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Agenda

MUNICIPAL YEAR 2023-2024

HYNDBURN
The place to be
an excellent council

Audit Committee

Monday, 18 September 2023 at 5.00 pm,
Scaitcliffe House, Ormerod Street, Accrington

Membership

Chair: Councillor Susan Hayes
Vice-Chair: Councillor Peter Edwards

Councillors Dominik Allen, Noordad Aziz, Bernard Dawson MBE and Jodi Clements

SUPPLEMENTAL A G E N D A

The following item is submitted as urgent business with the Chair's agreement in accordance with Section 100b(4) of the Local Government Act 1972, the reason being these items cannot wait until the business of the next meeting.

6. Internal Action Plan *(Pages 3 - 12)*

To inform the committee on the management actions required following the external audit work on the Annual Statement of Accounts 2020/2021 and the Councils' Value for Money Arrangements for 2020/2021.

The report includes updates on the Councils' status with subsequent years accounts production and updates the committee on the national position regarding the backlog of external audit work.

Recommended – That the report be noted for informational purposes outlined in the report.

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Email: rachael.calvert@hyndburnbc.gov.uk
Published on Wednesday, 13th September, 2023

7. **Draft Statement of Accounts 2021/22** *(Pages 13 - 118)*

To inform the Committee on the production of the Annual Accounts and their External Audit and deal with issues arising from this work.

Recommended - That the report be noted for informational purposes outlined in the report.

REPORT TO:		AUDIT COMMITTEE	
DATE:		18 September 2023	
PORTFOLIO:		Councillor Peter Britcliffe - Deputy Leader of the Council, Resources	
REPORT AUTHOR:		Martin Dyson, Executive Director (Resources)	
TITLE OF REPORT:		Internal Action Plan	
EXEMPT REPORT (Local Government Act 1972, Schedule 12A)	**No**	Not applicable	
KEY DECISION:	**No**	If yes, date of publication:	

1. Purpose of Report

1.1 The report is to inform the committee on the management actions required following the external audit work on the Annual Statement of Accounts 2020/2021 and the Councils' Value for Money Arrangements for 2020/2021.

1.2 The report also updates on the Councils' status with subsequent years accounts production and updates the committee on the national position regarding the backlog of external audit work.

2. Recommendations

2.1 The Audit Committee is recommended to note:

- the auditor's recommendations on the Statement of Accounts 2020/2021 with the management Actions listed at Appendix A.
- the auditor's recommendations on the Value for Money arrangements with the management Actions listed at Appendix B.
- the updates provided on the 2021/2022 and 2022/2023 Statement of Accounts and external audits.
- the update on the national position of the external audits and the work being undertaken by the relevant bodies to find a solution(s) to the backlog.

3. Reasons for Recommendations and Background

3.1 The last meeting of the Audit Committee 26th June 2023, a recommendation was passed to update the committee on any management actions required resulting from external audit recommendations and the latest position on the production and audit of any subsequent years accounts. This item will be a regular update at all future meetings.

3.2 There is a national backlog on the sign off of local authorities' accounts and the government Department for Levelling Up, Housing and Communities (DLUHC) along with the Public Sector Audit Appointments (PSAA) and the Financial Reporting Council (FRC) have been tasked with taking steps and finding a solution to remove the current backlogs.

3.3 The current backlogs recently showed that over 500 plus sets of accounts were still unaudited relating to the year 2020/2021 and earlier and over 215 from the year 2021/2022.

3.4 To date there has been no formal agreement on how to remove this backlog and once a road map for improvement has been agreed it will be shared with all Councils' and external audit firms.

4. The 2020/2021 Statement of Accounts and Value for Money Assessment

4.1 The final audit annual report and completion certificate for the year 2020/2021 was issued by Mazars on the 10th August 2023.

4.2 There were 8 audit recommendations identified in relation to deficiencies in the level of internal control throughout the 2020/2021 audit process. These deficiencies were ranked by priority of high, medium and low.

4.3 Appendix A of this report details the recommendations highlighted and the auditors view of the deficiency and potential effect.

4.4 The appendix also shows the actions that management have undertaken to address the recommendations raised by Mazars.

4.5 The value for money review undertaken, which is included in the auditors annual report is summarised at appendix B of this report. This showed significant weaknesses in the governance reporting arrangements around financial reporting.

4.6 The management actions shown in appendix B show what steps have been taken to address these issues.

5. The 2021/2022 Draft Statement of Accounts

5.1 The un-audited accounts for 2021/22 was published on the Councils' website on the 8th August 2023.

5.2 The accounts were completed beyond the statutory deadline of 31st July 2022 and the external audit of these accounts has now been delayed until January 2024.

5.3 There are several factors that have delayed the production of these accounts and the subsequent audit. These relate to:

- Changes resulting from the previous years' audit on the 2020/2021 statement of accounts.
- Staffing resources within the Council due to sickness, recruitment and the retirement of key staff involved in the preparation of the accounts.
- External audit recommendation requesting a recalculation to the pension's information provided by the actuary. This will reduce the potential for material changes in values for the final approved audited accounts.

- Staffing resources for the external auditors.

5.4 It is expected that the external audit of 2021/2022 accounts will now take place in January 2024.

6. The 2022/2023 Draft Statement of Accounts

6.1 The un-audited accounts for 2022/23 have not to date been published on the Councils' website.

6.2 The delay in publishing these accounts relates to a known discrepancy in the recalculated figures provided by the pension actuary and until this is resolved there will be a further delay in placing the accounts on the Council's website.

6.3 To date there is no formal agreement on a timeframe for the audit of these accounts and this may be dependent upon the outcome of the solution(s) reached to determine the reduction of the national audit backlog situation.

7. Alternative Options considered and Reasons for Rejection

7.1 There are no alternative options.

8. Consultations

8.1 None

9. Implications

Financial implications (including any future financial commitments for the Council)	None arising from this report.
Legal and human rights implications	Accounts and Audit Regulations 2015 require the Council to approve and publish its audited Statement of Accounts by 31st November. Councillors' will be asked to approve the accounts for 2021/2022 at a later meeting in the new year once the audit has taken place.
Assessment of risk	None.
Equality and diversity implications *A Customer First Analysis should be completed in relation to policy decisions and should be attached as an appendix to the report.*	None.

10. Local Government (Access to Information) Act 1985: List of Background Papers

10.1 None.

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5 -Internal control recommendations

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	2
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	5
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1

Point	Significant deficiencies in internal control	Description of deficiency	Potential effects	Recommendations	Date Implemented change	Management response
1	Level 1	Our testing of **asset valuations** identified a number of issues where information used in the valuations did not agree to supporting documentation. Discussions with management confirmed no formal challenge of the valuations had taken place as part of the accounts closedown process.	A lack of appropriate challenge by management can lead to errors in valuations being undetected before asset values are updated.	Management should: 1.Review the valuations process to identify ways of preventing incorrect data being used in valuations; and 2.Complete a review and challenge of information provided by the valuer prior to processing adjustments to the asset register.	No change required on challenge element but appointment of valuer changed 1.9.22	Formal challenge has always taken place. The valuations used to be sent to the Corporate Property Manager who reviewed and verbally challenged any that she felt were inaccurate. However this process was not documented. The process since 20/21 has been for the valuations to be sent to the CP Manager and Principal Accountant, who both review the valuations for material changes, errors etc but we now challenge via e-mail in order to evidence the challenges. In 20/21 delays in receiving the valuations caused problems due to COVID, and being a 1 person organisation who experienced illness during the valuation contract leading to delays. We have now changed valuer and have had a successful process in 21/22 and 22/23 with the valuer gaining a better understanding of our properties leading. We are now (1.8.23) going to tender the valuation process for a 5 year period rather than annually which will hopefully attract more interest from valuers.
2	Level 1	A) Our testing of **expenditure items** identified an income accrual journal which had been posted in error to expenditure. The net impact of the journal was trivial. Further discussion with management confirmed the journal had not been subject to formal review before posting to the ledger. B) Journals should have a sufficient backing with clear working papers	Failure to review journal adjustments prior to posting to the ledger increases the risk of errors being undetected in the financial statements.	Management should review the process for posting journals and implement a review process in order to reduce errors before they are posted. Journals should be backed by proficient working papers	Action taken & monthly checks in place.	Accountants' check journals before they are uploaded, and make sure that the Exp/Inc is correct. Apart from this, the person who was responsible for this error has since left the organisation, and current staff have been trained to do checks before uploading journals.
3	Level 2	Our walkthrough of the **accounts payable system** confirmed changes to supplier bank details are confirmed through contacting the supplier via existing contact information, however there is no formal documentation to confirm the call has taken place.	Changes to standing supplier data are a key area of potential fraud risks. Without a full audit trail it is difficult to confirm the steps taken by the Council to ensure changes are appropriate.	Recommendations - Changes to supplier bank details should be formally documented and approved prior to updating the accounts payable system.	Jun-23	We have now started to log calls made to supplier, where we date and sign a call log, to show robust evidence.
4	Level 2	Our walkthrough of the **accounts receivable process** confirmed no formal credit checks were undertaken before setting up a new customer on the system. While this is not always possible given the nature of the services provided by the Council, customers in receipt of discretionary services should be subject to some form of checks.	A lack of appropriate credit checks increases the Council's exposure to losses through non-payment of debts owed.	The Council should review its procedures for setting up new customers, and determine the appropriate level of credit checks required based on the risk and value of debt with a new customer.	Apr-24	The Department who are using a new supplier are currently doing there own checks for new suppliers. The new financial system which will be rolled out for financial year 24/25. This process will be held centrally in the accounts team.

5	Level 2	Our walkthrough of the **accounts receivable processes** confirmed the daily receipts file is manually input into the system, and checked by the same individual to confirm the upload is complete and accurate. This process does not include sufficient segregation of duties.	A lack of appropriate segregation of duties increases the risk of fraud and error within the financial system.	The check of the receipts upload should be reviewed and signed off by a different member of the finance team to the person who uploaded the information.	17-Jul-23	Staff have now trained and implemented a 2 person configuration step, to verify the daily cash.
6	Level 2	Our review of the Council's methodology for calculating its **expected credit loss allowance** confirmed this is primarily based on historical experience of collection. Since the Code adopted IFRS 9, there is a requirement for the Council to complete a forward look to identify any further changes in circumstance which may impact on the credit risk associated with debts owed to the Council.	Without completing an appropriate forward look of the Council's credit risk, there is a risk the Council's debtors may be carried at an inappropriate amount.	The Council should update its review of credit loss allowances to be fully compliant with the requirements of the CIPFA Code.	No further Action required July 23.	Following discussions with LGfutures, expected credit losses under IFRS9 is not required for statutory debts, therefore this has not been taken on board as the majority of the Councils debts are classed as statutory.
7	Level 2	Our review of the Council's **year-end bank reconciliations** identified a trivial unreconciled difference on the reconciliation for the receipts bank account. In addition, we noted that while the bank reconciliation is reviewed by a Principal Accountant each month, the review is not formally documented and signed off.	Unreconciled differences within bank reconciliations increase the risk of errors arising in the financial statements.	The finance team should: 1.review this historic imbalance with a view to clearing this in advance of the next year end closedown; and 2.ensure each bank reconciliation is formally reviewed and signed off on a monthly basis.	Dec-22	We have set aside dedicated time to review and reconcile the bank statements. Due to staff leaving, the knowledge and had been lost. A new member of the team was recruited who possesses the necessary skills and knowledge to complete this task on a regular basis.
8	Level 3	Our review of **debtor balances** identified suspense codes with a total balance of -£47k relating to unallocated cash. The balances related to periods as far back as 2011/12.	Unreconciled cash receipts increase the risk of balances being inappropriately carried on the balance sheet when they have in fact been settled.	Unallocated cash balances should be reviewed on a regular basis, and longstanding items should be periodically cleared.	Dec-23	This is being looked at has we need to clear the credits off the system due to a new Financial system being implemented. Our Project Manager is looking at best case practice to deal with these credits

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VFM arrangements -Identified significant weaknesses and our recommendations

Weaknesses in Financial Reporting	Recommendation in relation to a significant weakness in Value for Money arrangements	Councils' Actions
The Council's 2019/20 auditor's report included a qualified value for money conclusion due to delays in the production of the draft financial statements, difficulties in dealing with audit queries and the identified (and correction) of a material error. The Audit Findings Report for 2019/20 included an associated recommendation for the Council to examine the root cause of the delays and errors underlying the final accounts preparation process.	The Council Should - *Produce a detailed action plan setting out how it intends to bring its accounts production process in line with the national timescales; •Review the capacity within the Council's finance team to build resilience into the accounts production and financial reporting processes;	A new timetable has been put in place to address the timescales and ensure future target dates are met. The structure and roles and responsibilities within the team have been upskilled and along with dedicated training and new recruitment, the team is now more aligned to meet the financial reporting requirements going forward.
The Council placed the draft 2020/21 financial statements on deposit for public inspection on 13 February 2022, seven months beyond the statutory deadline.	Consider the issues raised as part of the 2020/21 audit in order to strengthen the overall control environment surrounding the preparation of the financial statements; and	This has been addressed through training and recruitment.

Our 2020/21 Audit Completion Report highlighted several issues including the poor quality of the draft financial statements submitted for audit and the significant difficulties encountered during the audit process because of problems with the associated working papers and underlying records. The issues identified affected significant balances within the draft financial statements published by the Council, such as Property, Plant and Equipment where management failed to provide sufficient oversight and challenge over the valuations process, Additionally, our review of committee papers for 2020/21 confirmed the final financial outturn against budget had not been reported to Members. This is one of the seventeen standards set out in the CIPFA Financial Management Code. The financial statements and outturn reports are key to ensuring the Council, its members, its leadership and the wider public understand how effectively its resources have been utilised during the year. In our view, the totality of the issues identified indicate a significant weakness in relation to the governance reporting criteria, in particular how the Council ensures effective processes and systems are in place to communicate relevant, accurate and timely management information; support its statutory financial reporting requirements; and to ensure corrective action is taken where needed. The issues identified in the 2020/21 audit are also indicative of a lack of progress in addressing the weaknesses identified in the 2019/20 audit.	Ensure the final outturn financial position is reported through the Council's committee structure each year end. This should include a detailed analysis of movements against budget and the associated impact on the Council's financial strategy, in order to allow sufficient scrutiny and challenge by the Council's elected Members and ensure effective public reporting.	For the financial year 2022/2023 the final draft outturn figures were reported at the Cabinet meeting 21st June 2023.

REPORT TO:		AUDIT COMMITTEE	
DATE:		18 September 2023	
PORTFOLIO:		Councillor Peter Britcliffe - Deputy Leader of the Council, Resources	
REPORT AUTHOR:		Martin Dyson, Executive Director (Resources)	
TITLE OF REPORT:		Draft Statement of Accounts 2021/22	
EXEMPT REPORT (Local Government Act 1972, Schedule 12A)	**No**	Not applicable	
KEY DECISION:	**No**	If yes, date of publication:	

1. Purpose of Report

1.1 The report is to inform the Committee on the production of the Annual Accounts and their External Audit and deal with issues arising from this work.

2. Recommendations

2.1 The Audit Committee is recommended to:

- Note the Council's Draft Statement of Accounts for 2021/22 in Appendix A
- Note the failure to submit the draft Statement of Accounts by the statutory deadline of the 31 July 2022.

3. Reasons for Recommendations and Background

3.1 To submit the un-audited accounts for 2021/22. A copy was placed on the Council website on the 8th August 2023.

3.2 Mazars, our external auditors, are yet to undertake their audit of the accounts as at the time of writing this report. The Audit was due to commence in September 2023 but due to staffing issues from the audit side this has been delayed to January 2024.

3.3 The initial deadline for production of the draft accounts was 31 July 2022, and the deadline for the audit of those accounts was 30 November 2022.

3.4 This report asks the audit committee to note the late completion of the draft accounts, beyond the deadline, and the Council's failure to comply with its statutory duty to submit the un-audited accounts for 2021/22 by the date above. There are a number of reasons for this including the retirement of the previous Head of Accountancy Services and other staff resourcing issues such as sickness and difficulties in recruiting to key vacant posts.

3.5 The formal audit findings will be reported at a future audit committee, with Mazars planning to undertake the audit work in January 2024.

3.6 The period of public inspection of the accounts began on the 8th August 2023 and is due to end prior to the completion of the audit.

3.7 Once confirmation has been received from Mazars that the audit is complete, a 'Notice of Conclusion of Audit' will be published. It will explain that the audit of the Council's accounts has finished and state where the accounts and auditor's report can be inspected.

4. Alternative Options considered and Reasons for Rejection

4.1 There are no alternative options.

5. Consultations

5.1 None

6. Implications

Financial implications (including any future financial commitments for the Council)	As described in the Statement of Accounts.
Legal and human rights implications	Accounts and Audit Regulations 2015 require the Council to approve and publish its audited Statement of Accounts by 31st November 2022. Councillors' will be asked to approve this years' accounts at a later meeting in the new year once the audit has taken place.
Assessment of risk	None.
Equality and diversity implications *A Customer First Analysis should be completed in relation to policy decisions and should be attached as an appendix to the report.*	None.

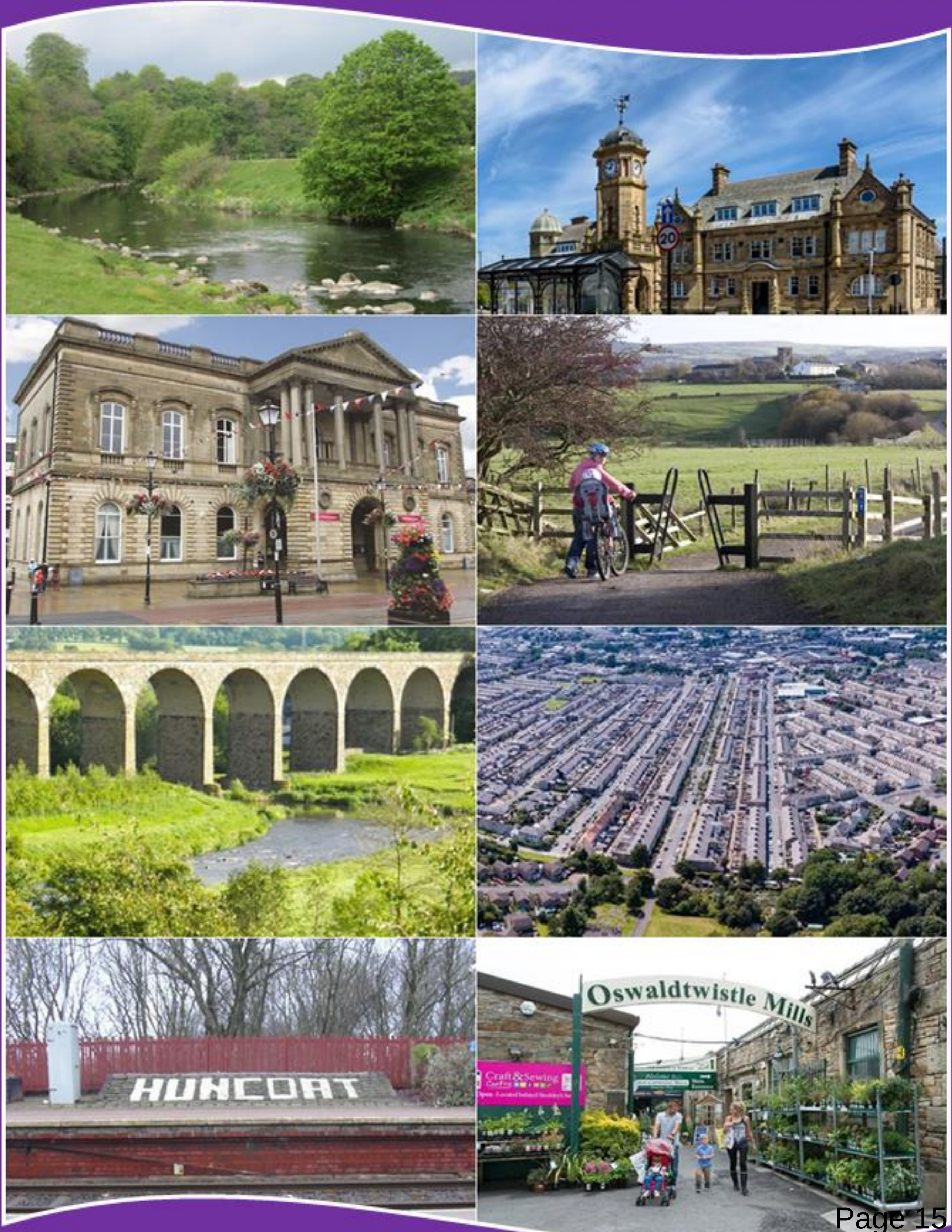
7. Local Government (Access to Information) Act 1985: List of Background Papers

7.1 None.

HYNDBURN BOROUGH COUNCIL

Statement of Accounts

for the year ended 31st March 2022



Contents

Narrative Report

An Introduction to Hyndburn

Locality

The Borough of Hyndburn is situated within Lancashire, a county made up of twelve district councils and two Unitary Council's located within the North West region of England.

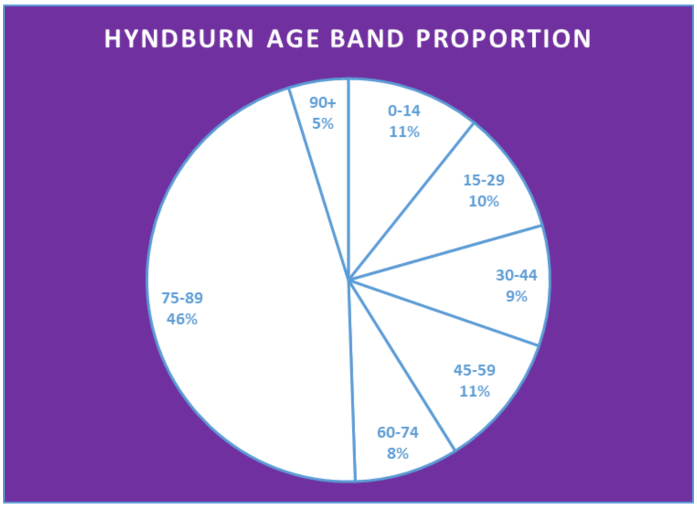
Along with the neighbouring boroughs of Blackburn-with Darwen, Burnley, Pendle, Ribble Valley and Rossendale it forms part of the Pennine Lancashire sub-region.

Hyndburn Borough Council was formed in 1974 and the Borough now covers an area of seventy three square kilometres, is made up of sixteen wards and is home to a population of 81,133 (ONS 2020 mid-year estimate) and is the second highest densely populated area at 1,111 per sq.km across Lancashire.

The Borough is well connected to other Lancashire towns and service centres via the M65 motorway running east to west across the County, and the A56/M66 provides access to Greater Manchester which lies 20 miles south of the Borough. The Northern Rail network running through the Borough creates direct rail links westwards to Preston and Blackpool, eastwards into Yorkshire and southwards into Manchester.

Settlements in the Borough range from a single home, often a farm in the rural area, to the large urban concentrations of housing and other land uses. The main urban areas in Hyndburn includes Accrington, Huncoat, Oswaldtwistle, Church, Clayton le Moors, Rishton and Great Harwood and rural settlements such as Belthorn and Altham.

Population



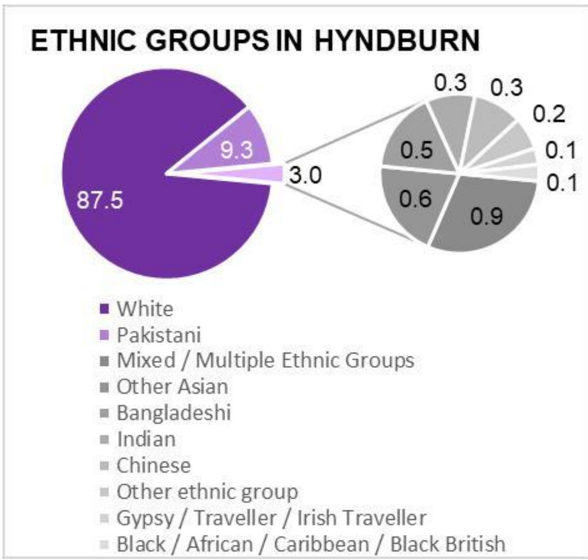
There are over 81,133 residents (ONS 2020 mid-year estimate) in Hyndburn with the majority being female (50.6%), in comparison to 49.4% being male.

Over the long-term, live births have exceeded deaths in Hyndburn in all but three years, one of which is 2020. Because of the Covid-19 pandemic most districts had more deaths than births in 2020. It is estimated that between 2018 and 2043 the population of Hyndburn will increase by 4.3%, much lower than the 7.2% increase expected for Lancashire-14, and the 10.3% rise predicted for England as a whole.

The highest proportion of people in Hyndburn by age band is within the 45 to 59 age group with 20%, followed by the 0 to 14 age band, 15 to 29 age band, 30-44 age band, 60 to 74 age band, and the 75 to 89 age group and 90+ the lowest proportions. The average age for a person is Hyndburn is around 39, slightly below the national average.

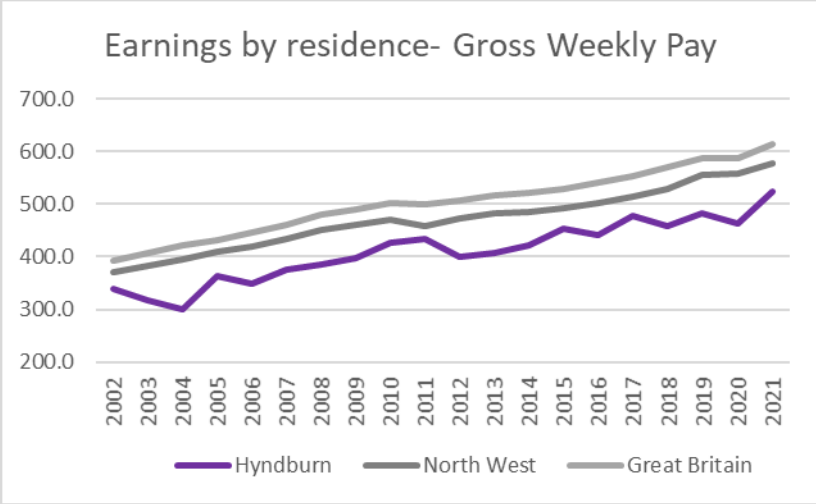
Hyndburn has a slightly lower proportion of people of working age (16 to 64) with 60.8%, in comparison to the North West with 62.1% and Great Britain at 62.4%.

Hyndburn's ethnic makeup is based on the 2011 census and is shown in the adjacent chart. The White British population makes up 87.6% of Hyndburn's population in comparison to 12.4% from an ethnic minority community. This information will be updated after the findings from 2021 Census have been compiled.



Economic Profile

Hyndburn has a slightly lower rate (60.8%) of working age people (16-64) compared to the North West (62.1%) and National average (62.4%) due to a high proportion of younger people (under 16's) living in the Borough. The district also has a lower economic activity rate of 72.3% (at a district level these figures can fluctuate) compared to 76.9% across the North West and 78.5% nationally and a lower proportion of people in employment (69.1%), compared with 73.3% across the North West and 74.6% nationally. Hyndburn also has a higher rate of people who are classed as self-employed in comparison with the rest of the region and nationally (all figures taken from NOMIS Labour Supply data Oct 2020-Sep 2021).



Earnings for residents is slightly lower than place of work across Hyndburn, and significantly below regional and national averages. The 2021 median gross weekly earnings for full time workers by residence in Hyndburn was £523.80. This is lower than both the regional figure (£578) and national figure of £613. However, Hyndburn's earning has improved over the past ten years at the ame rate as regionally and nationally. In 2021, there are only 2,365 active enterprises in Hyndburn, the lowest figure of all 14 Lancashire authorities.

The employment structure of Hyndburn has gradually changed as the manufacturing sector has lost jobs whilst the service sector has grown to become the more dominant employment sector. However, the manufacturing sector provides direct, highly visible and reasonably well-paid jobs, and is an important generator of employment in the rest of the economy with a number of world class manufacturing and global export companies such as What More, Senator and Simon Jersey Group and advanced engineering firms like Emerson & Renwick and RLC Callender within the aerospace and motor industry who help with the growth of the Borough.

Five companies in Hyndburn have won Queen's Award for Enterprise. FPW Axles Limited and Premier Tooling Systems Limited, both based in Accrington were winners in 2020. Universal Smart Cards Limited, makers of smart cards and related smart card products and also based in Accrington won the Queen's Award for International Trade for Outstanding Short Term Growth in overseas sales in 2019. BMP Europe Ltd, also located in Accrington, are manufacturers of an extensive range of engineered textile & polyurethane elastomer products.

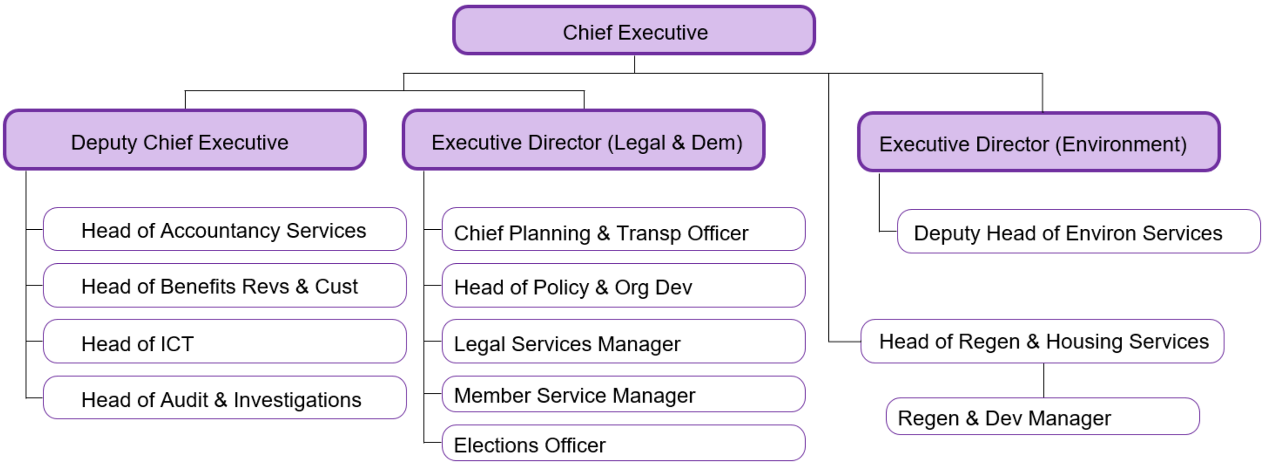
Information about the Council

Hyndburn is a district council, working alongside Lancashire County Council as part of a two-tier local government system.

Hyndburn has 16 wards and the Council consists of 35 councillors, which following the recent local elections, comprises 14 Conservative members, 14 Labour members and 7 independent members, with no one party having overall control.

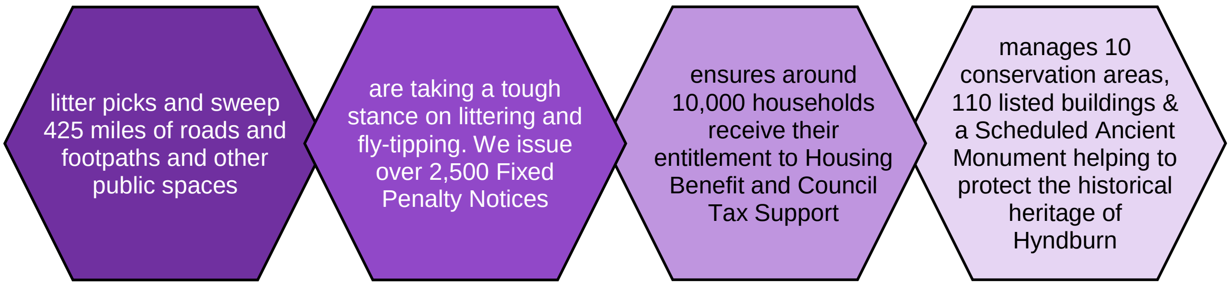
The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government Act 2000. The Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Executive functions. Cabinet Members are held to account by a system of scrutiny which is set out in the Constitution.

The Council Management Structure - The Council has a senior management team of four and an additional twelve Heads of Service as detailed in the chart below.



Most up to date figures show Hyndburn Borough Council employed 279 employees (FTE 253), of which 216 (77.4%) were full time and 63 (22.6%) part time. Of the 279 employees, 125 (44.8%) were female and 154 (55.2%) male, making it one of the biggest employers in the area, and providing services for a population of 81,133 (2020) living in approximately 37,000 dwellings (2021) and for 2,365 active businesses (2021).

In an average year, the council…



Key Achivements 2021/22

Bid and won £2,317,175 Public Sector Decarbonisation Scheme grant. Works to three sites are taking place:

- Hyndburn Leisure Centre: grant of £1,988,324, including an Air Source Heat Pump replacing 20 year old gas boilers, new Combined Heat and Power (CHP), solar panels and battery storage, improved efficiency ventilation systems / air handling units, new pool pumps, metering and monitoring systems;
- Scaitcliffe House: grant value £319,175, including Variable Refrigerant Volume heating and cooling units to replace inefficient storage heaters, new solar panels, LED lighting;
- Crematorium: grant value £9,676, including improved efficiency control of the Cremators and LED lighting.

In total, these 3 schemes aim to save the Council (subject to final designs and recalculations) approximately £66,800 each year and 490 tonnes of CO2 (that's about 70 elephants or 40 double decker buses).

Added a further 5 new Refuse collection vehicles to our fleet, making 10 in total fitted with electric bin lifters. The electric lifters make a fuel saving of around 12% compared with the older conventional powered lifters, therefore reducing our CO2 emissions.

Invested £2,500,000, including £1 million of HBC funding, into the Town Centre. This has given us our fabulous new Town Square in front of the Town Hall and Market Hall and improved footpaths and parking along Blackburn Road.

738 new homes are currently under construction, a further 238 new homes since last year's Briefing, across 12 sites, of which 242 (33%) will be affordable homes with the balance (496), for open market sale.

Since October 2020, our Customer Contact Centre has dealt with over 200,000 calls and 85,000 emails on a variety of different subjects.

Secured external funding to expand the local offer of support of the Hyndburn Hub including:

- £492,870 Community Champions Fund grant;
- £144,962 from DWP to establish a Hyndburn Youth Hub;
- £50,000 National Lottery Healthier Communities grant;
- £270,000 Household Support Fund grant.

Reduced the number of empty homes by 85, down to 1,088, a record low for the Borough in recent years

Committed to help resettle 10 Afghan families who have recently fled Afghanistan following the withdrawal of troops. The families will start to move into their new homes from December and we will play our part in helping them settle into Hyndburn.

Opened a new Pump Track facility in Milnshaw Park, Accrington for families and people of all ages to try out their cycling skills.

The Council's Corporate Strategy 2018-2023

The Corporate Strategy document can be found on the Council website. It's a Strategy for Growth, Efficiency and Quality "**Driving growth and prosperity in Hyndburn**."

The Corporate Strategy 2018-2023 outlines the Council's vision for creating a Borough where all our residents have the best opportunity to prosper.

The strategy is structured around three main themes:

Growth: The Strategy sets out how the Council will facilitate housing and employment growth in Hyndburn. Facilitating housing growth will provide greater housing choice for Hyndburn residents and for people choosing to move in to the borough. Economic growth will provide more employment opportunities for local people and for people

Efficiency: Hyndburn Council has a strong track record of providing efficient services and this strategy sets out how the Council will continue to improve the efficiency of the services we deliver, the facilities we operate and the assets we hold.

Quality: Hyndburn Council is committed to creating a borough that enhances the quality of life of our residents. Housing, employment, education and environment are factors that contribute to an individual's health and well-being and their quality of life as well as helping to develop diverse and sustainable communities. Hyndburn Council will lead on some of these areas for example housing but for other areas such as education and health we will work with and support our partners to deliver the outcomes. This strategy sets out how the Council will work to improve the areas it leads on in order to provide residents with the best opportunity to enjoy a good quality

By setting out what we want to achieve the Corporate Strategy helps ensure the Council remains focussed on the important things that support the achievement of our ambitions. It informs other key plans and strategies as well as the Council's decision making to help ensure delivery of the objectives set out in the strategy.

The corporate strategy document can be found on the Council website. It states the Vision of the Council is to make Hyndburn the place to be. It also enshrines the Values that we as a Council wish to promote.

These Values are:

Customer Focus – We will make best use of our resources to support the delivery of excellent services to our customers. We will treat each customer as a valued individual and show sensitivity to their needs and differences.

Positive Attitude – We will be proactive and optimistic in finding solutions to challenges, open to improved ways of working and to updating our knowledge and skills to meet these changes.

Integrity – We will always try to do the right thing. We will act and communicate honestly and openly, honour our commitments and be accountable for our actions.

Teamwork – We will promote a friendly and supportive working environment and we will work together across teams, services and with partners to achieve the objectives of the Council and the best outcomes for our customers.

SMART WORKING STRATEGY

Adopted by Cabinet in February 2022

The ability of the Council to succeed in achieving its corporate priorities is underpinned by a skilled and well-supported workforce which is fit for the future and able to innovate. During the pandemic, we showed that we can adapt rapidly, work across organisational and departmental boundaries and achieve excellent outcomes for the people we serve.

In addition, reducing journeys through more mobile or home-based working, and virtual meetings, will support our commitments to the climate emergency and reduce our carbon footprint as well as costs. Hybrid working will also allow us to take a fresh look at how we use our property assets.

Performance Measures

Following adoption of the new Corporate Strategy in September 2018, the Council is continuing to develop a number of measures by which its performance can be assessed.

Financial Performance

In 2021/22 Hyndburn Council collected £44.217m in council tax and paid out in precepts and demands £39.933m. An allowance of £1.819 was made for bad debts which gave a net surplus of £2.465m for the year. This surplus is shared with the other preceptors and included in future funding streams to support Hyndburn's expenditure.

In 2021/22 Hyndburn Council collected £17.324m in business rates and paid out in precepts and demands £16.452m, a deficit of £0.872m. As with the council tax surplus, this deficit is shared with the other preceptors, and due to the size and nature of the deficit, the Government allows for those deficits to be funded through the Collection Fund over the next three years.

The authority is a member of the Lancashire Business Rates Pool which for 2021/22 reverted back from a pilot scheme that retained 75% of all receipts to a 'more usual' Pool where each council bears its own risk and takes its own reward under the pool agreement. The organisation's aim is to reduce the amount of levy paid to central government. In 2021/22, Hyndburn BC retained £1,095k growth (90%) in receipts as a result, and paid Lancashire County Council £122k (10%) of the growth and made no levy payment.

The Council has £33.6m of non-current assets which it has used for service delivery and investment purposes.

The Council also generates £6.433m income to support the revenue budget which is shown in the segmental income (note 2).

In preparing these accounts, the Council has used a materiality threshold of £940k and a triviality threshold of £28k as the basis of preparation and presentation.

Service Provision

The Council set a revenue budget of £11.227m for 2021/22 on the 24 February 2021 intended to provide day to day services for the local community. It was in line with its medium term financial strategy and required the achievement of £0.116m savings to balance the budget. This is in addition to the £9.763m savings in the previous 9 years. In 2021/22, the Council also achieved an overall revenue underspend of £772k which is detailed in the table below. The principal savings were achieved in culture and leisure, parks and cemeteries, policy and corporate governance and revenue costs of capital borrowing (non-service related budgets).

As part of the budget setting process:

- All Hyndburn BC employees were paid at least a 'Living Wage'
- Free car parking in Hyndburn was continued in order to stimulate local shopping

The year-end position of a £772k underspend for service provision is summarised in the table below.

Description	Budget £'000	Actual £'000	Variance (Under) / Over £'000
Services Net Expenditure			
Culture & Leisure	846	739	(107)
Environmental Health	388	323	(65)
Environmental Maintenance	452	498	46
Parks & Cemeteries	1,040	894	(146)
Planning & Transportation	732	729	(3)
Policy & Corporate Governance	3,230	2,797	(433)
Regeneration & Housing	902	1,124	222
Town Centre and Markets	429	459	30
Waste Services	3,188	3,165	(23)
Non-Service Budgets	20	(273)	(292)
Total Net Expenditure	**11,227**	**10,455**	**(772)**

Funding	
Council Tax	5,247
Business Rates	4,283
Revenue Support Grant	1,560
All other items	137
Total Funding	**11,227**

The Expenditure and Funding Analysis provides further information (see Notes 1 and 2).

Capital Investment in the Year

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

The capital programme has reduced in recent years from £15m per annum in 2004 to its current level of spend shown in the table below of £4.83m against a capital budget of £10.98m.

The council relies on securing external sources of funding, using capital receipts and contributions from the revenue budget. Government funding is through the disabled facilities grant.

The funding strategy is to limit investment to essential projects and use capital receipts to repay debt. In 2021/22 the Council aimed for, and achieved, debt financing costs of less than 5% of general revenue spend; and that rate is expected to remain stable for the next three years.

The Council repaid the last of its short term loans in 2014/15 and now has only long term debt of just under £10m which it cannot repay for at least twenty one years.

The table below show the source of funding used to finance our capital spend this year and the major categories of expenditure.

Description	2020/21 £'000	2021/22 £'000
Expenditure		
Housing Projects	1,393	2,004
Community & Leisure Projects	1,003	504
Internal Projects	565	2,325
Total Net Expenditure	**2,961**	**4,833**
Funding		
Capital Receipts	825	1,021
Grants	1,576	3,641
Revenue Contributions In-Year	495	134
Reserves	65	37
Total Funding	**2,961**	**4,833**

Major projects undertaken by the Council include:
£2.004m Housing related schemes including £1,040k on disabled adaptations
£1.536m Public Sector Decarbonisation Schemes
£338k Hyndburn Leisure Centre Roof
£189k Vehicle Purchases
£122k Lowerfold Park Play Area
£91k Scaitcliffe House Reception

Pensions & Provisions

Hyndburn BC participates, as an employing authority, in the Lancashire County Pension Fund administered by Lancashire County Council. The scheme is a defined benefit scheme i.e. retirement benefits are determined independently of scheme investments. A pensions reserve and pensions liability are incorporated within the Council's accounts reflecting the amount by which the Hyndburn element of the Lancashire Fund is underfunded compared with the assessed payment liabilities to pensioners. At 31st March 2022 the overall liability of the Council was £28.742m (£40.151m as at 31st March 2021). **Note 38** shows the position in detail. The Council has an agreed long term strategy with the Pension Fund's Actuary for meeting the cost of these liabilities and they are contained within the current financing plans of the Council; the remaining recovery period to eliminate the deficit is twelve years.

The Council has set aside a provision for business rate appeals against rateable valuations. The number of appeals outstanding at 31st March 2022 is 24 and the provision is valued at £7.157m of which Hyndburn's share is £2.863m, which is 40% of the total.

Financial Position

The Council has a strong balance sheet, with:

Description	2020/21 £'000	2021/22 £'000
Long Term Assets	36,216	34,997
Current Assets	50,060	57,674
Current Liabilities	(21,025)	(26,321)
Long Term Liabilities	(53,932)	(42,169)
Net Assets	**11,319**	**24,181**
Funded By:		
Usable Reserves	26,316	23,599
Unusable Reserves	(14,997)	582
Total Reserves	**11,319**	**24,181**

Cashflow

The tables above and below, show that Hyndburn had sufficient net current assets to meet its day to day needs. It has maintained a healthy balance of cash and other liquid assets year on year.

Description	31 March 2021 £'000	31 March 2022 £'000
Cash and other cash equivalents	17,421	9,130
Short term investments	25,046	43,020
Other liquid assets and liabilities	(13,064)	(20,797)
Total net current assets	**29,403**	**31,353**

The main factors that would affect cash in the future are acquisition and disposal relating to the capital programme, the value of the reserve balances, appeals provisions and unapplied grants.

Annual Governance Statement

This sets out key elements of the Council's governance framework, provides a review of its effectiveness and sets out plans for future development. There have been no significant changes in, or issues around governance arrangements during the year. The statement found later in the accounts explains how Hyndburn Council complied with the Code and also meets the requirements of regulation 6(1)[a] of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.

Housing and Employment: A Strategy for Growth

Employment and housing growth are central to Hyndburn Council's vision for the Borough, and despite these challenging times Hyndburn is pressing ahead with its growth agenda including new development opportunities. The Government's Levelling Up Agenda will open new growth opportunities.

The Council believes the development of a sustainable and strong local economy with improved access to job markets across the Pennine Lancashire and wider northern region is fundamental for the long-term prosperity of the Borough. Central to achieving this is transformational change in the economy and productivity including local employer output.

Hyndburn is really well connected which opens up great growth opportunities. It is in the prime central location in Pennine Lancashire, perfectly located on the M65 growth corridor, at the "Pennine Lancashire crossroads" where the M65 meets the A56/M56 route at Junction 8 on the M65. Direct train links to Preston, Manchester and Leeds make Hyndburn even more accessible. This makes Hyndburn an affordable and strategic location for business and investors.

In delivering its vision, the Council is seeking sustainable population growth, by retaining and attracting new households especially working households through a combination of housing and employment growth. This will be underpinned by a review of the Local Plan due to be completed in 2023.
Hyndburn is a Category 1 priority for Levelling Up Funding. This is an opportunity to support our Growth plans including further plans to regenerate Accrington Town Centre. Hyndburn is preparing a submission for the Levelling Up Fund Round 2 which will focus on Accrington town centre investment, with specific focus on key cultural assets recognising Hyndburn's strong heritage and the opportunity to link its cultural heritage with developing a strong sense of place.

The UK Shared Prosperity Fund is another Government – allocated fund which is intended to reduce inequalities as part of the wider "levelling up" agenda. Hyndburn will propose to use its Shared Prosperity Fund allocation to complement and support its Levelling Up Fund project proposals.

Now beyond the mid-point of the Council's Corporate Strategy 2018 – 2023, "A Strategy for Growth, Efficiency and Quality", Hyndburn is making very good progress. During this period, we are seeing new quality housing developments and the development of a major employment park at Frontier Park. The following are a number of key growth projects that have progressed during 2021/22.

Key Growth Projects

- **Local Plan Review:** A new Local Plan will set out the framework and policies for new development and how the Borough will grow to the year 2037. Due to be in 2023 this will identify for the plan period at least 59 hectares of new employment land and allocate land for at least 3,104 new homes; an average of 194 new homes per year.

- **Huncoat Garden Village**: Significant progress has been made on plans for a new garden community at Huncoat. This is a major opportunity to provide 1,800 new, modern, high quality homes over the next 15 years working in partnership with Lancashire County Council, Homes England and a range of other key stakeholders. The Council's Cabinet approved a Masterplan and Delivery Strategy on the 20th October 2021, setting out a planning framework for this major housing growth opportunity. Three developers are working towards bringing forward planning applications for up to 850 new homes before the end of 2022. In the meantime the Council is being supported by Homes England in preparing a Business Case for £28.65 million for infrastructure funding to support the delivery of Huncoat Garden Village.

- **New housing:** the Borough continues to benefit from unprecedented housing growth, despite the Covid-19 pandemic. Currently, on 9 medium / large sites, 647 new homes are under various stages of construction, 441 of which are market housing with the remaining 206 (32%) a mix of affordable homes for sale and rent. There is a very healthy pipeline of sites coming forward that will add to these numbers over the next 5 years.

- **Frontier Park:** Is a 90-acre strategic employment and leisure zone, adjacent to Junction 6 of the M65 continues to be developed at pace by the landowner / developer, Monte Blackburn. The industrial park is now complete creating 1 million square feet of manufacturing and distribution space creating circa. 1,500 jobs. The Park is fully let and also includes a £25 million, 150-bedroom Hampton by Hilton hotel and conference centre as well as motorway services. This site is a major boost for the local economy and a major opportunity providing for significant employment growth.

- **Accrington Town Centre:** the Council is supporting the local economy through investment in Accrington Town Centre. £2 million has been invested in creating a new town square, with a further £1 million invested in the refurbishment of prominent town centre premises adjacent to the new town square. Hyndburn has been allocated Category 1 status for the Government's Levelling Up Fund and has prepared a £20 million bid to support major regeneration and investment plans for Accrington Town Centre.

- **Council Owned Land:** The Council is utilising its land and property assets to support its growth aspirations. Examples include:

    - **Lyndon Park:** Disposal of land to Keepmoat Homes to build 217 new homes on the outskirts of Great Harwood and generating the Council a capital receipt of circa £3 million.

    - **Phoenix 1D:** The Council secured just under £1.1 million from the Government's Accelerated Construction Programme which will be used for site preparation works, after which the land will be transferred to Keepmoat Homes to build 48 new homes for sale and rent with works due to complete by April 2023.

- **Yorkshire St, Huncoat** – the Council sold the site in 2020 to Onward Homes for £160,000 where 14 shared ownership homes have been built.

- **Steiner Street, Accrington** – sold to Barnfield Construction in 2020 for retail use generating a capital receipt of £205,000.

- **Charter St, Accrington** – planning consent was secured on the 28th of April 2021 for 46 new affordable homes for rent, for homeless households including veterans where the need arises. The scheme will be developed and managed by a local developer and charity, Building for Humanity.

- **Miller Fold, Accrington** – the Council has sold the site to Gleeson Homes generating a capital receipt of £233,000. Planning permission is in place for 46 new homes for sale which are currently under construction.

- **Spring Hill Village** – The Council is speaking to several house builders and registered providers about a potential sale for approximately 50 new affordable homes.

- **Church Canal Gateway** – the Council has agreed terms to dispose of this site for a small employment park, subject to planning consent.

- **Pendle Street, Accrington** – the Council has demolished and cleared 27 unfit terraced homes and is now in discussions with a registered provider for the development of a small number of new affordable homes.

Financial Prospects for Hyndburn Borough Council

The Council completed the financial year with another strong performance and was able to add to its financial reserves at the end of the year. The Council has continued to manage its costs downward during the year and boost its income lines where possible, while dealing with upward service and inflation pressures on expenditure and downward pressure on some income streams.

Additional operating costs from the impact of COVID 19 are expected to be contained within the funding envelop provided by the Government. Revenues in most areas are returning to pre pandemic levels, though more slowly in areas such as property, where the move to home working and more shopping on-line has depressed the requirements for commercial and retail space. Tax revenues from Council Tax and Business Rates are steadily recovering and exceeding the predicted rate of recovery at this point. Levels of default remain in line with historic patterns and it does not appear that COVID 19 has caused widespread business failures or a surge in unemployment numbers. Therefore, if there is not a major resurgence of the virus over the latter parts of the year, requiring a further lock-down, the Council's finances should not be significantly impacted by the effects of the pandemic going forward.

Cost inflation presents the Council with additional challenges currently. Energy prices are expected to continue on a sharp upward trajectory over the remainder of the year and could effectively have doubled in price within a 12 to 18 month period. Until the conflict in Ukraine is resolved it is unlikely that we will see prices begin to ease. With the widespread commitment amongst Western Powers to remove dependency on Russian energy a dramatic reduction in energy prices is unlikely to occur as supply from non-Russian sources will remain at a premium. So far, we have been able to absorb the first half of these increases within our budgeted resources and still produce a significant surplus and would expect to be able to do the same going forward, though with a dampening impact on the level of surplus generated. More general inflation pressure, particularly around pay could prove more challenging to absorb and if pay awards start to exceed growth in revenues this is likely to require the Council to shrink the size of its workforce to keep within its available budget.

The Council also faces the challenge of major Government reform of the funding of local government which could see its key income streams around business rates, council tax and government grant changed dramatically. We now expect these announcements to be made in late 2022 for implementation in the following financial year of 2023/24. We have previously assessed that while the changes may be dramatic the Council should be able to successfully address any changes from a mixture of re-prioritisation of services, efficiency improvements and the use of reserves.

The government is still committed to the new benefits system, Universal Credit. As part of this change, housing benefit which is administered by local authorities will end in its current format. Consequently, the amount the government pays local authorities to run the housing benefit system will reduce substantially. However, it is likely the Council will have increased marginal costs around the system that remains to pay Housing Benefit to Pensioners and may face additional costs in winding up housing benefit for working aged people.

Hyndburn Council's largest expense is salaries at approximately £10m per annum. There are widespread calls for a substantial increase in pay for staff given many years of low increases in the aftermath of the Recession and now with inflation substantially increasing. If pay awards are fully funded by Government then the impact of the increase is neutral. However, if pay awards are made that are not funded, this introduces more cost pressure into the Council and forces the Council to reduce services and staff numbers to ensure it can maintain a balanced budget.

Conclusion

The Council's financial position remains relatively healthy. It has a long history and culture of setting and balancing its revenue budget and delivering its key services within it. It has developed and delivered a strong capital programme over many years and funded that from within existing resources. Its balance sheet remains strong with adequate reserves. The lack of clarity about future funding levels for the Council under the Government's reforms creates a high degree of uncertainty over the level of financial challenge the Council over the next few years. Therefore, managing our resource and expenditure and having adequate provisions in place becomes more important than ever in maintaining the standard and integrity of everyday services.

The Council's financial performance demonstrates economy, efficiency and effectiveness in the use of its resources. It has a track record of making savings as dictated by resource availability. I am therefore confident that the Council will continue to maintain a balanced budget in the medium term.

Explanation of Accounting Statements

Introduction

This publication contains the Council's Statement of Accounts for the year ended 31st March 2022. They provide details of the money the Council spent on delivering services and where this money came from. The accounts also show the Council's financial performance and financial position for the year.

Stewardship of Public Money

The accounts have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in the United Kingdom and are based on International Financial Reporting Standards. The Council's Internal and External Auditors verify the regulations are being followed and the Council's accounts are subject to scrutiny by its elected Councillors and External Auditors.

Contents of the Accounts

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

Annual Governance Statement

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

Independent Auditor's Report

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

Statement of Responsibilities

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

Expenditure and Funding Analysis

The analysis shows how expenditure and income is used to support the Council's services.

Comprehensive Income and Expenditure Statement

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

The statement has two sections:

- Surplus or Deficit on the Provision of Services – the increase or decrease in the net worth of the Council as a result of incurring expenses and generating income.
- Other Comprehensive Income and Expenditure – shows any changes in net worth which have not been reflected in the Surplus or Deficit on the Provision of Services. Examples include the increase or

decrease in the net worth of the Council as a result of movements in the fair value of its assets and actuarial gains or losses on pension's assets and liabilities.

Movement in Reserves Statement

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

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

Balance Sheet

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

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

Cash Flow Statement

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

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

Collection Fund

This reflects the statutory requirement for billing authorities, such as Hyndburn Borough Council, to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates (NDR). There is no requirement for a separate Collection Fund Balance Sheet. Instead Collection Fund balances are distributed across the balance sheets of the billing authority, the government and precepting bodies.

Acknowledgement

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

Further information

A Statement of Accounts inevitably uses technical terms and language. A comprehensive Glossary of Accounting Terminology is on the Council's website www.hyndburnbc.gov.uk.

The availability of the accounts for inspection is advertised by the Council on its website.

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

If required, further information about the 2021/22 accounts is available from the Head of Accountancy Services, Hyndburn Borough Council, Scaitcliffe House, Ormerod Street, Accrington, BB5 0PF.

Martin Dyson, CPFA
Executive Director Resources

Annual Governance Statement

Introduction

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

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

Hyndburn BC has approved and adopted a Code of Corporate Governance which is consistent with the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) principles.

This statement explains how Hyndburn Council complied with the Code and also meets the requirements of regulation 6(1)[a] of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement. The purpose of the governance framework is to ensure that the system of internal control is a significant part of the Council framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The Governance Framework has been in place at Hyndburn Borough Council for the year ended 31st March 22 and up to the date of the production of the statement of accounts.

The Council has in place Codes of Conduct which set out the standards of behaviour expected of all members and officers. These are provided to all members and officers on appointment and are also available on the Council's website. The Council's Constitution clearly sets out the respective roles and responsibilities of the Council, its Cabinet and Overview and Scrutiny functions, and delegations to Committees, Portfolio holders and Chief Officers as well as those functions which, by statute, are to be exercised by a designated "Proper Officer". Committee meetings are open to the public which may include attendance virtually, except where personal or confidential matters may be disclosed.
As part of the Constitution the Council has agreed a Protocol on Member/Officer Relations and Conventions for the Management of Council Business.

Financial Management Arrangements

The Authority's Financial Management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. The Council's professionally qualified Chief Finance Officer (the Deputy Chief Executive) is responsible for the proper administration of its financial affairs. The Officer attends Council, Cabinet and Corporate Management Team meetings and has a direct reporting line to the Chief Executive. Financial advice is provided for all the key decisions that are made. A Medium Term Financial Forecast and Treasury Management Strategy, which assesses the potential financial risks to the Council, are in place and are reviewed regularly. Standing orders and financial regulations, that detail the Council's financial management arrangements, are also maintained and reviewed and updated periodically.

The Executive Director
The Head of Paid Service is the Chief Executive who is responsible for all Council staff and leading an effective corporate management team.

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

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

- The Council's Constitution including Procedure Rules and Codes of Conduct which set out the rules on how the Council conducts its business
- The Codes of Conduct for planning and licensing functions
- Codes of Conduct for Officers (employees) and Members
- The Member / Officer Relations Protocol
- The Anti-fraud and Corruption Strategy
- The Whistleblowing Policy
- The Complaints Policy and Procedures
- The procedures for dealing with complaints about elected members
- The Councils values are in place (Teamwork, Customer Focus, Integrity and Positive Attitude)

All chief officers are required to plan and discharge their departmental functions in accordance with Council policies and legislative requirements. Senior officers and other key post holders receive support from Legal Services in this regard and if specialist legal advice is required, then the Council will engage counsel.
Corporate management is provided by the Corporate Management Team led by the Chief Executive. The Chief Finance Officer (section 151) and the Monitoring Officer have the ability, after consulting with the Chief Executive, to report to the Cabinet or full Council and the Council's External Auditor, if s/he considers that any proposal, decision or course of action will incur unlawfulness or unlawful expenditure.

Within the reporting system all committee reports contain a financial implications paragraph and legal implications paragraph which must be completed, together with a section requiring consideration of the equalities implications of any proposed decision. The section 151 officer and the monitoring officer have the opportunity to review and comment on all Cabinet and Council reports before they sign them off. The reports are only then included on the relevant agendas.
The Council's external auditors are Grant Thornton UK LLP whose most recent Annual Audit letter concluded the Council has effective management in place for internal control.

Principle B: Ensuring openness and comprehensive stakeholder engagement

Council and Cabinet meetings are open to the public and agenda papers, reports and decisions made by the Council are published on its website. It also publishes its Statement of Accounts.

Hyndburn BC has a strong record of successful partnerships delivering outcomes which meet the requirements of the local communities. To achieve this, the Council has been able to:

- Exercise appropriate leadership in the community which effectively engages with local people, partnerships and other stakeholders and develops constructive accountable relationships
- Make clear to whom it is accountable and for what
- Ensure that the Council as a whole is open and accessible to the community, and that it has made a commitment to openness and transparency in all partnership dealings, subject only to preserve confidentiality in those circumstances where it is proper and appropriate to do so.

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

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

All Council partnerships relate to the agreed corporate priorities and embody, and uphold, proper conduct, funding and monitoring arrangements.

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits

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

- Corporate Strategy 2018-2023 which is the Council's own planning document.
- The Medium Term Financial Strategy which describes how Hyndburn BC will meet the financial challenges facing it as a result of government decisions and grant funding changes

The capital programme is monitored by the capital programme working group. Project bids supported by a business case are submitted to the group; they are assessed against the Council's strategic objectives and value for money. A list of recommended projects is produced backed by defined funding streams; the list is taken to Cabinet for approval and amendment before being presented to the full Council as part of the annual budget setting. The Capital Strategy is approved by Council each year.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

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

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

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

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

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

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

- Letters and e-mails
- Telephone calls
- Complaints
- Visits to council offices
- Visits to customer homes
- Out of hours emergencies

They cover the attitude and behaviour of staff and customers.
The Resources Overview and Scrutiny Committee monitor the performance of Council services and makes suggestions for improvements. It monitors

- The Council's budgetary position during the year and advises of possible efficiency savings and steps required to address any budget deficit
- Service delivery and improvements and the Council's Treasury Management strategy
- The achievement of the annual business plans for each service area

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

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

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

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

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

All posts have a job description and person specification. Training needs are identified through the Performance Development reviews and are recorded in an employee's work plan.
Strategic training needs are defined in the Corporate Training Plan as are generic operational ones in development action plans.

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

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

The Council has been awarded the North West Charter for member development.
New officers receive corporate and service unit inductions.

Principle F: Managing risks and performance through robust internal control and strong public financial management

The Council adopted a Risk Management Strategy and Strategic Risks Policy in 2003 and was last updated in 2012. Three risk registers (Strategic, Generic and Operational) are in place and appropriate staff have been trained in the assessment, management and monitoring of risks. Management team undertake reviews aligned to Audit committee cycles to ensure that risks are in line with corporate goals and objectives.

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

Internal audit is responsible for monitoring the quality and effectiveness of the system of governance and internal control. A risk based Internal Audit Plan is produced each financial year which is approved by Audit Committee. The reporting process for Internal Audit requires a report of each audit engagement to be submitted to the relevant service. The report includes recommendations for improvements that are included with a Management Action Plan and require agreement or rejection by service managers. The process includes follow up reviews of the actions agreed to ensure they are acted upon. A summary of the action agreed is reported to each Audit Committee meeting together with details on the follow up reviews of audit engagements and whether the actions agreed have been implemented.

Insurable risks are regularly reviewed by officers and the Council's insurer to confirm the appropriate level of cover and value for money.

The Council maintains an effective Audit Committee which is independent of the Executive. It has scrutiny functions and appropriate arrangements for the discharge of its functions, through its terms of reference which are modelled on the CIPFA Code of Practice.
In order to continue its development and raise its profile the Committee's membership has been maintained at six members.

Internal audit which is an independent appraisal function reports to the Committee. It reviews all the Council's activities, both financial and non-financial. It provides a service to the whole Council in order to assure on risk management arrangements, internal control and corporate governance; it also provides advice on best practice. Internal audit's work is carried out in conformance with the Public Sector Internal Audit Standards.

There are robust budget monitoring arrangements for both capital and revenue with budget reporting to Management Team and Members.

Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

All Council decisions are published on its website together with supporting information to explain why a particular decision has been taken.
The Statement of Accounts is published on-line together with the external auditor's opinion. The statement is prepared following Cipfa's Code of Practice on Local Authority Accounting which means it includes all necessary information and is in a format which allows comparison with other authorities.

The Annual Governance Statement, this document, is also published on the web site. The Statement follows the principles set out by SOLACE/CIPFA in their document *Delivering Good Governance* and includes a review of the effectiveness of the governance arrangements.

The Internal Audit function at Hyndburn Borough Council works to an annual plan, progress against which, and any associated control issues are reported to the Audit Committee, and provides an independent opinion on the internal control framework that was in place in 2021/22.

Our External Auditors, Mazars, will review the arrangements that the Council has in place to secure Value for Money. This will also provide an opinion on the accuracy and completeness of the statement of accounts.

Review of Effectiveness

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

Each year the responsible officers review the areas they are responsible for under the internal control framework. They confirm existing arrangements and list any changes or improvement made. Then they sign a statement to endorse the current position which is kept on file centrally.
We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the corporate management team and that the arrangements continue to be regarded as fit for purpose.

The Council is ultimately responsible for maintaining an up to date governance framework which is chiefly contained in its Constitution and consists of its standing orders, financial regulations and scheme of delegation together with associated policies and procedures.
During the year the Council's Internal Auditors concluded that Hyndburn BC has effective arrangements in place for internal control and did not raise any significant issues of concern.

Certification

The Council has governance procedures that contain comprehensive systems, cultures and values by which it is controlled, and through which it engages with the community in a timely, inclusive, open, honest and accountable manner.

Dave Welsby	**Miles Parkinson**
Chief Executive	**Leader of the Council**
Date **10 May 2022**	**Date** **10 May 2022**

Auditor’s Report

Independent auditor’s report to the members of Hyndburn Borough Council

This report will appear in the following pages upon completion of the Audit of the Financial Statements

Statement of Responsibilities

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

The Authority's Responsibilities

The Authority is required:

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

The Chief Financial Officer's Responsibilities

As Chief Financial Officer, I am responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the Statement of Accounts, I have:

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

I have also:

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

The statement of accounts presents a true and fair view of the financial position of the authority as at 31st March 2022 and its income and expenditure for the financial year 2021/22.

Martin Dyson, CPFA
Executive Director Resources / Section 151 Officer

Financial Statements

Comprehensive Income and Expenditure Statement

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

2020/21					2021/22		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Description	Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
695	(383)	312	Environmental Health		1,452	(1,139)	312
3,939	(680)	3,259	Waste Services		3,988	(740)	3,248
1,890	(1,217)	673	Parks & Cemeteries		2,007	(1,175)	832
1,563	(204)	1,359	Culture & Leisure		1,755	(912)	843
1,277	(727)	550	Planning & Transportation		1,301	(618)	683
4,669	(1,837)	2,832	Regeneration & Property		3,906	(2,237)	1,670
31,398	(24,186)	7,212	Policy & Corporate Governance		30,563	(21,464)	9,099
45,431	**(29,234)**	**16,197**	**Cost of Services**		**44,972**	**(28,284)**	**16,688**
		(1,027)	Other Operating Expenditure	10			(203)
		924	Financing and Investment Income and Expenditure	11			1,079
		(18,182)	Taxation and Non-Specific Grant Income	12			(15,401)
		(2,088)	**(Surplus) / Deficit on Prov'n of Services**				**2,161**
		(581)	(Surplus) / Deficit on revaluation of PPE & assets held for sale	13, 20			(1,235)
		-	(Surplus) / Deficit on revaluation of Heritage Assets	14			(129)
		7,206	Re-measurement of the net defined benefit liability / (asset)	38			(13,659)
		6,625	**Other Income and Expenditure**				**(15,023)**
		4,537	**Total Income and Expenditure**				**(12,862)**

Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other ‘unusable reserves’.

The statement shows how the movements in year of the Council’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year.

The Net Increase / Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
2020/21						
Balance as at 31 March 2020	12,729	5,278	1,052	19,059	(3,203)	15,856
Movements during 2020/21:						
Total Comprehensive Income and Expenditure	2,088	-	-	2,088	(6,625)	(4,537)
Adjustments between accounting basis & funding basis under regulations (note 8)	1,966	477	2,726	5,169	(5,169)	-
Increase or (decrease) in 20/21	4,054	477	2,726	7,257	(11,794)	(4,537)
Balance at 31 March 2021 carried forward	16,783	5,755	3,778	26,316	(14,997)	11,319
2021/22						
Balance as at 31 March 2021	16,783	5,755	3,778	26,316	(14,997)	11,319
Movements during 2021/22:						
Total Comprehensive Income and Expenditure	(2,161)	-	-	(2,161)	15,023	12,862
Adjustments between accounting basis & funding basis under regulations (note 8)	1,407	(483)	(1,480)	(556)	556	(0)
Increase or (decrease) in 21/22	(754)	(483)	(1,480)	(2,717)	15,579	12,862
Balance at 31 March 2022 carried forward	16,029	5,272	2,298	23,599	582	24,181

Balance Sheet

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

Reserves are reported in two categories:

- Usable reserves which can be used by the Council to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use e.g. Capital Receipts Reserve can only be used to fund capital expenditure or repay debt except where temporary freedoms are placed on their use such as to fund the revenue costs of business transformation.

- Unusable reserves which the Council cannot use to provide services. This category includes reserves that hold unrealised gains or losses e.g. the Revaluation Reserve, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Financial Statements

31st March 2021 £'000	Balance Sheet Description	Note	31st March 2022 £'000
23,361	Property, Plant & Equipment	13	22,158
4,490	Heritage Assets	14	4,619
6,518	Investment Property	15	6,799
55	Intangible Assets	16	39
1,425	Assets Held for Sale	20	-
35,849	**Total Non-Current Assets**		**33,615**
8	Long Term Investments	17	8
359	Long Term Debtors	17	1,374
36,216	**Long Term Assets**		**34,997**
46	Inventories	18	76
6,438	Short Term Debtors	19	2,437
25,046	Short Term Investments	17	43,020
1,109	Assets Held for Sale	20	3,011
17,421	Cash & Cash Equivalents	21	9,130
50,060	**Current Assets**		**57,674**
(44)	Short Term Borrowing	17	(43)
(20,981)	Short Term Creditors	22	(26,278)
-	Bank (overdraft) – Cash & Cash Equivalents	21	-
-	Provisions current	23	-
(21,025)	**Current Liabilities**		**(26,321)**
(9,821)	Long Term Borrowing	17	(9,818)
(3,290)	Provisions – Long Term	23	(2,733)
(670)	Deferred Liabilities: Finance Leases	37	(876)
(40,151)	Net Pensions Liability	38	(28,742)
(53,932)	**Long Term Liabilities**		**(42,169)**
11,319	**Net Assets**		**24,181**
	Capital Accounts & Reserves Usable Reserves:		
2,351	- General Fund Balance Reserve		3,123
14,432	- Earmarked Reserves	9	12,905
5,755	- Usable Capital Receipts Reserve		5,273
3,778	- Capital Grants Unapplied		2,298
(14,997)	Unusable Reserves and Accounts	25	582
11,319	**Total Reserves And Balances**		**24,181**

Martin Dyson, Executive Director Resources (Section 151 Officer)

Cash Flow Statement

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

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

2020/21 £'000	Description	Note	2021/22 £'000
(13,129)	**Cash & cash equivalents at 1st April 2021**		**17,421**
(2,088)	Net (surplus) or deficit on the provision of services		2,162
(28,356)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	26	3,618
1,302	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	27	(32,844)
(29,142)	Net cash flows from Operating activities Note 26 + 27	26 + 27	(27,065)
(1,083)	Investing activities	28	18,574
(325)	Financing activities	29	201
(30,550)	**Net (increase) or decrease in cash & cash equivalents**		**17,421**
17,421	**Cash & cash equivalents at 31st March 2022**		**9,130**

Notes to the Financial Statements

1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis is a note to the accounts which shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2020/21					2021/22			
Net Expenditure Chargeable to the General Fund £'000	Transfers (to) / from Earmarked Reserves £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000	Description	Net Expenditure Chargeable to the General Fund £'000	Transfers (to) / from Earmarked Reserves £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000
286	-	26	312	Environmental Health	(226)	-	538	312
3,004	-	255	3,259	Waste Services	3,210	-	38	3,248
483	-	190	673	Parks & Cemeteries	562	-	270	832
972	-	387	1,359	Culture & Leisure	193	-	650	843
483	-	67	550	Planning & Transportation	542	-	141	683
4,789	-	(1,957)	2,832	Regeneration & Property	1,607	-	63	1,670
5,464	-	1,748	7,212	Policy & Corporate Gov	3,106	-	5,990	9,099
15,481	**-**	**716**	**16,197**	**Net Cost of Services**	**8,995**	**-**	**7,690**	**16,688**
(19,535)	-	1,250	(18,285)	Other Income & Expenditure	(8,239)	-	(6,286)	(14,525)
-	-	-	-	Discontinued Operations	-	-	-	-
(4,054)		**1,966**	**(2,088)**	**(Surplus) / Deficit**	**755**	**-**	**1,404**	**2,162**

General Fund	2020/21	2021/22
Opening Balance at 1st April	12,729	16,783
Surplus / deficit in-year	4,054	(755)
Closing Balance at 31st March	**16,783**	**16,028**

2. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2021/22

2021/22	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Adjustments £'000	Other Adjustments £'000
Environmental Health	-	539	(1)	538
Waste Services	100	(63)	1	38
Parks & Cemeteries	106	179	(15)	270
Culture & Leisure	632	19	(1)	650
Planning & Transportation	5	138	(2)	141
Regeneration & Property	(159)	226	(4)	63
Policy & Corporate Governance	5,267	764	(41)	5,990
Net Cost of Services	**5,951**	**1,802**	**(63)**	**7,690**
Other Income and Expenditure	(2,935)	942	(4,293)	(6,286)
(Surplus) / Deficit	**3,016**	**2,744**	**(4,356)**	**1,404**

Adjustments between Funding and Accounting Basis 2020/21

2020/21	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Adjustments £'000	Other Adjustments £'000
Environmental Health	-	25	1	26
Waste Services	103	153	(1)	255
Parks & Cemeteries	118	72	1	191
Culture & Leisure	378	9	-	387
Planning & Transportation	5	55	6	66
Regeneration & Property	(2,064)	105	2	(1,957)
Policy & Corporate Governance	1,872	(137)	13	1,748
Net Cost of Services	**412**	**282**	**22**	**716**
Other Income and Expenditure	(2,541)	765	3,026	1,250
(Surplus) / Deficit	**(2,129)**	**1,047**	**3,048**	**1,966**

Adjustments for Capital Purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Changes for the Pension Adjustments – this column shows the net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income.

- For services represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

Other differences – this column shows between amounts debited / credited to the Comprehensive Income and Expenditure Statement and amounts payable / receivable to be recognised under statute.

- For financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Expenditure and Income Analysed by Nature

The authority's expenditure and income is analysed as below:

Description	2020/21 £'000	2021/22 £'000
Expenditure		
Employee benefits expenses	10,499	11,835
Other service expenses	15,269	10,877
Transfer payments	19,897	19,043
Depreciation, amortisation, impairment	1,245	1,568
Non- enhancing expenditure	645	3,521
Interest payments	1,211	1,283
Precepts and levies	13	12
(Surplus)/Deficit on revaluation of assets held for sale	106	-
(Gain) / loss on disposal of assets	(1,040)	(216)
Total Expenditure	**47,845**	**47,923**
Income		
Fees, charges and other service income	(6,969)	(6,017)
Interest and investment income	(1,202)	(541)
Income from council tax, non-domestic rates, district rate income	(5,417)	(11,810)
Government grants and contributions	(36,345)	(27,393)
Total Income	**(49,933)**	**(45,762)**
(Surplus) or Deficit on the Provision of Services	**(2,088)**	**2,161**

Segmental Income

Income received on a segmental basis, excluding grant income, is analysed below:

	Income from Services	
Service Area	2020/21 £'000	2021/22 £'000
Environmental Health	(109)	(211)
Waste Services	(648)	(636)
Parks & Cemeteries	(1,320)	(1,196)
Culture & Leisure	(5)	(66)
Planning & Transportation	(535)	(723)
Regeneration & Property	(701)	(2,179)
Policy and Corporate Governance	(717)	(1,422)
Total Income	**(4,035)**	**(6,433)**

3. Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for 2021/22 financial year and its position at the year-end 31st March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations (2015), which those Regulations require to be prepared in accordance with proper accounting practices. These practices under section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), supported by the International Financial Reporting Standards (IFRS).

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

2. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4. Exceptional Items

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

5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

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

6. Charges to Revenue for Non-Current Assets

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

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

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

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

7. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves.

Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the year end balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

8. Employee Benefits

<u>Benefits Payable During Employment</u>
Short term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and charged on an accruals basis to the relevant service line of the Comprehensive Income and Expenditure Statement (CIES).

<u>Termination Benefits</u>
Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

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

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

The liabilities of the Lancashire County Pension Scheme attributable to Hyndburn Borough Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.1% (2.4% 31st March 2020) based on the indicative rate of return on high quality (AA rated) corporate bonds.

The assets of the Lancashire County Council Pension Fund attributable to Hyndburn Borough Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Utilised securities – current bid price
- Property – market value

The change in the Net Pensions Liability is analysed into the following components:

1. Service cost comprising:
    - Current Service Cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked.
    - Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - Net Interest on The Net Defined Benefit Liability (Asset) i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – that is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

2. Re-measurements comprising:
   - The Return on Plan Assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as other Comprehensive Income and Expenditure
   - Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pension Reserve as Other Comprehensive Income and Expenditure

3. Contributions paid to the Lancashire County Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

9. Events After The Reporting Period

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

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

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

10. Financial Instruments

Financial Liabilities

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

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

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their Cashflow characteristics there are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit and loss (FVPL), and
- Fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

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

However, the Council has made loans to an organisation at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of

the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.
Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisation, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains or losses that arise on the De-recognition of an asset are credited or debited to the FIIE in the CIES.

Expected Credit Loss Model
The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where equivalent FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectations that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month losses.

Financial Assets Measured at Fair Value through Profit and Loss
Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurement of the financial assets are based on the following techniques:
a) Instruments with quoted market prices – the market price
b) Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

The Council uses the DVS Valuation Office Agency, Manchester to provide a valuation of its property assets and liabilities in line with the highest and best use definition within the accounting standard; and Link Asset Services to value its investments and borrowings. The highest and best use of the asset being valued is

considered from the perspective of a market participant.
The Council's surplus assets are judged to be Level 2.

11. Government Grants and Contributions

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

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

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

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

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

12. Heritage Assets

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

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

The Tiffany Glass Collection – Includes handmade blown glass vases, glass tiles, jewels and mosaics; as well as pottery, metalwork and enamel items. The items are reported in the Balance Sheet at insurance valuation which is based on market values. The insurance valuations are updated periodically.

The Art Collection – Includes paintings (both oil and watercolour) as well as etchings, book illustrations and chromolithographs. It is reported in the Balance Sheet at market value.

Numismatics Collection – Comprises coins, medals and tokens. The medals show portraits of famous people through history, while the trade tokens have a strong local connection. The items are reported in the Balance Sheet at insurance valuation which is based on market values. The insurance valuations are updated periodically.

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

The date of the latest valuation of Heritage Assets undertaken by Eric Knowles Antiquarian Services is August 2016. Assets within all four collections are deemed to have indeterminate lives and, in the case of the glass and art collections, a high residual value; hence the Council does not consider it appropriate to charge depreciation.

All four collections are relatively static and acquisitions and donations are rare. The Gallery is accredited by the Arts Council of Great Britain which means it has a statement of purpose, an acquisition and disposals policy, a guide to the documentation relating to the collections and a plan for the collections' care and conservation.

Civic Regalia – The Council also has a collection of civic regalia which is held at the Town Hall. It was last valued for insurance purposes by Precious Metals in August 2016.

13. Intangible Assets

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

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

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

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

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

Reserves Statement and posted to the Capital Adjustment Account and (for any sales proceeds greater than £10,000) to the Capital Receipts Revenue Account.

14. Interests in Companies and Other Entities

The Council has material interests in other entities that have the nature of associates; Hyndburn BC therefore prepares group accounts. In the authority’s own single entity accounts, the interests in the entities are recorded as financial assets at cost, less any provision for losses.

15. Inventories

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

16. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but revalued annually according to market conditions at year end. Gains and losses on revaluation are posted to the financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

17. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

The Council as Lessee

a) Finance Leases

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

Lease payments are apportioned between:

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

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

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

b) Operating Leases

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

The Council as Lessor

a) Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

b) Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

18. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

19. Property, Plant and Equipment

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

<u>Recognition</u>

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

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

Measurement

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

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

- Community assets and assets under construction – depreciated historical cost
- Surplus Assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- All other assets – the current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

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

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

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

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

Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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

Depreciation

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

Asset	Period (Years)
Operational Buildings	30-60*
Non-Operational Buildings	30-60*
Community Assets	5 - 50
Vehicles & Plant	2-14
Surplus Assets – Housing Market Renewal Properties	15

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

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

Component Accounting

Componentisation applies where an asset comprises two or more major components with substantially different useful economic lives. For the purpose of depreciation, each component is accounted for separately and depreciated over the course of its respective life.

The policy applied at Hyndburn Borough Council has a de minimus level of £500,000 asset value for the building element and a maximum number of components of five.

Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

Assets Held for Sale are assets where the:

- Asset is immediately available for sale
- Sale is highly probable
- Asset is actively marketed
- Sale is expected to be completed within twelve months

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at that date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals, if any, are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated on the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council’s capital financing requirement. Receipts are appropriated to the Capital Receipts Reserve in the Movement in Reserves Statement.

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

Infrastructure Assets

Infrastructure assets include footways and cycle tracks, street lighting, street furniture, sewers and culverts, and a small number of carriageways owned by the authority.

Infrastructure assets are generally measured at depreciated historical cost.

Depreciation is provided by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is calculated on a straight-line basis. Annual depreciation is the depreciation amount allocated each year. Useful lives are determined as follows:

Type of infrastructure asset	Useful Life
Footways and cycle tracks	25 years
Street lighting	40 years
Street furniture	40 years
Sewers and culverts	80 years
Carriageways	25 years

In accordance with the temporary relief offered by the 'Update to the Code and Specifications for Future Codes for Infrastructure Assets' this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The authority has determined in accordance with Regulation 30M England of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

20. Provisions, Contingent Liabilities and Contingent Assets

<u>Provisions</u>

Provisions are made when an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimation can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle the provision is expected to be recovered from another party (e.g. from an insurance claim), it is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

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

21. Reserves

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

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

22. Revenue Expenditure Funded From Capital Under Statute (REFCUS)

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

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

23. VAT

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

24. Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) In the principal market for the asset or liability, or

b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:
Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3 – unobservable inputs for the asset or liability.

4. Accounting Standards Not Yet Adopted

The Council is required to disclose the impact of an accounting change required by a new accounting standard that has been issued on or before 1 January but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2022/23 Code will introduce the following amendments:

Annual Improvements to International Financial Reporting Standards (IFRS) 2018-2020:

- IFRS 1 First-time adoption – The amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS and simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent
- IAS 37 Onerous contracts – The amendment provides clarity on the costs of fulfilling a contract.
- IAS 41 Agriculture – The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 fair value.

These amendments are not anticipated to have a material impact on the Council's accounts.

5. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 3, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts is:

- The Council collected approximately £19m in business rates in 2021/22 compared to £12m in 2020/21. The assumptions around the outcome of appeals against the business rates valuations (either received to date or expected in future years) represent a material and critical judgement applied to the accounts. The appeals provision is empirically derived from the experience with both the 2005 and 2010 lists as well as appeals determinations so far made against the 2017 list.

6. Assumptions made about the future and other major sources of estimation and uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31st March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from Assumptions
Property, Plant & Equipment	Assets are depreciated over useful lives that rely on assumptions about the level of repair and maintenance. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful life assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying value of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £38k for every year that useful lives had to be reduced.
Pensions liability	Estimation of the net liability to pay pension depends on a number of complex judgements.	The effects on the net pension liability of changes in individual assumptions can be measured. However the assumptions interact in complex ways. Note 38 provides details on actuarial gains and losses in recent years.

7. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the s151 officer on 18th May 2023. Events taking place after this date have not been reflected in the financial statement or notes. Where events taking place before this date provide information about conditions existing at 31st March 2022, the figures in the financial statements and notes have been adjusted in all material aspects to reflect the impact of this information.

8. Adjustments between Accounting Basis and Funding Basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2021/22	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
Adjustments to the Revenue Resources *			
Pension costs (transferred to / from the Pensions Reserve)	1,204		
Financial instruments (transferred to the Financial Instruments Adjustment Account)	(4)		
Council tax and NDR (transfers to or from the Collection Fund Account)	4,286		
Holiday pay (transferred to the Accumulated Absences Reserve	65		
Reversal of entries included in the surplus or deficit on the Provision of Services in relation to capital expenditure (these items are charges to the Capital Adjustment Account)	(1,655)		56
Total Adjustments to Revenue Resources	**3,896**		**56**
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,552)	1,552	
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(765)		
Capital Expenditure financed from revenue balances (transfer to the capital Adjustment Account)	(172)		
Total Adjmt between Rev and Cap Resources	**(2,489)**	**1,552**	**-**
Adjustments to Capital Resources			
Capital grants and contributions unapplied credited to the CI&ES		(2,035)	
Use of Capital Receipts Reserve to finance capital expenditure			
Application of capital grants to finance capital expenditure			(1,536)
Total Adjustment to Capital Resources		(2,035)	(1,536)
Total Adjustments	**1,407**	**(483)**	**(1,480)**

* Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements

2020/21	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
Adjustments to the Revenue Resources *			
Pension costs (transferred to / from the Pensions Reserve)	1,046		
Financial instruments (transferred to the Financial Instruments Adjustment Account)	(5)		
Council tax and NDR (transfers to or from the Collection Fund Account)	3,031		
Holiday pay (transferred to the Accumulated Absences Reserve	20		
Reversal of entries included in the surplus or deficit on the Provision of Services in relation to capital expenditure (these items are charges to the Capital Adjustment Account)	382		347
Total Adjustments to Revenue Resources	**4,474**	**-**	**347**
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,302)	1,302	
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(646)		
Capital Expenditure financed from revenue balances (transfer to the capital Adjustment Account)	(560)		
Total Adjmt between Rev and Cap Resources	**(2,508)**	**1,302**	**-**
Adjustments to Capital Resources			
Capital grants and contributions unapplied credited to the CI&ES			
Use of Capital Receipts Reserve to finance capital expenditure		(825)	
Application of capital grants to finance capital expenditure			2,379
Total Adjustment to Capital Resources	**-**	**(825)**	**2,379**
Total Adjustments	**1,966**	**477**	**2,726**

* Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements

9. Transfers To and From Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21.

	2020/21			2021/22			
Reserve Name	Balance b/f £'000	Transfer Out £'000	Transfer In £'000	Balance b/f £'000	Transfer Out £'000	Transfer In £'000	Balance c/f £'000
Planning s106 Fund	578	(56)	118	640	(118)	152	674
Housing and Planning Fund	26			26	-	-	26
Area Based Grant Reserve	40			40	(40)	-	-
Performance Reward Reserve	8	(4)		4	(4)	-	-
Environmental Warranties	3,016			3,016	-	-	3,016
Transitional Grant	1,013	(210)		803	(355)		448
Efficiency Support Grant	308			308	(308)		-
Balance set aside for invest to save initiatives	1,332	(245)		1,087	(419)		668
New Homes Bonus	-	(24)	24	-	-	-	-
Communities For Health Funding	56	(1)		55	(1)		54
Dilapidations Reserve	1,316			1,316			1,316
Huncoat Garden Village	81	(46)	50	85	(39)		46
Waste Services	85			85			85
Revenue Funding for Capital Schemes	1,127			1,127			1,127
Business Rates Volatility Reserve	368			368			368
S31 grant set-aside for future years deficit liability	-		3,317	3,317	(1,845)		1,472
Dividend Reserve	-		600	600			600
Climate Change Reserve				-	(35)	1,000	965
Balances set aside to fund specific future expenditure	1,062	(213)	706	1,555	(86)	571	2,040
Total	**10,416**	**(799)**	**4,815**	**14,432**	**(3,250)**	**1,723**	**12,905**

Description of Reserves

- **Planning s106 Fund** – Amounts received for planning obligations to be spent on capital / revenue projects in line with respective agreements.
- **Housing & Planning Fund** – Capital reserve which is the balance of the original amount awarded in 2008 for improved delivery of housing and other planning outcomes.

- **Area Based Grant Reserve** – Allocated by central government to support the delivery of local, regional and national priorities in Hyndburn. The reserve is the unspent balance of the final allocation made in 2010/11.
- **Performance Reward Reserve** – The grant was originally paid by central government for the achievement of Local Area Agreement schemes; the reserve is the unspent balance.
- **Environmental Warranties** – To fund any potential liabilities arising from the large scale voluntary transfer of the housing stock to Hyndburn Homes Ltd on March 30th 2006.
- **Transitional Grant** – Government grant received which has no specific conditions attached but has not been allocated for specific service use.
- **Efficiency Support Grant** - Government grant awarded to local authorities that otherwise would have seen a reduction of more than 8.8% of their revenue spending power and used to support changes to services that reduce our long term costs.
- **Balance set aside for invest to save initiatives** – Balance of revenue underspend held separately to fund future service delivery.
- **New Homes Bonus** – Government grant received which has no specific conditions attached.
- **Communities For Health Funding** – Amount identified to support leisure related expenditure.
- **Dilapidations Reserve –** Amount identified for asset remedial work.
- **Huncoat Garden Village Housing Zone Reserve** – Amount set aside in 2018/19 to assist with the costs of Master Planning for a potential development in Huncoat.
- **Waste Services Reserve** – Amount set aside in 2018/19 to offset the loss in 2019/20 of approximately £800k from the Lancashire County Council cost sharing agreement and funding towards the cost of wheeled bins and replacements purchased in 2019/20 and future years.
- **Revenue Funding of Capital Schemes Reserve** – Surplus revenue income set aside in 2018/19 to fund future capital projects.
- **Business Rates Volatility Reserve** – Surplus revenue income set aside in 2019/20 to help to mitigate any possible risks around business rates and the Lancashire Pooling arrangements and concerns about business rates funding following the proposed implementation of the fair funding review.
- **Section 31 Grant set aside for future years liability** – grant received in 2020/21 set aside to fund future business rates liabilities arising in 2020/21 due to increased business rates reliefs awarded by the Government during the Covid-19 pandemic and resulting lockdowns. These liabilities have to be settled in the following three years.
- **Dividend Reserve** – The receipt of income in 2020/21 from the Council's shared venture with Barnfield in the Barnfield & Hyndburn Ltd prior to the dissolution of the company in 2021/22. Any residuary costs of dissolution will be funded from this reserve.
- **Climate Change Reserve** – Amount set aside in 2021/22, from transferring balances from various other reserves, to be used in future years to fund costs associated with reducing the impact of climate change.
- **Balances set aside from previous years to fund specific expenditure** – Underspends from previous years which have been set aside to fund future expenditure.

10. Other Operating Expenditure

	2020/21 £'000	2021/22 £'000
Gain / loss on the disposal of non-current (fixed) assets		
Gross (Gains) / losses on the disposal	(755)	(113)
Impairments on Disposals	6	-
Unattached capital Receipts	(291)	(102)
Sub-Total	**(1,040)**	**(215)**
Payments of precepts to parishes	13	12
Total	**(1,027)**	**(203)**

11. Financing and Investment Income and Expenditure

	2020/21 £'000	2021/22 £'000
Interest payable and similar charges	458	456
Net interest on the net defined benefit liability	753	827
Interest receivable and similar income	(149)	(86)
Other investment Income	(600)	-
Income and expenditure in relation to investment properties and changes in their fair value	(63)	(650)
(Gain) / loss on trading accounts	525	532
Total	**924**	**1,079**

12. Taxations and Non-Specific Grant Income and Expenditure

	2020/21 £'000	2021/22 £'000
Council Tax income	(5,226)	(5,386)
Non-domestic rates income	(2,772)	(6,424)
Non-domestic rates expenditure	2,581	-
General Government Grants (note 34)	(8,958)	(2,470)
Capital Grants & Contributions	(3,807)	(1,121)
Total	**(18,182)**	**(15,401)**

13. Property, Plant and Equipment

2021/22	Other Land & Buildings £'000	Vehicles, Plant and Equipment £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
Cost or Valuation					
Balance as at 1 April 2021	17,255	6,815	1,620	2,077	27,767
Additions	2,164	869	319	964	4,316
Revaluation increase / (decrease) recognised in Revaluation Reserve	727	-	(6)	(241)	480
Non-enhancing expenditure recognised in the CIES	(2,164)	-	(319)	(964)	(3,447)
Revaluation increase / (decrease) recognised in the CIES	(813)	-	(9)	(50)	(872)
De-recognition - disposals	(106)	(391)	-	-	(497)
Reclassifications to / from Held for Sale	(235)	-	-	(190)	(425)
Reclassifications between categories	-	-	6	(6)	-
Balance as at 31 March 2022	**16,828**	**7,293**	**1,611**	**1,590**	**27,322**
Accumulated Depreciation and Impairment					
Balance as at 1 April 2021	562	3,713	106	26	4,407
Depreciation charge for the year	746	742	43	21	1,552
Depreciation written back to the Revaluation Reserve	(417)	-	-	(6)	(423)
Depreciation written back to the CIES	(26)	-	-	(25)	(51)
Impairment losses recognised in Revaluation Reserve	-	-	-	-	-
Impairment losses recognised in the CIES	-	-	-	-	-
De-recognition - disposals	(2)	(319)	-	-	(321)
Balance as at 31 March 2022	**863**	**4,136**	**149**	**16**	**5,164**
Net Book Value (NBV)					
Balance as at 1 April 2021	16,693	3,102	1,514	2,051	23,360
Net movement in-year	(728)	55	(52)	(477)	(1,202)
Balance as at 31 March 2022	**15,965**	**3,157**	**1,462**	**1,574**	**22,158**

2020/21	Other Land & Buildings £'000	Vehicles, Plant and Equipment £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
Cost or Valuation					
At 1st April 2020	17,506	6,689	1,848	1,995	28,038
Additions	236	1,158	158	244	1,796
Revaluation increases / (decreases) recognised in the Revaluation Reserve	54		152	83	288
Non-enhancing expenditure recognised in the Surplus / Deficit in the Provision of Services	(236)		(149)	(245)	(630)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(297)		(159)		(456)
Derecognition - disposals	(8)	(1,032)			(1,040)
Assets reclassified (to) / from Held for Sale			(230)		(230)
Cost at 31st March 2021	**17,255**	**6,815**	**1,620**	**2,077**	**28,868**
Accumulated Depreciation and Impairment					
At 1st April 2020	8	4,126	264	3	5,502
Depreciation charge	562	605	34	23	1,223
Depreciation written out to the Revaluation Reserve	0		(163)	0	(163)
Depreciation written out to the Surplus / Deficit on the Provision of Services	0		(29)		(29)
Derecognition - disposals	(8)	(1,019)			(1,027)
Depreciation at 31st March 2021	**562**	**3,713**	**107**	**26**	**4,407**
Net book value at March 31st 2021	**16,692**	**3,103**	**1,514**	**2,052**	**23,361**
Net book value at March 31st 2020	**17,498**	**2,563**	**1,584**	**1,992**	**23,637**

Note: Infrastructure Assets is not shown as a category in 2020/21 as explained in the note below.

Capital Commitments

At 31st March 2022 the Council had entered into one significant contract regarding Public Sector Decarbonisation Works valued at £0.839m

Effects of Changes in Estimates

In 2021/22 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

The Council carries out a rolling programme of valuations that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations are carried out as recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors. Valuations in 2021/22 were carried out and certified by a team from Sloan & Associates Ltd, Altincham.

The significant assumptions applied in estimating fair value are:

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

The following statement shows the progress of the Council's programme for the revaluation of Property, Plant and Equipment.

	Other Land & Buildings £'000	Vehicles, Plant and Equipment £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
Valued at historical cost	-	7,293	71	-	7,364
Valued at fair value or current value as at:					
31 March 2022	11,127	-		-	11,127
31 March 2021	1,780		1,540	65	3,385
31 March 2020	3,919	-	-	65	3,984
31 March 2019		-	-	1,460	1,460
31 March 2018	-	-	-	-	-
Total cost or valuation	**16,826**	**7,293**	**1,611**	**1,590**	**27,320**

All the Council's surplus assets have been assessed as Level 2 for valuation purposes (see Note xxiv).

<u>Infrastructure Assets</u>

In accordance with the temporary relief offered by the 'Update to the Code and Specifications for Future Codes for Infrastructure Assets' this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2020/21 £'000	2021/22 £'000
Net Book Value at 1st April	0	0
Additions	0	0
Derecognition	0	0
Other movements in costs	0	0
Net Book Value at 31st March	0	0

The table below includes the value of Infrastructure Assets that would previously have been included in the balance sheet. All of the infrastructure assets had been fully depreciated before 2020/21 and therefore there is no change to the balance sheet.

	31st March 2021 £'000	31st March 2022 £'000
Infrastructure Assets	0	0
Other PPE assets	23,361	22,158
Total PPE assets	23,361	22,158

The authority has determined in accordance with Regulation 30M England of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

14. Heritage Assets

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

2021/22	Art & Numismatics Collection £'000	Numismatics Collection £'000	Local & Community Collection £'000	Glass Collection £'000	Civic Regalia £'000	Total £'000
Cost or Valuation						
Balance as at 1 April 2021	2,309	70	97	1,682	332	4,490
Net movement in-year	56	(6)	11	68	-	129
Balance as at 31 March 2022	2,365	64	108	1,750	332	4,619

There have been no disposals or impairment losses in the last eight years to 31st March 2022. The civic regalia was last revalued in 2016-17 and the works of art were revalued during 2021-22 and their revalued amounts are included above.

15. Investment Properties

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

	2020/21 £'000	2021/22 £'000
Rental income from investment property	(453)	(428)
Direct operating expenses arising from investment property	116	47
Subtotal net (gain) / loss	(337)	(381)
Net (gains) / losses from fair value adjustments	261	(281)
Total income & expenditure in relation to investment properties & change in fair value	**(76)**	**(662)**

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

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

	2020/21 £'000	2021/22 £'000
Balance at start of year	6,676	6,518
Additions	93	-
Disposals	-	
Net gains / (losses) from fair value adjustments	(261)	281
Other changes	10	
Balance at end of year	**6,518**	**6,799**

Valuation Techniques Used to Determine Fair Values for Investment Property

The fair value hierarchy is explained in the Accounting Policies Note 3.24. Level 2 has been used for investment property which uses a market approach taking into account similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields and the covenant strength for existing tenants. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to properties being categorised as level 2 on the fair value hierarchy.

16. Intangible Assets

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

The movement on the intangible asset balances during the year is as follows:

	2020/21 £0	2021/22 £0
Balance at start of year:		
Gross carrying amount	567	552
Accumulated amortisation	-514	(497)
Net carrying amount at start of year	**53**	**55**
Purchases	15	0
Non-enhancing expenditure written out	0	0
Amortisation for the period	-13	(16)
Net carrying amount at year end	**55**	**39**

Comprising:

	2020/21 £0	2021/22 £0
Balance at end of year:		
Gross carrying amount	567	552
Accumulated amortisation	-514	(497)
Net carrying amount at year end	**55**	**55**

17. Financial Instruments

Financial liabilities are classified as liabilities at amortised cost. Financial assets are now classified under the code into one of three categories – financial assets held at Amortised Cost; Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit and Loss (FVPL). Details of the carrying value of these instruments are provided in the balance sheet and these notes. The fair value hierarchy is described in the accounting policies note 3.24. The individual methods used are described below.

The fair value of the debtors and creditors (as shown in notes 19 and 22) are taken to be the invoiced or billed amount.

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

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

Categories of Financial Instruments

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

Long Term £'000	Short Term £'000		Long Term £'000	Short Term £'000
		Financial Assets at Amortised Cost		
8	25,046	Investment	8	43,020
359	-	Debtors - Loans & Receivables	1,374	
	2,867	Debtors - Financial Asset carried at contract amount		1,004
-	17,586	Cash and Cash Equivalents		9,130
367	**45,499**	**Total Financial Assets**	**1,382**	**53,154**
		Financial Liabilities at Amortised Cost		
9,821	44	Borrowing	9,818	44
-	3,225	Creditors		7,970
9,821	**3,269**	**Total Financial Liabilities**	**9,818**	**8,014**

Long Term Debtors

	31 March 21 £'000	31 March 22 £'000
Car loans to employees	21	14
Hyndburn Arts	8	5
Leisure in Hyndburn Sports Equipment	288	259
Accrington Stanley	42	-
Leisure In Hyndburn 25yr Loan		1,096
Total	**359**	**1,374**

a) Material Soft Loans Made By the Council

Loan to the trust Leisure in Hyndburn (LiH) – The two loans to LiH were previously deemed to be material soft loans. Both loans were repaid in December 2020.

	2020/21 £'000	2021/22 £'000
Opening Balance 1st April	19	0
Nominal value of new loans granted in-year	-	0
Loans repaid	(20)	0
Other changes	1	0
Closing Balance 31st March	**-**	**0**
Nominal value at 31st March	-	0

b) Employees Car Loans

The Council makes loans for car purchase to 9 employees in the authority who are in posts that require them to drive regularly on the authority's business.

Interest is charged at different rates depending upon the emissions of the vehicle: < 1400cc 8.75%, 1400-1600cc 9.25% and > 1600cc 9.75%.

	2020/21 £'000	2021/22 £'000
Opening Balance 1st April	71	48
Nominal value of new loans granted in-year	-	11
Loans repaid	(28)	(31)
Other changes - Interest Charged	5	4
Closing Balance 31st March	**48**	**32**

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

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

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

Equity Share Loans (ESL)

	As at 31 March 2021		As at 31 March 2022	
Year	No. Loans	Value (£)	No. Loans	Value (£)
2006/07	16	504,110	15	480,840
2007/08	12	363,890	12	363,050
2008/09	9	269,340	9	269,160
Total	**37**	**1,137,340**	**36**	**1,113,050**

Purchase Assistance Loans (PAL)

	As at 31 March 2021		As at 31 March 2022	
Year	No. Loans	Value (£)	No. Loans	Value (£)
2009/10	2	28,820	2	28,820
2010/11	2	56,400	2	56,400
2011/12	1	30,000	1	30,000
Total	**5**	**115,220**	**5**	**115,220**

Borrowing

The Council's treasury management advisers, Link, have assisted in preparing this disclosure: they have assumed the following:

- Interest rates at 31st March 2022 based on comparable new borrowing / deposit rate for the same financial instrument from a comparable lender. A consistent approach has been taken to assets and liabilities.
- No early repayment or impairment is recognised
- Where an instrument will mature in the next twelve months, the carrying amount is assumed to approximate to fair value

In the fair value hierarchy level 2 (inputs other than quoted prices that are observable for the asset or liability) has been used. There has been no change in valuation techniques used or transfers between the hierarchy levels.

The fair value of the liabilities shown below is greater than the carrying value as the Council's portfolio includes some fixed rate loans on which the rate of interest payable is higher than the rate available for similar loans in the market place at the balance sheet date.

As at 31st March 2022	Principal Outstanding £'000	Accrued Interest to 31 March £'000	Adjustment: Effective Interest Rate Smoothing £'000	Carrying Value Total £'000	Fair Value Total £'000
Long Term Borrowing					
Money Market	9,520	33	190	9,743	13,451
Individuals	75			75	75
Total	**9,595**	**33**	**190**	**9,818**	**13,526**
Short Term Borrowing					
Money Market				-	
Money Market (L/T Loan)		43		43	45
Total	**-**	**43**	**-**	**43**	**45**
Total Borrowing					
Money Market	9,520	76	190	9,786	13,496
Individuals	75			75	75
Total	**9,595**	**76**	**190**	**9,861**	**13,571**

As at 31st March 2021	Principal Outstanding £'000	Accrued Interest to 31 March £'000	Adjustment: Effective Interest Rate Smoothing £'000	Carrying Value Total £'000	Fair Value Total £'000
Long Term Borrowing					
Money Market	9,520	33	193	9,746	14,642
Individuals	75			75	75
Total	**9,595**	**33**	**193**	**9,821**	**14,717**
Short Term Borrowing					
Money Market				-	
Money Market (L/T Loan)		44		44	45
Total	**-**	**44**	**-**	**44**	**45**
Total Borrowing					
Money Market	9,520	77	193	9,790	14,687
Individuals	75			75	75
Total	**9,595**	**77**	**193**	**9,865**	**14,762**

18. Inventories

	31 March 21 £'000	31 March 22 £'000
General fund - stock	46	**76**
Work in progress	-	-
Total	**46**	**76**

19. Debtors

	2020/21 £'000	2021/22 £'000
Central government bodies	550	650
Other local authorities	1,816	96
Other entities and individuals	9,511	6,849
Prepayments	170	79
Sub total	12,047	7,674
Less: impairment allowance for doubtful debts	(5,609)	(5,237)
Total	**6,438**	**2,437**

20. Assets Held for Sale

	2020/21 £'000	2021/22 £'000
Balance outstanding at start of year	2,372	2,534
Assets newly classified as held for sale: PPE	230	425
Assets declassified as held for sale: PPE	(9)	-
Capital Expenditure	-	73
Write out non enhancing expenditure to CIES	-	(73)
Revaluation increases / (decreases) recognised in the revaluation reserve	130	132
Revaluation losses	-	(80)
Assets sold	(182)	-
Impairment	(7)	-
Total	**2,534**	**3,011**

21. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

	31 March 21 £'000	31 March 22 £'000
Cash in hand	3	3
Short term deposits	2	-
Bank balance / (overdraft)	17,418	9,130
Bequests	(2)	(2)
Total	**17,421**	**9,131**

22. Creditors

	31 March 21 £'000	31 March 22 £'000
Central government bodies	(16,813)	(14,610)
Other local authorities	(448)	(2,547)
Other entities and individuals	(3,720)	(9,121)
Total	**(20,981)**	**(26,278)**

23. Provisions

	Balance b/f £'000	Additional Provisions £'000	Amounts Used £'000	Unused Amounts Reversed £'000	Balance c/f £'000
Industrial units and market bonds deposits for leases	(11)	-	-	-	(11)
Insurance 'excess provision' for potential claims	(153)	(145)	142	-	(156)
Potential claw back of Government grant payments	(99)	-	-	99	-
Provision for potential claims not able to be paid by Municipal Mutual Insurance Ltd following their financial difficulties	(31)	-	-	-	(31)
Provision for appeals of non-domestic rates *	(2,863)	-	205	253	(2,405)
Other	(21)	-	-	-	(21)
Future Costs of Cessation of Service Provision	(108)	-	-	-	(108)
Valuation of Collection	(4)	-	3	-	(1)
Total	(3,290)	(145)	350	352	(2,733)

* In the balance sheet, this is reflected as long-term provision. None of the above are considered short-term provisions.

24. Usable Reserves

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

25. Unusable Reserves

Summary

UNSUSABLE RESERVES -SUMMARY	31 March 21 £'000	31 March 22 £'000
Revaluation Reserve	15,871	16,992
Capital Adjustment Account	12,045	10,740
Financial Instruments Adjustment Account	(193)	(190)
Deferred Capital Receipts Reserve	0	
Pensions Reserve	(40,151)	(28,742)
Collection Fund Adjustment Account	(2,419)	1,867
Accumulated Absences Account	(150)	(85)
Total Unusable Reserves	**(14,997)**	**582**

Revaluation Reserve

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

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

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

REVALUATION RESERVE	2020/21 £'000	2021/22 £'000
Balance at 1st April	15,766	15,871
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		
Upward revaluation of assets	2,144	1,733
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of services	(1,562)	(377)
Sub-total	**582**	**1,356**
Amount written out of reserve due to reclassification of surplus assets to investment properties	-	
Amount written off to the Capital Adjustment Account		
Difference between fair value depreciation and historical cost depreciation	(317)	(96)
Accumulated gains on assets sold or scrapped	(160)	(139)
Sub-total	**(477)**	**(235)**
Balance at end of year	**15,871**	**16,992**

Capital Adjustment Account

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

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

The account contains accumulated gains and losses on Investment properties. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date the Revaluation Reserve was created to hold such gains. Note 8 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

CAPITAL ADJUSTMENT ACCOUNT	2020/21 £'000	2021/22 £'000
Balance at 1st April	12,643	12,047
Reversal of items relating to capital expenditure debited or credited to the CIES		
Charges for depreciation and impairment of non-current assets	(1,226)	(1,552)
Revaluation losses on Property, Plant and Equipment	(1,068)	(4,468)
Amortisation of intangible assets	(13)	(16)
Revenue expenditure funded from capital under statute	(1,910)	(1,061)
Non-current assets written off as part of the gain / loss on disposal of assets	(202)	(323)
Sub-total	**(4,419)**	**(7,420)**
Capital financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	825	1,021
Capital grants and contributions credited to the CIES that have been applied to capital financing	1,593	2,103
Application of grants to capital financing from the Capital grants Unapplied Account	107	1,538
Accumulated gains on assets sold or scrapped		
Minimum Revenue Provision	646	765
Capital Expenditure Charged Against Revenue Account	436	172
Sub-total	**3,607**	**5,599**
Adjusting amounts written out of the Revaluation Reserve	477	235
Movements in the market value of Investment Properties charged against the Comprehensive Income and Expenditure Statement	(261)	279
Balance at end of year	**12,047**	**10,740**

Movements in the market value of Investment Properties have been removed from revaluation losses and reported separately.

Financial Instruments Adjustment Account

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

Financial Instruments Adjustment Account	2020/21 £'000	2021/22 £'000
Balance at 1st April	(198)	(193)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure statement	-	
Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	5	3
Sub total	(193)	(190)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in year in accordance with statutory requirements	-	
Balance at end of year	**(193)**	**(190)**

Pensions Reserve

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

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

Pensions Reserve	2020/21 £'000	2021/22 £'000
Balance at 1st April	(31,899)	(40,151)
Actuarial gains or (losses) on pension assets and liabilities	(7,206)	13,659
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,989)	(3,777)
Employer's pensions contributions and direct payments to pensioners payable in the year	1,943	1,527
Balance at 31 March	**(40,151)**	**(28,742)**

Collection Fund Adjustment Account

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

Collection Fund Adjustment Account	2020/21 £'000	2021/22 £'000
Balance at 1st April	612	(2,419)
Amount by which council tax and non-domestic rates income credited to the CIES is different from the council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(3,031)	4,286
Balance at end of year	**(2,419)**	**1,867**

Accumulated Absences Account

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

Accumulated Absences Account	2020/21 £'000	2021/22 £'000
Balance at 1st April	(129)	(150)
Settlement or cancellation of accrual made at the end of the preceding year	129	150
Amounts accrued at the end of the current year	(150)	(85)
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		
Balance at 31 March	**(150)**	**(85)**

26. Cash Flow Statement – Adjustment for Non-Cash Movements

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

	2020/21 £'000	2021/22 £'000
Depreciation	(34)	1,552
Impairment & downward valuations	(1,027)	4,791
Amortisation	(13)	16
(Increase) / decrease in impairment provision for bad debts and other provisions	(773)	(46)
(Increase) / decrease in creditors	(12,860)	5,300
Increase / (decrease) in debtors	(14,627)	4,001
Increase /(decrease) in stock	(5)	(30)
Pension liability	(1,046)	(11,409)
Carrying amount of non-current asset disposals	(202)	-
Other non-cash items charged to the net surplus or deficit on the provision of services	2,231	(557)
	(28,356)	**3,618**

27. Cash Flow Statement – Operating Activities

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

	2020/21 £'000	2021/22 £'000
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(25,000)	(32,000)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(820)	(844)
	(25,820)	**(32,844)**

The cash flows for operating activities include the following items:

	2020/21 £'000	2021/22 £'000
Interest received	(148)	(152)
Interest paid	463	107
	315	**(45)**

28. Cash Flow Statement – Investing Activities

	2020/21 £'000	2021/22 £'000
Purchase of property, plant and equipment, investment property and intangible assets	1,904	(1,860)
Purchase of short term and long term investments	23,170	(17,969)
Other payments for investing activities	116	(1,269)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(820)	844
Proceeds from short term and long term investments	(25,000)	32,000
Other receipts from investing activities	(453)	6,828
Net cash flows from investing activities	**(1,083)**	**18,574**

29. Cash Flow Statement – Financing Activities

	2020/21 £'000	2021/22 £'000
Other receipts from financing activities	(600)	(206)
Cash payments for the reduction of outstanding liabilities relating to finance leases and on balance sheet PFI contracts	275	407
Net cash flows from financing activities	**(325)**	**201**

30. Trading Operations

The Council operates a MOT testing station and associated activities including a transport management organisation as internal trading accounts and markets in Accrington and Great Harwood as external trading accounts.

	2020/21			2021/22		
	Income £'000	Expenditure £'000	(Surplus) / Deficit £'000	Income	Expenditure £'000	(Surplus) / Deficit £'000
MOT, Stores, Depot	(1,125)	1,473	348	(1,152)	1,584	432
Markets	(203)	380	177	(296)	428	132
Total	**(1,328)**	**1,853**	**525**	**(1,448)**	**2,012**	**564**

31. Members' Allowances

The Council paid £284,288 to members of the Council during the year; in 2020/21 it paid £277,446.

32. Officers' Remuneration

Senior Officers

The remuneration paid to the Council's senior officers is shown in the table below. This includes the post title and shows the remuneration paid to those officers and includes a small amount of non-taxable expenses that have been reimbursed.

2021/22	Salary, Fees and Allowances £	Expense Allowance £	Benefits in Kind £	Compensation for loss of office £	Sub Total £	Employer Pension Contribution £	Total Remuneration £
Chief Executive	129,678	-	509	-	130,187	17,636	147,823
Deputy Chief Executive	105,280	-	945	-	106,225	14,267	120,492
Executive Director (Environment)	83,854	-	-	-	83,854	11,285	95,138
Executive Director (Legal & Democratic)	84,743	-	348	-	85,091	10,675	95,766
Head of Accountancy Services	57,483	-	8,089	-	65,572	7,818	73,390
Head of Benefits, Revenues & Customer Contact	50,718	607	-	-	51,325	6,887	58,212
Head of Housing & Regeneration	62,771	361	1,352	-	64,484	8,537	73,021
Head of Planning & Transportation	64,010	134	-	-	64,144	8,537	72,681

2021/22	Salary, Fees and Allowances £	Expense Allowance £	Benefits in Kind £	Compensation for loss of office £	Sub Total £	Employer Pension Contribution £	Total Remuneration £
Head of Policy & Organisational Development	57,741	-	5,684	-	63,425	7,818	71,242
Deputy Head of Environmental Health	57,858	121	3,219	-	61,198	7,818	69,016
Head of Environmental Services	53,665	1,548	-	-	55,213	-	55,213

2020/21	Salary, Fees and Allowances £	Expense Allowance £	Benefits in Kind £	Compensation for loss of office £	Sub Total £	Employer Pension Contribution £	Total Remuneration £
Chief Executive	127,558	21	520	-	128,099	17,427	145,526
Deputy Chief Executive	103,355		2,538	-	105,893	14,056	119,949
Executive Director (Environment)	81,748	2,111		-	83,859	11,118	94,977
Executive Director (Legal & Democratic)	77,331		10,604	-	87,935	10,517	98,452
Head of Accountancy Services	56,634		8,089	-	64,723	7,702	72,425
Head of Benefits, Revenues & Customer Contact	58,134	1,239		-	59,373	7,906	67,279
Head of Housing & Regeneration	61,843		2,601	-	64,444	8,411	72,855
Head of Planning & Transportation	61,843	1,373		-	63,216	8,411	71,627
Head of Policy & Organisational Development	56,425		5,278	-	61,703	7,702	69,405
Deputy Head of Environmental Services	56,634	175	3,219	-	60,028	7,702	67,730

All employees

The table below shows the number of all employees whose remuneration, excluding employer pension contributions, was £50,000 or more, in bands of £5,000. It includes the senior officers in the previous table.

Remuneration Banding	2020/21	2021/22
£50,000 - £54,999	3	1
£55,000 - £59,999	1	1
£60,000 - £64,999	5	4
£65,000 - £69,999	-	1
£80,000 - £84,999	1	1
£85,000 - £89,999	1	1
£105,000 - £109,999	1	1
£125,000 - £129,999	1	1
Total	**13**	**11**

Exit Packages

	2020/21				2021/22			
Exit Package Cost Banding	No. Compulsory Redundancies	No. Other Departures	Total No. Exit Packages	Total Cost of Exit Packages (£)	No. Compulsory Redundancies	No. Other Departures	Total No. Exit Packages	Total Cost of Exit Packages (£)
£0 - £19,999	0	3	3	19,796			0	
£20,000 - £39,999	0	0	0	0			0	
Total	**0**	**3**	**3**	**19,796**	**0**	**0**	**0**	**0**

There were no exit packages paid in 2020/21.

33. External Audit Costs

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

	2020/21 £'000	2021/22 £'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year undertaken by Mazars	45	58
Fees payable for the certification of grant claims and returns in respect of 2021/22 undertaken by Mazars	-	20
Fees payable for the certification of grant claims and returns in respect of 2020/21 undertaken by Mazars	21	-
Fees payable for the certification of grant claims and returns in respect of 2019/20 undertaken by Grant Thornton	18	-
Total Cost	**84**	**78**
Redmond Review Local Audit Fees grant	-	(19)
Net Cost	**84**	**59**

34. Grant Income

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

	2020/21 £'000	2021/22 £'000
Credited to Taxation and Non Specific Grants		
Non - Ring-fenced Government Grants		
Revenue Support Grant	1,560	1,722
Small Business & Empty Property Rate Relief Grant	4,755	136
New Homes Bonus Grant	95	41
Covid Grants	2,539	571
Other	9	-
Total Non - Ring-fenced Government Grants (Note 12)	**8,958**	**2,470**
Disabled Facilities Grant	349	56
Lancashire Environmental Fund	6	60
Section 106	118	-
National Heritage Lottery Fund	563	
Parks & Open Spaces Grant	38	12
Phoenix 1D	-	953
Homes England	132	-
Keepmoat Construction Ltd	160	-
SALIX - Public Sector Decarbonisation Grant	2,317	-
Community Champions Grant	111	-
MCHLG	-	-
Other	13	40
Total Capital Grants and Contributions (Note 12)	**3,807**	**1,121**
Credited to Services		
Housing benefit / Rent allowance subsidy	19,329	18,535
Housing benefit and council tax administration grant	116	114
Other housing benefit grant	629	512
Covid Grants	2,350	3,098
Disabled facilities grant	748	1,040
Accommodation based domestic abuse grant	-	31
Grants to support homelessness	167	360
Lottery grants	-	-
New Homes Bonus Grant	-	41
Huncoat Housing Zone Grant	50	-
Other grants	191	71
Total Credited to Services	**23,580**	**23,802**
Total	**36,345**	**27,392**

35. Related Parties

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

Central Government

Central government is responsible for providing the statutory framework within which the Council operates. It provides the majority of the Council's funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties. Details of grant income are shown in note 34.

Other Public Bodies

Precept payments to Lancashire County Council, Lancashire Fire Authority and Lancashire Police and Crime Commissioner are shown in the Collection Fund, while the precept paid to Altham Parish Council was £12,242 (and the amount paid in 2020/21 was £12,685). Details of payments to the Pension Fund are shown in note 38.

Members & Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of member allowances paid in 2021-22 is shown in note 31.

Some council members act in a number of capacities for related parties. This may include being employed by other local authorities, acting as a trustee or serving on the management board of companies and voluntary organisations. Members' interests in related parties have been included, where applicable, in the Register of Members Interests which is open to public inspection. There are no related party issues.

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

Entities Influenced by the Council

Leisure in Hyndburn is a trust set up to manage Hyndburn Borough Council's sport and leisure facilities. It also looks after the Council's arts and entertainment facilities and community buildings. In 2021/22 the total value of expenditure to the Trust was £1,310,140 (£1,446,237 in 2020/21). The total value of income in from the Trust was £208,606 (£1,140,878 in 2020/21) for services provided by the Council and other recharges.

At 31 March 2022 the Council was owed £1,644,605 (£1,583,257 in 2020/21). This includes a loan to the Trust at 31 March 2022 reported in long-term debtors totalling £1,477,477 as detailed in note 17 Financial Instruments. The Trust is deemed to be influenced by the Council through its representation (one member) on the Trust Board.

36. Capital Expenditure and Financing

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

	2020/21 £'000	2021/22 £'000
Opening Capital Financing Requirement	9,305	223
Capital Investment		
Property, Plant and Equipment	1,798	4,317
Heritage Assets	14	-
Investment Property	93	-
Intangible Assets	15	-
Assets Held for Sale	-	73
Revenue Expenditure Funded from Capital under Statute (REFCUS)	1,910	1,060
Total Capital Investment	**3,830**	**5,673**
Sources of Finance		
Capital Receipts	(825)	(1,021)
Government grants and other contributions	(1,576)	(3,641)
Direct revenue contributions	(560)	(171)
Minimum Revenue Provision/Long-term liabilities	(646)	(765)
Total Capital Investment	**(9,528)**	75
Closing Capital Financing Requirement	**223**	(148)
Explanation of Movement in Year		
Assets acquired under finance leases	869	617
Minimum Revenue Provision	(646)	(765)
Finance leases asset disposals	-	-
Change in Capital Financing Requirement	**223**	(148)

37. Leases

Authority as Lessee: Finance Leases

The Council has acquired a number of vehicles and items of equipment under finance leases. They have a net value of £670k in 2020/21 and £876k in 2021/22.

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

Finance lease liabilities (NPV of minimum lease payments)	2020/21 £'000	2021/22 £'000	
Current	256	406	
Non-Current	414	470	
Finance costs payable in future years	52	34	
Minimum lease payments	**722**	**910**	

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

	2020/21 £'000	2021/22 £'000
Not later than one year	276	425
Later than one year and not later than five years	446	485
Later than five years	-	
Minimum lease payments	**722**	**910**

38. Defined Benefit Pension Schemes

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

The Council participates in the Local Government Pension Scheme (LGPS) which is administered by Lancashire County Council. This is a funded defined benefit final salary scheme for service up to 31st March 2014 and on a revalued average salary (a “career average” scheme) for service from 1st April 2014 onwards. A funded scheme means that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with the investment assets, and is governed by statute (principally now the LGPS Regulations 2013).

Transactions Relating to Post-employment Benefits

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

The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement in relation to the Local Government Pension Scheme:

	2020/21 £'000	2021/22 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
- Current service cost	2,195	2,906
- Past Service Cost	-	-
- Curtailments	10	-
- Administration cost	41	44
Financing and Investment Income and Expenditure		
- Net interest expense	743	827
Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services	**2,989**	**3,777**
Remeasurement of the Net Defined Liability Comprising:		
Return (Loss) on plan assets (excluding the amount included in the net interest expense)	(9,989)	(12,794)
Actuarial (Gains) and Losses arising on changes in financial assumptions	19,004	(865)
Experience (gain) / loss		
Total Re-measurements recognised in other comprehensive expenditure	**9,015**	**(13,659)**
Total post-employment benefit charged / (receipted) to the CIES	**12,004**	**(9,882)**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the code	(2,989)	(3,777)
Actual amount charged against the General Fund		
Employers' contributions payable to scheme	1,943	1,527

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

	2020/21 £'000	2021/22 £'000
Present value of the defined benefit obligation	170,924	171,845
Fair value of plan assets	(130,773)	(143,103)
Net liability arising from defined benefit obligation	**40,151**	**28,742**

Reconciliation of the Movements in the Fair Value of Plan Assets

	2020/21 £'000	2021/22 £'000
Opening fair value of scheme assets	118,578	130,773
Interest income	2,817	2,713
Re-measurement gain / (loss)		
The return (loss) on plan assets, excluding the amount included in the net interest expense	11,798	12,794
Administration costs	(41)	(44)
Contributions from employer	1,943	1,527
Contributions from employees paid into the scheme	452	490
Benefits paid	(4,774)	(5,150)
Closing fair value of scheme assets	**130,773**	**143,103**

Reconciliation of Present Value of Plan Liabilities (Defined Benefit Obligation)

	2020/21 £'000	2021/22 £'000
Opening Balance at 1 April	150,477	170,924
Current service cost	2,195	2,906
Interest cost	3,560	3,540
Contributions by scheme participants	452	490
Re-measurement (gains) and losses:		
Actuarial gains and losses arising from changes in demographic assumptions	-	(1,297)
Actuarial gains and losses arising from changes in financial assumptions	22,109	-
Other	(3,105)	432
Past service costs / (gains)	-	-
Losses / (gains) on curtailments	10	-
Benefits paid	(4,774)	(5,150)
Closing Balance	**170,924**	**171,845**

Local Government Pension Scheme assets comprised

	2020/21 £'000	2021/22 £'000
Cash and cash equivalents	2,888	3,604
Bonds		
Corporate	-	1,286
Government	-	-
Sub-total bonds	**-**	**1,286**
Property		
Retail	129	127
Commercial	2,113	2,158
Sub-total property	**2,242**	**2,285**
Private Equity		
UK	-	
Overseas	70,400	77,262
Sub-total private equity	**70,400**	**77,262**
Other investment funds		
UK Private equity	-	3,165
Infrastructure	15,683	16,302
Credit funds	17,481	19,152
Property	16,384	12,478
Pooled fixed income	5,696	7,569
Sub-total other investment funds	**55,244**	**58,666**
Closing Balance	**130,774**	**143,103**

Basis for Estimating Assets and Liabilities

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

The Local Government Pension Scheme has been estimated by Mercer Limited, an independent firm of actuaries, estimates for the County Council Fund are based on the latest full valuation of the scheme as at 31st March 2022. The significant assumptions used by the actuary have been:

	2020/21 £'000	2021/22 £'000
Mortality Assumptions	**Years**	**Years**
Longevity at 65 for current pensioners - Men	22.4	22.3
Longevity at 65 for current pensioners - Women	25.1	25.0
Longevity at 65 for future pensioners - Men	23.9	23.7
Longevity at 65 for future pensioners - Women	26.9	26.8
Inflation Assumptions	**%**	
Rate of inflation	2.7	3.4
Rate of increase in salaries	4.2	4.9
rate of increase in pensions	2.8	3.5
Rate for discounting scheme liabilities	2.1	2.8

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above.

The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated.

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the defined benefit obligation in the scheme

	Decrease in Assumptions £'000	Increase in Assumptions £'000
Longevity - increase or decrease in one year	(5,263)	5,263
Rate of inflation - increase or decrease by 0.1%	(2,614)	2,614
Rate of increase in salaries - increase or decrease by 0.1%	(278)	278
Rate for discounting scheme liabilities - increase or decrease by 0.1%	2,575	(2,575)

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over 15 years during the April 2016 triennial valuation (the next valuation date is 31st March 2019 and becomes effective from 1st April, 2020). Funding levels are monitored on an annual basis.

The authority anticipates paying £1.062m contributions to the scheme in 2021/22.

The weighted average duration of the defined benefit obligation for scheme members is 15 years.

The McCloud Case – additional disclosure

The case concerns the transitional protections given to scheme members, who in 2012 were within 10 years of their normal retirement age, in the judges and firefighters schemes as part of public service pension's reform. Tapered protections were provided for those 3-4 years younger. On 20th December 2018 the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and could not be justified.

If the protections are unlawful then those members who are found to have been discriminated against will need to be offered appropriate remedies to ensure they are placed in an equivalent position to the protected members. Such remedies will need to be 'upwards' - that is the benefits of unprotected members will need to be raised rather than the benefits of protected members being reduced.

Protections were applied to all members within 10 years of retirement in all public service schemes, with the form that protection took varying from scheme to scheme. Although the case only relates directly to two schemes it is anticipated that the principles of the outcome could be accepted as applying to all public service schemes. However, there remains some uncertainty about the application to LG pension schemes.

An appeal from Government against the judgement in the 'McCloud' case has been considered at the Supreme Court, this appeal was lost after the year end and there is no further recourse to appeal.

Actuarial calculations of the potential additional pension liability for Hyndburn Council were assessed at £724,000 as at 31 March 2020 and were included within past service. This figure has not been updated for 31 March 2021 or 31 March 2022.

39. Contingent Liabilities

At 31st March 2022 the Council had the following material contingent liability:

Large Scale Voluntary Transfers Environmental Warranties

There may be potential liabilities arising to Hyndburn BC from the Large Scale Voluntary Transfer (LSVT) of 30th March 2006 and the terms of the housing stock transfer related agreement of the same date, subject to the respective limitations and obligations in the agreement. Initially the agreement was with Hyndburn Homes Ltd of Contour Housing Group, subsequently Contour Housing amalgamated with Vicinity Housing Group to form Onward Housing Group (previously Symphony Housing Group).

To mitigate the potential costs of the agreement the Council has:

- Taken out Environmental Site Liability Insurance up to £20m, via a single premium, from the period 25th July 2007, which was renewed in 2017/18 to the 24th July 2027

- Established a reserve for LSVT related Environmental Warranties which was increased by £250k per annum up to and including 2017/18. The balance in the reserve remains at £3.016m as at 31st March 2022.

Business Rates Appeals

As part of the legislation concerning the collection of business rates, successful appeals against local rateable values are met by Hyndburn Council. A provision has been established to meet the cost of successful appeals. It is possible though that new appeals may arise during the course of the year. Since they will have arisen after the provision was calculated they will not form part of its total estimate and the provision may not be sufficient. Consequently, if they were upheld, they would constitute a further liability for the Council.

40. Nature and Extent of Risks arising from Financial Instruments

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

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

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

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

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

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

Credit Risk

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

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

The Council maintains an approved list of organisations for investment purposes, consisting of major banks, building societies and other local authorities. Maturity limits apply for each counterparty category and maximum investment limits also exist per counterparty and sector. No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its' counterparties in relation to deposits.

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

	Amount at 31 Mar 22 £'000	Historical experience of default %	Historical experience adjusted for market conditions %	Estimated max exposure to default and uncollectability £'000
Banks & Building Societies	-	0.0%	0.0%	-
Other Local Authorities & Government Bodies	43,000	0.0%	0.0%	-
Other Customers	1,710	2.6%	2.6%	44
Total	**44,710**			**44**

The Council does not generally allow credit for its sundry debtors. The sundry debtors outstanding which are past their due date for payment at 31st March 2022 can be analysed by age as shown in the table below.

Aged Debt Banding	Amount at 31 Mar 22 £'000
Less than 30 days	489
30 days to 59 days	336
60 days to 89 days	15
90 days to 119 days	10
120 + days	515
Total	**1,365**

Liquidity Risk

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

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

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

Maturity Date Banding	Amount at 31 Mar 21 £'000	Amount at 31 Mar 22 £'000
Less than one year	4,471	4,620
Between 1 and 2 years	446	486
Between 2 and 5 years	-	-
Between 5 and 10 years	-	-
10 years and above	5,400	5,400
Total	**10,317**	**10,506**

The risk of LOBO loans (£4.12m) being recalled is appropriately reflected by categorising the loans per the next call date. The final maturity dates of the LOBO loans are:-

£2.6m 31 July 2042
£1.52m 25 November 2054

The maturity date of the long term loan - £5.4m – is 6 August 2054

Market Risk
These risks are the possibility that the value of a financial instrument will fluctuate because of changes in interest rates, market prices and foreign currency exchange rates etc.

Interest Rate Risk
The Council has limited exposure to interest rate movements on its borrowings and investments. Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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

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

If interest rates had been 1% higher with all other variables held constant, the financial effect would have been as set out below.

	(Received) / Paid In-Year £'000	+ 1% Increase £'000
Increase in interest payable on short term borrowings	-	-
Increase in interest receivable on short term investments	(46)	(320)
Impact on surplus or deficit on the provision of services	**(46)**	**(320)**
Increase (decrease) in fair value of fixed rate investments (fixed term deposits)	-	-
Impact on other comprehensive income and expenditure	**(46)**	**(320)**
Borrowing Liabilities		
LOBO's (fixed rate)	243	-
LOBO's (variable)	196	41

The impact of a 1% fall in interest rates would be as above but with the movements being reversed except for interest receivable which would fall to nil.

Price Risk

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

Foreign Exchange Risk

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

Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2020/21				2021/22		
Business Rates £'000	Council Tax £'000	Total £'000	Description	Business Rates £'000	Council Tax £'000	Total £'000
			Income			
(12,182)	**(42,478)**	**(54,660)**	**Gross Income**	**(17,324)**	**(44,381)**	**(61,705)**
			Expenditure			
			Apportion prev year (surplus) / deficit			
278	-	278	Central Government	(3,893)	-	(3,893)
97	752	849	Lancashire County Council	(652)	(557)	(1,209)
-	112	112	Lancashire Police & Crime Commissioner	-	(84)	(84)
9	39	48	Lancashire Combined Fire Authority	(74)	(28)	(102)
351	137	488	Hyndburn Borough Council	(2,981)	(100)	(3,081)
735	1,040	1,775	Total Apportionment	(7,600)	(769)	(8369)
			Precepts and Demands			
8,426	-	8,426	Central Government	8,226	-	8,226
1,517	29,334	30,851	Lancashire County Council	1,481	29,472	30,953
-	4,429	4,429	Lancashire Police & Crime Commissioner	-	4,583	4,583
169	1,484	1,653	Lancashire Combined Fire Authority	164	1,463	1,627
6,741	5,261	12,002	Hyndburn Borough Council	6,581	5,184	11,765
16,853	40,508	57,361	Total Precepts and Demands	16,452	40,702	57,154
			Charges to the Collection Fund			
121	-	121	Cost of collection	121	-	121
485	-	485	Transitional Payment Protection	(123)	-	(123)
115	54	169	Write offs	432	164	596
1,034	2,083	3,117	Increase / (decrease) in bad debt provn	(889)	1,819	930
(102)	-	(102)	Increase in provision for appeals	(632)	-	(632)
(22)	-	(22)	Settlement of Appeals	(514)	-	(514)
1,631	2,137	3,768	Total Charges to the Collection Fund	(1,605)	1,983	378
19,219	**43,685**	**62,904**	**Gross Expenditure**	**7,247**	**41,916**	**49,163**
			Balance - (Surplus) / deficit			
(1,107)	(386)	(1,493)	B/F as at 1st April	5,930	821	6,751
7,037	1,207	8,244	Net movement in-year	(10,077)	(2,465)	(12,542)
5,930	**821**	**6,751**	**C/F as at 31st March**	**(4,147)**	**(1,644)**	**(5,791)**

Collection Fund

Non-Domestic Rates (NDR)

NDR is the business rate and is organised on a national basis. The government specifies an amount for standard businesses (51.2p in 2021/22 and 51.2p in 2020/21) and an amount for qualifying small businesses (49.9p in 2021/22 and 49.9p in 2020/21). These national multipliers are, subject to the effects of transitionary arrangements, used to calculate local businesses pay rates by multiplying the amount by their rateable value.

With the introduction of the Business Rates Retention Scheme from 1st April 2013 Councils pass on to Central Government 50% of the collectable amount, retaining 40% themselves and passing 9% and 1% to the County Council and combined Fire and Rescue Authority respectively.

In 2021/22, Hyndburn is once again part of the Lancashire Business Rates Pool. In a Business Rate Pool, tariffs, top-ups, levies and safety nets can be combined. This can result in a significantly lower levy rate or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government.

The Lancashire Business Rates Pool, which includes most but not all of the local authorities in Lancashire, has been designated by the Secretary of State for Housing, Communities and Local Government and the retained levy in Lancashire has been distributed as follows:

- Lancashire County Council is paid 10% of the overall retained levy
- Each district within the pool retains 90% of their levy

With regard to Hyndburn BC, the retained levy is £1,216,541, hence under pooling we have benefitted from extra income of £1,094,887. Lancashire County Council has received the remaining 10% of retained levy.

As part of the pool arrangements, one authority must be designated as lead authority, which in the case of the Lancashire Business Rates Pool is Ribble Valley Borough Council. As part of this arrangement a fee of £2,000 is payable by each pool member to Ribble Valley BC in their role as lead.

The Council's total non-domestic rateable value at the end of the financial year 2021/22 was £57.25m and £56.33m for 2020/21.

Council Tax

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

Council Tax Band	[P] No. Dwellings	[Q] Discount	[R] Factor	(P-Q) x R/9 No. Band D Equivalent Properties
AA	44	10	5	19
A	18,550	3,969	6	9,721
B	5,161	463	7	3,654
C	5,150	253	8	4,353
D	2,519	66	9	2,453
E	793	22	11	942
F	257	3	13	367
G	154	5	15	248
H	4	0	18	8
Total	**32,632**	**4,791**		**21,765**
		Assumed Collection Rate %		93%
		Tax Base		**20,241**

Surpluses and Deficits

The actual surplus or deficit on the council tax collected at the financial year end is apportioned and distributed between the billing and the precepting authorities in proportion to the value of their respective precepts on the collection fund. Any surplus is used to reduce future years' council tax.

The amounts transferred in respect to each year's surplus or deficit are based on an estimate made mid-January and therefore do not relate directly to the balance shown in these accounts. Any difference between the estimate and the outturn is taken into account when estimating the surplus or deficit the following year.

Lancashire Business Rates Pooling Arrangements

In 2016/17, 2017/18 and 2018/19 this Council was a member of the Lancashire Business Rates Pool. In a Business Rate Pool, tariffs, top-ups, levies and safety nets are combined. This can result in a significantly lower levy rate or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government.

The Lancashire Business Rates Pool, which included most but not all of the local authorities in Lancashire, was designated by the Secretary of State for Housing, Communities and Local Government and originally operated with allocations on the basis of the 50% business rates retention scheme.

In 2019/20 we successfully submitted a bid along with 15 other authorities in Lancashire to become a 75% Business Rates Pilot Pool. This meant that 75% of collected rates were retained in Lancashire rather than 50%.

In respect of 2020/21, the Government confirmed that 75% Business Rate Pilots would cease at the end of March 2020. As a result, applications for a 50% Lancashire Pool were submitted for 2020/21 and then for 2021/22, consisting of 10 district council's and the county council. Applications in both years were successful. The pool has operated on the same basis as in 2016/17, 2017/18 and 2018/19 during 2020/21 and 2021/22.

A business rates income allocations in 2020/21 and 2021/22 are shown in the table below:

	Lancashire Business Rates Pool - Income Allocations for 2020/21 and 2021/22
District Authorities	40%
Lancashire County Council	9%
Lancashire Combined Fire Authority	1%
	50%
Central Government	50%
Total	**100%**

As part of the pool arrangements, one authority must be designated as lead authority, which in the case of the Lancashire Business Rates Pool is Ribble Valley Borough Council. As part of this arrangement a fee of £20,000 is payable, charged equally to all members of the pool by Ribble Valley Borough Council in their role as lead.

The retained levy in the Lancashire Business Rates Pool has been distributed as follows:

- Lancashire County Council is paid 10% of the overall retained levy;
- Each district within the pool retains 90% of their retained levy.

Lancashire Business Rates Pool Members 2021/22	Authority Type	Tariffs and Top-Ups in Respect of 2021/22 £	Retained Levy on Growth 2021/22 £	10% Retained Levy Payable to/received by Lancashire County Council £	Net Retained Levy 2021/22 £
Burnley Borough Council	Tariff	6,043,499	-1,274,399	127,440	-1,146,959
Chorley Borough Council	Tariff	6,503,220	-958,378	95,838	-862,540
Fylde Borough Council	Tariff	8,101,273	-285,737	28,574	-257,163
Hyndburn Borough Council	Tariff	3,969,106	-1,216,541	121,654	-1,094,887
Pendle Borough Council	Tariff	3,388,618	-569,005	56,901	-512,104
Ribble Valley Borough Council	Tariff	4,311,424	-839,130	83,913	-755,217
Rossendale Borough Council	Tariff	2,713,519	-576,607	57,661	-518,946
South Ribble Borough Council	Tariff	10,327,203	-1,587,163	158,716	-1,428,447
West Lancashire Borough Council	Tariff	8,698,358	-688,578	68,858	-619,720
Wyre Borough Council	Tariff	6,837,509	-693,833	69,383	-624,450
Lancashire County Council	Top-Up	-158,098,681		-868,938	-868,938
Central Government	-	97,204,952		0	0
Total		**0**	**-8,689,371**	**0**	**-8,689,371**

Lancashire Business Rates Pool Members 2020/21	Authority Type	Tariffs and Top-Ups in Respect of 2020/21 £	Retained Levy on Growth 2020/21 £	10% Retained Levy Payable to/received by Lancashire County Council £	Net Retained Levy 2020/21 £
Burnley Borough Council	Tariff	6,043,499	-1,402,433	140,243	-1,262,190
Chorley Borough Council	Tariff	6,503,220	-931,716	93,172	-838,544
Fylde Borough Council	Tariff	8,101,273	-483,263	48,326	-434,937
Hyndburn Borough Council	Tariff	3,969,106	-600,284	60,028	-540,256
Pendle Borough Council	Tariff	3,388,618	-272,822	27,282	-245,540
Ribble Valley Borough Council	Tariff	4,311,424	-575,916	57,592	-518,324
Rossendale Borough Council	Tariff	2,713,519	-102,546	10,255	-92,291
South Ribble Borough Council	Tariff	10,327,203	-1,281,013	128,101	-1,152,912
West Lancashire Borough Council	Tariff	8,698,358	-653,963	65,396	-588,567
Wyre Borough Council	Tariff	6,837,509	-893,050	89,305	-803,745
Lancashire County Council	Top-Up	-158,098,681		-719,700	-719,700
Central Government	-	97,204,952		0	0
Total		**0**	**-7,197,006**	**0**	**-7,197,006**

The Net Retained Levy for this Council is shown within Business Rates Retention income on the Comprehensive Income and Expenditure Statement, along with the council's own share of growth achieved in the year.