

# **HYNDBURN BOROUGH COUNCIL**

## **Statement of Accounts**

**(UnAudited)**

**Year Ended 31st March, 2016**



**HYNDBURN**

The place to be  
an excellent council

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## Narrative Report

### An Introduction to Hyndburn

Hyndburn is one of 14 district and unitary councils in Lancashire. It covers 73 square kilometres between Burnley and Blackburn. There are over 80,000 residents with an ethnic minority community of just over 12.1%. The borough is a mix of urban and rural areas: Accrington is the largest town, while Altham and Knuzden are more isolated rural settlements. There are road and rail links with Manchester, Blackburn and Preston; and to the East with Leeds, Bradford and York.

The economic base of Hyndburn was founded on textiles, engineering and extractive industries. Today, manufacturing is still one of the area's largest employers with 23% of the workforce.

Hyndburn has 16 wards and the Council consists of 35 councillors, which following the local elections of 7<sup>th</sup> May 2016, comprises 26 Labour, 7 Conservative and 2 UK Independence Party members.

The Council has adopted the Leader and Cabinet model as its political management structure. The Leader of the Council is responsible for appointing members of the Cabinet and the allocation of portfolios. Cabinet members are held to account by a system of scrutiny as set out in the Constitution.

### National Funding Changes

HBC faces reductions in funding from central government, cost pressures within services and increased volatility in financing. These will continue until at least 2019/20.

In November 2015 the Autumn Statement outlined changes to the method of local government funding.

- Revenue Support Grant which is the main non-ringfenced grant received by local government will end substantially reducing the Council's available resources.
- By 2020 local government as a whole will retain 100% of business rates revenue to fund local services, but it is unclear as to whether this will actually lead to increased local resources for Hyndburn.
- Central Government may transfer additional responsibilities to local government if it believes extra funding has been made available as a result of the changes in business rates. This further suggests that Hyndburn Council will not be better off from the proposed changes in funding.
- The Uniform Business Rate will be abolished and councils with other sufficient resources will be able to consider cutting business rates at their own discretion.
- Local authorities will have more freedom to use capital receipts to fund the revenue costs of business transformation.

In 2015/16, the year of these accounts, business rates increases were capped at 2%.

### Financial Performance

The major influence on the Council's finances for the year was the government's fiscal reduction plan. Its aim is to reduce local government funding from £20.533bn in 2016/17 to £17.130bn in 2019/20 at an average rate of 6.6% per annum.

Roughly speaking, spending power is the sum of council tax, government revenue grants and NHS funding on social care and is used as the basis when allocating central monies. In Hyndburn's case, its

revenue spending power fell by more than 6.4% in 2015/16 when compared to last year; and looking at the national figures in the previous paragraph, it is a trend which will continue. Consequently the Council's effectiveness in collecting its taxes becomes more important.

In 2015/16 Hyndburn Council collected £21.14m in business rates and paid out in precepts and demands £19.74m, a surplus of £1.40m. This surplus is shared with the other preceptors and included in future funding streams to support Hyndburn's expenditure.

In 2015/16 Hyndburn Council collected £32.79m in council tax and paid out in precepts and demands £29.86m a surplus of £2.93m. As with business rates this surplus is shared with the other preceptors and included in future funding streams to support Hyndburn's expenditure.

### Cashflow

The paragraphs above show Hyndburn had sufficient cash to meet its day to day needs. Its short term investments rose as well because it was lending surplus cash short term as set out below.

	31 March 2015	31 March 2016
	£m	£m
Cash and other cash equivalents	2.030	1.695
Short term investments	18.029	23.065
<b>Total</b>	<b>20.059</b>	<b>24.760</b>

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.

Also affecting cash flow was a rise in short term creditors, Department of Work and Pensions overpaid housing benefit which had to be refunded and there was a repayment due to the DCLG over the collection of business rates.

### Service Provision

The Council set a revenue budget of £11.489m for 2015/16 intended to provide day to day services for the local community. The budget comprised £12.148m of direct services expenditure less £0.659m of credits from financing activities. It was in line with its medium term financial strategy and produced overall service savings of £0.884m. The principal savings were achieved in waste services, planning and transport and policy and corporate governance.

As part of the budget setting process:

- There was a zero percentage increase in council tax for the sixth consecutive year
- 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 for service provision is summarised in the table below.

<b>Description</b>	<b>Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>
Planning & Transport	828.4	667.4	161.0
Environmental Health	596.5	570.4	26.1
Waste Services	3,084.5	2,879.2	205.3
Parks & Cemeteries	1,190.7	1,202.0	-11.3
Culture & Leisure	1,329.9	1,266.8	63.1
Regeneration Services	1,681.2	1,775.1	-93.9
Policy & Corporate Governance	3,436.8	2,902.2	534.6
<b>Total</b>	<b>12,148.0</b>	<b>11,263.1</b>	<b>884.9</b>
<b>Funding</b>	<b>£000</b>		
Council tax	4,343		
Baseline Funding	3,268		
Revenue Support Grant	3,805		
All other items (net)	732		
<b>Total</b>	<b>12,148</b>		

The table above reports the revenue position for the Council and so contains within the Regeneration element, revenue expenditure funded by *capital* under statute.

In addition, the Council's non-service budget of £658.9k produced a surplus of £31.7k.

#### 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 tables below.

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 2015/16 the Council aimed for 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 around twenty five years.

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

**Where the money comes from**

Source of Funding	£000
Grants	1,927
Contributions	26
Revenue	1,018
Reserves	191
<b>Total</b>	<b>3,162</b>

**What the money is spent on**

Capital Spend	£000
Housing projects	1,143
Community & Leisure Projects	1,509
Internal Projects	510
<b>Total</b>	<b>3,162</b>

Major capital projects undertaken by Hyndburn include:

- £710k acquiring and renovating properties particularly around Woodnook
- £450k renovating the Stable Block at Haworth Art Gallery
- £432k assisting those with disabilities to continue to live at home
- £268k modernising the ballroom in Accrington Town Hall

### Financial Prospects for Hyndburn Borough Council

The local government settlement for 2016/17 comes with an offer from the government of a four year funding deal. It is not clear what the offer fully entails but while it would guarantee revenue support grant, the amount in question would fall from £3.159m in 2016/17 to £1.499m in 2019/20.

Under the current business rates system Hyndburn Borough Council collects the tax, keeps its share and remits the balance to central government, Lancashire County Council and Lancashire Fire and Rescue Service. In numerical terms, it collects around £21m and retains about £3.4m. The system is designed to encourage councils to benefit from economic growth in the local area; the value of the growth is split 50:50 with central government.

The current estimate for business rates in Hyndburn is £3.495m up from £3.245m in 2015/16. Local growth is just outstripping the losses caused by business closures and successful appeals. This year, 2016/17, the Council has joined a Business Rates Pool with the aim of reducing the tax it pays centrally and increasing the amount available locally. However, the prudent assumption in the financial modelling is that the current estimate stays constant.

Businesses can appeal about the level of their charge and the council has established a provision to deal with successful claims. Because of the increased number of claims and the decision that health centres and surgeries can claim refunds going back to 2010 the provision has been increased. At the same time there has been a systematic review of outstanding debts with uncollectable monies being written off.

Hyndburn Borough Council's policy has been no increase in Council Tax and it has stayed at the same level since 2009/10. Local political commitment is not to add to the financial burden of residents during a period of austerity. Previously, central government indicated it did not want council tax to go up and provided a council tax freeze grant to those authorities who maintained the status quo. The grant has now been removed and councils can raise their tax by £5 or 2% whichever is the greater. Perhaps this represents a change in central government thinking and Hyndburn may in the future consider an increase in the tax.

### Cost Pressures

The government is still committed to the new benefits system, Universal Credit. As part of the change, housing benefit which is administered by local authorities will end; consequently, the amount government pays local authorities to run the system will reduce substantially.

The government cancelled its direct funding for housing market renewal from the end of 2010/11. Hyndburn's remaining activity in this area is limited to its residual funds. They are expected to allow between one and two more years of expenditure.

The Council's waste service receives about £800k from its recycling activities. The money is made up of payments from Lancashire County Council for help in avoiding waste going to landfill and the sale of recyclable material. The County Council has announced it will stop payments to district councils from 2018/19. The £800k loss is partially offset by £150k which would not be spent if the activity stopped.

Hyndburn Council's largest expense is salaries at roughly £10m per annum. The Government has said it intends to limit public sector pay awards to a maximum of 1% over the next few years. No formal agreement has been reached with the Trade Unions but it is expected pay settlements will be in line with this norm.

The 2017/18 salary projections include an uplift in national insurance contributions of £140k caused by the introduction of the common state pension.

There is no uplift in payroll costs expected to occur due to the introduction of the Living Wage. The Council already pays above the proposed limits.

## Pensions

Hyndburn BC participates, as an employing authority, in the Lancashire County Pension Fund administered by Lancashire County Council. The scheme is a defined benefit scheme i.e. retirement benefits are determined independently of scheme investments. A pensions reserve and pensions liability are incorporated within the Council's accounts reflecting the amount by which the Hyndburn element of the Lancashire Fund is underfunded compared with the assessed payment liabilities to pensioners. At 31<sup>st</sup> March 2016 the overall liability of the Council was £38.5m. Note 36 explains 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.

## Conclusion

The Council's level of reserves has risen from £2.5m last year to just over £3.0m at 31.03.16. Normally that would be regarded as healthy, however, in the context of the financial situation set out in the paragraphs above it gives less reason for confidence. In the medium term financial strategy the Council's predicted operating costs for the next three years, including 2016/17, show costs exceeding available revenue by 7.84%, 16.65% and 21.84% respectively.

## Explanation of Accounting Statements

### **Introduction**

This publication contains the Council's Statement of Accounts for the year ended 31<sup>st</sup> March 2016.

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.

### Movement in Reserves Statement

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

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

### Comprehensive Income and Expenditure Statement

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

The statement has two sections:

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

## Balance Sheet

This statement sets out the financial position of the Council at year-end 31 March. 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 national non-domestic rates (NNDR). 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](http://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 2015/16 accounts is available from the Head of Accountancy Services, Hyndburn Borough Council, Scaitcliffe House, Ormerod Street, Accrington, BB5 0PF.

J.V. McIntyre CPFA  
Deputy Chief Executive

# ANNUAL GOVERNANCE STATEMENT

## Annual Governance Statement

### **Scope of responsibility**

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

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

Hyndburn Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the authority's code is on our website at [Local Code of Corporate Governance - Our Code of Corporate Governance](#)

This statement explains how the Council has complied with the code and also meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015 in relation to the production of an Annual Governance Statement.

### **The purpose of the governance framework**

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

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

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

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

The governance framework has been in place at Hyndburn Borough Council for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

They cover the attitude and behaviour of staff and customers.

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

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

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

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

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

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

The Council has developed a Data Quality Policy and Strategy.

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

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

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

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

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

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

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

committees and chief officers under their delegated powers.

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

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

Hyndburn Borough Council holds meetings in public unless there are good reasons for confidentiality, and ensures that arrangements are in place to enable the Council to engage with all sections of the community effectively.

Examples of the Council's methods of communication include:

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

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

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

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

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

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

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

### Financial Control

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

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

The Council has designated the Deputy Chief Executive in accordance with Section 151 of the Local Government Act 1972.

Financial Procedure Rules (Financial Regulations) are an integral part of the Council's Constitution and the means by which the Council's Section 151 officer lays down the internal controls that must be complied with to ensure the proper administration of the Council's financial affairs.

Internal Audit continually reviews these controls and recommends changes and improvements where necessary.

### Decision Making / Scrutiny

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

It includes:

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

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

The Council's committee report writing guidelines outline the necessity of including financial and legal considerations and where appropriate a risk assessment of the decisions members are being asked to make. The section 151 and monitoring officer have an opportunity to review and comment upon Cabinet and Council reports before they are included on meeting agendas.

### Managing Risks

The Council adopted a Risk Management Strategy and Strategic Risks Policy in April 2003. Operational Risks were added in July 2003. The addition of the process for on-going monitoring, review, addition, deletion and amendment of risks was approved in September 2003. The Risk Management Strategy was reviewed in 2010 and the process for reviewing the risk registers was revised. The changes were notified to and accepted by the Management Team and the Audit Committee.

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

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

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

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

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

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

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

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

Corporate management is provided by the Corporate Management Team led by the Chief Executive. The Chief Finance Officer (section 151) and the Monitoring Officer have the ability, after consulting with the Chief Executive, to report to the Cabinet or full Council and the Council's External Auditor, if s/he considers that any proposal, decision or course of action will incur unlawfulness or unlawful expenditure.

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

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

Internal audit is an independent appraisal function which reviews all the Council's activities, both financial and non-financial. It provides a service to the whole Council in order to assure on the arrangements for risk management, internal control and corporate governance and to provide advice to support best practice.

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.

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

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

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

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

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

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

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

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

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

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

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

The Council uses the Communication Strategy, the Consultation Strategy, and the website for customers to "have your say". It also publishes its Statement of Accounts.

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

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

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

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

To achieve this the Council has been able to:

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

- Ensure that clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements to ensure that the Council operates effectively.
- Ensure that the Council as a whole is open and accessible to the community, and that it has made a commitment to openness and transparency in all partnership dealings, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.

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

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

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

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

### **Review of Effectiveness**

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

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 improvements made.

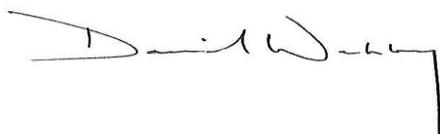
This year this has included improvements to our system to identify driver license training requirements after it emerged from an internal review that updated requirements for additional professional training introduced in 2014 had not been activated.

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 in accordance with the governance framework.

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

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



**Chief Executive**

**Date...02-06-2016.....**



**Leader of the Council**

**Date..02-06-2016.....**

## AUDITOR'S REPORT

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

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

*Respective responsibilities of the Authority and the auditor*

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

*Conclusion*

**Certificate**

## 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 2016 and its income and expenditure for the financial year 2015/16.

26<sup>th</sup> September 2016

17 June 2016



Councillor N Aziz  
Chair of Audit Committee

J. V. McIntyre CPFA  
Deputy Chief Executive / Section 151 Officer

## Movement in Reserves Statement

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

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

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

## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	TOTAL USABLE RESERVES £000	UNUSABLE RESERVES £000	TOTAL AUTHORITY RESERVES £000
<b>Balance as at 31<sup>st</sup> March 2015</b>	2,505	9,546	3,784	1,851	17,686	(14,278)	3,408
<b><u>Movement in Reserves during 2015/16</u></b>							
Surplus / (deficit) on provision of services	(1,648)				(1,648)		(1,648)
Other comprehensive expenditure and income						8,165	8,165
<b>Total Comprehensive Expenditure and Income</b>	(1,648)				(1,648)	8,165	6,517
Adjustments between accounting basis and funding basis under regulations (Note 6)	2,592		226	(629)	2,189	(2,189)	0
<b>Net increase / (decrease) before transfer to Earmarked Reserves</b>	944		226	(629)	541	5,976	6,517
Transfers to / (from) Earmarked Reserves (Note 7)	(412)	412			0	0	0
<b>Increase / (Decrease) in year</b>	532	412	226	(629)	541	5,976	6,517
<b>Balance at 31 March 2016 carried forward</b>	3,037	9,958	4,010	1,222	18,227	(8,302)	9,925

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	TOTAL USABLE RESERVES £000	UNUSABLE RESERVES £000	TOTAL AUTHORITY RESERVES £000
<b>Balance as at 31<sup>st</sup> March 2014</b>	<b>*3,224</b>	<b>8,432</b>	<b>*3,815</b>	<b>3,066</b>	<b>*18,537</b>	<b>*(264)</b>	<b>*18,273</b>
<b><u>Movement in Reserves during 2014/15</u></b>							
Surplus / (deficit) on provision of services Other comprehensive expenditure and income	(4,319)				(4,319)	(10,546)	(4,319) (10,546)
<b>Total Comprehensive Expenditure and Income</b>	(4,319)	0			(4,319)	(10,546)	(14,865)
Adjustments between accounting basis and funding basis under regulations (Note 6)	4,714		(31)	(1,215)	3,468	(3,468)	0
<b>Net increase / (decrease) before transfer to Earmarked Reserves</b>	395	0	(31)	(1,215)	(851)	(14,014)	(14,865)
Transfers (to / (from) Earmarked Reserves (Note 7)	(1,114)	1,114					
<b>Increase / (Decrease) in year</b>	<b>(719)</b>	<b>1,114</b>	<b>(31)</b>	<b>(1,215)</b>	<b>(851)</b>	<b>(14,014)</b>	<b>(14,865)</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>2,505</b>	<b>9,546</b>	<b>3,784</b>	<b>1,851</b>	<b>17,686</b>	<b>(14,278)</b>	<b>3,408</b>

## Comprehensive Income and Expenditure Statement

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

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

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



## Balance Sheet

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

Reserves are reported in two categories:

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

## BALANCE SHEET

31 <sup>st</sup> March 2015 £000	Balance Sheet for the Council as at year end 31st March	Note	31 <sup>st</sup> March 2016 £000
26,806	Property, Plant & Equipment	10	25,098
4,720	Heritage Assets	11	4,720
7,668	Investment Property	12	7,696
122	Intangible Assets	13	99
39,316	Total Non-Current Assets		37,613
359	Long Term Investments	14	359
208	Long Term Debtors	14	345
<b>39,883</b>	<b>LONG TERM ASSETS</b>		<b>38,317</b>
52	Inventories	15	41
4,561	Short Term Debtors	16	3,689
18,029	Short Term Investments	14	23,065
3,036	Assets Held for Sale	17	2,682
2,030	Cash & Cash Equivalents	18	1,695
<b>27,708</b>	<b>CURRENT ASSETS</b>		<b>31,172</b>
(80)	Short Term Borrowing	14	(79)
(5,597)	Short Term Creditors	19	(9,429)
(1,342)	Bank (overdraft)	18	(91)
0	Provisions current	20	0
<b>(7,019)</b>	<b>CURRENT LIABILITIES</b>		<b>(9,599)</b>
(9,807)	Long Term Borrowing	14	(9,804)
(1,169)	Provisions – Long Term	20	(1,432)
(396)	Deferred Liabilities: Finance Leases	35	(251)
(45,792)	Net Pensions Liability	36	(38,478)
<b>(57,164)</b>	<b>LONG TERM LIABILITIES</b>		<b>(49,965)</b>
<b>3,408</b>	<b>NET ASSETS</b>		<b>9,925</b>
	<b>CAPITAL ACCOUNTS &amp; RESERVES</b>		
	<i>Usable Reserves</i>		
2,505	General Fund Balance Reserve		3,037
9,546	Earmarked Reserves	7	9,958
3,784	Usable Capital Receipts Reserve		4,010
1,851	Capital Grants Unapplied		1,222
(14,278)	Unusable Reserves and Accounts	22	(8,302)
<b>3,408</b>	<b>TOTAL RESERVES AND BALANCES</b>		<b>9,925</b>

## Cash Flow Statement

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

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

## CASH FLOW STATEMENT

2014/15 £ 000		2015/16 £000
4,319	Net (surplus) or deficit on the provision of services	1,648
(8,650)	Adjustments to net surplus or deficit on the provision of services for non-cash movements – Note 23 i	(11,130)
293	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities - Note 23 ii	225
<b>(4,038)</b>	<b>Net cash flows from Operating Activities</b>	<b>(9,257)</b>
1,939	Investing Activities - Note 25	6,280
2,168	Financing Activities - Note 26	2,060
<b>69</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(917)</b>
<b>750</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>681</b>
<b>681</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>1,598</b>

## LIST OF NOTES

1. Accounting policies
2. Accounting Standards that have been issued but not yet adopted
3. Critical judgements in applying accounting policies
4. Assumptions made about the future and other major sources of estimation and uncertainty
5. Events after the balance sheet date
6. Adjustments between accounting basis and funding basis under regulations
7. Transfers to / from earmarked reserves
8. Other operating expenditure
9. Financing and investment income and expenditure
10. Property plant and equipment
11. Heritage assets
12. Investment properties
13. Intangible assets
14. Financial instruments
15. Inventories
16. Debtors
17. Assets held for sale
18. Cash and cash equivalents
19. Creditors
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21. Usable reserves
22. Unusable reserves
23. Cash flow statement – adjustments for non-cash movements
24. Cash flow statement – operating activities
25. Cash flow statement – investing activities
26. Cash flow statement – financing activities
27. Amounts reported for resource allocation decisions
28. Trading operations
29. Members allowances
30. Officers remuneration
31. External Audit Costs
32. Grant income
33. Related parties
34. Capital expenditure and capital financing
35. Leases
36. Defined benefit pension schemes
37. Contingent liabilities
38. Nature and extent of risks arising from financial instruments

## **1. ACCOUNTING POLICIES**

### **i. General Principles**

The Statement of Accounts summarises the Authority's transactions for 2015/16 financial year and its position at the year-end 31st March 2016. 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 primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, supported by the International Financial Reporting Standards (IFRS).

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

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

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories in the Balance Sheet.
- Expenses in relation to services received (including services as provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of effective interest for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of more than 24 hours. Cash equivalents are 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.

#### **iv. Exceptional Items**

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

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

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

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

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

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

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

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

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

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

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

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

##### **Benefits Payable During Employment**

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

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

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

#### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on accruals basis to the 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 work for the Council.

#### The Local Government Pension Scheme

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

- The liabilities of the Lancashire County Pension Scheme attributable to Hyndburn Borough Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.5% (3.2% 31<sup>st</sup> March 2015) 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:

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 authority – 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.

Remeasurements 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

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

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

#### Discretionary Benefits

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

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

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

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

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

### **ix. Financial Instruments**

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

#### Financial Liabilities

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

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

#### Financial Assets

Financial assets are classified in two types:

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

#### Loans and Receivables

Loans and receivables are recognised in the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are

subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisation, with the difference serving to increase the amortised cost of the loan in the balance sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

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

Amounts recognised 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-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

## **xi. Heritage Assets**

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

The Council's heritage assets are held in the Haworth Art Gallery. The Gallery has 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

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

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

#### Numismatics Collection

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

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

#### 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 January 2011.

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 George Banks, goldsmith, in March 2010.

### **xii. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council e.g. software licences are 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 re-valued where the fair value of an asset can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sales proceeds greater than £10,000) to the Capital Receipts Revenue Account.

### **xiii. Inventories**

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

### **xiv. Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, 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.

#### **xv. Leases**

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

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

#### *The Council as Lessee*

##### Finance Leases

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

Lease payments are apportioned between:

A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases 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.

##### 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*

##### 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.

### 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.

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

The cost of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the Cipfa Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement as part of Net Expenditure on Continuing Service.

### **xvii. 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.

#### Recognition

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

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

#### Measurement

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

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

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

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

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

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

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

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

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

#### Fair Value

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability 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 uses the DVS Valuation Office Agency, Manchester to provide a valuation of its surplus property assets in line with the highest and best use definition within the accounting standard. The highest and best use of the asset being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its surplus property assets are categorised within the fair value hierarchy as follows:

- 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's surplus assets are judged to be Level 2.

#### 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*
Non-Operational Buildings	30*
Community Assets	5 - 50
Infrastructure	10
Vehicles & Plant	2-10
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.

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

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.

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

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

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

#### **xix. Reserves**

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

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

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

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

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

#### **xxi. VAT**

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

## **2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED**

Under the Code of practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard which has been issued but not yet adopted by the Code.

IAS 1 Presentation of Financial Statements. The standard provides guidance on the form of the financial statements. In 2016/17 the format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change. While a new Expenditure and Funding Analysis will be introduced.

Other changes due to Annual Improvement to IFRS cycles, IFRS11 Joint Arrangements, IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and not expected to have a material effect on the council's statement of accounts.

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

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

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

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

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

The items in the Council's Balance Sheet at 31<sup>st</sup> March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follow

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
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 £16k 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 36 provides details on actuarial gains and losses in recent years.
Arrears	Note 16 gives detail of debtors and their associated bad debt provisions. However in the current economic climate it is not certain that these provisions will be sufficient.	If collection rates were to deteriorate, a 5% reduction would increase the level of the bad debt provision to £4,536k.
Provisions	The Council has estimated its business rates appeals provision based on the number and value of past successful claims.	If the number of appeals which were successful increased to 10%, then the level of provision would have to be increased to £1,603k.

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

The Statement of Accounts was authorised for issue by the s151 officer on xx September 2016. Events taking place after this date have not been reflected in the financial statement or notes.

Where events taking place before this date provide information about conditions existing at 31<sup>st</sup> March 2016, the figures in the financial statements and notes have been adjusted in all material aspects to reflect the impact of this information.

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

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

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

### General Fund Balance

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

### Capital Receipts Reserve

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

### Capital Grants Unapplied

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

<b>Adjustments between Accounting and Funding basis Under Regulations 2015/16</b>	<b>General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Unusable Reserves £000</b>
<b><i>Adjustments primarily involving the Capital Adjustment Account</i></b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Charges for depreciation of non-current assets	1,274			(1,274)
Impairment of non-current assets				
Revaluation losses on property, plant & equipment	2,500			(2,500)
Movements in the market value of investment properties and assets held for sale	(24)			24
Amortisation of intangible assets	42			(42)
Capital grants and contributions applied	(1,247)			1,247
Movement in donated assets account				
Revenue expenditure funded from capital under statute	1,047			(1,047)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	437			(437)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Statutory provision for the financing of capital investment	(580)			580
Capital expenditure charged against the General fund balances	(1,216)			1,216
<b><i>Adjustments primarily involving the Capital Grants Unapplied Account</i></b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(70)		70	
Application of grants to capital financing transferred to the Capital Adjustment Account			(699)	699
<b>Adjustments between Accounting and Funding basis Under Regulations 2015/16</b>				
<b><i>Adjustments primarily involving the Capital Receipts Reserve</i></b>				
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to CIES	(225)	225		
Use of capital receipts reserve to finance new capital expenditure				
Contribution from the capital receipts reserve towards administrative costs of non-current assets disposals				
Contribution from the capital receipts reserve to finance the payments to the govt. capital receipts pool				
Transfer from deferred capital receipts reserve upon receipt of cash		1		(1)
<b><i>Adjustments primarily involving the Financial Instruments Adjustment Account</i></b>				

Amount by which finance costs charged to CIES are different from finance costs chargeable in year in accordance with statutory requirements	(11)			11
<b><i>Adjustments primarily involving the Pensions Reserve</i></b>				
Reversal of items relating to retirement benefits debited or credited to CIES (see Note 36)	3,302			(3,302)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,507)			2,507
<b><i>Adjustments primarily involving the Collection Fund Adjustment Account</i></b>				
Amounts by which the council tax and non-domestic rating income credited to CIES is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(130)			130
<b><i>Adjustments primarily involving the Accumulated Absences Account</i></b>				
Amount by which officer remuneration charged to CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements				
<b>TOTAL ADJUSTMENTS</b>	2,592	226	(629)	(2,189)

<b>Adjustments between Accounting and Funding basis Under Regulations 2014/15</b>	<b>General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Unusable Reserves £000</b>
<b><i>Adjustments primarily involving the Capital Adjustment Account</i></b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Charges for depreciation of non-current assets	1,403			(1,403)
Impairment of non-current assets				
Revaluation losses on property, plant & equipment	5,435			(5,435)
Movements in the market value of investment properties and assets held for sale	(25)			25
Amortisation of intangible assets	39			(39)
Capital grants and contributions applied	(1,181)			1,181
Movement in donated assets account				
Revenue expenditure funded from capital under statute	1,335			(1,335)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	474			(474)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Statutory provision for the financing of capital investment	(609)			609
Capital expenditure charged against the General fund balances	(1,466)			1,466
<b><i>Adjustments primarily involving the Capital Grants Unapplied Account</i></b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(5)		5	
Application of grants to capital financing transferred to the Capital Adjustment Account			(1,220)	1,220
<b>Adjustments between Accounting and Funding basis Under Regulations 2014/15</b>				
<b><i>Adjustments primarily involving the Capital Receipts Reserve</i></b>				
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to CIES				
Use of capital receipts reserve to finance new capital expenditure	(293)	293		
Contribution from the capital receipts reserve towards administrative costs of non-current assets disposals		(324)		324
Contribution from the capital receipts reserve to finance the payments to the govt. capital receipts pool				
Transfer from deferred capital receipts reserve upon receipt of cash				
<b><i>Adjustments primarily involving the Financial</i></b>				

<b><i>Instruments Adjustment Account</i></b>				
Amount by which finance costs charged to CIES are different from finance costs chargeable in year in accordance with statutory requirements				
<b><i>Adjustments primarily involving the Pensions Reserve</i></b>	(12)			12
Reversal of items relating to retirement benefits debited or credited to CIES	2,984			(2,984)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,515)			2,515
<b><i>Adjustments primarily involving the Collection Fund Adjustment Account</i></b>				
Amounts by which the council tax income credited to CIES is different from council tax calculated for the year in accordance with statutory requirements	(844)			844
<b><i>Adjustments primarily involving the Accumulated Absences Account</i></b>				
Amount by which officer remuneration charged to CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(6)			6
<b>TOTAL ADJUSTMENTS</b>	4,714	(31)	(1,215)	(3,468)

## 7. TRANSFERS TO / FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16.

	Balance at 01.04.14 £000	Transfers Out 14/15 £000	Transfers In 14/15 £000	Balance at 31.03.15 £000	Transfers Out 15/16 £000	Transfers In 15/16 £000	Balance at 31.03.16 £000
Planning s106 Fund	1,652	(206)		1,446	(32)	258	1,672
Housing and Planning Fund	73			73			73
Area Based Grant Reserve	138	(88)		50	(9)		41
Performance Reward Reserve	86	(34)		52	(12)		40
Environmental Warranties	2,016		250	2,266		250	2,516
Transitional Grant	1,453			1,453	(21)		1,432
Efficiency Support Grant	0		659	659	(268)		391
Balance set aside for invest to save initiatives	820	(665)	1,104	1,259	(418)	384	1,225
New Homes Bonus	0			0		228	228
Communities For Health Funding	126	(34)		92	(1)	14	105
Dilapidations Reserve	1,316			1,316			1,316
Balances set aside from previous years to fund specific future expenditure	752	(92)	220	880	(94)	133	919
<b>Total</b>	<b>8,432</b>	<b>(1,119)</b>	<b>2,233</b>	<b>9,546</b>	<b>(855)</b>	<b>1,267</b>	<b>9,958</b>

### 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 30<sup>th</sup> 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, this is the unspent balance from the sum received in 15/16.

**Communities For Health Funding** – Amount identified to support leisure related expenditure.

**Dilapidations Reserve** – Amount identified for asset remedial work.

**Balances set aside from previous years to fund specific expenditure** – Underspends from previous years which have been set aside to fund future expenditure.

## 8. OTHER OPERATING EXPENDITURE

	2014/15 £000	2015/16 £000
Parish Council Precepts	11	11
(Gains) / losses on the disposal of non - current assets	389	326
<b>Total</b>	400	337

## 9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2014/15 £000	2015/16 £000
Interest payable and other similar charges	453	448
Net interest cost on the net pension liability	1,489	1,425
Interest receivable and similar income	(118)	(152)
Income and expenditure in relation to investment properties and changes in their fair value	(462)	(427)
<b>Total</b>	1,362	1,294

## 10. PROPERTY PLANT AND EQUIPMENT

2015/16	Other land and buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Total £000
<b>Cost or Valuation</b>						
At 1 <sup>st</sup> April 2015	19,356	4,868	3,391	2,885	3,145	33,645
Additions	888	232	6	838	97	2,061
Revaluation increases / (decreases) recognised in the Revaluation Reserve	62			(285)	(18)	(241)
Non-enhancing expenditure recognised in the Surplus / Deficit in the Provision of Services	(681)		(6)	(829)	(77)	(1,593)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2)			(940)		(942)
Derecognition - disposals		(122)	(2,290)		(121)	(2,533)
Assets reclassified (to) / from Held for Sale	182					182
Other movements in cost or valuation						
<b>Cost at 31<sup>st</sup> March 2016</b>	<b>19,805</b>	<b>4,978</b>	<b>1,101</b>	<b>1,669</b>	<b>3,026</b>	<b>30,579</b>
<b>Accumulated Depreciation and Impairment</b>						
At 1 <sup>st</sup> April 2015	222	2,966	3,377	153	121	6,839
Depreciation charge	584	474	4	79	133	1,274
Depreciation written out to the Revaluation Reserve	(41)			(83)	(18)	(142)
Depreciation written out to the Surplus / Deficit on the Provision of Services				(67)		(67)
Derecognition - disposals		(116)	(2,290)		(17)	(2,423)
Depreciation on Impairments						
<b>Depreciation at 31<sup>st</sup> March 2016</b>	<b>765</b>	<b>3,324</b>	<b>1,091</b>	<b>82</b>	<b>219</b>	<b>5,481</b>
<b>Net book value at March 31<sup>st</sup> 2016</b>	<b>19,040</b>	<b>1,654</b>	<b>10</b>	<b>1,587</b>	<b>2,807</b>	<b>25,098</b>
Net book value at March 31 <sup>st</sup> 2015	19,134	1,902	14	2,732	3,024	26,806

2014/15	Other land and buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Total £000
<b>Cost or Valuation</b>						
<b>At 1<sup>st</sup> April 2014</b>	<b>24,246</b>	<b>4,374</b>	<b>3,391</b>	<b>3,500</b>	<b>3,559</b>	<b>39,070</b>
Additions	1,237	662	16	828	468	3,211
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(1,697)	0	0	(170)	(12)	(1,879)
Non-enhancing expenditure recognised in the Surplus / Deficit in the Provision of Services	(802)	0	(16)	(930)	(444)	(2,192)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,325)	0	0	(13)	(18)	(3,356)
Derecognition - disposals	0	(168)	0	0	(408)	(576)
Assets reclassified (to) / from Held for Sale	(327)	0	0	(240)	0	(567)
Other movements in cost or valuation	24	0	0	(90)	0	(66)
<b>Cost at 31<sup>st</sup> March 2015</b>	<b>19,356</b>	<b>4,868</b>	<b>3,391</b>	<b>2,885</b>	<b>3,145</b>	<b>33,645</b>
<b>Accumulated Depreciation and Impairment</b>						
At 1 <sup>st</sup> April 2014	865	2,610	3,374	364	63	7,276
Depreciation charge	708	501	3	75	116	1,403
Depreciation written out to the Revaluation Reserve	(1,235)	0	0	(286)	(31)	(1,552)
Depreciation written out to the Surplus / Deficit on the Provision of Services	(116)	0	0	0	(3)	(119)
Derecognition - disposals		(145)			(24)	(169)
<b>Depreciation on impairments</b>						
<b>Depreciation at March 2015</b>	<b>222</b>	<b>2,966</b>	<b>3,377</b>	<b>153</b>	<b>121</b>	<b>6,839</b>
<b>Net book value at March 31<sup>st</sup> 2015</b>	<b>19,134</b>	<b>1,902</b>	<b>14</b>	<b>2,732</b>	<b>3,024</b>	<b>26,806</b>
Net book value at March 31 <sup>st</sup> 2014	23,381	1,764	17	3,136	3,496	31,794

### Capital Commitments

At 31<sup>st</sup> March 2016 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in future years budgeted at £4.612m. Similar commitments as at 31<sup>st</sup> March 2015 were £3.332m.

The major commitments are:

£1,461k	Rhyddings Park Project
£617k	Clusters of Empty Homes Programme
£500k	Sports Facility Lyndon Playing Fields
£495k	Transitional Housing Programme
£376k	Clearance Pendle Street
£280k	Norden Playing Field Development
£248k	Area Management Capital Improvement Schemes
£225k	5 a-side Football Cages

### Effects of Changes in Estimates

In 2015/16 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 2015/16 were carried out and certified by a team from DVS Valuation Office Agency, Manchester, led by Mr Bob Yardley MRICS, Principal Surveyor.

The significant assumptions applied in estimating fair value are:

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

	Land & Buildings £000	Community Assets £000	Surplus Assets £000	Total £000
Valued at Current Value				
31 <sup>st</sup> March 2016	2,329	861	81	3,271
31 <sup>st</sup> March 2015	18,959	1,378	478	20,815
31 <sup>st</sup> March 2014	14,637	84	318	15,039
31 <sup>st</sup> March 2013	999	40	991	2,030
31 <sup>st</sup> March 2012	2,387	0	1,412	3,799

## 11. HERITAGE ASSETS

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

	Art & Numismatics Collection £000	Numismatics Collection £000	Local & Community Collection £000	Glass Collection £000	Civic Regalia £000	Total £000
<b>Cost or Valuation</b>						
<b>As at 31<sup>st</sup> March 2015</b>	2,581	69	119	1,665	286	4,720
<b>As at 31<sup>st</sup> March 2016</b>	2,581	69	119	1,665	286	4,720

£14.5k was spent on the war memorial at Gatty Park and £8K on Aspen Colliery which was considered non-enhancing and therefore written out to the Comprehensive Income & Expenditure statement. There have been no disposals, revaluations or impairment losses in the last three years to 31st March 2016.

## 12. INVESTMENT PROPERTIES

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

	2014/15 £000	2015/16 £000
Rental income from investment property	(582)	(607)
Direct operating expenses arising from investment property	145	204
<b>Subtotal net (gain) / loss</b>	<b>(437)</b>	<b>(403)</b>
Net (gains) / losses from fair value adjustments	(25)	(24)
<b>Total income &amp; expenditure in relation to investment properties &amp; change in fair value</b>	<b>(462)</b>	<b>(427)</b>

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

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

	2014/15 £000	2015/16 £000
Balance at start of year	<b>7,590</b>	<b>7,668</b>
Additions	0	4
Disposals	0	0
Net gains / (losses) from fair value adjustments	25	24
Other changes	53	0
Balance at end of year	<b>7,668</b>	<b>7,696</b>

### 13. INTANGIBLE ASSETS

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

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

	2014/15 £000	2015/16 £000
Balance at start of year:		
Gross carrying amount	483	498
Accumulated amortisation	(338)	(376)
<b>Net carrying amount at start of year</b>	<b>145</b>	<b>122</b>
Purchases	16	19
Non-enhancing expenditure written out	0	0
Amortisation for the period	(39)	(42)
<b>Net carrying amount at year end</b>	<b>122</b>	<b>99</b>

Comprising:

	2014/15 £000	2015/16 £000
Balance at end of year:		
Gross carrying amount	498	517
Accumulated amortisation	(376)	(418)
<b>Net carrying amount at year end</b>	<b>122</b>	<b>99</b>

### 14. FINANCIAL INSTRUMENTS

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

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

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

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

*Categories of Financial Instruments*

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

	Long - Term				Current	
	31 March 2015		31 March 2016		31 March 2015	31 March 2016
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Carrying Amount £000
<b>Investments</b>						
Loans and receivables	359	359	359	359	18,029	23,065
<b>TOTAL</b>	<b>359</b>	<b>359</b>	<b>359</b>	<b>359</b>	<b>18,029</b>	<b>23,065</b>
<b>Debtors</b>						
Loans and receivables	208	208	345	345		
Financial assets carried at contract amount	0	0			2,851	2,132
<b>Total</b>	<b>208</b>	<b>208</b>	<b>345</b>	<b>345</b>	<b>2,851</b>	<b>2,132</b>
<b>Borrowings</b>						
Financial liabilities at amortised amount	9,807	12,543	9,804	12,716	80	79
<b>Total</b>	<b>9,807</b>	<b>12,543</b>	<b>9,804</b>	<b>12,716</b>	<b>80</b>	<b>79</b>
<b>Creditors</b>						
Financial liabilities carried at contract amount	0	0			1,838	1,653
<b>Total</b>	<b>0</b>	<b>0</b>			<b>1,838</b>	<b>1,653</b>

*Long Term Debtors*

	31 March 2015 £000	31 March 2016 £000
Mortgages on right to buy sales	3	3
Other housing advances	0	0
Leisure in Hyndburn Ltd	125	107
Car loans to employees	80	65
Employee scheme to purchase home technology equipment	0	11
Placefirst Ltd	0	159
<b>Total</b>	<b>208</b>	<b>345</b>

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

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

The two loans to LiH are deemed to be material soft loans. They are interest free loans of £127k (loan 1 £76k; loan 2 £51k) repayable by monthly instalments ending in December 2020.

	2014/15 £000	2015/16 £000
Opening balance 1 <sup>st</sup> April	<b>143</b>	<b>125</b>
Nominal value of new loans granted in year	0	0
Loans repaid	(27)	(26)
Other changes	9	8
Closing balance at end of year	<b>125</b>	<b>107</b>
Nominal value at 31 <sup>st</sup> March	<b>154</b>	<b>127</b>

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

#### *Employees Car Loans*

The Council makes loans for car purchase to 22 employees in the authority who are in posts that require them to drive regularly on the authority's business.

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

	2014/15 £000	2015/16 £000
Opening balance 1 <sup>st</sup> April	131	129
Nominal value of new loans granted in year	55	36
Loans repaid	(69)	(70)
Other changes – Interest Charged	12	10
Closing balance at end of year 31 <sup>st</sup> March	<b>129</b>	<b>105</b>

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

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

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

Equity Share Loans	Year	31 <sup>st</sup> March 2015		31 <sup>st</sup> March 2016	
		No. of Loans	Value of Loans (£)	No. of Loans	Value of Loans (£)
	06/07	18	568,130	17	543,910
	07/08	14	429,080	14	427,640
	08/09	9	290,180	9	283,895
<b>Total</b>		<b>41</b>	<b>1,287,390</b>	<b>40</b>	<b>1,255,445</b>

Purchase Assistance Loans	Year	31 <sup>st</sup> March 2015		31 <sup>st</sup> March 2016	
		No. of Loans	Value of Loans (£)	No. of Loans	Value of Loans (£)
	10/11	3	65,450	3	65,450
	11/12	2	37,200	1	30,000
<b>Total</b>		<b>8</b>	<b>139,870</b>	<b>7</b>	<b>132,670</b>

*Borrowing*

Summary as at 31 <sup>st</sup> March 2016	Principal Outstanding £000	Accrued Interest to 31 Mar £000	Adjustment: Effective Int. Rate Smoothing £000	Carrying Value TOTAL £000	Fair Value Total £000
<u>Long Term Borrowing</u>					
Money Market	9,520		209	9,729	12,641
Individuals	75			75	75
<b>Total</b>	<b>9,595</b>		<b>209</b>	<b>9,804</b>	<b>12,716</b>
<u>Short Term Borrowing</u>					
Money Market					
Money Market (L/T Loan)	0	79		79	82
<b>Total</b>	<b>0</b>	<b>79</b>		<b>79</b>	<b>82</b>
<u>Total Borrowing</u>					
Money Market	9,520	79	209	9,808	12,723
Individuals	75			75	75
<b>Total</b>	<b>9,595</b>	<b>79</b>	<b>209</b>	<b>9,883</b>	<b>12,798</b>

Summary as at 31 <sup>st</sup> March 2015	Principal	Accrued	Adjustment:	Carrying	Fair Value
	Out-	Interest	Effective Int.	Value	Total
	standing	to 31	Rate	TOTAL	
	£000	Mar	Smoothing	£000	£000
		£000	£000		£000
<u>Long Term Borrowing</u>					
Money Market	9,520	0	212	9,732	12,468
Individuals	75	0	0	75	75
<b>Total</b>	<b>9,595</b>	<b>0</b>	<b>212</b>	<b>9,807</b>	<b>12,543</b>
<u>Short Term Borrowing</u>					
Money Market					
Money Market (L/T Loan)	0	0	0	0	0
Individuals	0	80	0	80	81
<b>Total</b>	<b>0</b>	<b>80</b>	<b>0</b>	<b>80</b>	<b>81</b>
<u>Total Borrowing</u>					
Money Market	9,520	80	212	9,812	12,549
Individuals	75	0	0	75	75
<b>Total</b>	<b>9,595</b>	<b>80</b>	<b>212</b>	<b>9,887</b>	<b>12,624</b>

## 15. INVENTORIES

	31 <sup>st</sup> March 2015	31 <sup>st</sup> March 2016
	£000	£000
General fund - stock	52	41
Work in progress	0	0
<b>Total</b>	<b>52</b>	<b>41</b>

## 16. DEBTORS

	31 <sup>st</sup> March 2015	31 <sup>st</sup> March 2016
	£000	£000
Central government bodies	524	399
Other local authorities	20	181
Other entities and individuals	7,764	7,091
Prepayments	215	199
<b>Sub total</b>	<b>8,523</b>	<b>7,870</b>
Bad debt provision	(3,962)	(4,181)
<b>Total</b>	<b>4,561</b>	<b>3,689</b>

**17. ASSETS HELD FOR SALE**

	31 <sup>st</sup> March 2015 £000	31 <sup>st</sup> March 2016 £000
Balance outstanding at start of year	2,536	3,036
Assets newly classified as held for sale:		
Property Plant and Equipment	566	(182)
Capital Expenditure	0	8
Write out non enhancing expenditure to I&E	0	(8)
Revaluation gains	0	155
Revaluation losses	0	0
Assets sold	(66)	(327)
<b>Balance outstanding at year end</b>	<b>3,036</b>	<b>2,682</b>

**18. CASH AND CASH EQUIVALENTS**

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

	31 <sup>st</sup> March 2015 £000	31 <sup>st</sup> March 2016 £000
Cash in hand	4	4
Short term deposits	2,026	1,691
Bank balance / (overdraft)	(1,342)	(91)
<b>Total Cash and Cash Equivalents</b>	<b>688</b>	<b>1,604</b>

The bank balance amount has been removed from short term deposits and reported separately under bank overdraft.

**19. CREDITORS**

	31 <sup>st</sup> March 2015 £000	31 <sup>st</sup> March 2016 £000
Central government bodies	(1,062)	(3,923)
Other local authorities	(2,366)	(3,496)
Other entities and individuals	(2,169)	(2,010)
<b>Total</b>	<b>(5,597)</b>	<b>(9,429)</b>

**20. PROVISIONS**

Provisions Summary	Balance at 1 <sup>st</sup> April 2015	Additional provisions made in 2015/16	Amounts used in 2015/16	Unused amounts reversed in 2015/16	Balance 31 <sup>st</sup> March 2016
	£000	£000	£000	£000	£000
Industrial units bonds deposits for leases	(14)				(14)
Insurance 'excess provision' for potential claims	(186)			60	(126)
Communities for health balance remaining on grant	(2)			2	0
ERDF potential claw back maintained until time barred	(99)				(99)
Provision for potential claims not able to be paid by Municipal Mutual Insurance Ltd following their financial difficulties	(35)		4		(31)
Provision for repayment of taxi licence fees incorrectly charged	(15)		1		(14)
Provision for appeals of non-domestic rates	(811)	(571)	260		(1,122)
Other	(7)	(19)			(26)
<b>Total</b>	<b>(1,169)</b>	<b>(590)</b>	<b>265</b>	<b>62</b>	<b>(1,432)</b>

**21. USABLE RESERVES**

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

**22. UNUSABLE RESERVES**

	31 <sup>st</sup> March 2015 £000	31 <sup>st</sup> March 2016 £000
Revaluation Reserve	16,007	15370
Capital Adjustment Account	15,551	14710
Financial Instruments Adjustment Account	(241)	(230)
Deferred Capital Receipts Reserve	3	2
Pensions Reserve	(45,792)	(38,478)
Collection Fund Adjustment Account	318	448
Accumulated Absences Account	(124)	(124)
<b>Total Unusable Reserves</b>	<b>(14,278)</b>	<b>(8,302)</b>

### Revaluation Reserve

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

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

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

	2014/15 £000	2015/16 £000
<b>Balance at 1<sup>st</sup> April</b>	16,795	16,007
<i>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</i>		
Upward revaluation of assets	2,544	372
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of services	(2,871)	(316)
Sub-total	(327)	56
Amount written out of reserve due to reclassification of surplus assets to investment properties	0	0
<i>Amount written off to the Capital Adjustment Account</i>		
Difference between fair value depreciation and historical cost depreciation	(424)	(363)
Accumulated gains on assets sold or scrapped	(37)	(330)
Sub-total	(461)	(693)
<b>Balance at end of year</b>	<b>16,007</b>	<b>15,370</b>

### *Capital Adjustment Account*

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

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

The account contains accumulated gains and losses on Investment properties. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1<sup>st</sup> April 2007, the date the Revaluation Reserve was created to hold such gains. Note 6 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2014/15 £000	2015/16 £000
<b>Balance at 1<sup>st</sup> April</b>	18,951	15,551
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</i>		
Charges for depreciation and impairment of non-current assets	(1,403)	(1,274)
Revaluation losses on Property, Plant and Equipment	(5,435)	(2,500)
Amortisation of intangible assets	(39)	(42)
Revenue expenditure funded from capital under statute	(1,335)	(1,047)
Non-current assets written off as part of the gain / loss on disposal of assets	(474)	(437)
Sub-total	(8,686)	(5,300)
<i>Capital financing applied in the year</i>		
Use of the Capital Receipts Reserve to finance new capital expenditure	324	0
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,181	1,247
Application of grants to capital financing from the Capital grants Unapplied Account	1,220	699
Accumulated gains on assets sold or scrapped		
Minimum Revenue Provision	609	580
Capital Expenditure Charged Against Revenue Account	1,466	1,216
Sub-total	4,800	3,742
Adjusting amounts written out of the Revaluation Reserve	461	693
Movements in the market value of Investment Properties charged against the Comprehensive Income and Expenditure Statement	25	24
<b>Balance at end of year</b>	<b>15,551</b>	<b>14,710</b>

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.

	2014/15 £000	2015/16 £000
<b>Balance at 1<sup>st</sup> April</b>	(253)	(241)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure statement	(5)	(4)
Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	17	15
Sub total	12	11
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in year in accordance with statutory requirements		
<b>Balance at end of year</b>	<b>(241)</b>	<b>(230)</b>

### *Pensions Reserve*

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

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

	2014/15 £000	2015/16 £000
<b>Balance at 1<sup>st</sup> April</b>	<b>(35,104)</b>	<b>(45,792)</b>
Actuarial gains or (losses) on pension assets and liabilities	(10,219)	8,109
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	(2,984)	(3,302)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,515	2,507
<b>Balance at 31 March</b>	<b>(45,792)</b>	<b>(38,478)</b>

### *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.

	2014/15 £000	2015/16 £000
<b>Balance at 1<sup>st</sup> April</b>	<b>(526)</b>	<b>318</b>
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from the council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	844	130
<b>Balance at end of year</b>	<b>318</b>	<b>448</b>

### *Accumulated Absences Account*

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

	2014/15 £000	2015/16 £000
<b>Balance at 1<sup>st</sup> April</b>	(130)	(124)
Settlement or cancellation of accrual made at the end of the preceding year	130	124
Amounts accrued at the end of the current year	(124)	(124)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	6	0
<b>Balance at end of year</b>	<b>(124)</b>	<b>(124)</b>

### **23. CASHFLOW STATEMENT – ADJUSTMENT FOR NON-CASH MOVEMENTS**

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

	2014/15 £000	2015/16 £000
Depreciation	(1,403)	(1,274)
Impairment & downward valuations	(5,435)	(2,503)
Amortisation	(39)	(42)
(Increase)/ decrease in impairment provision for bad debts	(37)	(363)
(Increase)/decrease in creditors	(2,044)	(5,738)
Increase/(decrease) in debtors	934	(591)
Increase/(decrease) in stock	4	(11)
Pension liability	(469)	(795)
Carrying amount of non-current asset disposals	(473)	(437)
Other non-cash items charged to the net surplus or deficit on the provision of services	312	624
	<b>(8,650)</b>	<b>(11,130)</b>

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

	2014/15 £000	2015/16 £000
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	293	225
	<b>293</b>	<b>225</b>

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

The cash flows for operating activities include the following items:

	2014/15 £000	2015/16 £000
Interest received	(95)	(102)
Interest paid	455	452

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

	2014/15 £000	2015/16 £000
Purchase of property, plant and equipment, investment property and intangible assets	2,756	2,083
Purchase of short term and long term investments	26,000	22,500
Other payments for investing activities	171	368
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(293)	(226)
Proceeds from short term and long term investments	(26,000)	(17,500)
Other receipts from investing activities	(695)	(945)
<b>Net cash flows from investing activities</b>	<b>1,939</b>	<b>6,280</b>

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

	2014/15 £000	2015/16 £000
Cash receipts of short - and long – term borrowing	0	0
Other receipts from financing activities	(689)	(24)
Cash payments for the reduction of outstanding liabilities relating to finance leases and on balance sheet PFI contracts	160	144
Repayments of short – and long – term borrowing	1,500	0
Other payments for financing activities	1,197	1,940
<b>Net cash flows from financing activities</b>	<b>2,168</b>	<b>2,060</b>

## 27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

	2014/15 £000	2015/16 £000
Net Expenditure in the Service Analysis	10,780	10,639
Net expenditure of services and support services not included in the analysis		
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	3,139	1,619
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	1,416	813
<b>Cost of services in Comprehensive Income and Expenditure Statement</b>	<b>15,335</b>	<b>13,071</b>

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

Service Income and Expenditure 2015/16								
	Planning & Transportation	Environmental Health	Waste Services	Parks & Open Spaces	& Culture Leisure	Regeneration & Housing & Property Services	& Policy Corporate Governance	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(609)	(634)	(2,419)	(845)	(184)	(1,932)	(6,491)	(13,114)
Government Grants	(30)	(10)	0	0	(13)	(1,304)	(28,003)	(29,360)
<b>Total Income</b>	<b>(639)</b>	<b>(644)</b>	<b>(2,419)</b>	<b>(845)</b>	<b>(197)</b>	<b>(3,236)</b>	<b>(34,494)</b>	<b>(42,474)</b>
Employee expenses	635	551	2,376	1,001	97	1,494	4,473	10,627
Other operating expenses	378	129	2,158	743	727	2,067	30,562	36,764
Depreciation, Amortisation & Impairment	24	2	340	110	504	216	120	1,316
Support service recharges	270	533	423	192	136	610	2,242	4,406
<b>Total Expenditure</b>	<b>1,307</b>	<b>1,215</b>	<b>5,297</b>	<b>2,046</b>	<b>1,464</b>	<b>4,387</b>	<b>37,397</b>	<b>53,113</b>
<b>Net Expenditure</b>	<b>668</b>	<b>571</b>	<b>2,878</b>	<b>1,201</b>	<b>1,267</b>	<b>1,151</b>	<b>2,903</b>	<b>10,639</b>

Service Income and Expenditure 2014/15 Comparative Figures								
	Planning & Transportation	Environmental Health	Waste Services	Parks & Open Spaces	& Culture Leisure	Regeneration & Housing Services	& Policy Corporate Governance	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(724)	(656)	(2,455)	(888)	(221)	(2,203)	(6,825)	(13,972)
Government Grants	(92)	(26)	0	0	(125)	(1,369)	(30,560)	(32,172)
<b>Total Income</b>	<b>(816)</b>	<b>(682)</b>	<b>(2,455)</b>	<b>(888)</b>	<b>(346)</b>	<b>(3,572)</b>	<b>(37,385)</b>	<b>(46,144)</b>
Employee expenses	622	489	2,353	986	95	1,400	4,647	10,592
Other operating expenses	538	132	2,202	822	923	2,254	33,256	40,127
Depreciation, Amortisation & Impairment	22	3	374	119	616	192	116	1,442
Support service recharges	283	559	422	200	187	630	2,482	4,763
<b>Total Expenditure</b>	<b>1,465</b>	<b>1,183</b>	<b>5,351</b>	<b>2,127</b>	<b>1,821</b>	<b>4,476</b>	<b>40,501</b>	<b>56,924</b>
<b>Net Expenditure</b>	<b>649</b>	<b>501</b>	<b>2,896</b>	<b>1,239</b>	<b>1,475</b>	<b>904</b>	<b>3,116</b>	<b>10,780</b>

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

<b>Reconciliation to Subjective Analysis 2015/16</b>	<b>Service Analysis</b>	<b>Amounts not reported for decision making</b>	<b>Amounts not included in I&amp; E</b>	<b>Allocation of Recharge</b>	<b>Net cost of services</b>	<b>Corporate Amounts</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fees, charges and other service income	(13,114)	(335)	2,495	4,551	(6,403)	(2,498)	(8,901)
Interest and investment income						(152)	(152)
Income from council tax						(4,713)	(4,713)
Income from non-domestic rates						(2,549)	(2,549)
Government grants and contributions	(29,360)	(338)	636	0	(29,062)	(5,651)	(34,713)
<b>Total Income</b>	<b>(42,474)</b>	<b>(673)</b>	<b>3,131</b>	<b>4,551</b>	<b>(35,465)</b>	<b>(15,563)</b>	<b>(51,028)</b>
Employee expenses	10,627	(656)	(524)		9,447	1,949	11,396
Other service expenses	36,764	448	(1,316)	(145)	35,751	1,066	36,817
Support service recharges	4,406		(140)	(4,406)	(140)	140	0
Depreciation, amortisation and impairment	1,316	2,500	(338)		3,478	314	3,792
Interest payments						448	448
Precepts						11	11
Gain or Loss on disposal of fixed asset						212	212
<b>Total Expenditure</b>	<b>53,113</b>	<b>2,292</b>	<b>(2,318)</b>	<b>(4,551)</b>	<b>48,536</b>	<b>4,140</b>	<b>52,676</b>
<b>Surplus or Deficit on the provision of services</b>	<b>10,639</b>	<b>1,619</b>	<b>813</b>	<b>0</b>	<b>13,071</b>	<b>(11,423)</b>	<b>1,648</b>

<b>Reconciliation to Subjective Analysis 2014/15</b>	<b>Service Analysis</b>	<b>Amounts not reported for decision making</b>	<b>Amounts not included in I&amp; E</b>	<b>Allocation of Recharge</b>	<b>Net cost of services</b>	<b>Corporate Amounts</b>	<b>Total</b>
	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(13,972)	(75)	2,738	4,911	(6,398)	(2,458)	(8,856)
Interest and investment income						(118)	(118)
Income from council tax						(4,651)	(4,651)
Government grants and contributions						(2,887)	(2,887)
<b>Total Income</b>	<b>(32,172)</b>	<b>(1,336)</b>	<b>982</b>		<b>(32,526)</b>	<b>(5,057)</b>	<b>(37,583)</b>
Employee expenses	<b>(46,144)</b>	<b>(1,411)</b>	<b>3,720</b>	<b>4,911</b>	<b>(38,924)</b>	<b>(15,171)</b>	<b>(54,095)</b>
Other service expenses	10,592	(1,053)	(498)		9,041	1,987	11,028
Support service recharges	40,127	168	(1,285)	(148)	38,862	1,027	39,889
Depreciation, amortisation and impairment	4,763		(145)	(4,763)	(145)	145	0
Interest payments	1,442	5,435	(376)		6,501	351	6,852
Precepts						453	453
Gain or Loss on disposal of fixed asset						11	11
<b>Total Expenditure</b>						<b>181</b>	<b>181</b>
<b>Surplus or Deficit on the provision of services</b>	<b>56,924</b>	<b>4,550</b>	<b>(2,304)</b>	<b>(4,911)</b>	<b>54,259</b>	<b>4,155</b>	<b>58,414</b>
	<b>10,780</b>	<b>3,139</b>	<b>1,416</b>	<b>0</b>	<b>15,335</b>	<b>(11,016)</b>	<b>4,319</b>

## 28. 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.

	2014/15			2015/16		
	Income	Expenditure	(Surplus) / Deficit	Income	Expenditure	(Surplus) / Deficit
	£000	£000	£000	£000	£000	£000
MOT / Stores / Depot	(1,161)	1,384	223	(1,109)	1,336	227
Markets	(558)	517	(41)	(523)	528	5
<b>TOTAL</b>	<b>(1,719)</b>	<b>1,901</b>	<b>182</b>	<b>(1,632)</b>	<b>1,864</b>	<b>232</b>

## 29. MEMBERS ALLOWANCES

The Council paid £277,441 to members of the Council during the year; in 2014/15 it paid £277,624.

## 30. OFFICERS REMUNERATION

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

Remuneration	2014/15	2015/16
£50,000 - £54,999	2	4
£55,000 - £59,999	3	3
£60,000 - £64,999		
£65,000 - £69,999	1	
£70,000 - £74,999		1
£75,000 - £79,999		
£80,000 - £84,999		
£85,000 - £89,999		
£90,000 - £94,999		
£95,000 - £99,999	1	1
£100,000 - £104,999		
£105,000 - £109,999		
£110,000 - £114,999		
£115,000 - £119,999		1
£120,000 - £124,999		
£125,000 - £129,999	1	

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

Post Holder Information	Salary, Fees & Allowances	Expense Allowances	Benefits in Kind	Employer Pension Contributions	Total Remuneration
	£	£	£	£	£
<b>Chief Executive</b>					
2015/16	116,144	271	1,962	32,805	151,182
2014/15	116,339	246	8,441	32,805	157,831
<b>Deputy Chief Exec</b>					
2015/16	94,695	68	5,179	26,538	126,480
2014/15	92,468	100	5,059	26,148	123,775
<b>Exec Director (Legal &amp; Democratic)</b>					
2015/16	62,570	114	9,449	17,520	89,653
2014/15	61,050	10	8,669	17,262	86,991
<b>Head of Planning &amp; Transport</b>					
2015/16	58,084	110		15,879	74,073
2014/15	57,037	319		15,586	72,942
<b>Head of Environmental Partnerships</b>					
2015/16	53,823	508		14,541	68,872
2014/15	52,436	1,368		14,328	68,132
<b>Head of Housing &amp; Regeneration</b>					
2015/16	55,420	35	2,698	15,518	73,671
2014/15	53,348	174	2,829	14,938	71,289
<b>Head of Community Services</b>					
2015/16	54,582	377		14,797	69,756
2014/15	52,638	472		14,224	67,334
<b>Head of Benefits, Revenues &amp; Customer Contact</b>					
2015/16	51,934	150	4,026	14,541	70,651
2014/15	51,170	173	3,443	14,328	69,114
<b>Head of Accountancy Services</b>					
2015/16	52,757	109	1,007	14,541	68,414
2014/15	N/A	N/A	N/A	N/A	N/A

Post Holder Information	Salary, Fees & Allowances	Expense Allowances	Benefits in Kind	Employer Pension Contributions	Total Remuneration
<b>Acting Head of Community Services</b>					
<b>2015/16</b>	49,961	306	2,371	13,989	66,627
2014/15	N/A	N/A	N/A	N/A	N/A

There are salary sacrifice amounts for the Chief Executive £1016.

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

Exit package cost band (incl. special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0 - £20,000	1		4	4	5	4	52,414	26,744
£20,001 – £40,000				1		1		28,027
£40,001 – £60,000				1		1		47,599
£60,001 – £80,000			2		2		134,360	
£80,001 – £100,000								
£100,000 – £150,000								
<b>Total</b>	<b>1</b>		<b>6</b>	<b>6</b>	<b>7</b>	<b>6</b>	<b>186,774</b>	<b>102,370</b>

### 31. 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:

	2014/15 £000	2015/16 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	63	47
Fees payable for the certification of grant claims and returns	7	4
Rebate received as a result of the winding up of the Audit Commission	(6)	0
<b>Total</b>	<b>64</b>	<b>51</b>

The 14/15 fees payable with regard to external audit services carried out by the appointed auditor for the year has been split to show the rebate received separately.

### 32. GRANT INCOME

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

	2014/15 £000	2015/16 £000
<b><i>Credited to Taxation and Non Specific Grants</i></b>		
Revenue Support Grant	3,454	2,312
Efficiency Support Grant	0	1,272
Small Business & Empty Property Rate Relief Grant	648	757
New Homes Bonus Grant	314	426
Council Tax Freeze Grant	188	295
Other	5	0
<b>Sub Total</b>	<b>4,609</b>	<b>5,062</b>
<b><i>Credited to Services</i></b>		
Housing benefit / Rent allowance subsidy	29,455	27,112
Housing benefit and council tax administration grant	554	484
Efficiency support Grant	1,272	223
Other housing benefit grant	422	346
Disabled facilities	369	432
Rogue landlords grant	0	112
Homelessness priority needs	61	61
Lottery grants	31	13
New Homes Bonus Grant	44	36
Council Tax Freeze Grant	54	0
Other grants	265	243
<b>Total</b>	<b>32,527</b>	<b>29,062</b>

### 33. RELATED PARTIES

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

### *Central Government*

Central government is responsible for providing the statutory framework within which the Council operates. It provides the majority of the Council's funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties. Details of grant income are shown in note 32.

### *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 total precepts paid to Parish Councils are shown in note 8. Details of payments to the Pension Fund are shown in note 36.

### *Members & Officers*

Members of the Council have direct control over the Council's financial and operating policies. The total of member allowances paid in 2015-16 is shown in note 29.

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*

Globe Enterprises Ltd is a property and investment company based in Accrington, Lancashire. The Council owns one third of the share capital of the company. The Council has also invested £710,000 of cash and £290,000 of land in the form of loans to Globe Enterprises to provide working capital for the company. The Council received a part repayment of £367,000 of the loans as a contribution to the development of Scaitcliffe House. Further repayments totalling £281,987 have been received to date leaving an outstanding balance of £351k at 31<sup>st</sup> March 2016 (£351k at 31<sup>st</sup> March 2015). No payments were made or received during 15/16 (£0 14/15).

Barnfield and Hyndburn Partnership undertakes property development. Stakes in the partnership are split 70% with Barnfield and Hyndburn and 30% with the Council. Their most recent set of accounts is up to December 2015 when they recorded a profit of £12,819 (Dec 2014 loss of £58,651); they had net assets of £159,035 (Dec 2014 net assets £146,216).

Barnfield and Hyndburn Ltd undertakes property development. Stakes in the company are split 70% with Barnfield and Hyndburn and 30% with the Council. Their most recent set of accounts is up to December 2015 when they recorded a profit of £51,629 (Dec 2014 profit of £106,796); they had net assets of £1,345,670 (Dec 2014 net assets £1,294,041).

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. During 2015/16 the Council made payments to the Trust totalling £645,321 (£762,247 in 2014/15) of which £461,252 (£593,653 in 2014/15) was a management fee. The Council received payments from

the Trust totalling £1,298,767 (£1,087,577 in 2014/15) for services provided by the Council and other recharges. At 31 March 2016 the Council owed the Trust £60 (£0 in 2014/15) and was owed £405,377 (£466,816 in 2014/15). The Council also has two loans with the Trust at 31 March 2016 reported in long term debtors, details are disclosed in note 14 Financial Instruments. The Trust is deemed to be influenced by the Council through its representation (one member) on the Trust Board.

### **34. CAPITAL EXPENDITURE AND CAPITAL FINANCING**

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

Restated*	2014/15 £000	2015/16 £000
<b>Operating Capital Financing Requirement</b>	<b>*11,514</b>	<b>*11,282</b>
<i>Capital Investment</i>		
Property, Plant and Equipment	3,216	2,061
Heritage Assets	0	23
Investment Property	0	4
Intangible Assets	16	19
Assets Held for Sale	0	8
Revenue Expenditure Funded from Capital under Statute	1,335	1,047
<i>Sources of Finance</i>		
Capital Receipts	(324)	0
Government grants and other contributions	(2,401)	(1,946)
Direct revenue contributions	(1,466)	(1,216)
Minimum Revenue Provision/Long-term liabilities	(608)	(580)
<b>Closing Capital Financing Requirement</b>	<b>*11,282</b>	<b>10,702</b>
<i>Explanation of Movement in Year</i>		
Assets acquired under finance leases	376	0
Minimum Revenue Provision/Long-term liabilities	(608)	(580)
<b>Change in Capital Financing Requirement</b>	<b>(232)</b>	<b>(580)</b>

### **35. LEASES**

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

The Council has acquired a number of vehicles and items of equipment under finance leases. They have a net value of £396k in 2014/15 and £251k in 2015/16.

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:

	2014/15 £000	2015/16 £000
Finance lease liabilities (NPV of minimum lease payments)		
Current	144	120
Non-Current	252	131
Finance costs payable in future years	35	24
Minimum lease payments	431	275

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

	2014/15 £000	2015/16 £000
Not later than one year	156	128
Later than one year and not later than five years	275	147
Later than five years	0	0
Total	431	275

#### *Operating Leases*

The Council has acquired fleet vehicles by entering into operating leases.

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

	2014/15 £000	2015/16 £000
Not later than one year	0	0
Later than one year and not later than five years	10	8
Later than five years	0	0
Total	10	8

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

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

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

#### Transactions Relating to 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:

	Pension Scheme	
	2014/15	2015/16
	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services</b>		
Current service cost	1,340	1,731
Curtailments	128	119
Administration cost	27	27
<b>Financing and Investment Income and Expenditure</b>		
Net interest expense	1,489	1,425
<b>Total post employment benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,984</b>	<b>3,302</b>
<i>Other Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</i>		
Return on plan assets (excluding the amount included in the net interest expense)	(6,708)	(1,460)
Other Remeasurement of assets	0	
Actuarial (Gains) and Losses arising on changes in demographic assumptions	0	
Actuarial (Gains) and Losses arising on changes in financial assumptions	16,927	(6,649)
Experience (gain) / loss	0	
<b>Total Remeasurements recognised in other comprehensive expenditure</b>	<b>10,219</b>	<b>(8,109)</b>
<b>Total post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>13,203</b>	<b>(4,807)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the code	(2,984)	(3,302)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>		
Employers' contributions payable to scheme	2,515	2,507

### 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:

	Local Government Pension Scheme	
	2014/15	2015/16
	£000	£000
Present value of the defined benefit obligation	136,459	131,627
Fair value of plan assets	(90,667)	(93,149)
Sub-total	45,792	38,478
Other movements in the liability (asset)	0	0
<b>Net liability arising from defined benefit obligation</b>	<b>45,792</b>	<b>38,478</b>

### Reconciliation of the Movements in the Fair Value of Plan Assets

Local Government Pension Scheme		
	2014/15	2015/16
	£000	£000
Opening fair value of scheme assets	82,574	90,667
Interest income	3,585	2,872
<i>Remeasurement gain / (loss)</i>		
The return on plan assets, excluding the amount included in the net interest expense	6,708	1,460
Administration costs	(27)	(27)
Other remeasurement of assets	0	
Contributions from employer	2,515	2,507
Contributions from employees paid into the scheme	437	439
Benefits paid	(5,125)	(4,769)
<b>Closing fair value of scheme assets</b>	<b>90,667</b>	<b>93,149</b>

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

Local Government Pension Scheme		
	2014/15	2015/16
	£000	£000
<b>Opening Balance at 1 April</b>	<b>117,678</b>	<b>136,459</b>
Current service cost	1,340	1,731
Interest cost	5,074	4,297
Contributions by scheme participants	437	439
Remeasurement (gains) and losses:		
Actuarial gains and losses arising from changes in demographic assumptions	0	0
Actuarial gains and losses arising from changes in financial assumptions	16,927	(6,649)
Other	0	0
Past service costs / gains	0	
Losses / (gains) on curtailments	128	119
Benefits paid	(5,125)	(4,769)
<b>Closing Balance</b>	<b>136,459</b>	<b>131,627</b>

**Local Government Pension Scheme assets comprised:**

	Fair value of scheme assets	
	2014/15	2015/16
	£000	£000
Cash and cash equivalents	2,029	3,203
Equity instruments		
<i>By industry type</i>		
consumer	10,298	10,118
materials	1,261	1,154
industrials	4,470	4,035
energy & utilities	1,435	1,172
financial institutions	5,519	5,650
health & care	3,166	3,380
info technology	5,915	6,506
miscellaneous	0	0
Sub total equity	<b>32,064</b>	<b>32,015</b>
Bonds		
<i>By sector</i>		
corporate	1,292	1,898
government	2,923	1,872
Sub total bonds	<b>4,215</b>	<b>3,770</b>
Property		
<i>By type</i>		
Retail	4,387	4,678
Commercial	4,384	4,276
Sub total property	<b>8,771</b>	<b>8,954</b>
Private Equity		
UK	2,338	1,519
Overseas	11,385	11,519
Sub-total private equity	<b>13,723</b>	<b>13,038</b>
Other investment funds		
Infrastructure	5,184	7,443
Credit funds	23,998	23,440
Property	683	1,286
Sub total other investment funds	<b>29,865</b>	<b>32,169</b>
Total Assets	<b>90,667</b>	<b>93,149</b>

#### 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 31<sup>st</sup> March 2016.

The significant assumptions used by the actuary have been:

Local Government Pension Scheme		
	2014/15	2015/16
Mortality Assumptions	Years	Years
Longevity at 65 for current pensioners		
men	22.9	23.0
women	25.4	25.6
Longevity at 65 for future pensioners		
men	25.1	25.2
women	27.8	27.9
	%	%
Rate of inflation	2.0	2.0
Rate of increase in salaries	3.5	3.5
rate of increase in pensions	2.0	2.0
Rate for discounting scheme liabilities	3.2	3.5

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	Increase
----------	----------

	in assumption £000	in assumption £000
Longevity (increase or decrease in one year)		41,152
Rate of inflation (increase or decrease by 1%)		40,660
Rate of increase in salaries (increase or decrease by 1%)		38,873
Rate for discounting scheme liabilities (increase or decrease by 1%)		36,332

### **Impact on the Council's Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over 19 years. Funding levels are monitored on an annual basis.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31<sup>st</sup> March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority anticipates paying £2,406k expected contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 16 years (16 years in 2014/15)

### **37. CONTINGENT LIABILITIES**

At 31<sup>st</sup> March 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 of 30<sup>th</sup> March 2006 and the terms of the housing stock transfer related agreement of the same date, subject to the respective limitations and obligations in the agreement. Initially the agreement was with Hyndburn Homes Ltd of Contour Housing Group, subsequently Contour Housing amalgamated with Vicinity Housing Group to form Symphony Housing Group. On the agreement the Council had:

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

#### *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. Consequently, if they were upheld, they would constitute a further liability for the Council.

### **38. 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	Historical	Historical	Estimated
-----------	------------	------------	-----------

	31 <sup>st</sup> March 2016	experience of default	experience adjusted for market conditions	Maximum Exposure to Default and uncollectability
	£000	%	%	£000
Banks & Building Societies	1,685	0	0	0
Other Local Authorities & Govt Bodies	23,000	0	0	0
Sundry Debtors	1,748	2.66	2.66	47
<b>Total</b>	<b>26,433</b>	<b>2.66</b>	<b>2.66</b>	<b>47</b>

The Council does not generally allow credit for its sundry debtors. The sundry debtors outstanding which are past their due date for payment at 31<sup>st</sup> March 2016 can be analysed by age as shown in the table below.

Aged Sundry Debt – 31 <sup>st</sup> March 2016	£000
Less than 30 days	207
30 days to 59 days	104
60 days to 89 days	15
90 days to 119 days	13
120 + days	588
<b>Total</b>	<b>927</b>

#### *Liquidity Risk*

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

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

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

Financial Liabilities by Maturity Risk	31 <sup>st</sup> March 2015 £000	31 <sup>st</sup> March 2016 £000
Less than one year	9,751	9,723
Between 1 and 2 years	175	94
Between 2 and 5 years	100	53
<b>Total</b>	<b>10,026</b>	<b>9,870</b>

The risk of LOBO loans (£9.52m) 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*

*£5.4m 6 August 2054*

*£1.52m 25 November 2054*

### *Market Risk*

#### Interest rate risk

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

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

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

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

#### Price Risk

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

#### Foreign Exchange Risk

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

### **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.

2014/15			Income & Expenditure Account			2015/16		
Business Rates £00	Council Tax £000	Total £000		Business Rates £000	Council Tax £000	Total £000		
	(31,898)	(31,898)	<b>Income</b>					
			Income from Council Tax		(32,792)	(32,792)		
	0		Transfer from General Fund					
(21,691)		(21,691)	Council Tax Benefits					
			Business rates	(21,143)		(21,143)		
<b>(21,691)</b>	<b>(31,898)</b>	<b>(53,589)</b>	<b>Gross Income</b>	<b>(21,143)</b>	<b>(32,792)</b>	<b>(53,935)</b>		
			<b>Expenditure</b>					
			Apportionment of previous year's (surplus)/ deficit:					
(770)		(770)	Central Government	(159)		(159)		
(139)	697	558	Lancashire County Council	(29)	873	844		
0	98	98	Lancashire Police & Crime Commissioner	0	123	123		
(15)	41	26	Lancashire Combined Fire Authority	(3)	50	47		
(616)	148	(468)	Hyndburn Borough Council	(128)	182	54		
(1540)	984	(556)	Precepts and Demands:	(319)	1,228	909		
10,306		10,306	Central Government	9,870		9870		
1,855	20,565	22,420	Lancashire County Council	1,777	21,290	23,067		
0	2,895	2,895	Lancashire Police & Crime Commissioner	0	2,997	2,997		
206	1,182	1,388	Lancashire Combined Fire Authority	197	1,222	1,419		
8,244	4,291	12,535	Hyndburn Borough Council	7,896	4,355	12,251		
20,611	28,933	49,544	Charges to the Collection Fund:	19,740	29,864	49,604		
132		132	Cost of collection	131		131		
(101)		(101)	Transitional Payment Protection	258		258		
44		44	Write offs	404	554	958		
(75)	511	436	Increase/decrease in bad debt provision	266	(95)	171		
1,256		1,256	Increase/decrease in provision for appeals	1,428		1,428		
(216)		(216)	Settlement of Appeals	(650)		(650)		
1,040	511	1,551		1,837	459	2,296		
20,111	30,428	50,539	<b>Gross Expenditure</b>	21,258	31,551	52,809		
(1,580)	(1,470)	(3,050)	(Surplus) for year	115	(1,241)	(1,126)		
1,636	(854)	782	(Surplus)/deficit as at 1 <sup>st</sup> April b/f	57	(2,324)	(2,267)		
56	(2,324)	(2,268)	(Surplus)/deficit as at 31 <sup>st</sup> March c/f	172	(3,565)	(3,393)		

*National Non-Domestic Rates (NNDR)*

NNDR is the business rate and is organised on a national basis. The government specifies an amount (49.3p in 2015/16 and 48.2p in 2014/15) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying that amount by their rateable value.

With the introduction of the Business Rates Retention Scheme from 1st April 2013 councils will 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.

The Council's total non-domestic rateable value at the end of the financial year 2015/16 was £59.52m and £59.24m for 2014/15.

#### *Council Tax*

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

<b>Band</b>	<b>Number of Dwellings</b>	<b>Discount</b>	<b>Factor</b>	<b>Band D Equivalent Whole Numbers</b>
AA	36	2	5/9	19
A	15,665	2,608	6/9	8,705
B	4,762	467	7/9	3,341
C	4,849	368	8/9	3,983
D	2,442	139	9/9	2,303
E	794	45	11/9	916
F	250	17	13/9	337
G	152	16	15/9	226
H	4	1	18/9	6
<b>Total</b>				<b>19,836</b>
<b>Collection Rate</b>				<b>95%</b>
<b>Tax Base</b>				<b>18,844</b>

#### *Surpluses and Deficits*

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

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

## **Group Accounts 2015/16**

The Group Accounts are prepared in accordance with the relevant legislation and guidance primarily International Financial Reporting Standards (IFRS) and the CIPFA Accounting Code of Practice (“the Code”).

Under Accounting Standards the Council is required to include the results of organisations termed as Associates if it has a significant influence over financial and operating policies and the values are material.

The Council has included the results of Globe Enterprises Ltd, Barnfield & Hyndburn Ltd and Barnfield and Hyndburn Development Partnership as Associates using the equity method of consolidation.

The Council’s share of the net assets or liabilities of the Associate is incorporated and adjusted each year by the Council’s share of the entity’s results (recognised in the Group Income and Expenditure statement) and its share of other gains and losses.

The Group Financial Statements to the 31st March 2016 represent the consolidation of the balances and transactions of the Council and its Associates.

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2014/15		2015/16		
HBC Net Expenditure £000	Group Net Expenditure £000	Note	HBC Net Expenditure £000	Group Net Expenditure £000
5,048	5,048	Central Services to the Public	3,441	3,441
2,902	2,902	Cultural & Related Services	2,665	2,665
3,291	3,291	Environmental & Regulatory Services	3,492	3,492
936	936	Planning Services	511	511
232	232	Highways & Transport Services	222	222
1,400	1,400	Other Housing Services	1,282	1,282
1,394	1,394	Corporate & Democratic Core	1,334	1,334
132	132	Non-distributed costs	124	124
15,335	15,335	Cost of Services	13,071	13,071
		<b>Other Operating Expenditure</b>		
389	389	(Gain) / Loss on Disposal of Non-Current Assets	326	326
11	11	Parish Council Precepts	11	11
182	182	(Gain) / Loss on Trading Accounts	232	232
(208)	(208)	Other income / unattached capital receipts	(114)	(114)
		<b>Financing and Investment Income and Expenditure</b>		
453	453	Interest payable and other similar charges	448	448
(118)	(118)	Interest receivable and similar income	(152)	(152)
1,489	1,489	Net interest on the net pension liability	1,425	1,425
(462)	(462)	Income, expenditure & changes in the fair value of investment properties	(427)	(427)
		<b>Taxation and Non-Specific Grant Income</b>		
(360)	(360)	Collection Fund (surplus) deficit transfer	(358)	(358)
(4,291)	(4,291)	Council Tax	(4,355)	(4,355)
(4,609)	(4,609)	Non-ringfenced government grants	(5,062)	(5,062)
(2,887)	(2,887)	Non-domestic rates	(2,549)	(2,549)
(605)	(605)	Capital Grants and Contributions	(848)	(848)
4,319	4,319	<b>(Surplus ) Deficit on Provision of Services</b>	1,648	1,648
	(23)	Share of (Surplus) Deficit on provision of services by Associates		(57)
	10	Tax Expenses of Associates		6
4319	4,306	<b>Group (Surplus )Deficit on Provision of Services</b>	1,648	1,597
327	327	(Surplus) / Deficit on revaluation of property, plant and equipment	(56)	(56)
10,219	10,219	Actuarial (gains) / losses on pension assets and liabilities	(8109)	(8109)
	276	Share of Other Comprehensive Income and Expenditure of Associates		
<b>10,546</b>	<b>10,822</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>(8,165)</b>	<b>(8,165)</b>
<b>14,865</b>	<b>15,128</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(6,517)</b>	<b>(6,568)</b>

## GROUP BALANCE SHEET

<b>31<sup>st</sup> March 2015 £000</b>	<b>31<sup>st</sup> March 2015 £000</b>		<b>31<sup>st</sup> March 2016 £000</b>	<b>31<sup>st</sup> March 2016 £000</b>
<b>HBC</b>	<b>Group</b>		<b>HBC</b>	<b>Group</b>
26,806	26,806	Property, Plant & Equipment	25,098	25,098
4,720	4,720	Heritage Assets	4,720	4,720
7,668	7,668	Investment Property	7,696	7,696
122	122	Intangible Assets	99	99
39,316	39,316	Total Non-Current Assets	37,613	37,613
359	8	Long Term Investments	359	8
208	208	Long Term Debtors	345	345
	1818	Investment in Associates		1,869
<b>39,883</b>	<b>41,350</b>	<b>LONG TERM ASSETS</b>	<b>38,317</b>	<b>39,835</b>
52	52	Inventories	41	41
4,561	4,561	Short Term Debtors	3,689	3,689
18,029	18,029	Short Term Investments	23,065	23,065
3,036	3,036	Assets Held for Sale	2,682	2,682
2,030	2,030	Cash & Cash Equivalents	1,695	1,695
<b>27,708</b>	<b>27,708</b>	<b>CURRENT ASSETS</b>	<b>31,172</b>	<b>31,172</b>
(80)	(80)	Short Term Borrowing	(79)	(79)
(5,597)	(5,597)	Short Term Creditors	(9,429)	(9,429)
(1,342)	(1,342)	Bank (overdraft)	(91)	(91)
0	0	Provisions current	0	0
<b>(7,019)</b>	<b>(7,019)</b>	<b>CURRENT LIABILITIES</b>	<b>(9,599)</b>	<b>(9,599)</b>
(9,807)	(9,807)	Long Term Borrowing	(9,804)	(9,804)
(1,169)	(1,169)	Provisions – Long Term	(1,432)	(1,432)
(396)	(396)	Deferred Liabilities: Finance Leases	(251)	(251)
(45,792)	(45,792)	Net Pensions Liability	(38,478)	(38,478)
<b>(57,164)</b>	<b>(57,164)</b>	<b>LONG TERM LIABILITIES</b>	<b>(49,965)</b>	<b>(49,965)</b>
<b>3,408</b>	<b>4,875</b>	<b>NET ASSETS</b>	<b>9,925</b>	<b>11,443</b>
		<b>CAPITAL ACCOUNTS &amp; RESERVES</b>		
		<i>Usable Reserves</i>		
2,505	2,505	General Fund Balance Reserve	3,037	3,037
9,546	9,546	Earmarked Reserves	9,958	9,958
3,784	3,784	Usable Capital Receipts Reserve	4,010	4,010
1,851	1,851	Capital Grants Unapplied	1,222	1,222
	1,347	Retained Earnings		1,404
(14,278)	(14,158)	<i>Unusable Reserves and Accounts</i>	(8,302)	(8,188)
<b>3,408</b>	<b>4,875</b>	<b>TOTAL RESERVES AND BALANCES</b>	<b>9,925</b>	<b>11,443</b>