HYNDBURN BOROUGH COUNCIL

Statement of Accounts

Year Ended 31st March, 2018

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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 12.3%. 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.

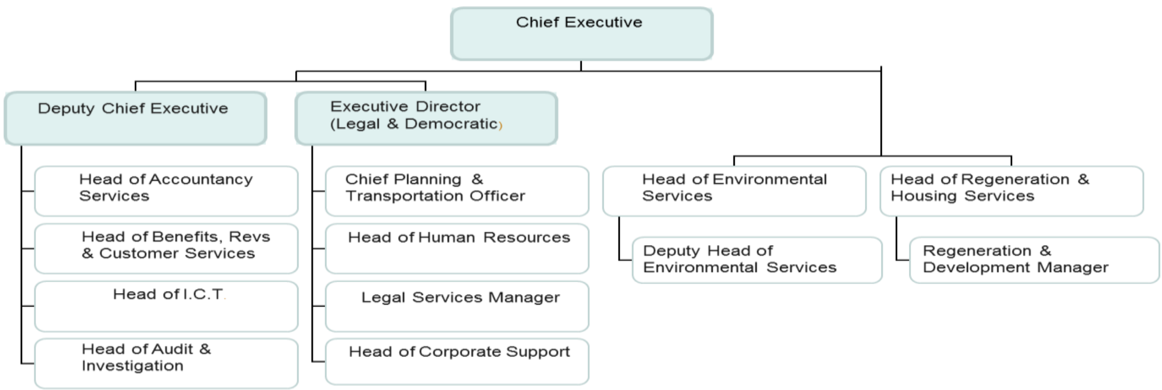
The economic base of Hyndburn was founded on textiles, engineering and extractive industries. Today, manufacturing is still one of the area's largest employers with 18% of the workforce.

Hyndburn has 16 wards and the Council consists of 35 councillors, which following the local elections of 3rd May 2018, comprises 26 Labour and 9 Conservative 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.

The Council Management Structure

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



In addition, the Council employs a further 257 members of staff, making it one of the biggest employers in the area, and providing services for a population of 80,228 living in approximately 36,800 dwellings and for 2,275 active businesses.

The Council's Corporate Strategy

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

These Values are:

Customer First – We will treat customers with courtesy and respect at all times and listen to customer feedback to constantly improve service provision.

Bright Futures – We will provide our elected members, our staff and our customers' opportunities to create the best life possible for them and their families.

Narrow The Gap – We will raise standards across the Borough ibn order to reduce inequality within the Borough and between the Borough and the rest of the Country.

Environmental Impact – We will continue to work to reduce our carbon footprint and our consumption of natural resources and encourage and support our communities and partners to do the same

Value for Money – We will continue to manage our finances responsibly, increase efficiency and provide high quality services.

Partnership – We will continue to work side by side with all partners to achieve our Vision and deliver on the challenging priorities set out in the strategy.

Financial Performance

In 2017/18 Hyndburn Council collected £36.216m in council tax and paid out in precepts and demands £34.109m which gave a surplus of £2.107m. This surplus is shared with the other preceptors and included in future funding streams to support Hyndburn's expenditure.

In 2017/18 Hyndburn Council collected £19.885m in business rates and paid out in precepts and demands £16.839m, a surplus of £3.046m. As with council tax this surplus is shared with the other preceptors and included in future funding streams to support Hyndburn's expenditure.

The authority is a member of the Lancashire Business Rates Pool. The organisation's aim is to reduce the amount of levy paid to central government. In 2017/18, Hyndburn BC reduced its payment by £389k after making a payment to Lancashire County Council of £43k.

The Council has £36.7m assets which it has used for service delivery and investment purposes.

The Council also generates £5.4m income to support the revenue budget.

In preparing these accounts, the Council has used a materiality threshold of £939k and a triviality threshold of £47k as the basis of preparation and presentation.

Service Provision

The Council set a revenue budget of £11.197m for 2017/18 on the 23rd February 2017 intended to provide day to day services for the local community. It was in line with its medium term financial strategy and required the achievement of £1.048m savings to balance the budget. This is in addition to the £6.266m savings in the previous 5 years. In 2017/18, the Council also achieved an overall revenue underspend of £438k which is detailed in the table below. The principal savings were achieved in waste services, culture and leisure, corporate governance and revenue costs of capital borrowing.

As part of the budget setting process:

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

The year-end position for service provision is summarised in the table below.

Description	*Budget £000*	*Actual £000*	*Variance (Under)/Over £000*
Planning & Transportation	776	722	(54)
Environmental Health	449	411	(38)
Waste Services	3,076	2,940	(136)
Parks & Cemeteries	1,052	1,048	(4)
Culture & Leisure	1,127	936	(191)
Regeneration Services	1,202	1,493	291
Policy & Corporate Governance	3,432	3,206	(226)
Non Service Related Budgets	83	3	(80)
Total	**11,197**	**10,759**	**(438)**
Funding	***£000***		
Council tax	4,757		
Business Rates	3,608		
Revenue Support Grant	2,445		
All other items (net)	387		
Total	**11,197**		

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

Capital Investment in the Year

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

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

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 2017/18 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 at least twenty four years.

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

Capital Spend	**£000**
Housing Projects	940
Community & Leisure Projects	2,308
Internal Projects	184
Total	**3,432**
Financed By:	
Capital Receipts	223
Grants	1,438
Contributions	5
Revenue	1,472
Reserves	294
Total	**3,432**

Major projects undertaken by the Council include:

£1.275m spent on Accrington Town Centre
£940k spent on housing related schemes including £644k on disabled adaptations
£458k spent on parks and open spaces to enhance facilities and promote use
£257k spent on improving facilities at Hyndburn Sports Centre

Pensions & Provisions

Hyndburn BC participates, as an employing authority, in the Lancashire County Pension Fund administered by Lancashire County Council. The scheme is a defined benefit scheme i.e. retirement benefits are determined independently of scheme investments. A pensions reserve and pensions liability are incorporated within the Council's accounts reflecting the amount by which the Hyndburn element of the Lancashire Fund is underfunded compared with the assessed payment liabilities to pensioners. At 31st March 2018 the overall liability of the Council was £38.796m (£44.209m as at 31st March 2017). Note 38 shows the position in detail. The Council has an agreed long term strategy with the Pension Fund's Actuary for meeting the cost of these liabilities and they are contained within the current financing plans of the Council; the remaining recovery period to eliminate the deficit is fifteen years.

The Council has set aside a provision for business rate appeals against rateable valuations. The number of appeals outstanding at 31st March is 106 and the provision is valued at £3.706m of which Hyndburn's share is £1.482m, which is 40% of the total.

Financial Position

The Council has a strong balance sheet:

	£000	£000
	2016/17	**2017/18**
Long Term Assets	36,564	36,677
Net Current Assets	23,804	24,346
Long term liabilities	-55,957	-50,872
Net assets at	**4,411**	**10,151**
Funded by:		
Usable reserves	18,568	20,482
Unusable reserves	-14,157	-10,331
Total reserves	**4,411**	**10,151**

Cashflow

The paragraphs above show Hyndburn had sufficient cash to meet its day to day needs. It has maintained a balance of approximately £23m year on year.

	31 March 2017	31 March 2018
	£m	£m
Cash and other cash equivalents	3.748	2.036
Short term investments	21.069	21.052
Total	**24.817**	**23.088**

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.

Housing and Employment

Housing and employment growth are central to Hyndburn Borough Council's strategic vision for the Borough. During 2017/18 we made major progress in ensuring residents have access to jobs and a wide choice of good quality homes:

- 217 new homes will be built by Keepmoat Homes Limited, partly on former Council owned land generating the Council circa £3m capital receipt to be paid over the next four years.
- Outline consent is in place for the 90 acre development of Frontier Park (Junction 6 on the M65) which will see circa 2,000 jobs created on the site. Following reserved matters consent for the first two phases the site owner and developer Euro Garages, is busy building out phase 1 which will provide a big boost in the year ahead for jobs and the local economy.
- After obtaining Housing Zone status for Huncoat, the Council secured £223,000 from the Homes and Communities Agency's 'Large Sites and Housing Zones' capacity fund for the purpose of a

Masterplan and Delivery Strategy. This is a major step forward for plans to create up to 2,000 new homes and approximately 1,000 jobs within the Housing Zone.

- A new 5 year selective licensing designation for parts of Accrington and Church came into force on the 5th March 2018. The scheme is self-financing and will ensure that approximately 1,800 private rented dwellings are licensed raising landlord and property standards in an area of low housing demand.

Financial Prospects for Hyndburn Borough Council

Nationally the important events affecting Hyndburn Council are the Government and Brexit. Continuing pressure from Central Government to reduce public spending, the uncertainty caused by the Brexit vote and a minority Government in power that could fall at any given moment. The Government has reiterated its present proposals amongst which are:

- Revenue Support Grant (RSG) is the main non-ring fenced grant for local government. It will end in 2020 under present arrangements although the Council has agreed its outstanding annual amounts until then.
- By 2020 local government as a whole will retain 75% (previously forecast 100%) of its business rates. While Hyndburn BC will collect all its tax it is unclear how much will be retained and available for local use.
- Local authorities have been given more freedom to use capital receipts to fund the revenue costs of business transformation which has now been extended to 2022.

And whether

- Central government will transfer additional responsibilities to local government which will be accompanied by sufficient funding.

Brexit consequences are unknown and unquantified but likely affected areas are:

- General inflation affecting the cost of resources
- Labour costs
- Interest rates for both borrowing and investment purposes
- The value of property

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 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 confirmed it is stopping payments to district councils from 2018/19. It will result in £800k less funding for the authority and as a consequence, the Council has increased Council Tax in 2017/18 and 2018/19, the first increases for 8 years. Despite these increases, the Council is one of only six in the whole country to have increased council tax by less than inflation since 1997.

Hyndburn Council’s largest expense is salaries at roughly £10m per annum. The Employers have agreed a 2% pay increase for both 2018/19 and 2019/20 which represents a loosening of the Government’s public sector pay policy and represents an additional burden on the Council which has been built into the Medium-Term Financial Strategy.

Conclusion

The Council’s financial position and history is relatively healthy i.e. setting and balancing the revenue budget and delivering services within it, funding and delivering a capital programme; there is a strong balance sheet with adequate reserves. However, the medium term financial strategy shows potential costs exceeding resources by 5.01% in 2019/20 and 12.80% in 2020/21. The lack of clarity about what is believed to be now 75% (not 100% as first suggested) business rates retention and associated policy lends itself to volatility in cash collection and therefore funding. Managing the cashflow and having adequate provisions in place become more important than ever in maintaining the standard and integrity of everyday services.

The Council’s financial performance can demonstrate economy, efficiency and effectiveness in the use of its resources in 2017/18. It has a track record of making savings as dictated by resource availability. I am therefore confident that the Council will continue to maintain a balanced budget in the medium term.

Explanation of Accounting Statements

Introduction

This publication contains the Council's Statement of Accounts for the year ended 31st March 2018.

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

Stewardship of Public Money

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

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

Contents of the Accounts

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

Annual Governance Statement

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

Independent Auditor's Report

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

Statement of Responsibilities

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

Expenditure and Funding Analysis

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

Comprehensive Income and Expenditure Statement

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

The statement has two sections:

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

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

Movement in Reserves Statement

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

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

Balance Sheet

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

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

Cash Flow Statement

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

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

Collection Fund

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

Acknowledgement

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

Further information

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

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

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

If required, further information about the 2017/18 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

Introduction

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

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

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

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

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

The Governance Framework has been in place at Hyndburn Borough Council for the year ended 31st March 2018 and up to the date of the approval of the statement of accounts.

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

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

- The Council's Constitution including Procedure Rules and Codes of Conduct which set out the rules on how the Council conducts its business
- The Codes of Conduct for planning and licensing functions
- Codes of Conduct for Officers (employees) and Members
- The Member / Officer Relations Protocol

- The Anti-fraud and Corruption Strategy
- The Whistleblowing Policy
- The Complaints Policy and Procedures
- The procedures for dealing with complaints about elected members
- The Councils values are in place (Teamwork, Customer Focus, Integrity and Positive Attitude)

All chief officers are required to plan and discharge their departmental functions in accordance with Council policies and legislative requirements. Senior officers and other key post holders receive support from Legal Services in this regard and if specialist legal advice is required, then the Council will engage counsel.

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

Within the reporting system all committee reports contain a financial implications paragraph and legal implications paragraph which must be completed, together with a section requiring consideration of the equalities implications of any proposed decision. The section 151 officer and the monitoring officer have the opportunity to review and comment on all Cabinet and Council reports before they sign them off. The reports are only then included on the relevant agendas.

The Council's external auditors are Grant Thornton UK LLP whose most recent Annual Audit letter concluded the Council has effective management in place for internal control.

Principle B: Ensuring openness and comprehensive stakeholder engagement

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

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

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

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

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

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

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

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

- Corporate Strategy 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

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

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

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. Specific Procedure Rules and Terms of Reference are in place within the Constitution to govern these arrangements and ensure an appropriate and full role is played in the corporate governance of the Council by its scrutiny committees.

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

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

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

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

They cover the attitude and behaviour of staff and customers.

The Resources Overview and Scrutiny Committee 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
- Service delivery and improvements and the Council's Treasury Management strategy
- The achievement of the annual business plans for each service area

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

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

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

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

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

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

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

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

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

The Council has been awarded the North West Charter for member development.

New officers receive corporate and service unit inductions.

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

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

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

Internal audit is responsible for monitoring the quality and effectiveness of the system of governance and internal control. A risk based Internal Audit Plan is produced each financial year. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service. The report includes recommendations for improvements that are included with a Management Action Plan and require agreement or rejection by service managers. The process includes follow up reviews of agreed recommendations to ensure they are acted upon.

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

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

In order to continue its development and raise its profile the Committee’s membership was increased to six.

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

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

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

All Council decisions are published on its website together with supporting information to explain why a particular decision has been taken.

The Statement of Accounts is published on-line together with the external auditor’s opinion. The statement is prepared following Cipfa’s Code of Practice on Local Authority Accounting which means it includes all necessary information and is in a format which allows comparison with other authorities.

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

The Internal Audit function at Hyndburn Borough Council works to an annual plan, progress against which, and any associated control issues are reported to the Audit Committee, and provides an independent opinion on the internal control framework that was in place in 2017/18.

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

Review of Effectiveness

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

Each year the responsible officers review the areas they are responsible for under the internal control framework. They confirm existing arrangements and list any changes or improvement made. Then they sign a statement to endorse the current position which is kept on file centrally.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the corporate management team and that the arrangements continue to be regarded as fit for purpose.

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

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

Certification

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

David Welsby
Chief Executive

Date 25-07-2018

Miles Parkinson
Leader of the Council

Date 25-07-2018

AUDITOR'S REPORT

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

(This page will be updated following the completion of the audit)

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 2018 and its income and expenditure for the financial year 2017/18.

30th July 2018

Councillor N Aziz
Chair of Audit Committee

30th July 2018

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

Hyndburn Borough Council

Financial Statements

Comprehensive Income and Expenditure Statement

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

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

The taxation position is shown in both the Expenditure and Funding Analysis and Movement in Reserves Statement.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2016/17				2017/18			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
601	(175)	426	Environmental Health		479	(161)	318
3,328	(1,316)	2,012	Waste Services		3,618	(1,351)	2,267
1,803	(975)	828	Parks & Cemeteries		2,017	(1,131)	886
1,304	(175)	1,129	Culture & Leisure		1,191	(321)	870
1,027	(643)	384	Planning & Transportation		1,098	(619)	479
3,684	(1,414)	2,270	Regeneration & Property		4,348	(2,087)	2,261
35,208	(29,160)	6,048	Policy and Corporate Governance		34,134	(28,166)	5,968
46,955	(33,858)	13,097	Cost of Services		46,885	(33,836)	13,049
		292	**Other Operating Expenditure**	10			(770)
		1,212	**Financing and Investment Income and Expenditure**	11			1,492
		(13,269)	**Taxation and Non-Specific Grant Income**	12			(12,653)
		1,332	**(Surplus) Deficit on Provision of Services**	2			1,118
		(509)	(Surplus) / Deficit on revaluation of property, plant and equipment	13			(14)
		0	Impairment losses on non-current assets charged to the Revaluation Reserve				0
		(500)	Surplus or deficit on revaluation of available for sale financial assets	20			(516)
		5,191	Remeasurement of the net defined benefit liability / (asset)	38			(6,328)
		4,182	**Other Comprehensive Income and Expenditure**				**(6,858)**
		5,514	**Total Comprehensive Income and Expenditure**				**(5,740)**

Movement in Reserves Statement

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

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

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

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	TOTAL USABLE RESERVES £000	UNUSABLE RESERVES £000	TOTAL AUTHORITY RESERVES £000
Balance as at 31 March 2016	12,995	4,010	1,222	18,227	(8,302)	9,925
Movement in Reserves during 2016/17						
Total Comprehensive Income and Expenditure	(1,332)	0	0	(1,332)	(4,182)	(5,514)
Adjustments between accounting basis & funding basis under regulations (note 8)	1,533	792	(652)	1,673	(1,673)	0
Increase or decrease in 2016/17	201	792	(652)	341	(5,855)	(5,514)
Balance at 31 March 2017 carried forward	13,196	4,802	570	18,568	(14,157)	4,411
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	TOTAL USABLE RESERVES £000	UNUSABLE RESERVES £000	TOTAL AUTHORITY RESERVES £000
Balance as at 31 March 2017	13,196	4,802	570	18,568	(14,157)	4,411
Movement in Reserves during 2017/18						
Total Comprehensive Income and Expenditure	(1,118)	0	0	(1,118)	6,858	5,740
Adjustments between accounting basis & funding basis under regulations (note 8)	1,858	1,005	169	3,032	(3,032)	0
Increase or decrease in 2017/18	740	1,005	169	1,914	3,826	5,740
Balance at 31 March 2018 carried forward	13,936	5,807	739	20,482	(10,331)	10,151

Balance Sheet

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

Reserves are reported in two categories:

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

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

BALANCE SHEET

31st March 2017 £000	Balance Sheet for the Council as at year end 31st March	Note	31st March 2018 £000
24,205	Property, Plant & Equipment	13	22,981
4,500	Heritage Assets	14	4,490
7,131	Investment Property	15	6,918
64	Intangible Assets	16	38
0	Assets Held for Sale	20	1,616
35,900	Total Non-Current Assets		36,043
359	Long Term Investments	17	359
305	Long Term Debtors	17	275
36,564	**LONG TERM ASSETS**		**36,677**
42	Inventories	18	51
3,725	Short Term Debtors	19	5,276
21,069	Short Term Investments	17	21,052
3,187	Assets Held for Sale	20	1,948
3,748	Cash & Cash Equivalents	21	2,036
31,771	**CURRENT ASSETS**		**30,363**
(44)	Short Term Borrowing	17	(43)
(7,923)	Short Term Creditors	22	(5,974)
0	Bank (overdraft)	21	0
0	Provisions current	23	0
(7,967)	**CURRENT LIABILITIES**		**(6,017)**
(9,836)	Long Term Borrowing	17	(9,833)
(1,761)	Provisions – Long Term	23	(1,906)
(151)	Deferred Liabilities: Finance Leases	37	(337)
(44,209)	Net Pensions Liability	38	(38,796)
(55,957)	**LONG TERM LIABILITIES**		**(50,872)**
4,411	**NET ASSETS**		**10,151**
	CAPITAL ACCOUNTS & RESERVES		
	Usable Reserves		
2,879	General Fund Balance Reserve		2,558
10,317	Earmarked Reserves	9	11,378
4,802	Usable Capital Receipts Reserve		5,807
570	Capital Grants Unapplied		739
(14,157)	Unusable Reserves and Accounts	25	(10,331)
4,411	**TOTAL RESERVES AND BALANCES**		**10,151**

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

2016/17 £ 000		2017/18 £000
1,332	Net (surplus) or deficit on the provision of services	1,118
(3,343)	Adjustments to net surplus or deficit on the provision of services for non-cash movements – Note 26 i	497
862	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities - Note 26 ii	1,228
(1,149)	Net cash flows from Operating Activities Note 27	**2,843**
(2,011)	Investing Activities - Note 28	225
1,012	Financing Activities - Note 29	(1,357)
(2,148)	Net (increase) or decrease in cash and cash equivalents	**1,711**
1,598	**Cash and cash equivalents at the beginning of the reporting period**	**3,746**
3,746	**Cash and cash equivalents at the end of the reporting period**	**2,035**

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Expenditure and Funding Analysis

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

EXPENDITURE AND FUNDING ANALYSIS

		2016/17				2017/18
Net Expenditure chargeable to the General Fund	Adjustments between Funding & Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement		Net Expenditure chargeable to the General Fund	Adjustments between Funding & Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
£000	**£000**	**£000**		**£000**	**£000**	**£000**
486	(60)	426	Environmental Health	310	8	318
2,037	(25)	2,012	Waste Services	2,166	102	2,268
771	57	828	Parks & Cemeteries	749	137	886
617	512	1,129	Culture & Leisure	350	519	869
389	(5)	384	Planning & Transportation	435	44	479
1,243	1,027	2,270	Regeneration & Property	2,113	148	2,261
4,718	1,330	6,048	Policy & Corporate Governance	4,961	1,007	5,968
10,261	2,836	13,097	Net Cost of Services	11,084	1,965	13,049
(10,462)	(1,303)	(11,765)	Other Income & Expenditure	(11,824)	(107)	(11,931)
(201)	1,533	1,332	(Surplus) or Deficit	(740)	1,858	1,118
		12,995	Opening General Fund Balance			13,196
		201	Less / Plus Surplus or (Deficit) on General Fund Balance in Year			740
		13,196	Closing General Fund Balance at 31st March			13,936

2. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis 2016/17

Adjustments from General Fund to arrive at the CIES amounts	Adjustment for Capital Purposes	Net change for Pension Adjustments	Other Differences	Total Adjustments
	£000	**£000**	**£000**	**£000**
Environmental Health		(60)		(60)
Waste Services	34	(63)	4	(25)
Parks & Cemeteries	93	(31)	(5)	57
Culture & Leisure	515	(3)		512
Planning & Transportation	18	(23)		(5)
Regeneration & Property	1,072	(43)	(2)	1,027
Policy & Corporate Governance	1,854	(524)		1,330
Net Cost of Services	**3,586**	**(747)**	**(3)**	**2,836**
Other income and expenditure from the EFA	(2,026)	1,286	(563)	(1,303)
Difference between General Fund Surplus / Income and Expenditure Statement Surplus / Deficit on the Provision of Services	**1,560**	**539**	**(566)**	**1,533**

Adjustments between Funding and Accounting Basis 2017/18

Adjustments from General Fund to arrive at the CIES amounts	Adjustment for Capital Purposes	Net change for Pension Adjustments	Other Differences	Total Adjustments
	£000	**£000**	**£000**	**£000**
Environmental Health	0	8	0	8
Waste Services	31	75	(4)	102
Parks & Cemeteries	94	40	3	137
Culture & Leisure	515	4	0	519
Planning & Transportation	18	26	0	44
Regeneration & Property	98	49	1	148
Policy & Corporate Governance	1,383	(383)	7	1,007
Net Cost of Services	**2,139**	**(181)**	**7**	**1,965**
Other income and expenditure from the EFA	(1,902)	1,096	699	(107)
Difference between General Fund Surplus / Income and Expenditure Statement Surplus / Deficit on the Provision of Services	**237**	**915**	**706**	**1,858**

Adjustments for Capital Purposes

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

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

Net Changes for the Pension Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income.

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

Other Differences

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

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

EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2016/17	**2017/18**
Expenditure/ Income	**£000**	**£000**
Expenditure		
Employee benefits & expenses	9,814	10,337
Other service expenses	9,268	10,271
Transfer payments	26,754	25,699
Depreciation, amortisation & impairment	2,872	2,594
Interest payments	1,747	1,521
Precepts & levies	12	12
(Gain)/ loss on disposal of assets	280	(782)
Total expenditure	**50,747**	**49,652**
Income		
Fees, charges & other service income	(7,571)	(7,717)
Interest & investment income	(720)	(637)
Income from council tax & non-domestic rates	(8,097)	(8,112)
Government grants & contributions	(33,027)	(32,068)
Total income	**(49,415)**	**(48,534)**
(Surplus) or deficit on the provision of services	**1,332**	**1,118**

SEGMENTAL INCOME

Income received on a segmental basis is analysed below:

	2016/17	**2017/18**
Services	**Income from Services**	**Income from Services**
	£000	**£000**
Environmental Health	(169)	(155)
Waste Services	(1,298)	(1,350)
Parks & Cemeteries	(921)	(905)
Culture & Leisure	(116)	(317)
Planning & Transportation	(459)	(577)
Regeneration & Property	(453)	(474)
Policy and Corporate Governance	(1,581)	(1,640)
Total Income	**(4,997)**	**(5,418)**

3. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Authority's transactions for 2017/18 financial year and its position at the year-end 31st March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations (2015), which those Regulations require to be prepared in accordance with proper accounting practices. These practices under section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code), supported by the International Financial Reporting Standards (IFRS).

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

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 on 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 the 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 not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value.

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

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 non-current assets during the year:

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

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

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

vii. Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

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

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

viii. 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 Council.

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 entitlements 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 in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

Post Employment Benefits

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

The Local Government Pension Scheme

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

- The liabilities of the Lancashire County Pension Scheme attributable to Hyndburn Borough Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (2.5% 31st March 2017) 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 Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – that is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

  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 transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

ix. Events After The Reporting Period

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

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

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

x. 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 their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the 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 an 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.

xi. 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.

xii. 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 August 2016.

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

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

Civic Regalia

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

xiii. Intangible Assets

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

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

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

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

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

xiv. Interests in Companies and Other Entities

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

xv. 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.

xvi. 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.

xvii. Leases

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

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

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.

xviii. Overheads and Support Services

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

xix. Property, Plant and Equipment

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

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

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

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

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

- 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 – the current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

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

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

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

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

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

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

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.

Inputs to the valuation techniques in respect of the Council's fair value measurement 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 uses the DVS Valuation Office Agency, Manchester to provide a valuation of its property assets and liabilities in line with the highest and best use definition within the accounting standard; and Link Asset Services to value its investments and borrowings. The highest and best use of the asset being valued is considered from the perspective of a market participant.

The Council's surplus assets are judged to be Level 2.

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	2-14
Surplus Assets –Housing Market Renewal Properties	15

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

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

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

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

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

Assets Held for Sale are assets where the:

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

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

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

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

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

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

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

xx. Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

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

Contingent Asset
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.

xxi. Reserves

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

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

xxii. 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.

xxiii. 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.

4. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

Under the Code of Practice on Local Authority Accounting in the United kingdom 2017/18 (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.

- **IFRS 9 financial Instruments**, which introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised costs and fair value through other comprehensive income respectively based on the contractual cash flows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets. Assessment of the Council's financial assets does not anticipate any impairment.

- **IFRS 15 Revenue from Contracts with Customers** presents new requirements for the recognition of revenue, based on control-based revenue recognition model. The Council does not have any material revenue streams within the scope of this new standard.

- **IAS 7 Statement of Cash Flows (Disclosure Initiative)** will potentially require some additional analysis of Cash Flows from Financing Activities (disclosed at Note 29). If the standard had applied in 2017/18 there would be no additional disclosures because the Council does not have activities which would require additional disclosure.

- **IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses)** applies to deferred tax assets related to debt instruments measured at fair value. None of the Council's associate companies in the Group Accounts has such debt instruments.

- **IFRS 16 Leases** will require local authorities that are lessee to recognise most leases on their balance sheets as right-of-use assets with corresponding liabilities (there is recognition for low-value and short-term leases).

5. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- 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.

6. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION AND UNCERTAINTY

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

The items in the Council's Balance Sheet at 31st March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follow

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment	Assets are depreciated over useful lives that rely on assumptions about the level of repair and maintenance. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful life assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying value of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £12k for every year that useful lives had to be reduced.
Pensions liability	Estimation of the net liability to pay pension depends on a number of complex judgements.	The effects on the net pension liability of changes in individual assumptions can be measured. However the assumptions interact in complex ways. Note 38 provides details on actuarial gains and losses in recent years.
Arrears	Note 18 gives detail of debtors and their associated impairment provisions for doubtful debts. 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 impairment provision to £4,340k.
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 £1,744k.
Fair Value Measurement	When the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets i.e. level 1 inputs, their fair value is measured using valuation techniques e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model. Where possible, the inputs to these valuation techniques are based on observable data but where this is not possible judgement is required in establishing fair values. These judgements typically include such considerations as uncertainty and risk, however, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.	Within the fair value hierarchy valuations are made using a combination of independent valuation reports and cost / carrying value. The independent valuations are based on observable inputs and assume no early realisation of the asset or liability. The fair valuation should be should be reliable at the valuation date.

7. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the s151 officer on 31st May 2018. Events taking place after this date have not been reflected in the financial statement or notes. Where events taking place before this date provide information about conditions existing at 31st March 2018, the figures in the financial statements and notes have been adjusted in all material aspects to reflect the impact of this information.

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Usable Reserves – 2016/17	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements			
Pension costs (transferred to / from the Pensions Reserve)	540		
Financial instruments (transferred to the Financial Instruments Adjustment Account)	(10)		
Council tax and NDR (transfers to or from the Collection Fund Account)	(550)		
Holiday Pay (transferred to the Accumulated Absences Reserve)	(6)		
Reversal of entries included in the surplus or deficit on the Provision of Services in relation to capital expenditure (these items are charges to the Capital Adjustment Account)	4,391		279
Total Adjustments to Revenue Resources	**4,365**		**279**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(862)	862	
Administrative costs of non-current asset disposals (funded by a transfer from the Capital)Receipts Reserve)			
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(542)		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,428)		
Total Adjustments between Revenue and Capital Resources	**(2,832)**	**862**	
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure		(70)	
Application of capital grants to finance capital expenditure			(931)
Total Adjustments to Capital Resources		**(70)**	**(931)**
TOTAL ADJUSTMENTS	**1,533**	**792**	**(652)**

Usable Reserves – 2017/18	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements			
Pension costs (transferred to / from the Pensions Reserve)	915		
Financial instruments (transferred to the Financial Instruments Adjustment Account)	(8)		
Council tax and NDR (transfers to or from the Collection Fund Account)	711		
Holiday Pay (transferred to the Accumulated Absences Reserve)	3		
Reversal of entries included in the surplus or deficit on the Provision of Services in relation to capital expenditure (these items are charges to the Capital Adjustment Account)	3,765		194
Total Adjustments to Revenue Resources	**5,386**		
Adjustments between Revenue and Capital Resources			194
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,228)	1,228	
Administrative costs of non-current asset disposals (funded by a transfer from the Capital Receipts Reserve)			
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(532)		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,768)		
Total Adjustments between Revenue and Capital Resources	**(3,528)**	**1,228**	
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure		(223)	
Application of capital grants to finance capital expenditure			(25)
Total Adjustments to Capital Resources		**(223)**	**(25)**
TOTAL ADJUSTMENTS	**1,858**	**1,005**	**169**

9. 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 2017/18.

	Balance at 01.04.16 £000	Transfers Out 16/17 £000	Transfers In 16/17 £000	Balance at 31.03.17 £000	Transfers Out 17/18 £000	Transfers In 17/18 £000	Balance at 31.03.18 £000
Planning s106 Fund	1,672	(133)	74	1,613	(752)	5	866
Housing and Planning Fund	73	(12)		61	(15)		46
Area Based Grant Reserve	41	(1)		40			40
Performance Reward Reserve	40			40	(4)		36
Environmental Warranties	2,516		250	2,766		250	3,016
Transitional Grant	1,432	(26)		1,406	(319)		1,087
Efficiency Support Grant	391	(83)		308			308
Balance set aside for invest to save initiatives	1,225	(411)	917	1,731	(570)	759	1,920
New Homes Bonus	228	(228)		0		120	120
Communities For Health Funding	105	(14)		91	(13)		78
Dilapidations Reserve	1,316			1,316			1,316
Huncoat Housing Zone				0		223	223
Waste Services				0		186	186
Revenue Funding for Capital Schemes				0		1,127	1,127
Balances set aside from previous years to fund specific future expenditure	919	(100)	126	945	(121)	185	1,009
Total	9,958	(1,008)	1,367	10,317	(1,794)	2,855	11,378

Description of Reserves

Planning s106 Fund – Amounts received for planning obligations to be spent on capital / revenue projects in line with respective agreements.

Housing & Planning Fund – Capital reserve which is the balance of the original amount awarded in 2008 for improved delivery of housing and other planning outcomes.

Area Based Grant Reserve – Allocated by central government to support the delivery of local, regional and national priorities in Hyndburn. The reserve is the unspent balance of the final allocation made in 2010/11.

Performance Reward Reserve – The grant was originally paid by central government for the achievement of Local Area Agreement schemes; the reserve is the unspent balance.

Environmental Warranties – To fund any potential liabilities arising from the large scale voluntary transfer of the housing stock to Hyndburn Homes Ltd on March 30th 2006.

Transitional Grant – Government grant received which has no specific conditions attached but has not been allocated for specific service use.

Efficiency Support Grant - Government grant awarded to local authorities that otherwise would have seen a reduction of more than 8.8% of their revenue spending power and used to support changes to services that reduce our long term costs.

Balance set aside for invest to save initiatives – Balance of revenue underspend held separately to fund future service delivery.

New Homes Bonus – Government grant received which has no specific conditions attached.

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

Dilapidations Reserve – Amount identified for asset remedial work.

Huncoat Housing Zone Reserve – Amount set aside in 2017/18 to assist with the costs of Master Planning for a potential development in Huncoat.

Waste Services Reserve – Amount set aside in 2017/18 to offset the loss in 2018/19 of approximately £800k from the Lancashire County Council cost sharing agreement and funding towards the cost of wheeled bins to be purchased in 2018/19.

Revenue Funding of Capital Schemes Reserve – Surplus revenue income set aside in 2017/18 to fund future capital projects.

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

10. OTHER OPERATING EXPENDITURE

	2016/17 £000	2017/18 £000
Parish Council Precepts	12	12
(Gains) / losses on the disposal of non - current assets	438	(541)
Unattached capital receipts	(158)	(241)
Total	292	(770)

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2016/17 £000	2017/18 £000
Interest payable and other similar charges	444	446
Net interest cost on the net pension liability	1,303	1,075
Interest receivable and similar income	(164)	(125)
Income and expenditure in relation to investment properties and changes in their fair value	(552)	(324)
(Gain) / loss on trading accounts	181	420
Total	1,212	1,492

12. TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

	2016/17 £000	2017/18 £000
Council tax income	(4,779)	(4,958)
Non-domestic rates income and expenditure	(3,318)	(3,154)
Non-ringfenced government grants	(4,394)	(3,901)
Capital grants and contributions	(778)	(640)
Total	(13,269)	(12,653)

13. PROPERTY PLANT AND EQUIPMENT

2017/18	Other land and buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Total £000
Cost or Valuation						
At 1st April 2017	**20,101**	**4,751**	**1,101**	**1,753**	**2,648**	**30,354**
Additions	309	374	16	571	15	1,285
Revaluation increases / (decreases) recognised in the Revaluation Reserve					24	24
Non-enhancing expenditure recognised in the Surplus / Deficit in the Provision of Services	(291)	(9)	(16)	(571)	(15)	(902)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services					(20)	(20)
Derecognition - disposals		(23)			(291)	(314)
Assets reclassified (to) / from Held for Sale	14				(240)	(226)
Other movements in cost or valuation						
Cost at 31st March 2018	**20,133**	**5,093**	**1,101**	**1,753**	**2,121**	**30,201**
Accumulated Depreciation and Impairment						
At 1st April 2017	**1,353**	**3,475**	**1,094**	**75**	**151**	**6,148**
Depreciation charge	593	431	3	69	60	1,156
Depreciation written out to the Revaluation Reserve						
Depreciation written out to the Surplus / Deficit on the Provision of Services					(14)	(14)
Derecognition - disposals		(17)			(53)	(70)
Depreciation on Impairments						
Depreciation at 31st March 2018	**1,946**	**3,889**	**1,097**	**144**	**144**	**7,220**
Net book value at March 31st 2018	**18,187**	**1,204**	**4**	**1,609**	**1,977**	**22,981**
Net book value at March 31st 2017	**18,748**	**1,276**	**7**	**1,678**	**2,497**	**24,206**

2016/17	Other land and buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Total £000
Cost or Valuation						
At 1st April 2016	**19,805**	**4,978**	**1,101**	**1,669**	**3,026**	**30,579**
Additions	503	201		927	94	1,725
Revaluation increases / (decreases) recognised in the Revaluation Reserve	18			124	490	632
Non-enhancing expenditure recognised in the Surplus / Deficit in the Provision of Services	(225)	(95)		(927)	(94)	(1,341)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services				(40)	(342)	(382)
Derecognition - disposals		(333)			(636)	(969)
Assets reclassified (to) / from Held for Sale						
Other movements in cost or valuation					110	110
Cost at 31st March 2017	**20,101**	**4,751**	**1,101**	**1,753**	**2,648**	**30,354**
Accumulated Depreciation and Impairment						
At 1st April 2016	**765**	**3,324**	**1,091**	**82**	**219**	**5,481**
Depreciation charge	597	442	3	62	103	1,207
Depreciation written out to the Revaluation Reserve	(9)			(69)	(20)	(98)
Depreciation written out to the Surplus / Deficit on the Provision of Services					(35)	(35)
Derecognition - disposals		(291)			(116)	(407)
Depreciation on Impairments						
Depreciation at 31st March 2017	**1,353**	**3,475**	**1,094**	**75**	**151**	**6,148**
Net book value at March 31st 2017	**18,748**	**1,276**	**7**	**1,678**	**2,497**	**24,206**
Net book value at March 31st 2016	**19,040**	**1,654**	**10**	**1,587**	**2,807**	**25,098**

<u>Capital Commitments</u>

At 31st March 2018 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in future years budgeted at £7.389m. Similar commitments as at 31st March 2017 were £4.272m.

The major commitments are:
£1.627m Accrington Townscape Heritage Initiative and Infrastructure
£1.250m Wheeled Recycling Bins
£660k Refuse Vehicles
£470k Disabled Facility Grants
£467k Rhyddings Park
£450k Cremator Replacement
£425k Rishton Regeneration
£404k Lower Woodnook Housing Renewal Scheme
£369k Clearance Pendle Street
£250k LCC Junction 7 Contribution

<u>Effects of Changes in Estimates</u>

In 2017/18 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

<u>Revaluations</u>

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 2017/18 were carried out and certified by a team from DVS Valuation Office Agency, Manchester, led by Mr R 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				
31st March 2018	0	0	148	148
31st March 2017	200	1,523	1,643	3,366
31st March 2016	2,329	861	81	3,271
31st March 2015	18,959	1,378	478	20,815
31st March 2014	14,637	84	318	15,039

14. 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
Cost or Valuation						
As at 31st March 2017	2,319	70	97	1,682	332	4,500
As at 31st March 2018	2,309	70	97	1,682	332	4,490

There have been no disposals or impairment losses in the last five years to 31st March 2018. The civic regalia and works of art were revalued during 2016-17 and their revalued amounts are included above. The revaluation had been miscalculated by the Valuer and the correct valuation has been shown in the accounts for 2017-18, and is £10k less than previously disclosed.

15. INVESTMENT PROPERTIES

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

	2016/17 £000	2017/18 £000
Rental income from investment property	(556)	(512)
Direct operating expenses arising from investment property	142	81
Subtotal net (gain) / loss	**(414)**	**(431)**
Net (gains) / losses from fair value adjustments	(138)	107
Total income & expenditure in relation to investment properties & change in fair value	**(552)**	**(324)**

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:

	2016/17 £000	2017/18 £000
Balance at start of year	**7,696**	**7,131**
Additions	0	0
Disposals	(587)	(105)
Net gains / (losses) from fair value adjustments	137	(108)
Other changes	(115)	0
Balance at end of year	**7,131**	**6,918**

Valuation Techniques Used to Determine Fair Values for Investment Property

The fair value hierarchy is explained in the Accounting Policies Note 1 xix. Level 2 has been used for investment property which uses a market approach taking into account similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields and the covenant strength for existing tenants. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to properties being categorised as level 2 on the fair value hierarchy.

16. INTANGIBLE ASSETS

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

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

	2016/17 £000	2017/18 £000
Balance at start of year:		
Gross carrying amount	517	517
Accumulated amortisation	(418)	(454)
Net carrying amount at start of year	**99**	**63**
Purchases	36	18
Non-enhancing expenditure written out	(36)	(18)
Amortisation for the period	(36)	(25)
Net carrying amount at year end	**63**	**38**

Comprising:

	2016/17 £000	2017/18 £000
Balance at end of year:		
Gross carrying amount	517	517
Accumulated amortisation	(454)	(479)
Net carrying amount at year end	**63**	**38**

17. 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 hierarchy is described in the accounting policies note 3 para. xix. The individual methods used are described below.

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

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

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

Categories of Financial Instruments

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

	Long - Term				Current	
	31 March 2017		31 March 2018		31 March 2017	31 March 2018
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Carrying Amount
	£000	£000	£000	£000	£000	£000
Cash					**3,748**	**2,036**
Investments						
Loans and receivables	359	359	359	359	21,069	21,052
Total	**359**	**359**	**359**	**359**	**21,069**	**21,052**
Debtors						
Loans and receivables	305	305	275	275		
Financial assets carried at contract amount					1,736	2,088
Total	**305**	**305**	**275**	**275**	**1,736**	**2,088**
Borrowings						
Financial liabilities at amortised amount	9,836	14,556	9,833	14,200	44	43
Total	**9,836**	**14,556**	**9,833**	**14,200**	**44**	**43**
Creditors						
Financial liabilities carried at contract amount					1,671	1,269
Total					**1,671**	**1,269**

Long Term Debtors

	31 March 2017 £000	31 March 2018 £000
Mortgages on right to buy sales	2	2
Other housing advances	0	0
Leisure in Hyndburn Ltd	87	66
Car loans to employees	52	37
Employee scheme to purchase home technology equipment	3	7
Placefirst Ltd	161	163
Total	**305**	**275**

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 £74k (loan 1 £44k; loan 2 £30k) repayable by monthly instalments ending in December 2020.

	2016/17 £000	2017/18 £000
Opening balance 1st April	**107**	**87**
Nominal value of new loans granted in year	0	0
Loans repaid	(27)	(27)
Other changes	7	6
Closing balance at end of year	**87**	**66**
Nominal value at 31st March	**100**	**74**

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 12 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%.

	2016/17 £000	2017/18 £000
Opening balance 1st April	105	79
Nominal value of new loans granted in year	21	19
Loans repaid	(54)	(46)
Other changes – Interest Charged	7	6
Closing balance at end of year 31st March	**79**	**58**

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.

		31st March 2017		31st March 2018	
Equity Share Loans	**Year**	**No. of Loans**	**Value of Loans (£)**	**No. of Loans**	**Value of Loans (£)**
	06/07	16	508,628	16	507,308
	07/08	13	402,900	12	365,330
	08/09	9	279,700	9	275,460
Total		**38**	1,191,228	**37**	**1,148,098**
Purchase Assistance Loans	**Year**	**31st March 2017 No. of Loans**	**Value of Loans (£)**	**31st March 2018 No. of Loans**	**Value of Loans (£)**
	09/10	3	37,220	3	37,220
	10/11	3	65,450	3	65,450
	11/12	1	30,000	1	30,000
Total		**7**	**132,670**	**7**	**132,670**

Borrowing

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

- Interest rates at 31st March 2018 based on comparable new borrowing / deposit rate for the same financial instrument from a comparable lender. A consistent approach has been taken to assets and liabilities.
- No early repayment or impairment is recognised
- Where an instrument will mature in the next twelve months, the carrying amount is assumed to approximate to fair value

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

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

Summary as at 31st March 2017	Principal Out-standing £000	Accrued Interest to 31 Mar £000	Adjustment: Effective Int. Rate Smoothing £000	Carrying Value TOTAL £000	Fair Value Total £000
Long Term Borrowing					
Money Market	9,520	34	207	9,761	14,481
Individuals	75			75	75
Total	**9,595**	**34**	**207**	**9,836**	**14,556**
Short Term Borrowing					
Money Market					
Money Market (L/T Loan)		44		44	45
Total		44		44	45
Total Borrowing					
Money Market	9,520	78	207	9,805	14,526
Individuals	75			75	75
Total	**9,595**	**78**	**207**	**9,880**	**14,601**

Summary as at 31st March 2018	Principal Outstanding £000	Accrued Interest to 31 Mar £000	Adjustment: Effective Int. Rate Smoothing £000	Carrying Value TOTAL £000	Fair Value Total £000
Long Term Borrowing					
Money Market	9,520	35	203	9,758	14,125
Individuals	75			75	75
Total	**9,595**	**35**	**203**	**9,833**	**14,200**
Short Term Borrowing					
Money Market					
Money Market (L/T Loan)		43		43	45
Total		**43**		**43**	**45**
Total Borrowing					
Money Market	9,520	78	203	9,801	14,170
Individuals	75			75	75
Total	**9,595**	**78**	**203**	**9,876**	**14,245**

18. INVENTORIES

	31st March 2017 £000	31st March 2018 £000
General fund - stock	42	51
Work in progress	0	0
Total	**42**	**51**

19. DEBTORS

	31st March 2017 £000	31st March 2018 £000
Central government bodies	776	1,518
Other local authorities	185	167
Other entities and individuals	7,139	7,676
Prepayments	57	65
Sub total	**8,157**	**9,426**
Less impairment allowance for doubtful debts	(4,432)	(4,150)
Total	**3,725**	**5,276**

20. ASSETS HELD FOR SALE

	31st March 2017 £000	**31st March 2018 £000**
Balance outstanding at start of year	2,682	**3,187**
Assets newly classified as held for sale: Property Plant and Equipment	5	440
Assets declassified as held for sale: Property Plant and Equipment	0	(214)
Capital Expenditure	0	109
Write out non enhancing expenditure to I&E	0	(377)
Revaluation gains	500	1,426
Revaluation losses	0	(909)
Assets sold	0	(98)
Total	**3,187**	**3,564**

The total balance includes £1,616k classified as non-current assets. This represents land at Lyndon Playing Fields, Great Harwood which has a sale contract in place that will be invoked once individual housing plots are sold on the first section of land that was sold to the developer. This is not expected to happen in the next twelve months.

21. CASH AND CASH EQUIVALENTS

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

	31st March 2017 £000	31st March 2018 £000
Cash in hand	3	3
Short term deposits	3,693	1,737
Bank balance / (overdraft)	52	296
Total Cash and Cash Equivalents	**3,748**	**2,036**

22. CREDITORS

	31st March 2017 £000	31st March 2018 £000
Central government bodies	(2,616)	(2,608)
Other local authorities	(3,217)	(1,615)
Other entities and individuals	(2,090)	(1,751)
Total	**(7,923)**	**(5,974)**

23. PROVISIONS

Provisions Summary	Balance at 1st April 2017 £000	Additional provisions made in 2017/18 £000	Amounts used in 2017/18 £000	Unused amounts reversed in 2017/18 £000	Balance 31st March 2018 £000
Industrial units bonds deposits for leases	(11)	0	0	0	(11)
Insurance 'excess provision' for potential claims	(148)	(152)	148	0	(152)
ERDF potential claw back maintained until time barred	(99)	0	0	0	(99)
Provision for potential claims not able to be paid by Municipal Mutual Insurance Ltd following their financial difficulties	(31)	0	0	0	(31)
Provision for repayment of taxi licence fees incorrectly charged	(14)	0	7	7	0
Provision for appeals of non-domestic rates	(1,435)	(276)	229	0	(1,482)
Other	(23)	0	0	0	(23)
Future Costs of Cessation of Service Provision	0	(108)	0	0	(108)
Total Provisions	**(1,761)**	**(536)**	**384**	**7**	**(1,906)**

24. USABLE RESERVES

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

25. UNUSABLE RESERVES

	31st March 2017 £000	31st March 2018 £000
Revaluation Reserve	15,935	16,063
Capital Adjustment Account	13,455	12,446
Financial Instruments Adjustment Account	(220)	(212)
Deferred Capital Receipts Reserve	2	2
Pensions Reserve	(44,209)	(38,796)
Collection Fund Adjustment Account	998	287
Accumulated Absences Account	(118)	(121)
Total Unusable Reserves	**(14,157)**	**(10,331)**

Revaluation Reserve

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

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

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

	2016/17 £000	2017/18 £000
Balance at 1st April	15,370	15,935
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		
Upward revaluation of assets	1,398	1,450
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of services	(388)	(920)
Sub-total	1,010	530
Amount written out of reserve due to reclassification of surplus assets to investment properties		
Amount written off to the Capital Adjustment Account		
Difference between fair value depreciation and historical cost depreciation	(359)	(361)
Accumulated gains on assets sold or scrapped	(86)	(41)
Sub-total	(445)	(402)
Balance at end of year	**15,935**	**16,063**

Capital Adjustment Account

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

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

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

	2016/17 £000	2017/18 £000
Balance at 1st April	14,710	13,455
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and impairment of non-current assets	(1,208)	(1,156)
Revaluation losses on Property, Plant and Equipment	(1,766)	(1,304)
Amortisation of intangible assets	(36)	(25)
Revenue expenditure funded from capital under statute	(1,795)	(2,336)
Non-current assets written off as part of the gain / loss on disposal of assets	(1,143)	(446)
Sub-total	(5,948)	(5,267)
Capital financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	70	223
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,140	1,416
Application of grants to capital financing from the Capital grants Unapplied Account	931	25
Accumulated gains on assets sold or scrapped		
Minimum Revenue Provision	542	532
Capital Expenditure Charged Against Revenue Account	1,428	1,768
Sub-total	4,111	3,964
Adjusting amounts written out of the Revaluation Reserve	444	402
Movements in the market value of Investment Properties charged against the Comprehensive Income and Expenditure Statement	138	(108)
Balance at end of year	**13,455**	**12,446**

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.

	2016/17 £000	2017/18 £000
Balance at 1st April	**(230)**	**(220)**
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure statement	(4)	(6)
Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	14	14
Sub total 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	**10**	**8**
Balance at end of year	**(220)**	**(212)**

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.

	2016/17 £000	2017/18 £000
Balance at 1st April	(38,478)	(44,209)
Actuarial gains or (losses) on pension assets and liabilities	(5,191)	6,328
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	(3,002)	(3,345)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,462	2,430
Balance at 31 March	**(44,209)**	**(38,796)**

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.

	2016/17 £000	2017/18 £000
Balance at 1st April	448	998
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	550	(711)
Balance at end of year	**998**	**287**

Accumulated Absences Account

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

	2016/17 £000	2017/18 £000
Balance at 1st April	(124)	(118)
Settlement or cancellation of accrual made at the end of the preceding year	124	118
Amounts accrued at the end of the current year	(118)	(121)
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	(3)
Balance at end of year	**(118)**	**(121)**

26. CASHFLOW STATEMENT – ADJUSTMENT FOR NON-CASH MOVEMENTS

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

	2016/17 £000	2017/18 £000
Depreciation	(1,208)	(1,156)
Impairment & downward valuations	(1,766)	(1,304)
Amortisation	(36)	(26)
(Increase)/ decrease in impairment provision for bad debts	(140)	(58)
(Increase)/decrease in creditors	850	3,019
Increase/(decrease) in debtors	40	975
Increase/(decrease) in stock	1	9
Pension liability	(540)	(915)
Carrying amount of non-current asset disposals	(1,143)	(446)
Other non-cash items charged to the net surplus or deficit on the provision of services	599	399
	(3,343)	**497**

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

	2016/17 £000	2017/18 £000
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	862	1,228
	862	**1,228**

27. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2016/17 £000	2017/18 £000
Interest received	(149)	(131)
Interest paid	448	450

28. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2016/17 £000	2017/18 £000
Purchase of property, plant and equipment, investment property and intangible assets	1,562	1,394
Purchase of short term and long term investments	18,000	20,000
Other payments for investing activities	173	153
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(863)	(884)
Proceeds from short term and long term investments	(20,000)	(20,000)
Other receipts from investing activities	(883)	(438)
Net cash flows from investing activities	**(2,011)**	**225**

29. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2016/17 £000	2017/18 £000
Cash receipts of short - and long – term borrowing	0	0
Other receipts from financing activities	0	(1,491)
Cash payments for the reduction of outstanding liabilities relating to finance leases and on balance sheet PFI contracts	124	134
Repayments of short – and long – term borrowing	0	0
Other payments for financing activities	888	0
Net cash flows from financing activities	**1,012**	**(1,357)**

30. TRADING OPERATIONS

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

	2016/17			2017/18		
	Income	Expenditure	(Surplus) / Deficit	Income	Expenditure	(Surplus) / Deficit
	£000	£000	£000	£000	£000	£000
MOT / Stores / Depot	(1,125)	1,320	195	(1,032)	1,365	333
Markets	(443)	429	(14)	(376)	463	87
TOTAL	**(1,568)**	**1,749**	**181**	**(1,408)**	**1,828**	**420**

31. MEMBERS ALLOWANCES

The Council paid £287,783 to members of the Council during the year; in 2016/17 it paid £283,440.

32. OFFICERS REMUNERATION

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

Post Holder Information	Salary, Fees & Allowances	Expense Allowances	Benefits in Kind	Sub - Total	Employer Pension Contributions	Total Remuneration
	£	£	£	£	£	£
Chief Executive						
2016/17	118,222	191	2,839	121,252	14,910	136,162
2017/18	120,015	171	7,916	128,102	18,286	146,388
Deputy Chief Exec						
2016/17	95,726	96	5,836	101,658	12,061	113,719
2017/18	95,899	119	3,838	99,856	14,793	114,649
Exec Director (Legal & Democratic)						
2016/17	74,080	64	9,975	84,119	8,582	92,701
2017/18	78,620	62	9,610	88,292	11,068	99,360
Head of Planning & Transport						
2016/17	57,643	153		57,796	7,229	65,025
2017/18	59,090	212		59,302	8,851	68,153
Head of Housing & Regeneration						
2016/17	57,278	169	4,197	61,644	7,217	68,861
2017/18	57,851	100	4,744	62,695	8,851	71,546
Head of Environmental Services						
2016/17	55,709	76		55,785	6,890	62,675
2017/18	57,753	1,329		59,082	8,650	67,732
Head of Accountancy Services						
2016/17	53,692	212		53,904	6,620	60,524
2017/18	54,217	22		54,239	8,106	62,345
Head of Benefits, Revenues & Customer Contact						
2016/17	52,453	195	4,500	57,148	6,620	63,768
2017/18	52,978	126	5,264	58,368	8,106	66,474
Deputy Head of Environmental Services						
2016/17	51,912	173	3,226	55,311	6,513	61,824
2017/18	52,978	464	3,523	56,965	8,106	65,071

The 2016/17 Employer Pension Contributions and Total Remuneration have been restated to reflect the Primary % contribution rate of 12.6%. The rate previously reported of 28% included the Secondary % contribution rate of 15.4%. This Secondary rate cost is part of the overall pension deficit recovery charge and is not specific to existing employees.

With effect from the 1st April 2017, following the latest tri-annual review of the scheme in April 2016, the Councils rates of contribution are 15.3% for existing officers (Primary) and 12.7% for deficit recovery purposes (Secondary). The reduced Secondary rate reflects the overall improvement of the Pensions Funding Position which has increased from 80% in April 2013 to 91% in April 2016.

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

Remuneration	2016/17	2017/18
£50,000 - £54,999	2	3
£55,000 - £59,999	4	4
£60,000 - £64,999	1	1
£65,000 - £69,999		
£70,000 - £74,999		
£75,000 - £79,999		
£80,000 - £84,999	1	
£85,000 - £89,999		1
£90,000 - £94,999		
£95,000 - £99,999		1
£100,000 - £104,999	1	
£105,000 - £109,999		
£110,000 - £114,999		
£115,000 - £119,999		
£120,000 - £124,999	1	
£125,000 - £129,999		1

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 (£)	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0 - £20,000			2	7	2	7	18,037	83,598
£20,001 – £40,000			2	1	2	1	59,819	
£40,001 – £60,000			1		1		52,267	43,483
Total			**5**	**8**	**5**	**8**	**130,123**	**127,081**

The cost of exit packages charged to the CIES in 2017/18 is £127k.

33. EXTERNAL AUDIT COSTS

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

	2016/17 £000	2017/18 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	50	50
Fees payable for the certification of grant claims and returns	6	6
Public Sector Audit Appointments (PSAA) rebate	0	(7)
Total	**56**	**49**

The figures above include a refund of £6,970 in 2017/18 from the dissolution of the Audit Commission and £2,900 for the separate audit of the Group Accounts.

34. GRANT INCOME

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

	2016/17 £000	2017/18 £000
Credited to Taxation and Non Specific Grants		
Revenue Support Grant	3,159	2,446
Small Business & Empty Property Rate Relief Grant	588	1,069
New Homes Bonus Grant	639	378
Other	8	8
Sub-Total	**4,394**	**3,901**
Credited to Services		
Housing benefit / Rent allowance subsidy	26,163	25,041
Housing benefit and council tax administration grant	387	352
Other housing benefit grant	405	430
Disabled facilities grant	533	643
Accommodation based domestic abuse grant	0	90
Grants to support homelessness	61	130
Lottery grants	107	316
New Homes Bonus Grant	0	177
Huncoat housing zone grant	0	224
Other grants	69	124
Sub-Total	**27,725**	**27,527**
Total	**32,119**	**31,428**

35. RELATED PARTIES

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

Central Government

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

Other Public Bodies

Precept payments to Lancashire County Council, Lancashire Fire Authority and Lancashire Police and Crime Commissioner are shown in the Collection Fund, while the total precepts paid to Parish Councils are shown in note 8. Details of payments to the Pension Fund are shown in note 38.

Members & Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of member allowances paid in 2017-18 is shown in note 31.

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

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

Entities Influenced by the Council

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 31st March 2018 (£351k at 31st March 2017). No payments were made or received during 17/18 (£0 16/17).

The Council received a payment of £85,000 from them in 2017/18 as part of an overage agreement for a land transaction dating back to 2002.

Barnfield and Hyndburn Development Partnership undertake 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 2017 when they recorded a loss of £293,291 (Dec 2016 loss of £32,395); they had net liabilities of £166,652 (Dec 2016 net assets £126,640).

Barnfield and Hyndburn Ltd also undertake 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 2017 when they recorded a profit of £115,781 (Dec 2016 profit of £217,855); they had net assets of £1,679,306 (Dec 2016 net assets £1,563,525).

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 2017/18 the Council made payments to the Trust totalling £378,146 (£470,551 in 2016/17) of which £285,293 (£338,864 in 2016/17) was a management fee. The Council received payments from the Trust totalling £1,488,009 (£1,397,063 in 2016/17) for services provided by the Council and other recharges. At 31 March 2018 the Council owed the Trust £0 (£0 in 2016/17) and was owed £399,095 (£361,926 in 2016/17). The Council also has two loans with the Trust at 31 March 2018 reported in long-term debtors; details are disclosed in note 17 Financial Instruments. The Trust is deemed to be influenced by the Council through its representation (one member) on the Trust Board.

36. CAPITAL EXPENDITURE AND 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.

	2016/17 £000	2017/18 £000
Opening Capital Financing Requirement	10,702	10,184
Capital Investment		
Property, Plant and Equipment	1,725	1,286
Heritage Assets	42	0
Investment Property	0	0
Intangible Assets	36	18
Assets Held for Sale	0	109
Revenue Expenditure Funded from Capital under Statute	1,795	2,336
Sources of Finance		
Capital Receipts	(70)	(223)
Government grants and other contributions	(2,071)	(1,441)
Direct revenue contributions	(1,428)	(1,768)
Minimum Revenue Provision/Long-term liabilities	(547)	(533)
Closing Capital Financing Requirement	10,184	9,968
Explanation of Movement in Year		
Assets acquired under finance leases	29	317
Minimum Revenue Provision	(541)	(533)
Finance leases asset disposals	(6)	0
Change in Capital Financing Requirement	(518)	(216)

37. LEASES

Authority as Lessee: Finance Leases

The Council has acquired a number of vehicles and items of equipment under finance leases. They have a net value of £151k in 2016/17 and £337k in 2017/18.

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

Finance lease liabilities (NPV of minimum lease payments)	2016/17 £000	2017/18 £000
Current	43	136
Non-Current	108	201
Finance costs payable in future years	18	36
Minimum lease payments	**169**	**373**

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

	2016/17 £000	2017/18 £000
Not later than one year	48	148
Later than one year and not later than five years	117	225
Later than five years	4	0
Minimum lease payments	**169**	**373**

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:

	2016/17 £000	2017/18 £000
Not later than one year	0	0
Later than one year and not later than five years	6	4
Later than five years	0	0
Minimum lease payments	**6**	**4**

38. DEFINED BENEFIT PENSION SCHEMES

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

The Council participates in the Local Government Pension Scheme (LGPS) which is administered by Lancashire County Council. This is a funded defined benefit final salary scheme, 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, and is governed by statute (principally now the LGPS Regulations 2013).

Transactions Relating to Post-employment Benefits

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

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

	Local Government Pension Scheme	
	2016/17 £000	2017/18 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current service cost	1,550	2,172
Curtailments	116	66
Administration cost	33	32
Financing and Investment Income and Expenditure		
Net interest expense	1,303	1,075
Total post employment benefit charged to the Surplus or Deficit on the Provision of Services	**3,002**	**3,345**
Other Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services		
Return on plan assets (excluding the amount included in the net interest expense)	(14,649)	(1,164)
Other Remeasurement of assets	801	0
Actuarial (Gains) and Losses arising on changes in demographic assumptions	(1,132)	0
Actuarial (Gains) and Losses arising on changes in financial assumptions	26,506	(5,164)
Experience (gain) / loss	(6,335)	0
Total Remeasurements recognised in other comprehensive expenditure	**5,191**	**(6,328)**
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	**8,193**	**(2,983)**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the code	(3,002)	(3,345)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	2,462	2,430

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	
	2016/17	2017/18
	£000	£000
Present value of the defined benefit obligation	152,128	148,109
Fair value of plan assets	(107,919)	(109,313)
Sub-total	44,209	38,796
Other movements in the liability (asset)	0	0
Net liability arising from defined benefit obligation	**44,209**	**38,796**

Reconciliation of the Movements in the Fair Value of Plan Assets

	Local Government Pension Scheme	
	2016/17	2017/18
	£000	£000
Opening fair value of scheme assets	93,149	107,919
Interest income	3,221	2,668
Remeasurement gain / (loss)		
The return on plan assets, excluding the amount included in the net interest expense	14,649	1,164
Administration costs	(33)	(32)
Other remeasurement of assets	(801)	0
Contributions from employer	2,462	2,430
Contributions from employees paid into the scheme	436	419
Benefits paid	(5,164)	(5,255)
Closing fair value of scheme assets	**107,919**	**109,313**

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

	Local Government Pension Scheme	
	2016/17	2017/18
	£000	£000
Opening Balance at 1 April	131,627	152,128
Current service cost	1,550	2,172
Interest cost	4,524	3,743
Contributions by scheme participants	436	419
Remeasurement (gains) and losses:		
Actuarial gains and losses arising from changes in demographic assumptions	(1,132)	0
Actuarial gains and losses arising from changes in financial assumptions	26,506	(5,164)
Other	(6,335)	0
Past service costs / gains		
Losses / (gains) on curtailments	116	66
Benefits paid	(5,164)	(5,255)
Closing Balance	**152,128**	**148,109**

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets 2016/17 £000	2017/18 £000
Cash and cash equivalents	**1,120**	**(457)**
Bonds		
By sector		
corporate	1,772	1,921
government	2,136	2,714
Sub total bonds	**3,908**	**4,635**
Property		
By type		
Retail	4,653	3,006
Commercial	4,856	7,274
Sub total property	**9,509**	**10,280**
Private Equity		
UK	1,223	0
Overseas	53,432	56,503
Sub-total private equity	**54,655**	**56,503**
Other investment funds		
Infrastructure	13,022	13,853
Credit funds	24,183	20,142
Property	1,522	1,660
Pooled fixed income	0	2,697
Sub-total other investment funds	**38,727**	**38,352**
Total Assets	**107,919**	**109,313**

Basis for Estimating Assets and Liabilities

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

The Local Government Pension Scheme has been estimated by Mercer Limited, an independent firm of actuaries, estimates for the County Council Fund are based on the latest full valuation of the scheme as at 31st March 2016.

The significant assumptions used by the actuary have been:

Local Government Pension Scheme	2016/17	2017/18
Mortality Assumptions	Years	Years
Longevity at 65 for current pensioners		
men	22.6	22.7
women	25.2	25.4
Longevity at 65 for future pensioners		
men	24.9	25.0
women	27.9	28.0
	%	
Rate of inflation	2.3	2.1
Rate of increase in salaries	3.8	3.6
rate of increase in pensions	2.3	2.2
Rate for discounting scheme liabilities	2.5	2.6

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

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

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

Impact on the defined benefit obligation in the scheme

	Decrease in assumption £000	Increase in assumption £000
Longevity (increase or decrease in one year)	(3,046)	3,046
Rate of inflation (increase or decrease by 0.1%)	(2,344)	2,344
Rate of increase in salaries (increase or decrease by 0.1%)	(321)	321
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	2,307	(2,307)

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 16 years during the April 2016 triennial valuation. Funding levels are monitored on an annual basis.

The authority anticipates paying £1.902m contributions to the scheme in 2018/19.

The weighted average duration of the defined benefit obligation for scheme members is 16 years (16 years in 2016/17).

39. CONTINGENT LIABILITIES

At 31st 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 (LSVT) of 30th March 2006 and the terms of the housing stock transfer related agreement of the same date, subject to the respective limitations and obligations in the agreement. Initially the agreement was with Hyndburn Homes Ltd of Contour Housing Group, subsequently Contour Housing amalgamated with Vicinity Housing Group to form Onward Housing Group (previously Symphony Housing Group).

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

- Taken out Environmental Site Liability Insurance up to £20m, via a single premium, from the period 25th July 2007, which has been renewed in 2017/18 to the 24th July 2027
- Established a reserve for LSVT related Environmental Warranties which is increased by £250k per annum up to and including 2017/18. The balance in the reserve is £3.016m as at 31st March 2018.

Business Rates Appeals

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

40. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

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

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

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

Credit Risk

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

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

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

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

	Amount at 31st March 2018	Historical experience of default	Historical experience adjusted for market conditions	Estimated Maximum Exposure to Default and uncollectability
	£000	%	%	£000
Banks & Building Societies	1,735	0	0	0
Other Local Authorities & Govt Bodies	21,000	0	0	0
Other Customers	1,638	2.7	2.7	44
Total	**24,373**			**44**

The Council does not generally allow credit for its sundry debtors. The sundry debtors outstanding which are past their due date for payment at 31st March 2018 can be analysed by age as shown in the table below.

Aged Sundry Debt – 31st March 2018	£000
Less than 30 days	295
30 days to 59 days	85
60 days to 89 days	130
90 days to 119 days	18
120 + days	555
Total	**1,083**

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	31st March 2017 £000	31st March 2018 £000
Less than one year	4,243	4,343
Between 1 and 2 years	82	178
Between 2 and 5 years	35	47
Between 5 and 10 years	4	0
10 years and above	5,400	5,400
Total	9,764	9,968

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

£2.6m 31 July 2042

£1.52m 25 November 2054

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

Market Risk

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

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

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

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

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

Sensitivity to 1% increase in interest Rates		
	(Received)/ Paid in Year £000	+ 1% Increase £000
Increase in interest payable on short term borrowings	0	0
Increase in interest receivable on short term investments	(102)	(331)
Impact on surplus or deficit on the provision of services	**(102)**	**(331)**
Increase (decrease) in fair value of fixed rate investments (fixed term deposits)	0	0
Impact on other comprehensive income and expenditure	**(102)**	**(331)**
Borrowing Liabilities		
LOBO's (fixed rate)	243	0
LOBO's (variable)	196	41
	439	**41**

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

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

Foreign Exchange Risk
The Council has no financial assets or liabilities denominated in foreign currencies and thus 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.

2016/17 Business Rates £00	2016/17 Council Tax £000	2016/17 Total £000	Income & Expenditure Account	2017/18 Business Rates £000	2017/18 Council Tax £000	2017/18 Total £000
			Income			
	(34,609)	(34,609)	Income from Council Tax		(36,216)	(36,216)
(23,394)		(23,394)	Business rates	(19,885)		(19,885)
(23,394)	**(34,609)**	**(58,003)**	**Gross Income**	**(19,885)**	**(36,216)**	**(56,101)**
			Expenditure			
			Apportionment of previous year's (surplus)/ deficit:			
(55)		(55)	Central Government	883		883
(10)	2,312	2,302	Lancashire County Council	159	1,971	2,130
0	325	325	Lancashire Police & Crime Commissioner		272	272
(1)	133	132	Lancashire Combined Fire Authority	18	110	128
(44)	472	428	Hyndburn Borough Council	707	387	1,094
(110)	3,242	3,132		1,767	2,740	4,507
			Precepts and Demands:			
9,785		9,785	Central Government	8,419		8,419
1,761	22,427	24,188	Lancashire County Council	1,516	24,675	26,191
0	3,097	3,097	Lancashire Police & Crime Commissioner	0	3,342	3,342
196	1,250	1,446	Lancashire Combined Fire Authority	168	1,323	1,491
7,828	4,412	12,240	Hyndburn Borough Council	6,736	4,769	11,505
19,570	31,186	50,756		16,839	34,109	50,948
			Charges to the Collection Fund:			
130		130	Cost of collection	126		126
(21)		(21)	Transitional Payment Protection	1,826		1,826
879	723	1,602	Write offs	1,145	270	1,415
527	100	627	Increase/(decrease) in bad debt provision	(653)	482	(171)
1,040		1,040	Increase in provision for appeals	691		691
(258)		(258)	Settlement of Appeals	(573)		(573)
2,297	823	3,120		2,562	752	3,314
21,757	**35,251**	**57,008**	**Gross Expenditure**	**21,168**	**37,601**	**58,769**
(1,637)	642	(995)	(Surplus)/deficit for year	1,283	1,385	2,668
172	(3,565)	(3,393)	(Surplus)/deficit as at 1st April b/f	(1,465)	(2,923)	(4,388)
(1,465)	**(2,923)**	**(4,388)**	**(Surplus)/deficit as at 31st March c/f**	**(182)**	**(1,538)**	**(1,720)**

Non-Domestic Rates (NDR)

NDR is the business rate and is organised on a national basis. The government specifies an amount for standard businesses (47.9p in 2017/18 and 49.7p in 2016/17) and an amount for qualifying small businesses (46.6p in 2017/18 and 48.4p in 2016/17). These national multipliers are, subject to the effects of transitionary arrangements, used to calculate local businesses pay rates by multiplying the amount by their rateable value.

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

The Council's total non-domestic rateable value at the end of the financial year 2017/18 was £55.55m and £59.61m for 2016/17. This reduction follows a country-wide rating revaluation which took effect from 1st April 2017.

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.

Band	Number of Dwellings	Discount	Factor	Band D Equivalent Whole Numbers
AA	35	3	5/9	18
A	16,977	2,712	6/9	9,510
B	4,944	485	7/9	3,468
C	5,142	375	8/9	4,237
D	2,557	142	9/9	2,415
E	819	47	11/9	943
F	263	16	13/9	357
G	166	17	15/9	248
H	5	1	18/9	8
			Total	21,204
			% Collection Rate	95.25
			Tax Base	20,197

Surpluses and Deficits

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

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

LANCASHIRE BUSINESS RATES POOL

The Council is part of the Lancashire Business Rates Pool which began on 1st April 2016. In a Business Rate Pool, tariffs, top-ups, levies and safety nets can be combined. This can result in a significantly lower levy rate or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government.

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

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

With regard to Hyndburn BC, the retained levy would be £432,570, hence under pooling the Council has benefited from extra income of £389,313. Lancashire County Council has received the remaining 10% of retained levy.

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

In the Lancashire Business Rates Pool each council bears its own risk and takes its own risk and takes its own reward under the pool agreement i.e. no sharing of a volatility reserve.

Below is a summary of the Lancashire Business Rates Pool members and relevant transactions.

Lancashire Business Rates Pool Members 2017/18	Authority Type	Tariffs and Top-ups 2017/18 £	Retained Levy on Growth 2017/18 £	10% Retained Levy Payable to / receivable by LCC £	Net Retained Levy 2017/18 £
Chorley Borough Council	Tariff	6,073,147	-843,563	84,356	-759,207
Fylde Borough Council	Tariff	7,565,517	-664,723	66,472	-598,251
Hyndburn Borough Council	Tariff	3,706,620	-432,570	43,257	-389,313
Pendle Borough Council	Tariff	3,164,521	-518,196	51,820	-466,376
Ribble Valley Borough Council	Tariff	4,026,300	-661,344	66,134	-595,210
Rossendale Borough Council	Tariff	2,534,068	-518,640	51,864	-466,776
South Ribble Borough Council	Tariff	9,644,242	-1,236,560	123,656	-1,112,904
West Lancashire Borough Council	Tariff	8,123,116	-669,688	66,969	-602,719
Wyre Borough Council	Tariff	6,385,329	-466,171	46,617	-419,554
Lancashire County Council (LCC)	Top-up	-147,643,257	0	-601,145	-601,145
Pool Total		-96,420,397	-6,011,455	0	-6,011,455
Central Government		96,420,397	0	0	0
Total		**0**	**-6,011,455**	**0**	**-6,011,455**

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

Group Accounts 2017/18

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 2018 represent the consolidation of the balances and transactions of the Council and its Associates.

Barnfield & Hyndburn Partnership

This is a partnership governed by the Partnership Act 1890 and its business is property development. The two partners are Hyndburn Council and Barnfield Construction (UK) Ltd. with a 30% and 70% stake respectively. The business address is Kenyon Road, Lomeshaye Industrial Estate, Nelson, Lancashire BB9 5SP.

Barnfield and Hyndburn Ltd.

This is a company as defined under the Companies Act 1985 and 2006. Barnfield Construction (UK) Ltd. and Hyndburn Council have 70% and 30% stakes respectively. The purpose of the company is property development and to regulate the operation of the Barnfield & Hyndburn Partnership which, in its present form, exposes the Council to unlimited legal liability around its operation. The business address is Kenyon Road, Lomeshaye Industrial Estate, Nelson, Lancashire BBP 5SP.

Globe Enterprise Ltd.

This is a company as defined under the Companies Act 1985 and 2006. There are three partners Barnfield Construction (UK) Ltd. Hyndburn Council and Mr and Mrs Nevison. Each owns one third of the company. The company was formed to develop Platts Mill at Scaitcliffe Lodge and subsequently to invest in and regenerate parts of Hyndburn. The business address is The Globe, Centre, St James Square, Accrington, Lancashire BB5 0RE.

All three associates have a financial year ending 31st December. The Council's year end is 31st March. Given that the dates are not more than three months apart, the associates' financial statements are adjusted for the effects of significant transactions and events which occur between the two dates.

GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	TOTAL USABLE RESERVES £000	UNUSABLE RESERVES £000	TOTAL AUTHORITY RESERVES £000	Authority's Share of Reserves of associates £000	TOTAL GROUP RESERVES £000
Balance as at 31st March 2016	12,995	4,010	1,222	18,227	(8,302)	9,925	1,518	11,443
Movement in Reserves during 2016/17								
Total Comprehensive Income and Expenditure	(1,332)	0	0	(1,332)	(4,182)	(5,514)	45	(5,469)
Adjustments between accounting basis and funding basis under regulations.	1,533	792	(652)	1,673	(1,673)	0		
Increase or decrease in 2016/17	201	792	(652)	341	(5,855)	(5,514)	45	(5,469)
Balance at 31 March 2017 carried forward	13,196	4,802	570	18,568	(14,157)	4,411	1,563	5,974

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	TOTAL USABLE RESERVES £000	UNUSABLE RESERVES £000	TOTAL AUTHORITY RESERVES £000	Authority's Share of Reserves of associates £000	TOTAL GROUP RESERVES £000
Balance as at 31st March 2017	13,196	4,802	570	18,568	(14,157)	4,411	1,563	5,974
Movement in Reserves during 2017/18								
Total Comprehensive Income and Expenditure	(1,118)	0	0	(1,118)	6,858	5,740	(7)	5,733
Adjustments between accounting basis and funding basis under regulations.	1,858	1,005	169	3,032	(3,032)	0	0	0
Increase or decrease in 2017/18	740	1,005	169	1,914	3,826	5,740	(7)	5,733
Balance at 31 March 2018 carried forward	13,936	5,807	739	20,482	(10,331)	10,151	1,556	11,707

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2016/17 HBC Net Expenditure £000	2016/17 Group Net Expenditure £000		Note	2017/18 HBC Net Expenditure £000	2017/18 Group Net Expenditure £000
426	426	Environmental Health		318	318
2,012	2,012	Waste Services		2,267	2,267
828	828	Parks & Cemeteries		886	886
1,129	1,129	Culture & Leisure		870	870
384	384	Planning & Transport		479	479
2,270	2,270	Regeneration & Property		2,261	2,261
6,048	6,048	Policy & Corporate Governance		5,968	5,968
13,097	13,097	**Cost of Services**		13,049	13,049
292	292	**Other Operating Expenditure**		(770)	(770)
1,212	1,212	**Financing and Investment Income and Expenditure**		1,492	1,492
(13,269)	(13,269)	**Taxation and Non-Specific Grant Income**		(12,653)	(12,653)
	(30)	Share of (Surplus) Deficit on Provision of Services by Associates			(4)
	(14)	Tax Expenses of Associates			20
1332	1288	**Group (Surplus) Deficit on Provision of Services**		1,118	1,134
(509)	(509)	(Surplus) / Deficit on revaluation of property, plant and equipment		(14)	(14)
0	0	Impairment Losses on non- current assets charged to Revaluation Reserve		0	0
(500)	(500)	(Surplus) / Deficit on revaluation on revaluation of available for sale financial assets		(516)	(516)
5,191	5,191	Re-measurement of the net defined benefit liability/ (asset)		(6,328)	(6,328)
0	0	Share of Other Comprehensive Income and Expenditure of Associates			
4,182	**4,182**	**Other Comprehensive Income and Expenditure**		**(6,858)**	**(6,858)**
5,514	**5,470**	**Total Comprehensive Income and Expenditure**		**(5,740)**	**(5,724)**

GROUP BALANCE SHEET

31st March 2017 £000	31st March 2017 £000		Note	31st March 2018 £000	31st March 2018 £000
HBC	Group			HBC	Group
24,205	24,205	Property, Plant & Equipment		22,981	22,981
4,500	4,500	Heritage Assets		4,490	4,490
7,131	7,131	Investment Property		6,918	6,918
64	64	Intangible Assets		38	38
0	0	Assets Held for Sale		1,616	1,616
35,900	35,900	Total Non-Current Assets		36,043	36,043
359	8	Long Term Investments		359	359
305	305	Long Term Debtors		275	275
	1,914	Investment in Associates	1		1,556
36,564	**38,127**	**LONG TERM ASSETS**		**36,677**	**38,233**
42	42	Inventories		51	51
3,725	3,725	Short Term Debtors		5,276	5,276
21,069	21,069	Short Term Investments		21,052	21,052
3,187	3,187	Assets Held for Sale		1,948	1,948
3,748	3,748	Cash & Cash Equivalents		2,036	2,036
31,771	**31,771**	**CURRENT ASSETS**		**30,363**	**30,363**
(44)	(44)	Short Term Borrowing		(43)	(43)
(7,923)	(7,923)	Short Term Creditors		(5,974)	(5,974)
0	0	Bank (overdraft)		0	0
0	0	Provisions current		0	0
(7,967)	**(7,967)**	**CURRENT LIABILITIES**		**(6,017)**	**(6,017)**
(9,836)	(9,836)	Long Term Borrowing		(9,833)	(9,833)
(1,761)	(1,761)	Provisions – Long Term		(1,906)	(1,906)
(151)	(151)	Deferred Liabilities: Finance Leases		(337)	(337)
(44,209)	(44,209)	Net Pensions Liability		(38,796)	(38,796)
(55,957)	**(55,957)**	**LONG TERM LIABILITIES**		**(50,872)**	**(50,872)**
4,411	**5,974**	**NET ASSETS**		**10,151**	**11,707**
		CAPITAL ACCOUNTS & RESERVES			
		Usable Reserves			
2,879	2,879	General Fund Balance Reserve		2,558	2,558
10,317	10,317	Earmarked Reserves		11,378	11,378
4,802	4,802	Usable Capital Receipts Reserve		5,807	5,807
570	570	Capital Grants Unapplied		739	739
	1,401	Retained Earnings	2		1,384
(14,157)	(13,995)	*Unusable Reserves and Accounts*		(10,331)	(10,159)
4,411	**5,974**	**TOTAL RESERVES AND BALANCES**		**10,151**	**11,707**

Notes to the Group Financial Statements

The Group figures for the Group CIES and the Group Balance Sheet are the same as the Authority single entity accounts on pages 22 to 26 except for the following notes.

1. Investment in Associates

The value of the Council's equity in the Associate companies
Globe Enterprises Ltd £1,177k (2016/17 £1,481k)
Other £379k (2016/17 £433k)
Total = £1,556k (2016/17 £1,914k)

This is shown in the table below:

	Share in Associate	**16/17**	**17/18**
1. Equity In Associates	**%**	**£000's**	**£000's**
Globe Enterprises Ltd	33.33	1,481	1,177
Barnfield & Hyndburn Ltd	30	470	504
Barnfield & Hyndburn Development Partnership	30	(37)	(125)
Total Value of Equity		**1,914**	**1,556**

2. Retained Earnings

The Council's share of Post -acquisition gains/losses in Associates
Globe Enterprises Ltd £1,119k (2016/17 £1,082k)
Other £265k (2016/17 £319k)
Total = £1,384k (2016/17 £1,401k)

This is shown in the table below:

	Share in Associate	**16/17**	**17/18**
2. Share of Retained Earnings	**%**	**£000's**	**£000's**
Globe Enterprises Ltd	33.33	1,082	1,119
Barnfield & Hyndburn Ltd	30	356	390
Barnfield & Hyndburn Development Partnership	30	(37)	(125)
Total Share of Retained Earnings		**1,401**	**1,384**

3. Group Cash Flow

The Group figures are the same as the single entity cash flow.