006/07 £000
Miscellaneous non-housing asset disposals	(105)	(31)
Housing Large Scale Voluntary Transfer (LSVT) related	36,618	(999)
Contra in Statement of Movement on GF Balance	(36,513)	1,030
Net Impact on General Fund Balance	0	0

6. Leasing

The Council utilises assets through operating leases. The amount paid in respect of operating leases in year 2006/07 amounted to £569,616 (£621,787 in 2005/06). The amount of rentals paid in 2006/07 are in respect of the following items:

Description	2006/07 £'000
IT-related items	47
Vehicles	352
Equipment	170
Total	569

NOTES TO CORE FINANCIAL STATEMENTS

The amounts outstanding in respect of future years is £1.078m at 31st March 2007, comprising the following elements:

Leases expiring	Land & Buildings	Other Operating Leases
	£000	£000
In financial year 2007/08	0	0
Between 2008/09 and 2012/13	0	645
After financial year 2013/14	0	433
TOTAL	0	1,078

7. Minimum Revenue Provision

The Authority is required by statute to set aside a minimum revenue provision (MRP) for the redemption of external debt. The method of calculating the provision is defined by statute. The provision is adjusted for any losses made on the commutation of grants. The difference between the minimum revenue provision and the depreciation charged is shown as adjustment(s), within the Statement of the Movement on the General Fund Balance, from the Capital Financing Account.

Description	2005/06 £000	2006/07 £000
Non Housing Amount		
- 4% of Capital Financing Requirement	913	573
Less loss on Grant Commutation	(570)	(415)
Total Minimum Revenue Provision	343	158
Less amount charged as general fund depreciation	(1,265)	(1,029)
Inclusion in Statement of Movement on GF Balance	(922)	(871)

8. Employees Remuneration

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

	2005/06	2006/07
£50,000 - £59,999	3	1
£60,000 - £69,999	0	1
£70,000 - £79,999	1	1
£80,000 - £89,999	2	0
£90,000 - £99,999	0	1

The 2006/07 information reflects transfer(s), with effective from 1st October 2006, from HBC employment to that of Lancashire Economic Partnership Ltd.

NOTES TO CORE FINANCIAL STATEMENTS

9. Related Party Transactions

In relation to Financial Reporting Standard 8 (FRS 8), it is a requirement that the financial statements contain the disclosures necessary to draw attention to the possibility that the reported financial position of the Council may have been affected by the existence of related parties and by material transactions with them. Related parties are individuals or organisations that have the potential to control or influence the Council or be controlled and influenced by the Council or are subject to common control; and include the following:-

- (a) Central Government - details of receipts from central government are shown in the Cash Flow Statement and, especially for Formula Grant share, the Income and Expenditure Account.
- (b) Precepting Authorities - details of precepts in respect of Lancashire County Council, Lancashire Police Authority and Lancashire Combined Fire Authority are shown in the Collection Fund Accounts.
- (c) Joint Venture and Joint Venture Partners - the Council acts as the accountable body for the distribution of Single Regeneration Budget (SRB), Home Office funds, Neighbourhood Renewal Funds (NRF) and European Regional Development Funds (ERDF). Details of the grants received, where material, are in the Cash Flow Statement, note 3.
- (d) Members and Chief Officers - some Council Members and Officers act in a number of capacities for related parties. This may include being employed by other local authorities, acting as a trustee or serving on the management board of companies and voluntary organisations. Members of the Council have direct control over the Council's financial and operating policies. Members' interests in related parties have been included, where applicable, in the Register of Members Interests comprising completions of a statutory form - which is open to public inspection.

10. Lancashire Economic Partnership

In August 1997 the Council, together with other Councils, formed East Lancashire Partnership (ELP). From 1st April 2005, ELP became the wider Lancashire Economic Partnership (LEP).

A further development is that the Partnership became established as a separate legal entity from 1st October 2006.

NOTES TO CORE FINANCIAL STATEMENTS

For the purpose of this note, the account of the Partnership for 2006/07 is summarised below:

2005/06				2006/07 (part year)		
Income	Exp.	(Surplus)/ Deficit		Income	Exp.	(Surplus)/ Deficit
£000	£000	£000		£000	£000	£000
3,581	3,608	27	LEP	970	1,302	332

As stated, with effect from 1st October 2006 the LEP and the Borough Council implemented the separation of LEP from HBC. Any arranged transitional matters as affected the Partnership and HBC may require final agreement and/or determination. Accordingly the Council's balance sheet, as at 31st March 2007, no longer includes LEP / Lancashire Economic Partnership Ltd items - and within that situation, the core financial statements' note 32 refers to the LEP earmarked reserves which were brought forward to year 2006/07.

11. Building Control Regulations

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

	2005/06		2006/07	
	Fee Earning £'000	Non-Fee Earning £'000	Fee Earning £'000	Non-Fee Earning £'000
<u>Income</u>				
Admin Fees	(3)		(2)	
Building Regulation Fees	(153)		(172)	
Sub-Total	(156)		(174)	
<u>Expenditure</u>				
Employees		334	220	141
Transport		22	15	5
Supplies & Services	0	16	8	10
Central Support	110	116	54	31
Sub-Total	110	488	297	187
(Surplus)/Deficit	(46)	488	123	187

A revised basis for costs allocation has been used for year 2006/07 onwards.

NOTES TO CORE FINANCIAL STATEMENTS

12. Members Allowances

The Council is required to disclose the total value of members' allowances paid in the year. For year 2006/07 the total was £246,378 (for 2005/06 it was £226,533).

13. Audit Fees

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

	2005/06 £'000	2006/07 £'000
Fees payable with regard to external audit services carried out by the appointed auditor	120	98
Fees payable in respect of statutory inspection	10	4
Fees payable for the certification of grant claims and returns	40	40
Fees payable in respect of other services provided by the appointed auditor	0	0
	170	142

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

For 2006/07 accounts and this disclosure note, the audit fee reflects the audit fee to be charged for 2006/07 financial year. There were no residual adjustment(s) relating to previous year's audit costs.

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

NOTES TO CORE FINANCIAL STATEMENTS

14. General Government Grants and share of NNDR national pool

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

2005/06 £000	Description	2006/07 £000
5,413	Revenue Support Grant	1,491
0	LABGI grant *	87
5,413	Total	1,578

* Local Authorities Business Growth Incentive scheme - the Council received from the Government notification in late February 2007, and the £87,027 grant in March. This was based in general on the annual increase in Hyndburn in total rateable value, applicable to National Non-Domestic Rate (business rates), from end-December 2005 to end-Dec 2006.

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

Some of the increase in the 2006/07 Formula Grant over the previous year was attributed to the new, extended Concessionary Bus Travel Scheme from 1st April 2006.

The table below shows also the change for and from 2006/07 in the Formula Grant mix between RSG and NNDR allocations - due to the use of various data when allocations were made by the then ODPM, and decisions by Ministers on national allocations between types of authorities.

2005/06 £000	Description	2006/07 £000
5,413	Revenue Support Grant	1,491
2,361	NNDR share	7,725
7,774	Total Formula Grant	**9,216

** Excluded here is a one-off net gain of £23,546 arising from ODPM/ DCLG's Amending Reports 2004/05 (+£32,742 net for RSG & NNDR) and 2005/06 (-£9,196 for RSG) - the £23,546 net income was required to be included in Net Expenditure 2006/07 - included at Hyndburn in Central Services income.

NOTES TO CORE FINANCIAL STATEMENTS

15. Fixed Assets Values

	Tangible Operational Assets				Tangible Non-Operational Assets				Intangible Assets £000	GRAND TOTAL £000
	Land & Buildings £000	Vehicles/ Plant/Equip £000	Infra- structure £000	Community Assets £000	SUB TOTAL £000	Investment Properties £000	Assets under Construc'n £000	Surplus Assets held for disposal £000		
Gross Book Value										
Value b/f as at 01.04.06	21,516	2,936	4,389	6,493	35,334	4,578	0	0	4,578	39,912
Asset Register adjustments	(1,746)	(1,294)	0	53	(2,987)	318	0	0	318	(2,669)
Restated Cost GBV b/f as at 01.04.06	19,770	1,642	4,389	6,546	32,347	4,896	0	0	4,896	37,243
Additions	590	192	88	572	1,442	0	0	4,984	4,984	6,456
Disposals	0	(367)	0	0	(367)	(216)	0	(556)	(772)	(1,139)
Written Out	(484)	(37)	(306)	(915)	(1,742)	(1)	0	(4,984)	(4,985)	(6,727)
Revaluations	(1,089)	0	0	(261)	(1,350)	1,756	0	556	2312	962
Re-categorise	(475)	0	0	(6)	(481)	481	0	0	481	0
Gross Book Value as at 31.03.07	18,312	1430	4,171	5,936	29,849	6,916	0	0	6,916	36,795
Depreciation										
Accum Depreciation b/f as at 01.04.06	2,670	1,793	2,108	149	6,720	228	0	0	228	6,948
Asset Register adjustments	(1,747)	(1,294)	0	53	(2,988)	318	0	0	318	(2,670)
Restated Depreciation b/f as at 01.04.06	923	499	2,108	202	3,732	546	0	0	546	4,278
Charge for the year	390	170	417	51	1,028	0	0	0	0	1,028
Disposals	0	(313)	0	0	(313)	0	0	0	0	(313)
Written Out	(0)	247	(104)	(18)	125	(545)	0	0	(545)	(420)
Revaluations	(60)	0	0	(19)	(79)	(0)	0	0	(0)	(79)
Re-categorised	(0)	0	0	1	1	(1)	0	0	(1)	0
Accum'd Depreciation as at 31.03.07	1,253	603	2,421	217	4,494	(0)	0	0	(0)	4,494

Net Book Value										
As at 31.03.06	18,846	1,143	2,281	6,344	28,614	4,350	0	0	4,350	32,964
As at 31.03.07	17,059	827	1,750	5,719	25,355	6,916	0	0	6,916	32,301

NOTES TO CORE FINANCIAL STATEMENTS

Note 15 continued

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

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

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

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

Intangible Fixed Assets 2006/07	Software £000
Opening Balance as at 1 st April	0
Written-off in year	(0)
Expenditure in year *	30
Closing Balance as at 31st March	30

* Parks Management software initial purchase cost of £29,878 (major part of cost of a capital programme scheme) and is to be written-off over 4 years.

16. Deferred Charges

	2005/06		2006/07	
	£000	£000	£000	£000
Balance as at 1 st April		0		0
Expenditure in year:				
- Improvement Grants	793		1,364	
- Equity Share Loans *	0		682	
- Other	314	1,107	0	2,046
less Disabled Facilities Grants Received		(237)		(280)
		870		1,766
Amounts written out to Services, in the Income and Expenditure Account		(870)		(1,766)
		0		0

* as referred to in the Explanatory Forward

NOTES TO CORE FINANCIAL STATEMENTS

17. Information on Assets Held

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

31 st March 2006 (Nos.)		31 st March 2007 (Nos.)
3	Cemeteries	3
1	Crematorium	1
28 *	Parks & Recreation Grounds	28
1	Museums & Art Galleries	1
1	Theatre	1
3	Public Halls	3
3	OAP Centres	3
4	Community Centres	4
2	Markets	2
2	Leisure Centres	2
1	Athletics Tracks	1
2	Swimming Pools	2
1	Town Halls	1
4	Council Offices	4
4	Industrial Estates	4
3	Depots	3

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

18. Sources of finance for the Capital Programme

The capital expenditure was financed as follows:-

	2005/06 £000	2006/07 £000
Capital Expenditure:		
Fixed Asset Additions	8,864	6,422
Deferred Charges	1,107	2,046
Total expenditure	9,971	8,468
Financed by:		
Loan finance	2,082	0
Usable Capital Receipts	(89)	50
Major Repairs Allowance (HRA related)	1,596	0
Other Grants	6,279	8,397
Other Contributions, incl'g use of s106 moneys	28	21
Direct Revenue Finance	75	0
Movement in Capital Creditors	0	0
Total financing	9,971	8,468

NOTES TO CORE FINANCIAL STATEMENTS

19. Capital Commitments

As at 31st March 2007 the Council is contractually committed to capital payments which are estimated at £ 472,576 (was £47,988 as at 31st March 2006).

20. Finance Leases

Assets held under finance leases were for equipment and had a gross book value of £9,989 at 31st March 2007 (£9,989 at 31st March 2006). There are no outstanding obligations (no such leases with the Council as at 31st March 2007); and there is no change on the latter since the previous year.

21. Long Term Debtors

2005/06 £000	Description	2006/07 £000
12	Mortgages on RTB sales	11
18	Other Housing advances	17
30		28

The Council has not restructured any long term debt in year 2006/07.

NOTES TO CORE FINANCIAL STATEMENTS

22. Stocks and Work in Progress

2005/06 £000		2006/07 £000
54	General Fund - Stock	37
218	WIP	32
272	Total	69

23. Investments

The investments consist of:-

2005/06 £000		2006/07 £000
628	Long term:	
10	Globe Enterprises Limited (see note below)	628
8	ADC Debenture	10
	Other	8
646		646
	Short Term	
1,331	Temporary Investments	6,031
1,977		6,677

Since 1996/97, the Council has invested in Globe Enterprises Limited.

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

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

The company held fixed assets valued at over £8.7 million at 31st December 2006, with Net Assets of £3.8m, as given in that latest year-end's Audited Financial Statements.

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

This leaves the Council with a net investment in Globe Enterprise Limited of £628,000.

NOTES TO CORE FINANCIAL STATEMENTS

24. Debtors

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

2005/06 £000	Description	2006/07 £000
	Amounts falling due in one year:	
1,061	Government Departments, other than HMRC	2,696
9,704	HM Revenue and Customs	294
1,947	Other Local Authorities	2,274
-	Housing Rents	-
9,174	Collection Fund	8,344
5,399	Sundry Debtors	2,804
778	Housing Benefit debtors	957
28,063		17,369
	Amount falling due after one year:	
362	Car Loans to Employees	205
28,425		17,574
(7,100)	Less Provisions for Bad and Doubtful Debts at 31 March	(6,413)
21,325	Net Total as at 31 March	11,161

25. Creditors

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

2005/06 £000	Description	2006/07 £000
(553)	Government Departments, other than HMRC	(1,724)
(387)	HM Revenue and Customs	(307)
	Receipts received in advance:	
(278)	Council Tax	(351)
(40)	NNDR - Business Rates	(297)
(1,590)	Collection Fund creditors	(1,480)
(290)	Other Local Authorities	(313)
(12,462)	Sundry Creditors	(1,762)
(15,600)	Total as at 31 March	(6,234)

NOTES TO CORE FINANCIAL STATEMENTS

26. Long Term Borrowing

Source of Loans	Range of Interest Rates %	Outstanding at 31.3.06 £000	Outstanding at 31.3.07 £000
Public Works Loan Board	5.45%	0	1,600
Money Market *	1.90% to 4.90%	14,620	14,620
Individuals	5.00%	68	68
		14,688	16,288

An analysis of loans by maturity is:-

	2005/06 £000	2006/07 £000
1-2 years	68	1,668
2-5 years	0	0
5-10 years	0	0
over 10 years	14,620	14,620
	14,688	16,288

* A number of these loans are provided on a stepped basis, with an initial low rate for 1 to 2 years, followed by an increase to the standard rate.

Such 'LOBO' loan(s) refers to Lender Option Borrower Option, where an interest rate is set up to a specified date at which point the lender can change various conditions of the loan. The borrower (Hyndburn BC) can either agree to these changes and continue to repay the loan up to the maturity date or reject the new terms and repay the loan in full.

27. Deferred Capital Receipts

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

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

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

At the 31st March 2007 the Council had the following provisions:

NOTES TO CORE FINANCIAL STATEMENTS

Provisions Summary	As at 1.4.06 £000	Transfers in £000	Utilised £000	As at 31.3.07 £000
Industrial Units bonds	14			14
Insurance 'Excess' provision	242		115	127
Insurance costs provision	0	47	0	47
Planning liability & advance *	143	5	44	104
Section 38 highway adoption	0	2	0	2
Others	6		1	5
Total	405	54	160	299

* The £44,430 in 'Utilised' column reflects that the amount was passed over to the county council, subsequent to cessation of the Lancs Highways Partnership, and related to such amount received by HBC in previous year under 'section 219' advance payments (Highways Act 1980) for cost of street works (road no.5); the balance of approx. £104.1k relates to s106 (Town & Country Planning Act 1990) from same development and in which agreement HBC has a financial liability within or after a specified period. Note 32 includes other s106 balances.

29. Fixed Asset Restatement Account

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

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

From 1st April, 2007 the 'FARA' will become a 'Revaluation Reserve'; and in 2007/08 the opening balance on the FARA will go to 'Capital Adjustment Account'.

F A R A Summary	General Fund £000	HRA £000	Total £000
Balance at 1 st April 2006	884	(34,237)	(33,353)
Fixed Asset valuation movements	(5,230)	0	(5,230)
Disposal of fixed assets	(826)	0	(826)
Balance at 31st March 2007	(5,172)	(34,237)	(39,409)

30. Capital Financing Account

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

NOTES TO CORE FINANCIAL STATEMENTS

Capital Financing Account (cont'd)

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

C F A Summary	2005/06 £000	2006/07 £000
Balance at 1 st April	16,203	51,254
Capital receipts set aside	0	0
Capital Financing - Capital Receipts	(89)	50
- Revenue (DRF & s106)	103	20
- Major Repairs Allowance	1,596	0
- Other Grants & Contributions	6,006	6,304
- Amortised Deferred Grant	350	115
Govt. Grant to discharge the principal element of attributable debt, associated with the LSVT	31,372	0
Minimum revenue provision (less total depreciation)	(3,417)	(871)
Less write down of deferred charges	(870)	0
Less write down of impairment	0	0
Balance at 31st March	51,254	56,872

From 1st April, 2007 the 'CFA' will become 'Capital Adjustment Account'.

31. Usable Capital Receipts Reserve

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

Since 2004/05 there has been a new requirement, via Govt Regulations, to 'pool' (ie to pay over to the ODPM / DCLG) 75% of the relevant net capital receipts (in this instance for HBC, entirely relating to Right To Buy receipts). In 2006/07 this amounted to £20,212.24 and related solely to repayments to the Council of former RTB discount (the year 2005/06 figure related to £1,302,106 RTB receipts 'pooled').

Corresponding items for this are in the Income and Expenditure Account (the payment due to the DCLG) and the Statement of Movement on the General Fund Balance (a contra, equivalent item for transfer from Usable Capital receipts Reserve), in accordance with the SORP.

U C R R Summary	2005/06 £000	2006/07 £000
Balance at 1 st April	435	1,320
Capital receipts in Year	2016	1,900
Less		
- Capital Receipts applied	171	(50)
- Capital Receipts set aside	0	0
- Capital Receipts to ODPM / DCLG ('pooled')	(1,302)	(20)
Balance at 31st March	1,320	3,150

NOTES TO CORE FINANCIAL STATEMENTS

32. Earmarked Reserves

Reserves are amounts set aside to meet expenditure which may be incurred in future periods. Earmarked Reserves are allocated to a specific area of spending.

	Balance as at 1 st Apr 2006 £000	Payments, ie used * £000	Receipts * £000	Balance as at 31 st Mar 2007 £000
General Fund:				
Planning obligations under s106, Town & Country Planning Act 1990 - note (a) below	(712)	16	(91)	(787)
Planning Delivery Grant reserve	(356)	337	(353)	(372)
Other earmarked reserves(note b)	(430)	97	(425)	(758)
LEP: * note (c)				
Northern Way	(85)		85	0
ELLP	(16)		16	0
Total Earmarked Reserves	(1,599)	450	(768)	(1,917)

(a) At the year end all amounts received for such planning obligations were in connection with, wholly or partly, envisaged capital and/or revenue projects, in accordance with respective agreements. In addition, a separate s106 amount received in yr2005/06 (approx. £98.4k), plus in 2006/07 accrued interest (£5.7k) added by HBC, is included in Provisions as a particular liability for potential return to provider after a specified period - see note 28.

(b) The £758k shown as 'Other' comprises at year-end (to the nearest £):

(1) balances of £333,395, remaining from reserves which had been created on the March 2006 housing stock transfer (Large Scale Voluntary Transfer), now consisting of (i) environmental warranties insurance reserve £254,098; (ii) balance of the LSVT residual costs reserve £16,228; and (iii) loans redemption reserve £63,069;

(2) a further reserve for LSVT related Environmental Warranties of £250,000, which will be increased over future years to provide the Council with prudent financial cover for any claims arising over and above the limits of the respective liability of Hyndburn Homes Ltd - the initial and future contributions to this reserve are budgeted in line with the Council's medium term financial strategy;

NOTES TO CORE FINANCIAL STATEMENTS

Earmarked Reserves - note (b) cont'd

(3) a reserve of £100,000 created for asset(s) disposal transition costs and/or potential income loss; and

(4) a reserve of £74,825 in respect of the 'LPSA1' Local Public Service Agreement in conjunction with the county council, this amount being the first of two tranches (ie tranche 1 being due, and received late, in year 2006/07 and for which the intention at HBC is to allocate this £74.8k to future capital resources).

- (c) Corresponding to the information at Note 10 in this Statement of Accounts - Lancashire Economic Partnership changed to Lancashire Economic Partnership Ltd during the year 2006/07; and had earmarked reserves brought forward from 31st March 2006 as shown above, ie:
- (i) a £85,000 surplus, from earlier funding from key partners, then for further use on future Central Lancashire city region / Northern Way activity and
 - (ii) a surplus balance of £15,410 for eligible activity relating to the East Lancashire Learning Partnership, funded predominantly by the Learning & Skills Council.

This part of the table is shown as nil as at 31st March 2007, consistent with the exclusion from the HBC Balance Sheet, as at that date, of LEP/LEP Ltd related items.

33. Pensions liabilities and funding

As stated in the Explanatory Forward, the authority is required under the SORP to fully implement FRS 17, on Retirement Benefits, into its accounts. The object of FRS17 is to ensure that the Authority's financial statements reflect at fair value the future pension liabilities which have been incurred, and the extent to which assets have been set aside to fund them. This means that FRS17-based pensions assets and liabilities transactions are included in the Council's Income and Expenditure Account and Balance Sheet, rather than merely being disclosed as additional notes to the accounts.

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

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

NOTES TO CORE FINANCIAL STATEMENTS

The last full actuarial review of the fund was carried out as at 31st March 2004; and the next such review will be as at 31st March 2007 and completed during 2007/08.

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

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

Actuarial Assumptions

2005/06 %		2006/07 %
	Financial Assumptions as at end of year	
2.9	Rate of Inflation	3.1
4.65	Rate of increase in salaries	4.85
2.9	Rate of increase in pensions	3.1
4.9	Discount Rate *	5.4
	Expected Rate of Return on Assets at end of year	
7.0	Equities	7.5
4.3	Government Bonds	4.7
4.9	Other Bonds	5.4
6.0	Property	6.5
4.5	Cash / Liquidity	5.25
7.0	Other	7.5

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

As correspondingly for last year (2005/06), the discount rate chosen by the fund actuaries as at 31 March 2007 balance sheet date is the redemption yield on iBoxx Sterling AA corporate bond over 15 years index - considered to be a relatively long-dated index and broadly appropriate for the majority of employers.

NOTES TO CORE FINANCIAL STATEMENTS

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

2005/06		Value of Assets	2006/07	
£'000	%		£'000	%
44,803	64.5	Equities	46,585	64.3
15,977	23.0	Bonds	15,142	20.9
8,684	12.5	Other	10,723	14.8
69,464	100.0	Total Value	72,450	100.0

As at 31st March 2006, the fund's actuaries estimated that the Authority had the following assets and liabilities relating to pensions payable through the fund:

2005/06 £'m	Assets and Liabilities	2006/07 £'m
69.5 (100.9)	Fair Value of Assets, per the previous table Estimated present value of Liabilities	72.5 (99.0)
(31.4)	Net Liability	(26.5)

NOTES TO CORE FINANCIAL STATEMENTS

The movement in the deficit in the scheme during 2006/07 is analysed as follows:

	2005/06 Restated £000	2006/07 £000
Deficit at 1st April incl'g Hyndburn Homes LGPS element	(34,853)	(31,467)
SERVICE EXPENDITURE		
Current Service Cost	(2,008)	(1,620)
Past Service Gain / (Cost), Curtailment Gain / (Loss)	996	
Settlement Gain **	2,414	
Less Employer Contributions (see note on following page)	2,515	3,089
	3,917	1,469
FINANCE GAINS & LOSSES		
Net Interest / Return on Assets	(1,154)	(685)
ACTUARIAL GAINS & LOSSES *		
Actuarial Net Gain or (Loss)	623	4,158
Deficit at 31st March	(31,467)	(26,525)

* The actuarial gains and losses included above for the subject financial year (2006/07) represent the extent to which actual outcomes during 2006/07 differed from the assumptions used in calculating the estimated assets and liabilities at 31st March 2006. The table below shows these changes as percentages of the respective assets and liabilities at the end of the subject financial year. The SORP requires that these figures be provided for such current year and for the previous *four* accounting periods. ** The £2,414k above is an FRS17 adjustment arising from the excess of FRS17 liabilities over corresponding asset value.

	2002/03		2003/04		2004/05		2005/06		2006/07	
	£000	%	£000	%	£000	%	£000	%	£000	%
History of Actuarial Gains & (Losses) and percentages of Total Assets/ (Liability)										
Gain / (loss) on difference between expected and actual return on assets	(14,470)	(32.3)	7,141	13.1	2,817	4.6	10,326	14.9	(496)	(0.7)
Gain / (loss) on difference between actuarial assumptions on liabilities and actual experience	0	0	0	0	(3,964)	(4.1)	(1,654)	(1.6)	0	0
Gain / (loss) on changes in demographic and financial assumptions affecting estimation of liabilities	0	0	0	0	(14,829)	(15.5)	(8,049)	(8.0)	4,654	4.7
Net Total	(14,470)		7,141		(15,976)		623		4,158	

NOTES TO CORE FINANCIAL STATEMENTS

Estimated Gain to Council due to change in scheme benefits

Changes made to the Local Government Pension Scheme permit employees retiring on or after 6th April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.

The actuaries to the LCC pension fund had assumed, for 31 March 2006 disclosure items, that 50% of employees retiring after 6th April 2006 will take advantage of this change; and the actuaries then advised that this will reduce the value of the Hyndburn Borough Council pension liabilities by £0.996m. This was shown as a 'past service gain' in respective table on the previous page; and was included within Non Distributed Costs on the face of the Consolidated Revenue Account (now Income and Expenditure Account).

The actuaries have considered the position for 31 March 2007 and have proposed that the 50% assumption be retained for the time being - because, as at April 2007:

- Experience (within individual pension funds) is still emerging, and it is too early to judge whether the recent experience (ie take-up rates have been somewhat variable by fund, and to be a little lower, on average, than the assumed 50% rate) is, or is not, a reliable indication of the long term. The longer term experience will be affected by other factors, including the introduction of the "new look" local government pension scheme from April 2008
- Changing the assumption would have a relatively minor effect on the liabilities (eg changing the assumption to a 25% take-up might typically increase the value of the liabilities by 0.5% - 1.25%).

Estimated Deficit for Council relating to employees transferred to Hyndburn Homes

As referred to in the Explanatory Foreword, there is a liability of the Council from 30th March 2006 (the effective date of the Housing Stock Transfer agreement between HBC and Contour Housing Group / Hyndburn Homes Ltd) for Pension Fund deficit attributable to the HBC employees transferred to the new RSL. This deficit had been estimated initially at £2,700,000 by the Lancashire County Council pension scheme actuaries (Mercer Human Resource Consulting) as an assessment of the "share of deficit" in respect of the transferring staff which has been retained by HBC.

A final assessment of the deficit is to be provided by the LCC pension scheme actuary by or after the next Triennial Valuation of the pension fund (ie as at 31st March 2007 but is unlikely to be completed until early 2008).

During year 2006/07 this deficit has reduced by three specific payments over to LCC, by HBC, totalling £998,608; and this figure is included in the £3,089k total of Employer Contributions given in respective table on the previous page.

Net Pensions Liability as at 31st March 2007

The £26.525m net liability relating to the fund represents the difference between the value of the Authority's pension fund assets at 31st March 2007 and the estimated present value of the future pension payments to which it was committed at that date.

NOTES TO CORE FINANCIAL STATEMENTS

These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1st April 2007 would also have an impact on the capital value of the pension fund assets. The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the actuaries at their last actuarial review of the Pension Fund, carried out at 31st March 2004 and will be reconsidered for the 31st March 2007 position later in 2007/08.

From the respective tables, it can be seen that the change from an estimated net liability of £31.467m at 31st March 2006 to the estimated net liability of £26.525m at 31st March 2007 (ie decrease of approximately £4.9m) relates to net impact of:

- (a) the net increase of £3.0m in the value of the fund's investment assets; and
- (b) the decrease of £1.9m in present value of liabilities.

34. The European Single Currency

At 31st March 2007 the Council has not entered into any financial commitments relating to the possible introduction of the Euro in the UK.

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

35. Contingent Liabilities

At the 31st March 2007 the Council had no contingent liabilities.

CASH FLOW STATEMENT

2005/06 £000	Description	2006/07		
		£000	£000	£000
	REVENUE ACTIVITIES			
	CASH OUTFLOWS			
17,479	Cash paid to and on behalf of employees	12,778		
26,088	Precepts paid	27,409		
16,542	National non-domestic rate payments to national pool	17,453		
12,312	Housing Benefit paid out	18,337		
1,093	Payments to the Capital Receipts Pool	310		
10,972	Other operating payments	21,683		
84,486			97,970	
	CASH INFLOWS			
(3,081)	Rents (after rebates)	-		
(24,991)	Council Tax receipts	(26,515)		
(17,013)	Non-domestic rate receipts	(17,058)		
(2,361)	National non-domestic rate receipts from national pool	(7,710)		
(5,413)	Revenue Support Grant	(1,529)		
(12,116)	DWP grants, for housing benefit paid out as Rent Allowances	(18,121)		
(17,828)	Other government grants - note 3	(11,676)		
(8,205)	Cash received for goods and services	(19,069)		
(91,008)			(101,678)	
(6,522)				(3,708)
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
	CASH OUTFLOWS			
3,053	Interest paid	1,405		
3,053			1,405	
	CASH INFLOWS			
(135)	Interest received	(370)		
(135)			(370)	
2,918				1,035
	CAPITAL ACTIVITIES			
	CASH OUTFLOWS			
8,753	Purchase of fixed assets	7,398		
1,107	Capital Grants	1,202		
0	Equity Share Loans	682		
9,860			9,282	
	CASH INFLOWS			
(2,016)	Sale of fixed assets	(1,899)		
(6,780)	Capital Grants received	(8,422)		
(84)	Other Capital cash payments / (income)	(51)		
(8,880)			(10,372)	
980				(1,090)
(2,624)	NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING			(3,763)
1,095	MANAGEMENT OF LIQUID RESOURCES			4,700
(1,529)	Net (increase)/decrease in short term deposits			937
	FINANCING			
	CASH OUTFLOWS			
19,100	Net decrease in temporary borrowings	3,100		
1,600	Repayments of long term loans	0		
20,700			3,100	
	CASH INFLOWS			
(4,891)	New long term loans raised	(1,600)		
(15,850)	Net increase in temporary borrowings	0		
(20,741)			(1,600)	
(41)				1,500
(1,570)	(Increase)/decrease in cash and cash equivalents			2,437

NOTES TO CASH FLOW STATEMENT

1. Movement in Cash and Cash Equivalents

Movement In 2005/06 £000		Balance 1.4.06 £000	Balance 31.3.07 £000	Movement in 2006/07 £000
(2)	Cash in hand	6	5	(1)
1,572	Bank balance / (overdraft)	476	(1,960)	(2,436)
1,570		482	(1,955)	(2,437)

2. Reconciliation of General Fund Surplus to Net Cash Flow

2005/06 Restated £000	Description	2006/07	
		£000	£000
37,566	Net (surplus) / deficit on Income and Expenditure Account		(1,900)
	Non-Cash Transactions in Revenue Account:		
(1,265)	Depreciation	(1,029)	
(870)	Deferred charges	0	
350	Amortisation of capital grants	115	
(36,513)	Gain / (loss) on disposal of fixed assets	1,030	
(2,166)	Net adjustment for retirement benefits	(2,305)	
(1,302)	Transfer from usable capital receipts	(20)	
2,515	Employer contributions payable to pension fund	3,089	
473	Contribution from earmarked reserves	318	
1,966	Major repairs reserve	0	
(1,802)	Amortisation of premiums	0	
(243)	Other provisions	106	
(117)	Contribution from / (to) revenue reserves	(181)	
(38,974)			1,123
	Movements in current assets / liabilities:		
(34)	Increase/(decrease) in Stocks	(203)	
7,450	Increase/(decrease) in Debtors	(10,671)	
(9,612)	(Increase)/decrease in Creditors	8,978	
(2,196)			(1,896)

NOTES TO CASH FLOW STATEMENT

	Items elsewhere in Cash Flow Statement:		
135	Interest Received	370	
(3,053)	External Interest Paid	(1,405)	
(2,918)			(1,035)
(6,522)	REVENUE ACTIVITIES NET CASH FLOW		(3,708)

3. Analysis of 'Other Government Grants'

2005/06 £000	Government Grants Description	2006/07 £000
12,938	DWP grant for housing (Rent Rebates) and Council Tax Benefits	6,584
618	European Funding (ERDF)	90
1,092	Single Regeneration Budget (SRB)	1,523
1,294	Neighbourhood Renewal Fund (NRF)	863
969	DCLG Housing subsidy	1,001
0	DCLG Local Authorities Business Growth Incentive	87
157	Crime and Disorder	139
760	Other	1,389
17,828		11,676

4. Movement in net debt

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

Description	2005/06 £000	2006/07 £000
(Decrease) / increase in cash	1,570	(2,437)
Net increase / (decrease) in liquid resources	1,095	4,700
Net (increase) / decrease in borrowing	32,921	1,500
Movement in net debt in the year	35,586	3,763
Net debt at beginning of year	(51,561)	(15,975)
Net debt at end of year	(15,975)	(12,212)
Changes in net debt	35,586	3,763

HOUSING REVENUE ACCOUNT

2005/06 *Restated £000	HRA Income and Expenditure Account	Note	2006/07 £000
	INCOME		
	Gross Rental Income		
(7,718)	Dwelling rents	1	6
(87)	Non-Dwelling rents		0
(546)	Charges for Services & Facilities		0
(969)	HRA Subsidy Receivable	3	(114)
(9,320)	Total Income		(108)
	EXPENDITURE		
	Repairs, Maintenance & Management		
2,284	Repairs and Maintenance		90
3,152	Supervision and Management		40
55	Rents, Rates, Taxes and Other Charges General		0
* 2,495	Depreciation and Impairment of Fixed Assets		0
8	Debt Management Costs		0
291	Increase in Bad Debt Provision	8	13
8,285	Total Expenditure		143
(1,035)	Net Cost of Services per Income and Expenditure Account		35
* 36,618	Net (gain) / loss on sale of HRA fixed assets, at housing stock transfer	5	0
* 1,359	Interest Payable and similar charges		0
181	Amortisation of Premiums and Discounts on borrowing		0
(1)	Interest and Investment Income		0
37,122	(Surplus) or deficit for year on HRA services		35

2005/06 £000	Statement of the Movement on the HRA Balance	Note	2006/07 £000
*37,122	(Surplus) or deficit for year on HRA Income and Expenditure Account		35
	Items included in the HRA I & E Account but excluded from the movement on HRA Balance for the year		
(36,618)	Contra to loss on sale of fixed assets in HRA I & E account		0
(340)	Transfer from Pensions Reserve, in accordance with FRS 17		0
	Items not included in the HRA I & E Account but included from the movement on HRA Balance for the year		
(514)	Transfer from Major Repairs Reserve	6	0
75	Capital expenditure charged in year to HRA, direct revenue finance		0
316	Employer's Pension Fund Contributions		0
41	(Increase) or Decrease in the Housing Revenue Account Balance		35
(148)	Housing Revenue Account Surplus Brought Forward		(107)

HOUSING REVENUE ACCOUNT

(107)	Housing Revenue Account (Surplus)/Deficit Carried Forward	9	(72)
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* Year 2005/06 restated for impact of 2006 'SORP', for 2006/07 accounts comparison

NOTES

1. Rent Income

Gross rent income for dwellings is the total income due for the year for occupied houses, garages and shops. The total rental income for 2005/2006 was £7,805,228. There was no direct rental income for 2006/2007, however a negative adjustment was required in respect of the 2005/2006 income.

2. Housing Stock

The Council had no stock of dwellings at 31st March 2007 within the HRA.

3. Housing Subsidy Receivable

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

	£000
Adjustment (gain) in 2006/07 for yr 05/06 Housing Subsidy	(114)

4. Fixed Assets

There are no balances on fixed assets at 31st March 2007, as, from 30th March 2006, the relevant fixed assets were transferred to Hyndburn Homes after agreement by the Council and the Secretary of State.

Capital receipts during the year 2006/07 were as follows:

	£000's
Council House Sales	0
Mortgages (former HRA properties)	1
External Contributions	0
	1

HOUSING REVENUE ACCOUNT

5. Gains and Losses on Disposal of Fixed Assets

This is a disclosure requirement introduced by the 2006 SORP, applicable to the year 2006/07 financial statements, and thereby has required corresponding inclusion in the re-stated 2005/06 HRA Income & Expenditure Account figures (for comparative, previous year information for the Statement of Accounts).

The 'loss' on disposal of fixed assets in 2005/06 disclosed comprises the balance of the asset value of dwellings transferred under the LSVT, which was not funded by PWLB loans repaid by the ODPM (now DCLG).

As there will be no direct net impact on the HRA balance, the item in the I&E Account is reversed out by a matching entry in the Statement of Movement on the Housing Revenue Account Balance.

Description of (gain) or loss	2005/06 £000	2006/07 £000
Net value of LSVT assets written out – as above	36,618	0
Contra in Statement of Movement on HRA Balance	(36,618)	0
Net Impact on Housing Revenue Account Balance	0	0

6. Major Repairs Reserve

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

The following table identifies the movement on the Major Repairs Reserve for the financial year 2005/06. There are no movements for year 2006/07 due to the housing stock transfer in March 2006 and the future year termination of the HRA - as indicated in the following table and further paragraph.

2005/06 £000	Major Repairs Reserve	2006/07 £000
86	Brought forward at 1 st April	470
2,495	Transfer from Capital Financing A/c for depreciation	0
	Transfer (to)/from HRA:	
(14)	Depreciation on non-dwellings	0
(501)	(Excess)/Shortfall of depreciation on dwellings over MRA	0
(1,596)	Financing of Capital Expenditure	0

HOUSING REVENUE ACCOUNT

470	Carried forward at 31 st March (see following paragraph)	470
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Major Repairs Reserve cont'd:

Within the terms of the housing stock transfer agreement between the Council and Contour Housing Group's 'Hyndburn Homes', the balance on the Major Repairs Reserve (MRR) is to be passed to Hyndburn Homes Ltd provided that the Housing Revenue Account balance carried forward to the Council is at least £400,000. The final figure of MRR to be transferred to Hyndburn Homes therefore will be determined as part of the process of final and formal closure of the HRA.

7. Rent Arrears

As part of the agreement for the transfer of the housing stock on 30th March 2006, Current Tenants arrears were taken over wholly by Hyndburn Homes. Of the respective amount of gross arrears, 75% of that amount was paid by the company to the Council.

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

8. Bad Debt Provision

Full provision for writing off the balance of debtors raised in 2006/07 and previous years has been made. The provision has been utilised in full. The Council continues to collect those outstanding debts.

9. HRA Balance

As also indicated in the Explanatory Foreword, following the Housing Stock Transfer of 30th March 2006 the Housing Revenue Account must remain open for at least a further financial year, in order to resolve any further relevant and residual transactions. In due course, and subject to specific approval by the Secretary of State issuing a 'determination', the HRA can be closed and the Balance transferred to the Council's General Fund reserves.

The Housing Revenue Account Balance carried forward as at 31st March 2007 is £71,547.

COLLECTION FUND

2005/06 £000	Income and Expenditure Account	2006/07	
		£000	£000
	INCOME		
(24,780)	Income from Council Tax		(25,964)
	Transfer from General Fund		
(6,184)	- Council Tax Benefits		(6,559)
(16,823)	Income collectable from Business Ratepayers		(17,070)
(47,787)	Gross Income		(49,593)
	EXPENDITURE		
	Precepts & Demands - <i>see notes 3 & 4</i>		
22,507	- Lancashire County Council	23,705	
2,551	- Lancashire Police Authority	2,689	
1,234	- Lancashire Combined Fire Authority	1,301	
4,506	- Hyndburn Borough Council	4,749	32,444
	Business Rates (NNDR) - <i>see note 2</i>		
16,330	- Payments to National Pool	16,396	
11	- Interest	7	
139	- Cost of Collection	140	16,543
	Bad Debts Provisions in Year		
288	- Council Tax	233	
341	- Business Rates	527	760
	Contributions		
(237)	- Previous years surplus (deficit) distributed		(335)
47,670	Gross Expenditure		49,412
(117)	(Surplus)/Deficit for the year		(181)
418	(Surplus)/Deficit as at 1 st April b/fwd		301
301	(Surplus)/Deficit as at 31st March c/fwd		120

NOTES TO COLLECTION FUND ACCOUNTS

1. General

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

2. National Non-Domestic Rate (business rates)

The council is responsible for billing and collecting business rates due from relevant properties within its area. The proceeds are paid into a national pool which is managed by Central Government and redistributed back to local authorities based on population statistics. The Government sets a national non-domestic rating multiplier: for yr 2006/07, 43.3p in the pound or 42.6p for small businesses. Business Rates (ie NNDR) are calculated by multiplying the rateable value of the property (as set by HM Revenue & Customs) by the multiplier. The Council's total Non-Domestic rateable value at the financial year-end was £51.057m (at end of year 2005/06 it was £51.460m).

3. Council Tax

Council Tax is due from residential properties based on the statutory national valuation band in which the dwelling has been valued, for applicable date, by HM Revenue & Customs. The council tax is calculated by estimating the amount of income required from the collection fund by the Council and Precepting Authorities for the forthcoming year. This is divided by the council tax base, ie the total number of equivalent band D properties. The Council Tax base for year 2006-07 was 23,780. This estimated number of dwellings was calculated as follows, and set by the Council at its meeting on 24 January, 2006.

Band	Number of Dwellings	Discount	Factor	Band D Equivalent whole nos
AA *	18	1	5/9	9
A	20391	2594	6/9	11865
B	4861	431	7/9	3446
C	5470	338	8/9	4562
D	2647	129	9/9	2518
E	866	50	11/9	997
F	264	17	13/9	357
G	172	17	15/9	258
H	5	1	18/9	8
Total				24020
Collection Rate				99%
Tax Base				23780

* Band A disabled relief number

4. Surpluses and Deficits

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

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

1. SCOPE OF RESPONSIBILITY

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

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

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

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

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

To consider the reports of external audit and inspection agencies

To consider the effectiveness of the Council's risk management arrangements and control environment

To satisfy itself that the Council's assurance statements, including the statement of internal control, properly reflect the risk environment and any actions to improve it

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

3. THE INTERNAL CONTROL ENVIRONMENT

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

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

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

The District Council has adopted a Constitution, which sets out how the Council operates, how decisions are made, and the procedures which are followed to ensure that these are transparent and accountable to local people.

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

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

In addition, the Council has in place procedure rules to help ensure that records of decisions and the deliberations of Committees are recorded and made publicly available. A Forward Plan is published, (and can be found on the Council's website at www.hyndburnbc.gov.uk), on a monthly basis to provide information to the public on the key decisions the Council is due to take and provide an opportunity for involvement, and consultation in the democratic decision –making process and allow the Executive to be held to account.

Meetings are open to the public except where personal or confidential matters are being disclosed. In addition, senior officers of the council can make decisions under delegated

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

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

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

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

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

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

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

The Overview & Scrutiny Committee monitors the work of 2 Overview & Scrutiny Sub Committees.

The Community and Wellbeing Overview & Scrutiny Sub Committee monitors the implementation of the Council’s community strategy target and objectives.

The Resources Overview & Scrutiny Sub Committee monitors the performance of Council services and makes suggestions for service improvements. It monitors the Council’s budgetary position throughout the year and advises in respect of possible efficiency savings and steps required to address any budget deficit. It also monitors and oversees, Best Value Reviews, Service Improvement Plans, the Comprehensive Performance Assessment process and development, and assists with the development and review of Council policies and services, including those delivered in partnership.

There are no Executive Members allowed on Overview & Scrutiny or Standards Committee.

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

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

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

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

The Council adopted a Risk Management Strategy and Strategic Risks Policy in April 2003. Operational Risks were added in July 2003. The addition of the process for ongoing monitoring, review, addition, deletion and amendment of risks was approved in September 2003.

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

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

However, while the Council has adopted risk management arrangements across a variety of areas, it recognises that a more consistent approach is required if it is to achieve its objective of fully embedding risk management. The Policy Partnerships and Performance team, which is responsible for updating the Risk Register, is progressing an alternative reporting and update mechanism for the Risk Register by the use of a system database.

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

Services are delivered by trained and experienced staff. All posts have a detailed job description and person specification. Training needs are identified through the Appraisal Scheme and addressed by a Corporate Training Group.

The Council maintains an Internal Audit Section, which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'.

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

In 2005-06 a Performance Management Team was established to review performance reports and special measures issues prior, to further consideration by the Corporate Management Team and councillors. The Performance Management Team reviews the annual Best Value Performance Indicators report which compares the Council's

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

performance against national benchmarks. The Performance Management Team consists of cross-departmental officers with a remit of improving performance management arrangements across the Council.

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

Resourcing issues have prevented the Council implementing PerformancePlus in accordance with its original project plan. During 2005-06 the Council procured additional staff resource from Blackburn with Darwen Council to assist in the implementation of the system. During 2006-07 the system has been used to monitor special measure performance areas and all BVPIs and Quality of Life indicators. To further strengthen performance management within the Council and support the development of PerformancePlus a new performance support officer was appointed from September 2006. With this additional resource, and building on the work with Blackburn with Darwen Council, we have been able to substantially improve our use of PerformancePlus and embed detailed performance management into the organisation.

The financial management of the authority is conducted in accordance with the financial rules set out in Part 4 (f) of the Constitution and with Financial Regulations. The Council has designated the Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972.

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

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

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

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

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

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

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

4. REVIEW OF EFFECTIVENESS

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

During 2006/07 the Council continued to update the Code of Corporate Governance, with the actions being reported to Cabinet, examples of this work programme included the completion of:-

Revised Disciplinary Policy & Procedure	June 2006
Revised Redeployment Policy	June 2006
and Review of Health & Safety Policies	August 2006

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

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

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

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

A further Direction of Travel assessment which was undertaken in December 2006 will feed into the CPA for 2007, the report for which is currently awaited.

During 2006/07 the Council's external auditors undertook a Use of Resources Audit which reviewed aspects of the Council's performance including:

- Financial Reporting
- Financial Management
- Financial Standing
- Internal Control
- Value for Money

The external auditors have drawn attention to the efforts of the Council in implementing recommendations from previous audits.

Financial reporting arrangements were judged to be adequate and improving, with the Council performing above minimum requirements on external accountability.

Financial management was judged as performing consistently in maintaining a medium term financial strategy, linked to soundly based revenue and capital budgets.

Financial standing was assessed as adequate, with the year end position demonstrating the Council's success in managing its budgets.

Internal Control was assessed as adequate with the Council having well established arrangements in its risk management policy and strategy, its member involvement and its maintenance of risk registers by the Policy and Performance Team.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

The Council was assessed as performing consistently above minimum requirements in currently achieving value for money due to recent cost reduction initiatives and performance review arrangements.

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

5. SIGNIFICANT INTERNAL CONTROL ISSUES

Significant Internal Control Issues are identified as those that may lead to,

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

The Council's position against each of these major control issues in 2006-07 is identified in the table below. Other Control Issues are identified and addressed during the year, but are not reported here as they are not fundamental to the overall operation of the Council. These however are managed effectively by the Council throughout the year.

Major Control Risk	Council's Position 2006/07
Closure of a Service	<p>There was no loss of service during the year. Control systems worked adequately to ensure provision of all the Council's major services.</p> <p>Work is on-going to improve Business Continuity Plans.</p>

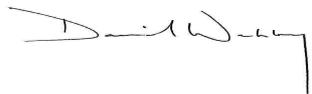
STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

<p>Service Threats to Principal Objectives</p>	<p>There were no service threats to the Council achieving its principal objectives in the year. Progress against key targets are discussed at Corporate Management Team and appropriate action taken by Strategic Directors to ensure outputs are achieved.</p> <p>In the last two years outputs and spend around the Elevate programme have been achieved. Measures are now in place to monitor performance throughout the year, which include bi-weekly reports to Council's management team and reports to Council's Housing Market Renewal Panel every six weeks. (A panel of six senior elected members) In addition the Council reports monthly to Elevate East Lancashire the Housing Market Renewal Pathfinder.</p>
<p>Major Control Risk</p>	<p>Council's Position 2006/07</p>
<p>Threaten the safety of service users or staff</p>	<p>The Council reviewed its Health and Safety Policies in August 2006 and re-issued it as a rolling plan to be renewed every two years. Workplace accidents reduced by 23% over 2005/06. Over 3 day reportable accidents increased by one. Additional training workshops were held in October and November to address the issues identified.</p>
<p>Significant Damage to the Council's Reputation</p>	<p>The Council continued to manage its business in a professional manner, in line with its Constitution and high standards expected from Public Servants. The Council has adequate arrangement in place to consult over significant decisions and has good liaison with the Press to ensure the accuracy of reporting of stories and employs a professional Senior Marketing and Communications Officer.</p>

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

Significant additional financial reserves required	<p>The Council managed its overall finances effectively during the year, turning an updated budgeted contribution of £29k from General Fund Reserves into a contribution of £579k to the General Fund Reserves. This significantly increases the General Reserves of the Council from £759k at the end of 2005-06 to £1.34m at the end of 2006-07.</p> <p>A further £400k contribution (in total) to the Council's General Fund reserves will be made from the Housing Revenue Account and the Major Repairs Reserve Account following the transfer of the Council's housing stock to Hyndburn Homes Limited and the subsequent termination of those Accounts in 2007/08.</p> <p>As in previous years while overall expenditure was contained across the Council's Budget, there were a small number of areas in which an overspend occurred. However our budgetary monitoring procedures identified these early in the year and appropriate action was taken to reduce expenditure in these areas or manage overspend across the Council.</p>
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The Council also recognises that the good work it has already put in place on Risk Management needs to be further embedded in the risk management culture within the organisation, and skills and experience around this subject need to continue to be developed. The establishment of the Audit Committee with its developing organisational role has been an important step in this process.



Signed:

Managing Director

Dated: 31st October 2007

Signed: 

**Councillor Brian Roberts
Deputy Leader of the Council**

Dated: 31st October 2007