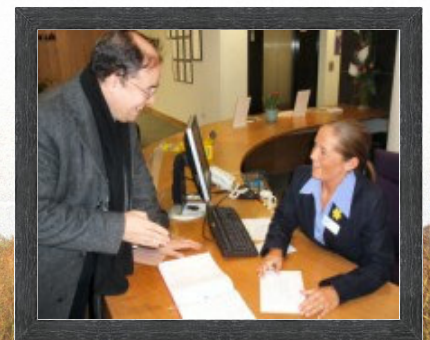


# South Ribble Borough Council STATEMENT OF ACCOUNTS YEAR ENDING 31 MARCH 2009



M. Nuttall BA (Hons) CPFA  
Corporate Director (Resources)



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# **SOUTH RIBBLE BOROUGH COUNCIL – STATEMENT OF ACCOUNTS 2008/09**

**Independent auditors' report to the Members of South Ribble Borough Council**

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I confirm that these accounts were approved by the Governance Committee at the meeting held on 30<sup>th</sup> June 2009

Signed on behalf of South Ribble Borough Council:

Chairman

Date

**EXPLANATORY FOREWORD****Introduction**

For the financial year 2008/09, the statements for South Ribble Borough Council (the Council) have been prepared in accordance with the requirements of the 2008 Code of Practice on Local Authority Accounting in the United Kingdom as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Statement of Accounts comprises:

- Page 2 - **Explanatory Foreword** – Provides a guide to the most significant matters reported in the accounts.
- Page 6 - **Statement of Responsibilities for the Statement of Accounts**– Summarises the responsibilities of the Council and Corporate Director (Resources) in relation to the Statement of Accounts.
- Page 11 - **Annual Governance Statement** – Explains the nature of control, any changes in control exercised throughout the accounting period and future plans to improve and strengthen the control environment.
- Page 19 - **Income and Expenditure Account** – Summarises the total net revenue expenditure incurred by the Council in the provision of services and demonstrates how that expenditure has been financed from government grants and income from local taxpayers. The account is structured in accordance with the Service Expenditure analysis requirements of the Best Value Accounting Code of Practice issued by CIPFA.
- Page 20 - **Statement of the Movement on the General Fund Balance** – Shows how the balance of resources generated and consumed in the year links in with statutory requirements for raising council tax.
- Page 21 - **The Balance Sheet** – Summarises the financial position of the Council and shows the value of the Council's assets and liabilities at the year end.
- Page 22 - **Statement of Total Recognised Gains and Losses** – Shows how the movement in net worth in the Balance Sheet is identified to the income and Expenditure Account surplus/deficit and to other unrealised gains and losses.
- Page 23 - **Cash Flow Statement** – Summarises the inflows and outflows of cash arising from the transactions with third parties for revenue and capital purposes.
- Page 24 - **Notes to the Main Financial Statements** – The purpose of the notes is to add to and interpret the content of the individual statements. They also provide the principles which are applied to the Council's transactions to produce the Statement of Accounts and further explanation or analysis where matters of financial significance cannot adequately be treated in the statements themselves.
- Page 53 - **Collection Fund Account** – Summarises the income received from Non-Domestic Rates and Council Tax and the way in which this has been distributed to precepting authorities and the Council's General Fund.

**EXPLANATORY FOREWORD**

**Financial Performance**

The Revenue Budget for 2008/09, as approved on 13 February 2008, was set at £14.937 million (including Parish Precepts of £0.232 million), and assumed a release from the General Reserve of £0.606 million

The Revised Budget, approved on 11 February 2009, forecast higher net expenditure, with net contributions from earmarked reserves of £0.376 million and a release from the General Reserve of £0.877 million.

The actual net expenditure of the Council for 2008/09 amounted to £15.083 million (including Parish Precepts of £0.232 million), with net contributions to Earmarked Reserves of £0.096 million and a transfer from the General Reserve of £0.146 million.

A breakdown of the Earmarked Reserves is shown in note 17 of the Notes to the Main Financial Statements.

The Table below sets out the Council's net expenditure for 2008/09 and its funding.

| <b><u>2008/09</u></b>  | <b>Original Estimate</b> | <b>Revised Estimate</b> | <b>Actual</b> | <b>Variance to Revised Estimate</b> |
|--|--------------------------|-------------------------|---------------|-------------------------------------|
|  | <b>£'000</b>             | <b>£'000</b>            | <b>£'000</b>  | <b>£'000</b>                        |
| Net Revenue Expenditure  | 15,276                   | 15,872                  | 14,683        | 1,189                               |
| Parish Council Precepts  | 232                      | 232                     | 232           | 0                                   |
| Capital Contribution   | 11                       | 86                      | 72            | 14                                  |
| Net additional amounts required*   | 24                       | (376)                   | 96            | (472)                               |
| <b>Net Expenditure to be met by Government Grant and Local Taxpayers</b> | <b>15,543</b>            | <b>15,814</b>           | <b>15,083</b> | <b>731</b>                          |
| Financed by:   |                          |                         |               |                                     |
| Revenue Support Grant/Business Rates                                     | 7,384                    | 7,384                   | 7,384         | 0                                   |
| Parish Council Precepts  | 232                      | 232                     | 232           | 0                                   |
| Precept on Collection Fund   | 7,321                    | 7,321                   | 7,321         | 0                                   |
| <b>Total Funding</b>   | <b>14,937</b>            | <b>14,937</b>           | <b>14,937</b> | <b>0</b>                            |
| <b>Reduction in General Fund Balance (Note 17)</b>                       | <b>(606)</b>             | <b>(877)</b>            | <b>(146)</b>  | <b>(731)</b>                        |

\* Net additional amounts required include contributions to and from earmarked reserves.

The services provided by the Council and the corresponding net expenditure are shown in the Income and Expenditure Account.

**Exceptional expenditure**

During the year the Council suffered an impairment charge of £1.294m in respect of investments in Icelandic Banks (note 14(d) refers). It was however able to take advantage of regulations permitting deferment of the impact until 2010/11, by which time the actual loss should be clearer, and allowance can be made in the Council's budget planning for future years.



**EXPLANATORY FOREWORD**

The main variances between the Revised Budget Estimate and the final outturn are provided below:

|  | £'000 | £'000          |
|--|-------|----------------|
| <b>Borough Council Net Budget Requirement (Revised Estimate)</b>   |       | <b>15,814</b>  |
| Higher Income Receivable:  |       |                |
| Housing Benefit Subsidy  | (192) |                |
| Local Authority Business Growth Improvement (LABGI).Grant          | (106) |                |
|  |       |                |
| Increased Court Cost Income  | (42)  |                |
| Increased Investment Interest                                      | (64)  |                |
|  |       |                |
| Lower Income:  |       |                |
| Planning Fees  | 91    |                |
|  |       |                |
| Lower Costs:   |       |                |
| Concessionary Travel Costs   | (307) |                |
| Employee Related Expenses  | (102) |                |
| Repairs and Maintenance  | (82)  |                |
| Transport Costs  | (79)  |                |
| Homelessness - Temporary Accommodation                             | (33)  |                |
| Grounds Maintenance Refurbishment                                  | (68)  |                |
|  |       |                |
| Increased Costs:   | 0     |                |
|  |       |                |
| Other (net)  | 27    |                |
|  |       |                |
| Revenue Budget underspend carried forward to 2009/10               | (232) |                |
|  |       |                |
| <b>Total Net savings</b>   |       | <b>(1,189)</b> |
| Reduced Capital Contributions                                      |       | (14)           |
| Increased contribution to Earmarked Reserves                       |       | 472            |
|  |       |                |
| <b>Reduction in charge to General Fund Balance</b>                 |       | <b>(731)</b>   |
|  |       |                |
| <b>Net expenditure met by Government Grant and Local Taxpayers</b> |       | <b>15,083</b>  |

**EXPLANATORY FOREWORD**

**Capital Expenditure and Borrowing**

Capital expenditure incurred by the Council totalled £3.414 million for 2008/09 and was spent on the following:

|   | <b>£'000</b>        |
|---|---------------------|
| Asset Management                              | 538                 |
| Housing Grants                                | 689                 |
| Other Grants                                  | 54                  |
| Information Technology                        | 432                 |
| Playgrounds, Recreation Areas and Open Spaces | 983                 |
| Regeneration                                  | 125                 |
| Vehicles, Plant and equipment                 | 497                 |
| <br>  |                     |
| Sub total                                     | 3,318               |
| <br>  |                     |
| Leisure centre assets                         | 96                  |
| <br>  |                     |
| <b>Total Capital Expenditure 2008/09</b>      | <b><u>3,414</u></b> |

The capital programme was funded by; grants and contributions (40%), deferred purchase (3%), borrowing (24%), capital receipts (3%), earmarked reserves (28%) and contributions from revenue (2%).

The Council had long term borrowing, at 31 March 2009 of £3.308 million, with the Public Works Loans Board. There was no borrowing taken out during the year.

**Council Tax and Business Rate Collection**

The in-year collection rates for Council Tax and Business Rates were 97.64% (97.98% in 2007/08) and 98.28% (98.7% in 2007/08) respectively.

Council Tax gross arrears at 31 March 2009 were £1.965 million which is £0.056 million (2.96%) higher than at 31 March 2008. Business Rates arrears at 31 March 2008 were £0.695 million which is a £0.034 million (4.93%) reduction above those at 31 March 2008.

**Pension Liability**

The accounts show that the Pension Fund liabilities exceed assets at 31 March 2009 by £20.6m ( 31 March 2008 £20.8m). This is an actuarially calculated figure explained in detail in note 11. This impacts on the Council through increases in the employer's contribution rate, from 16.5% in the year of account to 18.3% in 2010/11. These rates will next be reviewed when the fund is revalued, at 31/3/2010.

**Overall Financial Position of the Authority**

The financial position of the Council moving forward, and its ability to balance its budget, is becoming increasingly difficult. There still remains some risk in managing the budget and ensuring the continuity of resources to finance the Council's plans. The major future issue for the Council will be the consequences of the current global financial crisis and the need for the Council to prepare for more difficult financial circumstances affecting the whole public sector.

Some of the other key issues at hand include:

- The ability of the Authority to deliver the expected efficiency targets factored into the budget in 2009/10 and future years
- Proposals to change in the way concessionary travel is funded

**STATEMENT OF RESPONSIBILITIES**

The following responsibilities are placed upon the Council and the Corporate Director (Resources) in relation to the Council's financial affairs.

***The Council's Responsibilities***

The Council shall:

- ◆ 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 Council, that officer is the Corporate Director (Resources).
- ◆ manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ◆ approve the statement of accounts.

***The Corporate Director (Resources) Responsibilities***

As Corporate Director (Resources), I am responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA)/Local Authority (Scotland) Accounts Advisory Committee (LASAAC), Code of Practice on Local Authority accounting in Great Britain ('the SORP').

In preparing this statement of account, I have:

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

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.

***Further Information***

Because of statutory requirements, this Statement of Accounts deals mainly with the financial aspects of the Council's activities. Further details of services provided by the various departments of the Council are to be found in the Council's Performance Outturn Report, which is published as a companion document.

Further information about the accounts is available from the Shared Financial Services Team, Civic Centre, West Paddock, Leyland, Lancashire, PR25 1DH

I certify that the Statement of Accounts gives a true and fair view of the position of South Ribble Borough Council at the 31 March 2009 and its Income and Expenditure Account for the year ended 31 March 2009

M Nuttall

**Corporate Director (Resources)**

Date

**STATEMENT OF ACCOUNTING POLICIES****a. General Principles**

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: a Statement of Recommended Practice and the Best Value Accounting Code of Practice 2007, published by the Chartered Institute of Public Finance and Accountancy (CIPFA). These statements explain the policies used to ensure the Council's financial position is fairly presented.

**b. Accruals of Revenue Income and Expenditure**

The Income and Costs of the Council are accounted for in the period to which they relate, regardless of when the cash is paid/received. This is in accordance with FRS18.

**c. Provisions**

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the council becomes aware of the obligation, based on the best estimate of the likely settlement.

**d. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by charging amounts to the Statement of Movement on the General Fund Balance. When the expenditure is incurred, it is charged to the Income and Expenditure Account and the reserve is released back to the General Fund Balance.

**e. Government Grants and Contributions**

Revenue Grants and contributions are credited to income in the same period in which the revenue expenditure was charged.

Grants and other contributions relating to fixed assets are credited to a capital contributions deferred account and released to service accounts in line with depreciation.

**f. Retirement Benefits**

The Council has a defined benefits scheme, with Lancashire County Pension Fund, which is based on length of service and final pensionable pay. The contribution rate is determined periodically by a qualified actuary on a triennial basis. The last review was completed at 31 March 2007. Under Pension Fund Regulations the contribution rate is calculated at a level estimated to balance the pensions liabilities with investment assets.

Following full implementation of FRS17 '*Retirement Benefits*', the pension costs charged to the Net Cost of Services section of the Income and Expenditure Account reflect actual employer's contributions and the actuary's estimate of service performance during the financial year. These costs reflect the Council's commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

**STATEMENT OF ACCOUNTING POLICIES****g. VAT**

Value Added Tax is included in the accounts only to the extent that it is irrecoverable and therefore charged to service expenditure as appropriate.

**h. Overheads and Support Services**

All support service costs and overheads are fully allocated to the support service users, as defined by section 3 of the Best Value Accounting Code of Practice (BVACOP).

**i. Intangible Fixed Assets**

Expenditure on the acquisition of intangible assets (software licences) is capitalised on an accruals basis in the accounts. These assets are brought onto the balance sheet at cost and are amortised over the period benefit is received. Straight line amortisation has been adopted and it is assumed that residual value is insignificant or nil. Intangible assets are reviewed annually for impairment.

Any income derived from the sale of intangible assets is accounted for on an accruals basis. Gains and Losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

**j. Tangible Fixed Assets*****Recognition and measurement***

All expenditure on the acquisition, creation, or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on tangible assets is capitalised, provided it exceeds the 'de minimis' threshold of £5,000 and provides benefits to the Council for a period of more than one year.

Assets acquired under finance leasing are capitalised in the authority's accounts and included in the balance sheet on the basis of the outstanding obligation to make future rental payments.

Fixed assets are classified into the groupings required by the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* and are valued in the Consolidated Balance Sheet on the following bases:-

- ◆ Land, operational properties, and other operational assets are included in the balance sheet on the basis of existing use value.
- ◆ Specialised operational properties should be valued on the basis of depreciated replacement cost.
- ◆ Community assets up to 31 March 2005 were included in the Balance Sheet at a nominal value of £1 each, as details of original costs were unknown. Since April 2005, all new Community Assets have been included in the balance sheet at historical cost.
- ◆ Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet on the basis of market value.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

Revaluations of tangible fixed assets are planned at five yearly intervals as a minimum, although material changes to asset valuations will be adjusted in the interim period, as they occur.

**STATEMENT OF ACCOUNTING POLICIES**

**k. Tangible Fixed Assets (Continued)**

**Depreciation**

Depreciation is provided on all operational assets (excluding freehold land) on a straight line basis after deducting any residual value, over the periods displayed below. A full year's depreciation is charged in the year of acquisition. Assets are individually assessed within the categories listed. Revaluation gains are also depreciated.

|                    | <b>Useful Life of Asset (years)</b> |
|--------------------|-------------------------------------|
| Buildings          | 5 -70                               |
| Vehicles           | 3 -10                               |
| Computer equipment | 3 - 5                               |
| Other              | 3 -15                               |
| Intangible assets  | 3 - 5                               |

**Impairment**

A review for impairment of a fixed asset whether carried at historical cost or valuation is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. Examples of events and changes in circumstances that indicate an impairment may have incurred include:

- (i) a significant decline in a fixed asset's market value during the period
- (ii) evidence of obsolescence or physical damage to the fixed asset
- (iii) a significant adverse change in the statutory or other regulatory environment in which the authority operates
- (iv) a commitment by the authority to undertake a significant reorganisation.

**Disposal**

Capital receipts (Income) from the disposal of assets are accounted for on an accruals basis. The Council treats receipts of £10,000 or less as revenue income as required by legislation. and the balance of Capital receipts greater than £10,000 are retained in the Capital Receipts Reserve", and are available to support future capital investment. Gains and Losses on the disposal of fixed assets are recognised in the Income and Expenditure account.

**Capital Charges to Revenue Account**

Services receive a charge for depreciation and, where applicable, impairment, for all fixed assets used in the provision of services.

External interest payable, the provision for depreciation, impairment losses (where applicable) and amortisation costs are charged to the Income and Expenditure Account. Capital charges are reversed out in the Statement of Movement on the General Fund Balance and therefore have a neutral impact on the amounts required to be raised from local taxation.

Capital expenditure financed from revenue is charged to the Statement of Movement on the General Fund Balance.

**STATEMENT OF ACCOUNTING POLICIES****m. Leasing**

Rental payments under finance leases are apportioned between the finance charge and the principal element, i.e. the reduction of the liability to pay future rentals. The finance element of rentals is charged to the Income and Expenditure Account.

Rentals payable under operating leases are charged to revenue on a straight line basis over the term of the lease.

**n. Financial Liabilities**

Borrowings are initially measured at fair value and carried at their amortised cost. The annual charge to the Income & Expenditure account is based on the carrying amount multiplied by the effective rate of interest. The amount presented in the balance sheet is the outstanding principal payable plus interest accrued at 31 March. Any gains or losses on premature redemption are charged to the Income & Expenditure account unless they are the result of a restructure in which case they are added to the amortised cost and charged over the life of the modified loan.

**o. Financial Assets**

Loans and receivables are initially measured at fair value and carried at amortised cost. The amount presented in the balance sheet is the outstanding principal receivable plus interest accrued at 31 March.

**p. Stocks and Work In Progress**

Stocks are included in the Balance Sheet at the lower of cost and net realisable value.

Works in progress on incomplete jobs is valued at cost and recognised in the accounts.

**q. Interests in Companies and Other Entities**

Details of companies in which the Council has an interest, and the nature of the relationship, are shown in the notes to the Balance Sheet. The Council has determined that Group Accounts are not required.

**r. Provision for Bad and Doubtful Debts**

The debtors figure in the balance sheet is reduced by the value of the provision of bad and doubtful debts. The provision is calculated based on a percentage of the total debtors' balances. The arrears balances are also reviewed for any specific areas, depending on the age and nature of the debt, to ensure the provision is adequate.



**ANNUAL GOVERNANCE STATEMENT****Scope of Responsibility**

South Ribble Borough Council is responsible for ensuring that its business is conducted in accordance with the law and to high standards. Public money must be protected 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 delivery of its services, having regard to a combination of economy, efficiency and effectiveness. This is more commonly referred to as providing value for money. In doing this, the Council is responsible for putting in place proper arrangements for the governance of its affairs to support the achievement of the organisation's objectives including arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance (referred to as the local code) that is consistent with best practice governance principles for both public services and in particular for local government.<sup>1</sup>

This statement explains how the Council complies with our local code<sup>2</sup> and also meets its statutory requirements.

**Purpose of the Governance Framework**

The governance framework comprises the systems, processes, culture and values; by which the Council directs and controls its activities including those by which it accounts to, engages with and leads the community. It enables the Council to monitor its significant achievements and to demonstrate where this led to improved customer service and the delivery of cost effective services.

The system of internal control is a significant part of that framework and is designed to manage, rather than to eliminate all risk of failure to achieve the Council's objectives. It can therefore, only provide **reasonable and not absolute assurance** of effectiveness.

The system of internal control is based on an ongoing risk management process designed to identify and prioritise the principal risks to the achievement of the objectives of South Ribble Borough Council; to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically.

The governance framework at South Ribble Borough Council has been in operation throughout the year ending 31 March 2009. During and beyond this period, further development and improvements have continued right up to the date of approval of the annual report and accounts (scheduled for 30 June 2009). Further quality improvements are also planned for next year as detailed in section 5.

**Our Governance Environment**

The Local Code of Corporate Governance, endorsed by Council in May 2008, promotes and demonstrates the Council's commitment to the principles of good governance. It incorporates the organisational Values that permeate all aspects of Council activity.

The principal elements of the Council's governance arrangements in 2008/9 and our commitment to our local code are described below:

**Good governance means focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area**

The Council's vision and priorities are developed through joint working and extensive consultation with our partners and our local community.

Our Corporate Plan sets out the priority objectives, key targets and supporting improvement actions and links into the wider Community Strategy and aligns with the county-wide strategy and Lancashire Local Area Agreement.

Corporate, community and county-wide strategies are linked and all parties have the opportunity to influence the planning process through widespread community consultation and engagement.

The Corporate Plan and the financial strategy incorporate the Council's key improvement areas and focuses attention on community and corporate priorities.

The Performance Management Framework drives the priorities down through service and individual action plans and facilitates continuous improvement, monitoring and reporting of achievements.

The Council is constantly examining its service delivery arrangements in order to achieve best value, improve customer service and take corrective action as necessary.

Our C-Smart transformation programme demonstrates the continued commitment to service improvement and financial savings and ensures that the customer is at the heart of changes to service delivery.

**Good governance means members and officers working together to achieve a common purpose with clearly defined functions and roles**

Council business is conducted in accordance with the Constitution which governs and controls its business responsibilities and activities. It is reviewed annually to ensure that it is fit for purpose and that we comply with changes to legislation.

The role and responsibilities of all members, senior officers and the Council's committee structure are clearly defined.

The constitution also details the extent of delegated powers and includes procedural and contract standing orders and financial regulations.

The responsibilities of statutory officers such as the Head of Paid Service, the Monitoring Officer and the Chief Financial Officer (Section 151) are clearly defined and a protocol assists with the effective exercise of those roles.

Cabinet is supported and challenged by the Scrutiny Committee (previously 2 committees) who play an active role in scrutinising decisions, policy and performance, including the performance of other organisations.

Each Cabinet Member has portfolio responsibilities for leading strategic matters and for championing specific services and cross cutting initiatives.

As evidenced by external assessments, the Council has strong political and managerial leadership and good relationships between members and officers.

Our values and integrated approach to performance, project, financial and risk management are key to sustained progress against priorities. This is also evidenced by external assessment.

Cabinet, Scrutiny and Senior Management Team monitor overall performance on priorities, plans, projects and partnerships on a quarterly basis to manage delivery of the Corporate Plan.

The Corporate Plan is supported by financial, risk and other cross cutting strategies and further deployed through service and individual performance plans to ensure that resources are focused on agreed priorities

**Good governance means promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

The Council's constitution governs the way we conduct our business and is based on the principles of *accountability, transparency, efficiency and openness*.

The Council prides itself on maintaining and continually strengthening its culture of sound governance and ethical arrangements. This is supported by previous Use of Resources scores and feedback from auditors.

Our values of Integrity, Positive Attitude, Learning Organisation, Teamwork and Excellence are at the core of our business and they influence everything we do. They demonstrate that we are serious not just about - what is achieved, but equally as important - how business is done.

The most recent employee survey found that 89% of employees feel that the Council's core values are applied.

The Standards Committee promotes and maintains high standards of conduct including instigating regular reviews to strengthen the Council's ethical arrangements and dealing with allegations of misconduct against councillors.

Implementation of the new standards regime supported by publicity and training have been a priority this year.

Assurance of strong internal control arrangements and an effective Internal Audit service is reported in the Use of Resources assessment and the Annual Audit letter.

The Council takes a proactive approach to both prevent and detect fraud and this is supported by the Council's anti-fraud and whistleblowing policies, Internal Audit programmes, fraud investigations, participation in National Fraud Initiative exercises, and publication of proven cases.

**Good governance means taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

The Cabinet takes the lead in developing and delivering the Council's policies and plans and the published Forward Plan contains details of the key decisions to be made.

Cabinet is supported and challenged by the Scrutiny Committee (previously 2 committees) who play an active role in scrutinising decisions, monitoring performance, shaping policies and strategies and reviewing the effectiveness of partnerships and external organisations.

In 2008/9 the Policy & Service Review Scrutiny Committee also received regular governance and risk reports and monitored progress on governance and control matters including the annual governance statement, the external and internal audit programmes and annual reports. These are now the responsibility of the new Governance Committee.

The Council has a comprehensive Risk Management Policy and Strategy that is reviewed annually. It clearly outlines the responsibilities for risk and is endorsed by both the Leader of the Council and the Chief Executive.

The Chief Executive has overall responsibility for risk management; a cabinet member has portfolio responsibility and is the member champion; operationally a Head of Service leads the risk management function and is recognised as the officer champion.

The Senior Management Team (SMT) functions as the corporate risk management group and annually they agree and prioritise the corporate risk register which is aligned with the corporate plan.

Officer and Member risk owners are identified in the corporate risk register and risk action plans are produced, monitored and reported on.

The governance framework is independently reviewed each year by the External Auditor through the Use of Resources inspection and by the work of internal audit.

The Council maintains a robust Internal Audit service, which annually provides an independent and objective opinion on the internal control environment, verifies compliance with policies, laws and regulations, evaluates and makes recommendations to improve the effectiveness of risk management, value for money and governance processes.

**Good governance means developing the capacity and capability of members and officers to be effective**

The Council has a strong record of investing in its workforce to develop the culture of the organisation and ensure that current and future strategic priorities are met.

There is strong political and managerial leadership and members and officers work in partnership to deliver the priorities, promote our values and work collaboratively across Lancashire.

Our People plan aligns workforce and organisational objectives with the Council's values and Corporate Plan.

Budget alignment with key priority areas provides capacity and investment.

The Our People plan identifies the priority areas for both member and officer development and half yearly monitoring is undertaken by the Senior Management Team and the Scrutiny Committee.

Progress is measured using the employee survey results and the achievement of well recognised standards and assessments; namely the North West Member Development Charter and Investors in People awards.

The Lancashire Leadership programme has helped enhance member and management skills and improve collaborative working.

All employees have an annual performance appraisal to ensure that the organisation has a skilled and trained workforce. The appraisal process evaluates skills, performance and application of the Council's values.

The Council is committed to increasing its capacity by working in partnership with a wide range of organisations including public, private, voluntary and community groups to build and share resources and deliver improving, efficient services.

Private sector partnerships provide investment and enhanced customer service for Leisure and Waste services.

A long term partnership with Chorley BC to deliver Financial and Assurance services both increases capacity and skills whilst delivering efficiency savings.

**Good governance means engaging with local people and other stakeholders to ensure robust public accountability**

The Council uses a range of mechanisms to understand the views and needs of its residents and partners. These include: citizens panel, residents survey, area committees, partnerships, multi agency working, community and voluntary groups.

As evidenced by external assessments our approach to community and corporate planning is well regarded.

The Citizens' panel survey highlights that the Council is good at asking for peoples views and treating people equally.

All committees have extensive levels of public participation and all agendas and decisions are available to the public except where personal or confidential matters are being disclosed.

The Council is subject to regular and rigorous external inspection regimes that focus on outcomes for local people.

The public annual report presents the Council's achievements against citizens' priorities and highlights the delivery of value for money services.

The residents' survey demonstrates satisfaction with Council services.

The Scrutiny Committee supports citizens in highlighting community matters by holding public inquiries into matters of local concern.

The area committees play an influential part in community leadership and decision making, consider local issues and make a difference to neighbourhoods.

The Council has a "You said – We did" campaign for residents to highlight investment and improvements to Council services over the year.

#### **4. Our Commitment to Excellence**

The Council has a responsibility to keep the effectiveness of its governance arrangements under review to demonstrate continuous improvement. This is informed by the work of members and senior management further supported by the internal audit service and also by the work of external auditors and other review agencies and inspectorates. The Council's Performance, Risk and Financial Management Frameworks and Our People strategy make a significant contribution to the review process.

Our robust governance arrangements are reflected in external assessments of Data Quality, Use of Resources, Investors in People, Customer Service Excellence and the Annual Audit Inspection report.

The annual corporate planning timetable ensures the timely integration of consultation, engagement, planning and reporting of the council's vision, emerging plans and supporting documents.

The Performance Management Framework aligns delivery of the Council's priorities and objectives with improvement projects and actions. It also imposes regular review and high level reporting of progress, which highlights those areas at risk of not being achieved so that remedial action can be taken. There are clear links between business, financial and organisational planning to ensure that resources are aligned to achieving the corporate objectives.

Key partnerships have been further developed to ensure they contribute to the achievement of both corporate and partnership objectives.

During 2008/9 risk management remained embedded and progress was regularly reported to Policy & Service Review Scrutiny Committee. Strategic and operational risk registers were reviewed and action plans developed to mitigate the key risks.

The Council actively seeks opportunities for other sources of funding and increases capacity by partnership working. This year shared service arrangements for Finance and Assurance Services (Synergy) have been implemented and are planned to improve capacity, increase flexibility and resilience, and deliver value for money.

**ANNUAL GOVERNANCE STATEMENT**

South Ribble Borough Council has a strong record of investing in its workforce to develop the culture of the organisation and ensure that current and future strategic priorities are met. The new Values Framework is being introduced to the officers' performance appraisal process, which demonstrates that we are serious about the culture of our Council and how business is done. The Council has been recognised as an Investor in People for some ten years. The Investors in People assessor reported in November 2008 "South Ribble is, in the experience of the assessor, the very essence of an Investor in People organisation." "The culture across the whole organisation is one of continuous improvement and a desire to achieve exceptional performance".

The completion of management self assurance statements and the continued development of the senior officer Governance group have strengthened the Council's assurance framework.

Internal Audit maintains excellent working relationships with Members, Senior Management and the Council's External Auditors to provide an integrated approach to the delivery of audit services. The Internal Audit Service adds value to the Council by reviewing financial and operational systems. It provides an independent opinion on the adequacy of risk control and, where necessary, makes recommendations to improve governance arrangements and the internal control system. All recommendations and improvement actions are agreed with senior management and Corporate Management Team monitors this continuous improvement process.

During 2008/9 the Policy & Service Review Scrutiny Committee played a key role in the assurance gathering process by monitoring corporate governance and control matters. They reviewed the corporate risk register, risk mitigation action, received the external audit plan and report, challenged the governance improvement plan and monitored the delivery of the corporate objectives through regular progress reports.

The Committee also received the annual and interim internal audit plan, an annual internal audit report and approved the Annual Governance Statement that provided assurance on the adequacy of the Council's control environment.

Last year the reviews of the Community Watchdog Scrutiny Committee covered the condition of local roads and pavements and fuel poverty in South Ribble. They were also involved in several consultation exercises on – Access to Health, Fluoridation of Water and Call for Action.

Overall the Council has an excellent standards regime in place and this is evidenced by the results of the previous Use of Resources assessments. During 2008/9 the role of the Standards Committee and its procedures were revised to meet changes in legislation with the introduction of the local referral regime. Appointment of high calibre independent members, extensive training and promotion of standards in the press and on the Council website, have been provided to further strengthen the Council's ethical arrangements.

The Council's positive approach to ensuring the quality of its data has been acknowledged in Data Quality Audits by the Audit Commission. The reports received over the last three years have placed the authority as performing 'consistently above minimum requirements.'

Assurance can be taken from the work of the Council's external auditors as they issued an unqualified opinion on the Council's financial accounts and a positive conclusion on value for money arrangements in September 2008.

The fourth annual Use of Resources assessment reported, yet again, an overall score of 4. Both the financial reporting and internal control elements received a maximum score of 4 demonstrating strong performance in these areas. All other elements scored 3 (performing well). The report concluded that "the Council continues to demonstrate improvements in the way it manages its use of resources."

**ANNUAL GOVERNANCE STATEMENT**

The annual audit and inspection letter received in March 2009 reported “South Ribble Borough Council has continued its good track record of improvement. Performance information shows strong performance, Value for Money is good and the Council has again demonstrated that it continues to strive for and achieve excellence in the way it manages its use of resources.”

In line with the Local Code; the Council is committed to continuous improvement of its governance arrangements.

**5. Enhancing our Governance Arrangements**

The Council has plans in place for the coming year to take further steps to improve the following areas in order to build and strengthen our corporate governance arrangements.

Continue to review governance arrangements for key partnerships, including risk, finance, business continuity and ethical arrangements.

Produce and implement action plans to strengthen the partnership arrangements and monitoring and reporting aspects.

Enhance transaction and unit costing to improve value for money.

Revise and educate officers on the standing orders for contracts.

Further embed project management disciplines.

Address any areas for improvement in financial controls that may be identified by the External Auditor in the Audit Memorandum and the ISA260 Communication.

The Council is satisfied that these actions will further enhance our corporate governance status and we will continue to review their implementation and operation.

.....  
Leader of the Council

.....  
Chief Executive

Date.....(Signature of Chief Executive and Leading Member and date)

On behalf of the Members and Senior Officers of South Ribble Borough Council.

**ANNUAL GOVERNANCE STATEMENT**

References

The CIPFA / SOLACE (Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives and Senior Managers) framework “Delivering Good Governance in Local Government”.

South Ribble Borough Council has approved and adopted a code of governance that is consistent with the principles of the CIPFA/SOLACE Framework. A copy of the local code is available on line at [www.southribble.gov.uk](http://www.southribble.gov.uk) or can be obtained by contacting M Wood, Head of Corporate Governance, Civic Centre, West Paddock, Leyland, Lancashire, PR25 1DH

Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006.

**GLOSSARY**

|   |   |
|---|---|
| AAL<br>Audit Memorandum                               | Annual Audit Letter—An External Audit report presented to Council and containing the findings of the Audit Commission’s work. It is a requirement of the Code of Practice for Auditors.   |
| Assurance   | An evaluated opinion based on evidence and gained from review.  |
| CIPFA   | Chartered Institute of Public Finance and Accountancy   |
| Head of Paid Service                                  | The Chief Executive   |
| Control Environment<br><br>System of Internal Control | Comprises the organisation’s policies, procedures and operations in place to:<br><br>Establish and monitor the achievement of the organisation’s priorities; Identify, assess and manage the risks to achieving the organisation’s objectives; Facilitate policy and decision making; Ensure the economical, effective and efficient use of resources; Ensure compliance with policies, legislation and regulations; Safeguard the organisation’s assets; Ensure the integrity and reliability of information, accounts and data. |
| Corporate Governance                                  | Corporate governance is the system by which local authorities direct and control their functions and relate to their communities.   |
| Corporate Governance Group                            | Corporate Director (Resources) the Council’s Section 151 Officer; Corporate Director (Policy & Neighbourhoods) the Councils Monitoring Officer; Heads of Service with responsibility for Governance, Assurance, Finance and Policy  |
| HOS   | Head of Service   |
| SOLACE  | Society of Local Authority Chief Executives   |
| SMT   | Senior Management Team includes the corporate directors and heads of service.   |
| Statement on Internal Control (SIC)                   | Regulation 4 of the Accounts and Audit Regulations 2003 requires the Council to conduct a review (at least once a year) of the effectiveness of the internal control environment and to publish a statement on the adequacy of the system with its annual accounts.   |
| UOR   | Use of Resources - This is a key part of the Audit Commission’s Comprehensive Performance Assessment. It assesses how well a Council manages and uses its resources.  |



**INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDED 31 MARCH 2009**

| 2007/08<br>Net<br>Expenditure<br>£'000 |   | Gross<br>expenditure<br>£'000 | 2008/09<br>Gross<br>Income<br>£'000 | Net<br>Expenditure<br>£'000 | Note      |
|--|---|-------------------------------|-------------------------------------|-----------------------------|-----------|
| 2,774                                  | Central Services to the Public                              | 24,826                        | (22,209)                            | 2,617                       |           |
| 9,382                                  | Cultural, Environmental and Planning Services               | 14,156                        | (4,147)                             | 10,009                      |           |
| 1,530                                  | Highways, Roads and Transport Services                      | 2,604                         | (1,416)                             | 1,188                       |           |
| 882                                    | Housing Services  | 1,053                         | (213)                               | 840                         |           |
| 1,301                                  | Corporate and Democratic Core                               | 1,179                         | (6)                                 | 1,173                       |           |
| 441                                    | Non Distributed Costs                                       | 2,180                         | (1,195)                             | 985                         | <b>8</b>  |
| <b>16,310</b>                          | <b>Net Cost of Services</b>                                 | <b>45,998</b>                 | <b>(29,186)</b>                     | <b>16,812</b>               |           |
| (3)                                    | (Surpluses)/deficits on trading undertakings                |                               |                                     | 566                         | <b>1</b>  |
| 307                                    | Interest payable and similar charges                        |                               |                                     | 1,595                       |           |
| (1,352)                                | Interest and investment income                              |                               |                                     | (1,078)                     |           |
| 71                                     | Pension interest cost and expected return on pension assets |                               |                                     | 987                         | <b>11</b> |
| 1                                      | Housing capital receipts contribution to Government pool    |                               |                                     | 1                           |           |
| 223                                    | Parish Council precepts                                     |                               |                                     | 232                         | <b>9</b>  |
| <b>15,557</b>                          | <b>Net Operating Expenditure</b>                            |                               |                                     | <b>19,115</b>               |           |
| (7,279)                                | Demand on the Collection Fund                               |                               |                                     | (7,552)                     |           |
| (1,037)                                | General Government Grant                                    |                               |                                     | (902)                       |           |
| (6,181)                                | Non Domestic Rates Redistribution                           |                               |                                     | (6,482)                     |           |
| <b>1,060</b>                           | <b>(Surplus)/deficit for the year</b>                       |                               |                                     | <b>4,179</b>                |           |

**STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise Council tax on a different accounting basis, the main differences being:-

- For Council tax purposes capital investment is accounted for as it is financed, rather than when the fixed assets are consumed
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

These differences, and movements in earmarked reserves, are adjusted by movements in the General Fund balance. The increase or decrease in the General Fund balance represents the true financial surplus or deficiency for the year. Full details of the movements are shown in Note 10 to the Core Financial Statements.

| <b>2007/08</b> |  | <b>2008/09</b> | <b>Note</b> |
|----------------|--|----------------|-------------|
| <b>£'000</b>   |  | <b>£'000</b>   |             |
| 1,060          | (Surplus)/deficit for the year on the Income & Expenditure Account   | 4,179          |             |
| (1,418)        | Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund balance | (4,033)        | 10          |
| <b>(358)</b>   | <b>(Increase)/Reduction in the General Fund Balance for the year</b>   | <b>146</b>     |             |
| (3,180)        | General Fund balance brought forward   | (3,538)        |             |
| <b>(3,538)</b> | <b>General Fund balance carried forward</b>  | <b>(3,392)</b> |             |

# SOUTH RIBBLE BOROUGH COUNCIL – STATEMENT OF ACCOUNTS 2008/09

## THE BALANCE SHEET AS AT 31 MARCH 2009

| 2007/08         | Note |  | 2008/09        | 2008/09         |
|-----------------|------|--|----------------|-----------------|
| £'000           |      |  | £'000          | £'000           |
| 174             | 13   | <b>Fixed Assets</b>                                      |                |                 |
|                 |      | <b>Intangible Fixed Assets</b>                           |                | 325             |
|                 |      | <b>Tangible Fixed Assets</b>                             |                |                 |
|                 |      | <u>Operational Assets:</u>                               |                |                 |
| 23,610          |      | Other Land and Buildings                                 | 23,592         |                 |
| 4,126           |      | Vehicles, Plant, Furniture & Equipment                   | 4,646          |                 |
| 86              |      | Community Assets   | 86             |                 |
|                 |      | <u>Non-operational Assets:</u>                           |                |                 |
| 13,189          |      | Investment Properties                                    | 12,891         |                 |
| 1,515           |      | Surplus Assets Held for Disposal                         | 1,235          |                 |
| <b>42,526</b>   |      | <b>Total Tangible Fixed Assets</b>                       | <b>42,450</b>  | <b>42,450</b>   |
| <b>42,700</b>   |      | <b>Total Fixed Assets</b>                                |                | <b>42,775</b>   |
| 9,466           | 14a  | Long Term Investments                                    |                | 3,354           |
| 91              |      | Long Term Debtors  |                | 85              |
| <b>52,257</b>   |      | <b>Total Long Term Assets</b>                            |                | <b>46,214</b>   |
|                 |      | <b>Current Assets</b>                                    |                |                 |
| 215             |      | Stock and Work in Progress                               | 155            |                 |
| 4,629           | 15   | Debtors  | 4,483          |                 |
| 7,414           | 14a  | Investments  | 9,966          |                 |
| 7               |      | Cash in Hand   | 955            |                 |
| <b>12,265</b>   |      |  | <b>15,559</b>  |                 |
|                 |      | <b>Current Liabilities</b>                               |                |                 |
| (3,922)         | 16   | Creditors  | (4,559)        |                 |
| (537)           |      | Bank Overdraft   | 0              |                 |
| <b>(4,459)</b>  |      |  | <b>(4,559)</b> |                 |
| <b>7,806</b>    |      | <b>Net Current Assets/(Liabilities)</b>                  |                | <b>11,000</b>   |
| <b>60,063</b>   |      | <b>Total Assets less Current Liabilities</b>             |                | <b>57,214</b>   |
| (11)            | 19   | Deferred Credits   | (9)            |                 |
| (2,149)         |      | Government Grants - Deferred                             | (2,352)        |                 |
| (2,554)         | 20   | Government Grants Unapplied                              | (2,183)        |                 |
| (2,241)         | 18   | Deferred Liability                                       | (1,864)        |                 |
| (3,332)         | 14e  | Long Term Borrowing                                      | (3,332)        |                 |
| (20,775)        | 11   | Net Liability Related to Defined Benefit Pension Schemes | (20,631)       |                 |
| <b>(31,062)</b> |      |  |                | <b>(30,371)</b> |
| <b>29,001</b>   |      | <b>Total Assets less Liabilities</b>                     |                | <b>26,843</b>   |
|                 |      | <b>Financed by:</b>                                      |                |                 |
| 143             | 17   | Revaluation Reserve                                      | 623            |                 |
| 35,328          | 17   | Capital Adjustment Account                               | 34,215         |                 |
| 0               | 17   | Financial Instruments Adjustment Account                 | (870)          |                 |
| 3,174           | 17   | Usable Capital Receipts Reserve                          | 3,070          |                 |
| (20,775)        | 17   | Pensions Reserve   | (20,631)       |                 |
| 8,351           | 17   | Earmarked Reserves                                       | 7,472          |                 |
| 2,780           | 17   | General Fund Reserves                                    | 2,964          |                 |
| <b>29,001</b>   |      | <b>Total Net Worth</b>                                   |                | <b>26,843</b>   |

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

| <b>2007/08</b> | <b>Note</b>  | <b>2008/09</b> |
|----------------|--|----------------|
| <b>£'000</b>   |  | <b>£'000</b>   |
| 1,060          | (Surplus)/Deficit for the year on the Income and Expenditure Account | 4,179          |
| (143)          | Surplus arising on revaluation of fixed assets                       | (481)          |
| 7,588          | 11 Actuarial (gains)/losses on pension fund assets and liabilities   | (1,255)        |
| 913            | Movement on Collection Fund Balance                                  | (330)          |
| (72)           | Any other gains and losses required to be included                   | 45             |
| <b>9,346</b>   | <b>Total recognised (gains)/losses for the year</b>                  | <b>2,158</b>   |

**CASH FLOW STATEMENT**

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

| 2007/08<br>£'000 | Note |  | 2008/09<br>£'000 | £'000        |
|------------------|------|--|------------------|--------------|
| (1,518)          | 24   | <b>Net Cash Inflow/(Outflow) from Operating Activities</b>               |                  | 1,195        |
|                  |      | <b><u>Returns on Investments and Servicing of Finance</u></b>            |                  |              |
|                  |      | <b>Cash Outflows</b>   |                  |              |
| (139)            |      | Interest Paid  | (145)            |              |
| (164)            |      | Interest element of finance lease rental payments                        | (156)            |              |
|                  |      | <b>Cash Inflows</b>  |                  |              |
| 976              |      | Interest Received  | 825              |              |
| <u>673</u>       |      | <b>Net Cash Flow from Returns on Investment and Servicing of Finance</b> |                  | <u>524</u>   |
|                  |      | <b><u>Capital Activities</u></b>   |                  |              |
|                  |      | <b>Cash Outflows</b>   |                  |              |
| (1,008)          |      | Purchase of Fixed Assets   | (2,325)          |              |
| (918)            |      | Other Capital Cash Payments  | (907)            |              |
|                  |      | <b>Cash Inflows</b>  |                  |              |
| 0                |      | Proceeds from Long Term Investments matured in the year                  | 3,050            |              |
| 721              |      | Capital Grants Received  | 895              |              |
| 248              |      | Other Capital Cash Receipts  | 6                |              |
| <u>(957)</u>     |      | <b>Net Cash Flow from Capital Activities</b>                             |                  | <u>719</u>   |
| <u>(1,802)</u>   |      | <b>Net Cash Inflow/(Outflow) Before Financing</b>                        |                  | <u>2,438</u> |
|                  |      | <b><u>Management of Liquid Resources</u></b>                             |                  |              |
| 11,065           |      | Net (increase)/decrease in Short Term Deposits                           | 0                |              |
| <u>(9,000)</u>   |      | Net increase/(decrease) in other liquid resources                        | (480)            |              |
| <u>2,065</u>     |      |  |                  | <u>(480)</u> |
|                  |      | <b><u>Financing</u></b>  |                  |              |
|                  |      | <b>Cash outflows</b>   |                  |              |
| 0                |      | Repayment of amounts borrowed  | 0                |              |
| (466)            |      | Capital Element of Finance Lease/Deferred Purchase Payments              | (473)            |              |
|                  |      | <b>Cash inflows</b>  |                  |              |
| <u>0</u>         |      | New Loans Raised   | 0                |              |
| <u>(466)</u>     |      | <b>Net Cash Flow Inflow/(Outflow) from Financing</b>                     |                  | <u>(473)</u> |
| <u>(203)</u>     |      | <b>Net Increase/(Decrease) in Cash</b>                                   |                  | <u>1,485</u> |

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**1. TRADING ACCOUNTS**

| 2007/08            |                              | 2008/09           |                  |                                   |                |
|--------------------|------------------------------|-------------------|------------------|-----------------------------------|----------------|
| Total<br>£'000     |                              | Catering<br>£'000 | Markets<br>£'000 | Investment<br>Properties<br>£'000 | Total<br>£'000 |
| <b>Income</b>      |                              |                   |                  |                                   |                |
| 175                | Charges to Internal Users    | 218               | 0                | 0                                 | 218            |
| 1,309              | Charges to external Users    | 256               | 139              | 1,043                             | 1,438          |
| <u>1,484</u>       | Total Income                 | <u>474</u>        | <u>139</u>       | <u>1,043</u>                      | <u>1,656</u>   |
| <b>Expenditure</b> |                              |                   |                  |                                   |                |
| 256                | Staff Costs                  | 288               | 27               | 0                                 | 315            |
| 319                | Premises                     | 19                | 47               | 253                               | 319            |
| 1                  | Transport                    | 2                 | 0                | 0                                 | 2              |
| 126                | Direct Purchases             | 128               | 0                | 0                                 | 128            |
| 45                 | Materials                    | 41                | 8                | 7                                 | 56             |
| <u>747</u>         | Total Direct Costs           | <u>478</u>        | <u>82</u>        | <u>260</u>                        | <u>820</u>     |
| 603                | Overheads                    | 218               | 10               | 366                               | 594            |
| 130                | Capital Charges              | 0                 | 0                | 808                               | 808            |
| <u>1,480</u>       | Total Costs                  | <u>696</u>        | <u>92</u>        | <u>1,434</u>                      | <u>2,222</u>   |
| <u>4</u>           | <b>Net (Surplus)/Deficit</b> | <u>222</u>        | <u>(47)</u>      | <u>391</u>                        | <u>566</u>     |

**2. AUDIT COSTS**

The Council incurred the following fees relating to external audit and inspection:

|   | 2008<br>£'000 | 2009<br>£'000 |
|---|---------------|---------------|
| Fees Payable in respect of external services carried out by the Appointed Auditor | 93            | 98            |
| Grant Claim Certification   | 20            | 18            |

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**3. SECTION 137(3), LOCAL GOVERNMENT ACT 2000**

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The Council made no contributions pursuant to this power in 2008/09 (2007/08 restated nil).

**4. EXPENDITURE ON PUBLICITY**

Section 5(1) of the Local Government Act 1986 requires each Local Authority to keep a separate account of certain categories of expenditure referred to as publicity.

The relevant amounts are as follows:

| Year ended 31 March               | 2008<br>£'000     | 2009<br>£'000     |
|-----------------------------------|-------------------|-------------------|
| <i>Purpose of Publicity</i>       |                   |                   |
| Required by Statute               | 39                | 37                |
| Promotion of Economic Development | 11                | 10                |
| Recreational Facilities           | 25                | 16                |
| Public Relations                  | 35                | 32                |
| Environmental Protection          | 5                 | 0                 |
| Employee Recruitment              | <u>42</u>         | <u>41</u>         |
|                                   | <b><u>157</u></b> | <b><u>136</u></b> |

**5. BUILDING CONTROL STATEMENT**

The Building (Local Authority) Charges Regulations 1998 gave Local Authorities the authority to set their Building Control Fees. The regulations require that full recovery of the cost of providing the building control service should be achieved over a three year continuous accounting period with effect from 1 April 1999, when the regulations came into force. In 2008/09, the fee earning deficit of £68,980 has been transferred to the Building Control Reserve. The balance on this reserve at 31 March 2009 is an accumulated surplus of £4,622.

Building Control Fee-earning Account – Summary

The statement below shows the total cost of operating the building control service divided between the fee earning and non-fee earning accounts:

| 2008/09                           | Fee<br>Earning<br>£'000 | Non Fee<br>Earning<br>£'000 | Total<br>£'000      |
|-----------------------------------|-------------------------|-----------------------------|---------------------|
| Income                            | 230                     | 0                           | 230                 |
| Expenditure                       | (299)                   | (83)                        | (382)               |
| <b>Surplus/(Deficit) for Year</b> | <b><u>(69)</u></b>      | <b><u>(83)</u></b>          | <b><u>(152)</u></b> |

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**6. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970**

The Council is empowered by this Act to provide goods and services to other public bodies. In 2008/09 the income generated from the provision of goods and services under this Act amounted to £179,681 and the related expenditure was £193,584.

**7. DISCLOSURE OF REMUNERATION OF SENIOR STAFF**

The Council is required under Regulation 7, paragraph (2), of the Accounts and Audit Regulations 2003 to disclose the remuneration of all employees of the Authority in excess of £50,000.

In the 2008/09 financial year, there were eleven employees to whom the requirement relates:

| Year ended 31 March | 2008<br>£'000 | 2009<br>£'000 |
|---------------------|---------------|---------------|
| 50,000 – 59,999     | 5             | 7             |
| 60,000 – 69,999     | 2             | 0             |
| 70,000 – 79,999     | 1             | 3             |
| 80,000 – 89,999     | 0             | 0             |
| 90,000 – 99,999     | 0             | 0             |
| 100,000 – 109,999   | 1             | 1             |

**8. NON DISTRIBUTED COSTS**

The Non Distributed Costs contained within the Income and Expenditure Account are prepared in accordance with Section 2 (Annex F) of the Best Value Accounting Code of Practice - Retirement Benefits Accounting and the Treatment of Non Distributed Costs. The requirement states that only current pension costs are included within service expenditure. Past service costs, settlements and curtailments are excluded from the definition of total costs of services and defined as Non Distributed Costs on the face of the Income and Expenditure Account.

**9. PARISH COUNCIL PRECEPTS**

Precepts levied by Parishes and the Town Council are detailed below:

| Year ended 31 March     | 2008<br>£'000     | 2009<br>£'000     |
|-------------------------|-------------------|-------------------|
| Farington               | 50                | 50                |
| Hutton                  | 14                | 19                |
| Longton                 | 19                | 20                |
| Penwortham              | 125               | 128               |
| Much Hoole              | 5                 | 6                 |
| Little Hoole            | 7                 | 6                 |
| Samlesbury and Cuerdale | <u>3</u>          | <u>3</u>          |
| <b>Total</b>            | <b><u>223</u></b> | <b><u>232</u></b> |



**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**10. RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

This statement shows in detail the amounts additional to the surplus or deficit on the Income and Expenditure Account that are required by statute and non-statutory proper practices to be debited or credited to the General Fund for the year..

| 2007/08<br>£000 |  | 2008/09<br>£000 |
|-----------------|--|-----------------|
|                 | <b>Amounts included in the Income and Expenditure Account but required or permitted by statute to be excluded when determining the Movement on the General Fund Balance for the year</b> |                 |
| (135)           | Amortisation of intangible fixed assets  | (147)           |
| (2,111)         | Depreciation and impairment of fixed assets  | (2,805)         |
| 455             | Government Grants Deferred amortisation  | 475             |
| (186)           | Revenue Expenditure Funded from Capital Under Statute – net cost   | (202)           |
| 0               | Net Profit/(Loss) on sale of fixed assets  | 0               |
| 0               | Net charges relating to the impairment of financial assets   | (870)           |
| (1,719)         | Net charges made for retirement benefits in accordance with FRS17  | (2,627)         |
| (3,696)         |  | (6,176)         |
|                 | <b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>          |                 |
| 178             | Minimum Revenue Provision for capital financing  | 205             |
| 17              | Capital Expenditure charged in-year to the General Fund Balance  | 72              |
| (1)             | Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool  | (1)             |
| 1,393           | Employer's contributions payable to Lancashire County Pension Fund and retirement benefits payable direct to pensioners  | 1,516           |
| 1,587           |  | 1,792           |
|                 | <b>Transfers to/from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>                      |                 |
| 274             | Voluntary Revenue Provision for capital financing  | 255             |
| 417             | Net transfer to/from earmarked reserves  | 96              |
| 691             |  | 351             |
| (1,418)         | <b>Net additional amount required to be credited to the General Fund Balance for the year</b>  | (4,033)         |

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**11. PENSION COSTS**

**Participation in the scheme**

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits through the Local Government Pension Scheme. This scheme is administered by Lancashire County Council and is a funded, defined benefit, scheme, meaning that the authority and employees pay contributions calculated at a level intended to balance the pension liabilities with investment assets.

**Change of accounting policy**

Under the 2008 SORP the Council has adopted the amendments to FRS17 “Retirement Benefits”. As a result quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid market value. The effect of this change is that the value of the scheme assets at 31 March 2008 has been restated from £48,496 to £48,397

**Transactions relating to retirement benefits**

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Income & Expenditure Account after Net Operating Expenditure. The following statement shows the transactions during the year

| <b>Income &amp; Expenditure Account</b>        | <b>2007/08</b> | <b>2008/09</b> |
|--|----------------|----------------|
|  | <b>£'000</b>   | <b>£'000</b>   |
| Net Cost of Services                           |                |                |
| Current service costs                          | (1,196)        | (1,410)        |
| Curtailment/Settlement gain                    | 0              | (147)          |
| Past service costs                             | (452)          | (83)           |
| Net Operating Expenditure                      |                |                |
| Interest costs                                 | (3,543)        | (4,200)        |
| Expected return on assets in the scheme        | 3,472          | 3,213          |
| Net Charge to the Income & Expenditure Account | <u>(1,719)</u> | <u>(2,627)</u> |

**Statement of Movement in the General Fund Balance**

|  |              |              |
|--|--------------|--------------|
| Reversal of net charges made for retirement benefits in accordance with FRS17  | <u>1,719</u> | <u>2,627</u> |
| Actual amount charged against the General Fund Balance for pensions in the year –<br>being employers contributions payable to the scheme | <u>1,393</u> | <u>1,516</u> |

In addition to the recognised gains and losses included in the Income & Expenditure Account, actuarial gains of £1.255m (2007/8 loss £7.588m) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains and Losses is £21.255m

**NOTES TO THE MAIN FINANCIAL STATEMENT**

**Assets and liabilities in relation to retirement benefits**

Reconciliation of present value of the scheme liabilities

|                                      | <b>Funded liabilities</b>              |                 |
|--------------------------------------|--|-----------------|
|                                      | <b>Local Government Pension Scheme</b> |                 |
|                                      | <b>2007/8</b>                          | <b>2008/9</b>   |
|                                      | <b>£'000</b>                           | <b>£'000</b>    |
| 1 April                              | (66,028)                               | (69,273)        |
| Current service cost                 | (1,196)                                | (1,410)         |
| Interest cost                        | (3,543)                                | (4,200)         |
| Contributions by scheme participants | (451)                                  | (494)           |
| Actuarial gains and losses           | (78)                                   | 14,425          |
| Benefits paid                        | 2,475                                  | 2,749           |
| Curtailment                          | 0                                      | (147)           |
| Past service costs                   | (452)                                  | (83)            |
| <b>31 March</b>                      | <b>(69,273)</b>                        | <b>(58,433)</b> |

Reconciliation of fair value of the scheme assets

|                                      | <b>Local Government Pension Scheme</b> |               |
|--------------------------------------|--|---------------|
|                                      | <b>2007/8 as restated</b>              | <b>2008/9</b> |
|                                      | <b>£'000</b>                           | <b>£'000</b>  |
| 1 April                              | 53,061                                 | 48,399        |
| Expected return on plan assets       | 3,465                                  | 3,213         |
| Actuarial gains & losses             | (7,496)                                | (13,071)      |
| Employer contributions               | 1,393                                  | 1,516         |
| Contributions by scheme participants | 451                                    | 494           |
| Benefits paid                        | (2,475)                                | (2,749)       |
| <b>31 March</b>                      | <b>48,399</b>                          | <b>37,802</b> |

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £9.858m

**Analysis of scheme assets**

|                    | <b>Proportion of total<br/>Assets 2007/08</b> | <b>Proportion of total<br/>Assets 2007/08</b> |
|--------------------|---|---|
|                    | <b>%</b>                                      | <b>%</b>                                      |
| Equity investments | 62.2  | 61.2  |
| Government Bonds   | 7.1   | 7.8   |
| Other Bonds        | 15.0  | 12.3  |
| Property           | 6.0   | 7.4   |
| Cash/liquidity     | 3.3   | 4.9   |
| Other assets       | 6.4   | 6.4   |
|                    | <b>100.0</b>                                  | <b>100.0</b>                                  |

**NOTES TO THE MAIN FINANCIAL STATEMENT**

**Scheme history**

|  | 2004/05         | 2005/06         | 2006/07              | 2007/08              | 2008/09         |
|--|-----------------|-----------------|----------------------|----------------------|-----------------|
|  | £'000           | £'000           | As restated<br>£'000 | As restated<br>£'000 | £'000           |
| Present value of liabilities           | (58,967)        | (66,673)        | (66,028)             | (69,273)             | (58,433)        |
| Fair value of assets                   | 41,059          | 50,439          | 53,061               | 48,399               | 37,802          |
| <b>Surplus/(deficit) in the scheme</b> | <b>(17,908)</b> | <b>(16,234)</b> | <b>(12,967)</b>      | <b>(20,874)</b>      | <b>(20,631)</b> |

The Council has not restated the fair value of scheme assets for the years 2004/05 and 2005/06 as permitted by FRS17 (as revised)

The liabilities show the underlying commitments that the authority has in the long term to pay retirement benefits. The total liability of £20.6m has a substantial impact on the net worth of the authority as recorded in the balance sheet.

Statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2010 is £1.529m

**Basis for estimating assets and liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The County Council Fund liabilities have been assessed by Mercers, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2007.

The main assumptions used in their calculations have been

|   | <b>Local Government Pension Scheme</b> |                |
|---|--|----------------|
|   | <b>2007/08</b>                         | <b>2008/09</b> |
| Long term expected rate of return on assets in the scheme |  |                |
| Equity investments  | 7.50%                                  | 7.50%          |
| Government bonds  | 4.60%                                  | 4.00%          |
| Other bonds   | 6.10%                                  | 6.00%          |
| Property  | 6.50%                                  | 6.50%          |
| Cash/liquidity  | 5.25%                                  | 0.50%          |
| Other   | 7.50%                                  | 7.50%          |
| Mortality assumptions                                     |  |                |
| Longevity at 65 for current pensioners                    |  |                |
| Men   | 21.10                                  | 21.10          |
| Women   | 24.00                                  | 24.00          |
| Longevity at 65 for future pensioners                     |  |                |
| Men   | 22.20                                  | 22.20          |
| Women   | 25.00                                  | 25.00          |
| Rate of inflation   | 3.60%                                  | 3.30%          |
| Rate of increase in salaries                              | 5.35%                                  | 5.05%          |
| Rate of increase in pensions                              | 3.60%                                  | 3.30%          |
| Rate for discounting scheme liabilities                   | 6.10%                                  | 7.10%          |
| Take up option to convert pension into lump sum           | 50%                                    | 50%            |

**History of experience gains and losses**

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March in each year.

|   | 2004/05 | 2005/06 | 2006/07     | 2007/08     | 2008/09 |
|---|---------|---------|-------------|-------------|---------|
|   |         |         | As restated | As restated |         |
|   | %       | %       | %           | %           | %       |
| Difference between the expected and actual return on assets | 4.8     | 12.6    | (0.7)       | (15.5)      | (34.6)  |
| Experience gains and (losses) on liabilities                | 0.6     | 1.8     | 0           | 5.5         | 0       |

**Prepaid or Accrued Pension Contributions**

An amount of £0.142m is included in the creditors section of the Balance Sheet. This represents accrued pension contributions as at 31 March 2009. These were paid to the Lancashire County Pension Fund in April 2009.

**12. RELATED PARTY TRANSACTIONS**

In accordance with FRS8, the financial statements must disclose material transactions with related parties, to draw attention to the possible 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 has effective control over the general operations of the council as it provides the majority of its funding in the form of grants. Details of transactions with government departments are set out in a note to the Cash Flow Statement.

- ◆ **Members of the Council** have direct control over the council's financial and operating policies. Elected members are required to complete a Notice of Registerable Interests and notify the council of any changes within 28 days. Declarations of interests in meetings which include the personal interest of partners, relatives or friends, are also both recorded in the minutes of the meeting and signed in a book, which are open to public inspection.

During 2008/09, the Grants Committee paid grants totalling £98,264 (£117,410 – 2007/08) to voluntary organisations in which no members declared an interest.

Councillors' allowances for the year 2008/09 totalled £166,016 (£171,727 – 2007/08). A detailed breakdown of these figures can be found in the Council's newspaper – Forward, which is distributed to all residents.

◆ **Officers**

If appropriate, Directors of the Council should complete a voluntary declaration of transactions involving related parties. The returns showed that there were no declarations made during the year to 31 March 2009.

◆ **Other Local Authorities and Precepting Bodies**

Details of Precepts in relation to the Lancashire Police Authority, Combined Fire Authority and Lancashire County Council are shown in the Collection Fund

◆ **Pension Fund**

Details of payments to the Local Government Pension Scheme are set out in note 12 of the Financial Statements.

◆ **New Progress Housing Association (NPHA)**

Right to Buy – The Right to Buy Clawback agreement provides that payment is due to the Council where sales of housing stock transferred to NPHA exceed an agreed threshold. In 2008/09 this threshold was not exceeded and hence no monies were received.

◆ **Partnerships, Companies and Trusts**

Affordable Housing Partnership – with South Ribble Borough Council (SRBC), Chorley Borough Council and West Lancashire Council. SRBC manages the finances for the 'First Steps Grant Scheme' for the partnership. The grant for 2005/06 was £300,000 of which £61,590 was unallocated at 31 March 2009.

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**12. RELATED PARTY TRANSACTIONS** *(Continued)*

Financial & Assurance Shared Services Partnership. – In January 2009 this partnership was established under an Administrative Collaboration Agreement entered into by South Ribble and Chorley Borough Councils. This provides for the provision of accountancy, exchequer, treasury Management, procurement and assurance services across the administrative areas of the two Councils.

A Shared Services Joint Committee has been established to discharge the Chorley and South Ribble Councils' functions of providing the services detailed in the Shared Services Agreement. In 2008/09 gross expenditure of £399,210 was incurred on the shared services which was fully funded by recharges of £191,857 to South Ribble Borough Council and £207,353 to Chorley Borough Council.

Other partnerships which fall below the de-minimus level, include:  
 Domestic Violence Project  
 Community Safety Partnership and Drug Prevention initiatives.

◆ **Simple Investment**

In 2005/06 the Council's leisure centre operation transferred to South Ribble Community Leisure Limited (SRCLL), which is a company with charitable objectives. The Council pay SRCLL a Leisure Services Fee (LSF) for the running of its leisure centres. The contract with SRCLL is for a period of 15 years and 10 months which commenced on 1<sup>st</sup> June 2005.

|                        |   |
|------------------------|---|
| Name of Undertaking    | South Ribble Community Leisure Limited                          |
| Type of Organisation   | Limited liability.  |
| Nature of Business     | Provision and Development of leisure facilities in South Ribble |
| SRBC share holding     | 14.2%   |
| Grant Paid in the Year | £16,327   |
| Leisure Services Fee   | £428,565  |

## NOTES TO THE MAIN FINANCIAL STATEMENTS

**13. FIXED ASSETS****(a) Intangible Fixed Assets**

| <b>Purchased Software Licences</b>                           | <b>£'000</b> |
|--|--------------|
| <b>Cost</b>  |              |
| Cost brought forward as at 1 April 2008                      | 530          |
| Additions  | 305          |
| Disposals  | 0            |
| Cost carried forward as at 31 March 2009                     | <u>835</u>   |
| <b>Amortisation</b>  |              |
| Accumulated Amortisation brought forward as at 1 April 2008  | (363)        |
| Charge for the year  | (147)        |
| Disposals  | 0            |
| Accumulated Amortisation carried forward as at 31 March 2009 | <u>(510)</u> |
| <b>Impairment</b>  |              |
| Balance at start of year                                     | 7            |
| Charge for the year  | (7)          |
| Cost carried forward as at 31 March 2009                     | <u>0</u>     |
| <b>Net Book Value</b>  |              |
| Net Book Value as at 31 March 2008                           | <b>174</b>   |
| Net Book Value as at 31 March 2009                           | <b>325</b>   |



**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**13. FIXED ASSETS (Continued)**

**(b) Tangible fixed assets**

|  | Operational Assets                      |   |                              | Non-Operational Assets        |  | Total<br>£'000 |
|--|---|---|------------------------------|-------------------------------|--|----------------|
|  | Other<br>Land and<br>Buildings<br>£'000 | Vehicles<br>Plant &<br>Equip't<br>£'000 | Community<br>Assets<br>£'000 | Investment<br>Assets<br>£'000 | Surplus<br>Assets<br>held for<br>disposal<br>£'000 |                |
| Certified valuation as at 1 April 2008     | 25,477                                  | 7,259                                   | 230                          | 13,198                        | 1,515  | 47,679         |
| Additions                                  | 632                                     | 1,571                                   | 35                           | 1                             | 0  | 2,239          |
| Disposals                                  | (38)                                    | (50)                                    | 0                            | 0                             | 0  | (88)           |
| Revaluation – General fall in Market price | (183)                                   | 0                                       | 0                            | (264)                         | (280)  | (727)          |
| Revaluation                                | 76                                      | 0                                       | 0                            | 229                           | 0  | 305            |
| Reclassification                           | 0                                       | 0                                       | 0                            | 0                             | 0  | 0              |
| Cost carried forward as at 31 March 2009   | 25,964                                  | 8,780                                   | 265                          | 13,164                        | 1,235  | 49,408         |
| <b>Depreciation</b>                        |   |   |                              |                               |  |                |
| Accumulated Depreciation at 1 April 2008   | (1,541)                                 | (3,129)                                 | 0                            | 0                             | 0  | (4,670)        |
| Charge for the year                        | (507)                                   | (1,055)                                 | 0                            | 0                             | 0  | (1,562)        |
| Disposals                                  | 15                                      | 50                                      | 0                            | 0                             | 0  | 65             |
| Reclassification                           | 0                                       | 0                                       | 0                            | 0                             | 0  | 0              |
| Revaluations                               | 176                                     | 0                                       | 0                            | 0                             | 0  | 176            |
| Accumulated Depreciation at 31 March 2009  | (1,857)                                 | (4,134)                                 | 0                            | 0                             | 0  | (5,991)        |
| <b>Impairment</b>                          |   |   |                              |                               |  |                |
| Accumulated impairment at 1 April 2008     | (326)                                   | (4)                                     | (144)                        | (9)                           | 0  | (483)          |
| Charge for the year                        | (189)                                   | 4                                       | (35)                         | (264)                         | 0  | (484)          |
| Accumulated Impairment at 31 March 2009    | (515)                                   | (0)                                     | (179)                        | (273)                         | 0  | (967)          |
| <b>Net Book Value</b>                      |   |   |                              |                               |  |                |
| as at 31 March 2008                        | 23,610                                  | 4,126                                   | 86                           | 13,189                        | 1,515  | 42,526         |
| as at 31 March 2009                        | 23,592                                  | 4,646                                   | 86                           | 12,891                        | 1,235  | 42,450         |

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**(c) The Revaluation of Fixed Assets**

During 2008/09 the valuations were carried out primarily by R Handscombe FRICS, who is the Council's Estates Surveyor. However because of the number and diversity of the assets the District Valuer's service was commissioned to carry out a number of valuations. The basis of valuation is set out in the Statement of Accounting Policies.

The following table analyses assets by valuation date

|                               | Operational Assets |               |                  | Non-Operational Assets |                          | Total<br>£'000 |
|-------------------------------|--------------------|---------------|------------------|------------------------|--------------------------|----------------|
|                               | Land & Buildings   | Plant & Equip | Community Assets | Investment Assets      | Assets held for disposal |                |
|                               | £'000              | £'000         | £'000            | £'000                  | £'000                    |                |
| Valued at historic cost       | 19                 | 8,780         | 265              | 0                      | 0                        | 9,064          |
| Current cost – valuation date |                    |               |                  |                        |                          |                |
| 2008-9                        | 1,199              | 0             | 0                | 2,331                  | 0                        | 3,530          |
| 2007-8                        | 4,426              | 0             | 0                | 88                     | 0                        | 4,514          |
| 2006-7                        | 3,963              | 0             | 0                | 3,692                  | 1,235                    | 8,890          |
| 2005-6                        | 16,357             | 0             | 0                | 5,399                  | 0                        | 21,756         |
| 2004-5                        | 0                  | 0             | 0                | 1,654                  | 0                        | 1,654          |
| <b>Total</b>                  | <b>25,964</b>      | <b>8,780</b>  | <b>265</b>       | <b>13,164</b>          | <b>1,235</b>             | <b>49,408</b>  |

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**13. FIXED ASSETS (Continued)**

**(d) Overall Capital Expenditure and Financing**

|   | 2007/08 |                | 2008/09        |              |
|---|---------|----------------|----------------|--------------|
|   | £'000   | £'000          | £'000          | £'000        |
| Opening Capital Financing Requirement                 |         | 4,448          |                | 5,121        |
| <b>Capital Investment</b>                             |         |                |                |              |
| Fixed Assets  | 1,819   |                | 2,546          |              |
| De Minimis  | 5       |                | 1              |              |
| Revenue Expenditure Funded from Capital Under Statute | 918     |                | 867            |              |
|   |         | <u>2,742</u>   | <u>3,414</u>   |              |
| <b>Sources of Finance</b>                             |         |                |                |              |
| Capital Receipts                                      |         | (267)          |                | (108)        |
| Government Grants and Other Contributions             |         | (692)          |                | (1,348)      |
| Sums Set Aside from Revenue                           |         |                |                |              |
| Earmarked Reserves                                    | (641)   |                | (970)          |              |
| Revenue Financing                                     | (17)    |                | (72)           |              |
| Minimum Revenue Provision (MRP)                       | (178)   |                | (205)          |              |
| Voluntary Revenue Provision (VRP)                     | (274)   |                | (255)          |              |
|   |         | <u>(1,110)</u> | <u>(2,958)</u> |              |
| <b>Closing Capital Financing Requirement</b>          |         | <u>5,121</u>   |                | <u>5,577</u> |

**Explanation of movements in year**

|  | 2007/08    | 2008/09    |
|--|------------|------------|
|  | £'000      | £'000      |
| Increase in underlying need to borrow (supported by Government Financial Assistance)   | 0          | 0          |
| Increase in underlying need to borrow (unsupported by Government Financial Assistance) | 673        | 456        |
| <b>Increase/(Decrease) in Capital Financing Requirement</b>                            | <u>673</u> | <u>456</u> |

**Commitments under Capital Contracts**

Commitments under Capital Contracts as at 31 March 2009 (> £10,000):

|  | £000              |
|--|-------------------|
| Bamber Bridge Leisure Centre – External Painting         | 15                |
| South Ribble Tennis Centre - replacement playing surface | 27                |
| Moss Side Community Centre - roofs and windows           | 19                |
| Play Areas: Much Hoole                                   | 15                |
| Kingsfold Drive, Penwortham                              | <u>27</u>         |
|  | <b><u>103</u></b> |

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**13. FIXED ASSETS (Continued)**

**(f) Information on Leased Assets**

**Lease rental payments made in 2008/09**

| Payments in 2007/08 |                  |                              | Payments in 2008/09 |                  |
|---------------------|------------------|------------------------------|---------------------|------------------|
| Finance leases      | Operating leases |                              | Finance leases      | Operating leases |
| £'000               | £'000            |                              | £'000               | £'000            |
| 0                   | 50               | Land and other buildings     | 0                   | 50               |
| 194                 | 132              | Vehicles plant and equipment | 194                 | 113              |
| <u>194</u>          | <u>182</u>       |                              | <u>194</u>          | <u>163</u>       |

**Operating lease rental payments due to be made in 2009/10**

The Council was committed to making operating lease payments, in respect of leases expiring:-

|                            | Other Land and Buildings | Vehicles, Plant and Equipment |
|----------------------------|--------------------------|-------------------------------|
|                            | £'000                    | £'000                         |
| Within one year            | 0                        | 48                            |
| Between one and five years | 0                        | 28                            |
| After five years           | 50                       | 0                             |

**Outstanding finance lease obligations**

The following obligations (excluding finance costs) are accounted for as part of long-term liabilities:-

|   | Vehicles, Plant and Equipment |
|---|-------------------------------|
|   | £'000                         |
| Obligations Payable in 2009/10                  | 166                           |
| Obligations Payable between 2010/11 and 2013/14 | 297                           |
| Obligations Payable after 2013/14               | 0                             |
| <b>Total Liabilities at 31 March 2009</b>       | <b><u>463</u></b>             |

**Assets held under finance leases**

The following values of assets are accounted for as part of Tangible Fixed assets.

| Vehicles, Plant and Equipment | Cost                | Depreciation        | Net Book Value    |
|-------------------------------|---------------------|---------------------|-------------------|
|                               | £'000               | £'000               | £'000             |
| Value at 1 April 2008         | 1,192               | (525)               | 667               |
| Additions in 2008/09          | 0                   |                     | 0                 |
| Depreciation in 2008/09       |                     | (175)               | (175)             |
| <b>Value at 31 March 2009</b> | <b><u>1,192</u></b> | <b><u>(700)</u></b> | <b><u>492</u></b> |

The aggregate finance charges allocated in 2008/09 in respect of finance leases is £0.044 million

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**13. FIXED ASSETS (Continued)**

**(g) Statement of Major Fixed Assets**

| Major fixed assets held as at 31 March                              | 2008<br>No. | 2009<br>No. |
|---|-------------|-------------|
| <b>Operational Buildings</b>  |             |             |
| Depots  | 2           | 2           |
| Administration Offices  | 3           | 3           |
| Leyland Leisure Centre  | 1           | 1           |
| Bamber Bridge Leisure Centre  | 1           | 1           |
| Penwortham Leisure Pool   | 1           | 1           |
| Penwortham Holme Recreation Centre                                  | 1           | 1           |
| Tennis Centre   | 1           | 1           |
| Community Centres   | 4           | 4           |
| Changing Pavilions  | 15          | 17          |
| Worden Park/Arts and Crafts   | 1           | 1           |
| Car Parks   | 24          | 24          |
| Museum  | 1           | 1           |
| <b>Community Assets</b>   |             |             |
| Parks   | 3           | 3           |
| Nature Reserves   | 2           | 2           |
| Recreation Grounds/Playgrounds and Major Areas of Public Open Space | 63          | 64          |
| <b>Non-Operational General – Investment Property</b>                |             |             |
| Shops   | 12          | 12          |
| Industrial Units (i)  | 68          | 68          |
| Office Accommodation  | 13          | 13          |
| Ground Leases (ii)  | 23          | 22          |
| Market Premises   | 1           | 1           |
| Club Premises   | 0           | 1           |
| Surplus Assets for Disposal   | 4           | 4           |

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**14. FINANCIAL INSTRUMENTS**

**a. Financial Instruments Balances**

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

| As at 31 March                          | Long-Term     |               | Current       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2008<br>£'000 | 2009<br>£'000 | 2008<br>£'000 | 2009<br>£'000 |
| Financial Liabilities at amortised cost | 3,417         | 3,332         | 0             | 0             |
| <b>Total Borrowings</b>                 | <b>3,417</b>  | <b>3,332</b>  | <b>0</b>      | <b>0</b>      |
| Loans and Receivables                   | 9,466         | 5,412         | 7,414         | 7,908         |
| <b>Total Investments</b>                | <b>9,466</b>  | <b>5,412</b>  | <b>7,414</b>  | <b>7,908</b>  |

There has been no reclassification of assets and no pledges of collateral have been made.

**b. Amounts charged to the Income & Expenditure Account and the Statement of Total Recognised Gains and Losses**

|                   | Financial Liabilities<br>Measured at<br>amortised cost |               | Financial assets<br>Loans & Receivables |               |
|-------------------|--|---------------|---|---------------|
|                   | 2008<br>£'000  | 2009<br>£'000 | 2008<br>£'000                           | 2009<br>£'000 |
| Interest expenses | 307  | 301           | 0                                       | 0             |
| Impairment losses | 0  | 0             | 0                                       | 1,518         |
| Interest income   | 0  | 0             | (1,352)                                 | (1,078)       |
|                   | <b>307</b>   | <b>301</b>    | <b>(1,352)</b>                          | <b>440</b>    |

The impairment losses include those arising on the Icelandic investments, and the provision for other debtor write offs.

**c. Comparison of Carrying Amount and Fair Value**

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present values of cash flows that take place over the remaining life of the instruments, using the following assumptions:-

- The fair value for financial liabilities and long term investments have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each Balance Sheet date, and include accrued interest.
- Where an instrument has a maturity of less than one year or is a trade or other receivable, the fair value is taken to be the principal outstanding or the billed amount.

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

|                              | Carrying amounts |               | Fair Values   |               |
|------------------------------|------------------|---------------|---------------|---------------|
|                              | 2008<br>£'000    | 2009<br>£'000 | 2008<br>£'000 | 2009<br>£'000 |
| <b>Financial Assets</b>      |                  |               |               |               |
| Loans and receivables        |                  |               |               |               |
| Investments                  | 9,466            | 3,354         | 9,465         | 3,548         |
| Short term Investments       | 7,414            | 9,966         | 7,414         | 7,275         |
| Long Term Debtors            | 91               | 85            | 91            | 85            |
| Current Debtors              | 4,629            | 4,483         | 4,629         | 4,483         |
| <b>Total</b>                 | <b>21,600</b>    | <b>17,888</b> | <b>21,599</b> | <b>15,391</b> |
| <b>Financial liabilities</b> |                  |               |               |               |
| Short & long term borrowings | 3,308            | 3,332         | 3,417         | 3,499         |
| Creditors                    | 3,922            | 4,559         | 3,922         | 4,559         |
| <b>Total</b>                 | <b>7,230</b>     | <b>7,891</b>  | <b>7,339</b>  | <b>8,058</b>  |

**d. Impairment**

In October 2008 various Icelandic banks went into administration. The authority has the following deposits with these institutions.

| Bank       | Date Invested | Maturity Date | Amount Invested | Interest rate | Carrying amount at 31/3/2009 | Impairment |
|------------|---------------|---------------|-----------------|---------------|------------------------------|------------|
| Landsbanki | 26/06/2007    | 22/06/2009    | £3,000,000      | 6.65%         | £2,690,479                   | £662,062   |
| Heritable  | 22/07/2008    | 23/10/2008    | £1,000,000      | 5.85%         | £809,872                     | £316,345   |
| Heritable  | 23/09/2008    | 21/11/2008    | £1,000,000      | 6.00%         | £715,187                     | £316,046   |

The current situation regarding recovery of these deposits, and the action taken in preparing these accounts, is detailed below. As the available information is not definitive, it is likely that further adjustments will be required in future years.

The Capital Finance Regulations permit authorities to defer the impact of the impairment on the General Fund until, at the latest, 2010/11. The authority has taken advantage of this resulting in both the impairment charges and the interest credits to 31 March 2009 being transferred to the Financial Instrument Adjustment Account.

**Landsbanki**

The banks domestic assets and liabilities have been transferred to "New Landsbanki". The old banks's affairs are being administered under Icelandic law. The latest presentation of its affairs was made to creditors on 20 February 2009. This and other relevant information, indicates that recovery of between 90% and 100% can be achieved. The authority has taken a mid point position and recognised an impairment based on recovery of 95% by December 2012. Its claim includes both principal and interest accrued up to November 14 2008.

Recovery is subject to the following risks and uncertainties

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts
- The impact of exchange rate fluctuations on asset recovery (by the administrator) and settlement of the authority's claim.
- Settlement of the terms of a bond which will allow old Landsbanki creditors to enjoy rights in new Landsbanki.
- The impact (if any) of the freezing order made by the UK Government over Landsbanki's London branch assets.

**NOTES TO THE MAIN FINANCIAL STATEMENT**

Failure to secure preferential creditor status would have a significant effect, reducing the recoverable amount from 95% to possibly 33%.

No information has been provided about the timing of payments to depositors, but it is assumed that this will be phased as the banks assets are realised. This has resulted in the assumption that repayments will be made in roughly even percentages, at the end of March 2010, December 2010, December 2011 and December 2012. This is similar to the assumptions made about two other failed Icelandic banks, Heritable and KS&F. The carrying amount of the investment is the present value of the expected repayments, on these dates, discounted at the investment's original interest rate.

**Heritable Bank**

Heritable is a UK registered bank under English law which went into administration on 7 October 2008. The creditor progress report dated 17 April 2009 projected a return to creditors of 80% following the run down of the business by the end of 2012, with the first payment of 15p in the £ due in the summer of 2009. The impairment calculation has assumed the following dividend payments – July 2009 (15%), July 2010 (30%), July 2011 (15%), July 2012 (10%), July 2013 (10%). The claim includes both principal and interest accrued up to 6 October 2008.

**e. Nature and extent of risks arising from financial instruments****Key risks**

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

- Credit risk – that other parties might fail to pay amounts due to the Council
- Liquidity risk – that the Authority might not have liquid funds available to make payments when due
- Re-financing risk – that the Council might have to renew a financial instrument on maturity at disadvantageous terms
- Market risk – the possibility of financial loss arising from movements in interest rates

**Overall procedures for managing risk**

In managing investment risk the Council works within the legal framework set out in the Local Government Act 2003 and associated regulations. This requires compliance with the CIPFA Code of Practice, the Prudential Code, and investment Guidance issued through the Act. A key requirement is that the council should annually consider its Treasury Management Strategy which incorporates the following

Prudential indicators specifying

- Maximum and minimum exposure to fixed and variable rates
- Limits on the maturity structure of the debt portfolio
- Limits on total borrowing

An Investment Strategy specifying

- The use that should be made of credit ratings to determine the financial standing of counterparties
- The use of sovereign ratings to limit investments to specific countries
- The maximum amounts that might be deposited with any institution
- The lengths of time for which deposits can be made



**NOTES TO THE MAIN FINANCIAL STATEMENT**

**Credit risk**

This exists in relation to debtors, and investments, made as a result of the Council's treasury operations. The following table analyses relevant investments and debtors as at the date of account

|   | <b>Amount at<br/>31 March<br/>£'000</b> | <b>Default<br/>risk</b> | <b>Exposure<br/>to default<br/>£'000</b> |
|---|---|-------------------------|--|
| Investments   |   |                         |  |
| Impaired bank deposits  | 4,083                                   |                         | 1,760                                    |
| Other long term deposits with banks and financial institutions  | 3,353                                   |                         | 0  |
| Other short term deposits with banks and financial institutions | 5,883                                   |                         | 0  |
| Debtors   | 2,055                                   | 15%                     | 313                                      |
|   | <b>15,374</b>                           |                         | <b>2,073</b>                             |

The Council seeks to mitigate credit risk through the limits determined in the investment Strategy. These restrictions have been further tightened as a result of the current "credit crunch" and in light of the impairment of the Icelandic investments.

In the above table the further default exposure of £1.76m is the potential additional impairment if the recoverable amount of the Landsbanki loan fell to 33%.

The sundry debtors are further analysed in the following table

|                                      | <b>£'000</b> |
|--------------------------------------|--------------|
| Not yet past due date                | 1,122        |
| Up to three months past due date     | 110          |
| Three to six months past due date    | 17           |
| Six months to one year past due date | 241          |
| Beyond one year                      | 565          |
|                                      | <b>2,055</b> |

No collateral is held as security.

**Liquidity risk**

The authority has ready access to borrowing from the Public Works Loan Board and the money markets. 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 outlined above as well as through cash flow management procedures required by the Council.

**NOTES TO THE MAIN FINANCIAL STATEMENT**

**Refinancing risk**

The approved prudential limits for the maturity structure of debt, and the limits placed on investments greater than one year in duration, are the key parameters used to address this risk.

The maturity analysis of financial liabilities is as follows:

| <u>Lender</u>           | <u>Maturity</u>            | <u>Loan<br/>Principal<br/>£'000</u> |
|-------------------------|----------------------------|-------------------------------------|
| Public Works Loan Board | Between one and two years  | 472                                 |
| Public Works Loan Board | Between two and five years | 0                                   |
| Public Works Loan Board | Between five and ten years | 0                                   |
| Public Works Loan Board | In ten years or more       | 2,836                               |
|                         | <b>Total</b>               | <b><u>3,308</u></b>                 |

The amount presented in the balance sheet is the outstanding principal payable plus interest accrued at 31 March 2009

**Market risk**

**Interest rate risk** – The Council has limited exposure to interest rate movements on its borrowings and investments. Borrowings and short term investments are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings and investments do not impact on the Income and Expenditure Account or the Statement of Total Recognised Gains and Losses

To mitigate risk the Treasury Strategy reviews interest rate forecasts and fixes prudential indicators for fixed and variable interest rate exposure.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would have been

|   | <u>£'000</u> |
|---|--------------|
| Gain - Increase in interest payable on variable rate borrowings   | 0            |
| Gain - Increase in interest receivable on variable rate investments   | (52)         |
| Gain - Impact on Income and Expenditure Account   | <u>(52)</u>  |
| Loss - Decrease in fair value of fixed rate investments (no impact on Statement of Total Recognised Gains and Losses) | <u>69</u>    |
| Gain - Decrease in fair value of fixed rate borrowing (no impact in I&E Account or STRGL)                             | <u>(456)</u> |

**Price risk** – The Council has no exposure to this risk, having no available for sale assets.

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**15. DEBTORS**

| Analysis of debtors as at 31 March | <b>2008</b>         | <b>2009</b>         |
|------------------------------------|---------------------|---------------------|
|                                    | <b>£'000</b>        | <b>£'000</b>        |
| Government Departments             | 809                 | 843                 |
| Other Local Authorities            | 186                 | 166                 |
| Taxpayers                          | 2,416               | 2,634               |
| Other Debtors                      | 2,261               | 2,055               |
|                                    | <u>5,672</u>        | <u>5,698</u>        |
| Less: Provision for Doubtful Debts | (1,043)             | (1,215)             |
|                                    | <u><b>4,629</b></u> | <u><b>4,483</b></u> |

**16. CREDITORS**

| Analysis of creditors as at 31 March | <b>2008</b>  | <b>2009</b>  |
|--------------------------------------|--------------|--------------|
|                                      | <b>£'000</b> | <b>£'000</b> |
| Government Departments               | 1,509        | 1,367        |
| Other Local Authorities              | 506          | 662          |
| Tax Payers                           | 845          | 236          |
| Other Creditors                      | 1,062        | 2,294        |
|                                      | <u>3,922</u> | <u>4,559</u> |

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**17. FUND BALANCES AND RESERVES**

The table below summarises the movements within the fund balances during the year:

|   | Balance at 1<br>April 2008 | Net<br>Movement<br>in Year | Balance at 31<br>March 2009 | Further<br>Detail of<br>Movement |
|---|----------------------------|----------------------------|-----------------------------|----------------------------------|
|   | £'000                      | £'000                      | £'000                       | Note                             |
| <b>Reserve</b>                                    |                            |                            |                             |                                  |
| Revaluation Reserve                               | 143                        | 480                        | 623                         | 30                               |
| Capital Adjustment Account                        | 35,328                     | (1,113)                    | 34,215                      |                                  |
| Capital Receipts Reserve                          | 3,174                      | (104)                      | 3,070                       |                                  |
| Financial Instruments Adjustment<br>Account       | 0                          | (870)                      | (870)                       |                                  |
| Pensions Reserve                                  | (20,775)                   | 144                        | (20,631)                    | 12                               |
| <b>Sub Total</b>                                  | <b>17,870</b>              | <b>(1,463)</b>             | <b>16,407</b>               |                                  |
| <b>General Fund Reserves:</b>                     |                            |                            |                             |                                  |
| General Fund Balance                              | 3,538                      | (146)                      | 3,392                       |                                  |
| Collection Fund                                   | (758)                      | 330                        | (428)                       |                                  |
| <b>Sub Total</b>                                  | <b>2,780</b>               | <b>184</b>                 | <b>2,964</b>                |                                  |
| <b>Earmarked Reserves:</b>                        |                            |                            |                             | <b>Note 20</b>                   |
| Area Committee                                    | 56                         | (3)                        | 53                          | a                                |
| Asset Management                                  | 2,407                      | (308)                      | 2,099                       | b                                |
| Borough Council Elections                         | 30                         | 30                         | 60                          | c                                |
| Building Control                                  | 74                         | (69)                       | 5                           | d                                |
| Housing Needs Survey                              | 8                          | 9                          | 17                          | e                                |
| Information Communications<br>Technology Strategy | 1,599                      | (115)                      | 1,484                       | f                                |
| Local Development Framework                       | 162                        | (10)                       | 152                         | g                                |
| Other Earmarked Reserves                          | 531                        | 17                         | 548                         | h                                |
| Pension Fund                                      | 68                         | (30)                       | 38                          | i                                |
| Public Open Space                                 | 2,125                      | (59)                       | 2,066                       | j                                |
| Single Status/Equal Pay                           | 1,196                      | (414)                      | 782                         | k                                |
| Vehicle and Plant Replacement                     | 46                         | 30                         | 76                          | l                                |
| Leisure Sites Repair & Mtne                       | 49                         | 43                         | 92                          | m                                |
| <b>Sub Total</b>                                  | <b>8,351</b>               | <b>(879)</b>               | <b>7,472</b>                |                                  |
| <b>Total Reserves</b>                             | <b>29,001</b>              | <b>(2,158)</b>             | <b>26,843</b>               |                                  |

**NOTES TO THE MAIN FINANCIAL STATEMENTS****17. FUND BALANCES AND RESERVES (continued)****Earmarked Reserves****a) Area Committee**

This reserve represents an accumulation of unspent revenue balances allocated to be spent in accordance with the local priorities determined by each of the Area Committees.

**b) Asset Management**

Sums set aside to support the Council's property management.

**c) Borough Council Elections**

An annual transfer from revenue is made to cover the four yearly Borough Elections. The election took place in May 2007, and the next one is due to take place in May 2011.

**d) Building Control**

This reserve holds the accumulated balances for surpluses on fee earning activities in the Building Control Service. The Building (Local Authority) Charges Regulations 1998 states that full recovery of costs should be achieved over a three year continuous accounting period by allowing the Authority to set its own fees.

**e) Housing Needs Survey**

An amount of £8,000 per year is accumulated to fund the next Housing Needs Survey in 2010.

**f) Information Technology Communications Strategy**

This reserve will be used to fund the IT replacement programme and other technologically based service transformational projects.

**g) Local Development Framework**

Used to fund the ongoing process of development of the Local Development Framework plan

**h) Other Earmarked Reserves**

This reserve was set up to allow the carry forward of specific funding where the revised expenditure plans mean it will fall in subsequent years.

**i) Pension Fund.** This reserve has been earmarked to fund any increased pensions costs payable to SRCLL arising from the Leisure Services Agreement.

**j) Public Open Space Commuted Sums**

The balance on this reserve represents cash endowments for the maintenance of assets transferred from the Central Lancashire New Town

**k) Single Status/Equal Pay.** This reserve will be used to assist in funding the results of job evaluation and the impact of single status.

**l) Vehicle and Plant Replacement**

Sums set aside to fund the replacement of vehicles, plant and equipment.

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**m) Leisure Sites**

This reserve was set up to allow the carry forward of unspent repair and maintenance budgets for the Leisure sites managed by the Council's Leisure Partner (South Ribble Community Leisure Ltd). This will be used to fund any future repair costs for which the Council is committed to under the contract with the Leisure Trust.

**18. DEFERRED LIABILITY**

Finance leases and deferred purchase arrangements taken out by the Council, which are payable in the future. The movement during the year is:

|                                    | <b>Deferred<br/>Purchase</b> | <b>Finance<br/>Leases</b> | <b>Total</b> |
|------------------------------------|------------------------------|---------------------------|--------------|
|                                    | <b>£'000</b>                 | <b>£'000</b>              | <b>£'000</b> |
| Balance as at 1 April 2008         | 1,529                        | 712                       | 2,241        |
| Additions in the year              | 96                           | 0                         | 96           |
| Principal repaid during the year   | (316)                        | (157)                     | (473)        |
| <b>Balance as at 31 March 2009</b> | <b>1,309</b>                 | <b>555</b>                | <b>1,864</b> |

**19. DEFERRED CREDITS**

**Mortgage Advances**

Deferred credits arise in respect of mortgage advances made by the Council and represent the extent to which the advances are funded. The movement during the year is:

|                                    | <b>Mortgage<br/>Advances</b> |
|------------------------------------|------------------------------|
|                                    | <b>£'000</b>                 |
| Balance as at 1 April 2008         | 11                           |
| Principal repaid during the year   | (2)                          |
| <b>Balance as at 31 March 2009</b> | <b>9</b>                     |

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**20. UNAPPLIED GRANTS AND CONTRIBUTIONS**

Section 106 receipts are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission. The sums are restricted to being spent only in accordance with the agreement concluded with the developer. The major balances of section 106 receipts held by the Council during the year were as follows:

|  | <u>Balance at 31</u><br><u>March 2008</u><br><u>£'000</u> | <u>Income</u><br><u>£'000</u> | <u>Expenditure</u><br><u>£'000</u> | <u>Balance at 31</u><br><u>March 2009</u><br><u>£'000</u> |
|--|---|-------------------------------|------------------------------------|---|
| <b>1. S106 Contributions</b>               |   |                               |                                    |   |
| Open space schemes                         | (993)   | (61)                          | 388                                | (666)   |
| Other                                      | (660)   | 0                             | 54                                 | (606)   |
| <b>2. Other Grants &amp; Contributions</b> | (901)   | (906)                         | 896                                | (911)   |
| <b>Total</b>                               | <u><u>(2,554)</u></u>                                     | <u><u>(967)</u></u>           | <u><u>1,338</u></u>                | <u><u>(2,183)</u></u>                                     |

**21. CONTINGENT ASSETS AND LIABILITIES**

Contingent Assets and Liabilities are not recognised in the accounting statements but are disclosed as a note to the accounts.

Contingent Asset – The Council has made a claim to return VAT paid due to a change in the treatment of VAT mainly at Leisure Centres. There is no indication at the moment as to whether it will be successful, although other authorities have received settlement for similar claims.

Contingent Liabilities - None

**22. POST BALANCE SHEET EVENTS**

There were no events arising after the Balance Sheet date which would affect the financial results of the past year.

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**23. CASH FLOW - RECONCILIATION OF REVENUE (DEFICIT)/ SURPLUS TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**

| <b>2007/2008</b> |   | <b>2008/2009</b> |              |
|------------------|---|------------------|--------------|
| <b>£'000</b>     |   | <b>£'000</b>     | <b>£'000</b> |
|                  | <b>Surplus/(Deficit) for the Year</b>                             |                  |              |
| (1,060)          | Income and Expenditure Account                                    | (4,179)          |              |
| (913)            | Collection Fund   | 330              |              |
| (1,973)          |   |                  | (3,849)      |
|                  | <b>Non-cash Transactions</b>                                      |                  |              |
| 1,594            | Depreciation & Impairment   | 1,715            |              |
| 652              | Revaluation decreases written off to I&E Account during year      | 1,239            |              |
| (455)            | Deferred Grants amortised in year                                 | (476)            |              |
| (735)            | Grants funding REFfCUS amortised/written off in year (1)          | (664)            |              |
| 326              | Pensions fund adjustment  | 1,111            |              |
| 1,382            |   |                  | 2,925        |
|                  | <b>Adjustments for items reported separately on the Cash Flow</b> |                  |              |
| (1,853)          | Interest and Investment Income                                    |                  | (1,078)      |
| 331              | Interest payable and similar charges                              |                  | 1,439        |
| 164              | Interest element of finance lease rental payments                 |                  | 156          |
| 921              | Revenue Expenditure Funded from Capital Under Statute             |                  | 866          |
|                  | <b>Items on an Accrual Basis (2)</b>                              |                  |              |
| (80)             | (Increase)/Decrease in Stock                                      |                  | 60           |
| 288              | (Increase)/Decrease in Debtors                                    |                  | 225          |
| (698)            | Increase/(Decrease) in Creditors                                  |                  | 450          |
| <b>(1,518)</b>   | <b>Net Cash Inflow/(Outflow) from Operating Activities</b>        |                  | <b>1,195</b> |

(1) REFfCUS is Revenue Expenditure Funded from Capital Under Statute

(2) Items in this section of the reconciliation exclude debtors/creditors relating to financing or capital transactions



**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**24. ANALYSIS OF NET DEBT (RECONCILIATION OF NET DEBT TO RELATED ITEMS IN THE BALANCE SHEET)**

|   | <b>Cash<br/>£'000</b> | <b>Short<br/>term<br/>deposits/<br/>investme<br/>nts £'000</b> | <b>Total</b>  | <b>Loans<br/>due<br/>after<br/>more<br/>than one<br/>year<br/>£'000</b> | <b>Deferred<br/>Liabilities<br/>£'000</b> | <b>Net<br/>Debt<br/>£'000</b> |
|---|-----------------------|--|---------------|---|---|-------------------------------|
| Balance at 1 April 2008   | (530)                 | 7,414  | <b>6,884</b>  | (3,332)   | (2,241)                                   | <b>1,311</b>                  |
| Receipt/payment of interest<br>accrued at last Balance Sheet date | 0                     | (33)   | <b>(33)</b>   | 0   | 2   | <b>(31)</b>                   |
| Other Cash flows in year  | 1,485                 | 480  | <b>1,965</b>  | 0   | 473                                       | <b>2,438</b>                  |
| Other Non Cash changes  | 0                     | 2,105  | <b>2,105</b>  | 0   | (98)                                      | <b>2,007</b>                  |
| <b>Balance at 31 March 2009</b>                                   | <b>955</b>            | <b>9,966</b>   | <b>10,921</b> | <b>(3,332)</b>  | <b>(1,864)</b>                            | <b>5,725</b>                  |

**25. RECONCILIATION OF CHANGES IN CASH TO MOVEMENT IN NET DEBT**

| <b>2007/08<br/>£000</b> |   | <b>2008/09<br/>£000</b> |
|-------------------------|---|-------------------------|
| (203)                   | Increase/(decrease) in cash in year                       | 1,485                   |
| (11,065)                | Cash inflow/(outflow) from management of liquid resources | 447                     |
| 0                       | Cash inflow from:   |                         |
|                         | 0 New loans raised  | 0                       |
|                         | Cash outflow from   |                         |
| 0                       | 0 Loans repaid  | 0                       |
| 1                       | 1 Payment of interest accrued at last balance sheet date  | 2                       |
| 340                     | Deferred liabilities repaid                               | 473                     |
| <b>(10,927)</b>         |   | <b>2,407</b>            |
|                         | Other non-cash changes                                    |                         |
| 135                     | Investment accrued at year end on short term investments  | 47                      |
| 0                       | Transfers to/from long term investments                   | 2,690                   |
| 0                       | Impairment of short term investments                      | (632)                   |
| (806)                   | New deferred liabilities                                  | (96)                    |
| (1)                     | Interest accrued at year end on loans & finance leases    | (2)                     |
| <b>(672)</b>            |   | <b>2,007</b>            |
| <b>12,910</b>           | Net debt brought forward                                  | <b>1,311</b>            |
| <b>1,311</b>            | <b>Net debt carried forward</b>                           | <b>5,725</b>            |

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**26. ANALYSIS OF CHANGES IN CASH AND LIQUID RESOURCES IN THE YEAR**

|                                    | <b>2009</b>   | <b>2008</b>  | <b>Movement</b>    |
|------------------------------------|---------------|--------------|--------------------|
|                                    | <b>£'000</b>  | <b>£'000</b> | <b>in the Year</b> |
|                                    |               |              | <b>£'000</b>       |
| Short term investments             | 9,966         | 7,414        | 2,552              |
| Short term deposits                | 0             | 0            | 0                  |
| Cash                               | 955           | 7            | 948                |
| Bank overdraft                     | 0             | (537)        | 537                |
| <b>Increase/(decrease) in year</b> | <b>10,921</b> | <b>6,884</b> | <b>4,037</b>       |

**27. CASH FLOW – ANALYSIS OF GOVERNMENT GRANTS**

i) The categories of government grants in the Cash Flow Statement

| <b>2007/08</b> |                                | <b>2008/09</b> |
|----------------|--------------------------------|----------------|
| <b>£'000</b>   |                                | <b>£'000</b>   |
| 631            | Capital activities             | 877            |
| 27,812         | Revenue activities             | 29,788         |
| 0              | European grants                | 0              |
| <b>28,443</b>  | <b>Total government grants</b> | <b>30,665</b>  |

ii) Analysis of revenue governments grants

| <b>2007/08</b> |                            | <b>2008/09</b> |
|----------------|----------------------------|----------------|
| <b>£'000</b>   |                            | <b>£'000</b>   |
| 20,593         | Community services         | 22,404         |
| 1              | Environmental health       | 0              |
| 6,181          | NNDR receipt from the pool | 6,482          |
| 1,037          | Revenue Support Grant      | 902            |
| <b>27,812</b>  |                            | <b>29,788</b>  |

**COLLECTION FUND**

**Income and Expenditure Account for the year ended 31 March 2009**

| 2007/08<br>£'000 | See<br>Note |   | 2008/09 |               |
|------------------|-------------|---|---------|---------------|
|                  |             |   | £'000   | £'000         |
|                  |             | <b>Income</b>                                     |         |               |
| 47,194           | 2           | Income from Council Tax                           |         | 49,236        |
|                  |             | <i>Transfers from General Fund</i>                |         |               |
| 5,012            |             | Council Tax Benefits                              | 5,331   |               |
| 0                |             | Transitional Relief                               | (2)     |               |
| <u>5,012</u>     |             |   |         | 5,329         |
| 26,765           | 3           | Income Collectable from Business Ratepayers       |         | 28,973        |
| <u>78,971</u>    |             |   |         | <u>83,538</u> |
|                  |             | <b>Expenditure</b>                                |         |               |
|                  |             | Precepts and Demands                              |         |               |
| 38,689           |             | Lancashire County Council                         | 39,913  |               |
| 7,261            |             | South Ribble Borough Council                      | 7,552   |               |
| 4,658            |             | Lancashire Police Authority                       | 5,039   |               |
| 2,124            |             | Combined Fire Authority                           | 2,229   |               |
| <u>52,732</u>    |             |   |         | 54,733        |
|                  |             | Distribution of Collection Fund Surplus/(Deficit) |         |               |
| 91               |             | Lancashire County Council                         | (431)   |               |
| 17               |             | South Ribble Borough Council                      | (81)    |               |
| 10               |             | Lancashire Police Authority                       | (52)    |               |
| 5                |             | Combined Fire Authority                           | (24)    |               |
| <u>123</u>       |             |   |         | (588)         |
| 0                |             | Adjustment to Previous Years Community Charge     |         | 81            |
|                  |             | Business Rates                                    |         |               |
| 26,715           |             | Payment to National Pool                          | 28,781  |               |
| 121              |             | Cost of Collection Allowance                      | 121     |               |
| <u>26,836</u>    |             |   |         | 28,902        |
|                  |             | Bad and Doubtful debts/appeals                    |         |               |
| 231              |             | Write-offs  | 112     |               |
| (38)             |             | Provisions  | (32)    |               |
| <u>193</u>       |             |   |         | 80            |
| <u>79,884</u>    |             |   |         | <u>83,208</u> |
| (913)            |             | Surplus/(deficit) for year                        |         | 330           |
| 155              |             | Surplus/(deficit) at 1 April 2008                 |         | (758)         |
| <u>(758)</u>     |             | <b>Surplus/(deficit) at 31 March 2009</b>         |         | <u>(428)</u>  |

**NOTES TO THE COLLECTION FUND ACCOUNT**

**1. GENERAL**

The Collection Fund Income and Expenditure account is a statutory requirement of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) which requires councils to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates. Collection Fund balances are consolidated in the Council's Consolidated Balance Sheet.

**2. COUNCIL TAX**

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities for the forthcoming year and dividing this by the council tax base (the total number of properties in each band multiplied by a factor to convert the number to a Band D equivalent adjusted for discounts: £37,057.55 for 2008/09 £36,980.32 for 2007/08). This basic amount of council tax for a Band D property (excluding Parish Precepts £1,470.73 for 2008/09 and £1,419.91 for 2007/08) is multiplied by the proportion specified for the particular band to give an individual amount due.

Council Tax bills were based on the following for Bands A to H:

| Band | Proportion of Band D Charge | Council Tax Levied Excluding Parish Precepts |                |
|------|-----------------------------|--|----------------|
|      |                             | 2007/2008<br>£                               | 2008/2009<br>£ |
| A    | 0.67                        | 946.61                                       | 980.49         |
| B    | 0.78                        | 1,104.38                                     | 1,143.90       |
| C    | 0.89                        | 1,262.15                                     | 1,307.32       |
| D    | 1.00                        | 1,419.91                                     | 1,470.73       |
| E    | 1.22                        | 1,735.44                                     | 1,797.56       |
| F    | 1.44                        | 2,050.99                                     | 2,124.39       |
| G    | 1.67                        | 2,366.52                                     | 2,451.22       |
| H    | 2.00                        | 2,839.82                                     | 2,941.46       |

Calculation of the Council tax base, based on the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings.

| Band         | Dwellings     | Total Equivalent dwellings | Proportion of Band D Charge | Band D Equivalent |
|--------------|---------------|----------------------------|-----------------------------|-------------------|
| A (disabled) | 0             | 15.75                      | 5:9                         | 8.75              |
| A            | 9,352         | 8,062.50                   | 6:9                         | 5,375.00          |
| B            | 11,911        | 10,781.75                  | 7:9                         | 8,385.80          |
| C            | 11,490        | 10,605.50                  | 8:9                         | 9,427.11          |
| D            | 7,179         | 6,733.25                   | 9:9                         | 6,722.25          |
| E            | 3,737         | 3,571.50                   | 11:9                        | 4,365.16          |
| F            | 1,430         | 1,371.50                   | 13:9                        | 21,981.06         |
| G            | 470           | 438.25                     | 15:9                        | 730.42            |
| H            | 18            | 12.50                      | 18:9                        | 25.00             |
| <b>Total</b> | <b>45,587</b> | <b>41,592.50</b>           |                             | <b>37,031.55</b>  |

**NOTES TO THE COLLECTION FUND ACCOUNT****3. BUSINESS RATES**

Business Rates are organised on a national basis. In 2005/2006 the Government introduced a Small Business Rate Relief Scheme. This results in there being two multipliers – one for small businesses 45.8p in 2008/09 and one for larger businesses at 46.2p. The Council is responsible for collecting rates due from the ratepayers in its areas but pays the proceeds into a Business Rates pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The Business Rates income, after reliefs and provisions was £29.0 million for 2008/09 (£26.8 million for 2007/08).

The rateable value for the Council's area at the end of the financial year 2008/09 was £69.2 million (£70.1 million in 2007/08).

**4. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS**

The deficit of £0.428 million which is carried forward on the Collection Fund at 31 March 2009 includes a surplus on Community Charge of £0.034 million.

After allowing for this there is a deficit of £0.462 million on the Collection Fund attributable to Council Tax. This will be distributed to the precepting authorities in proportion to the value of their respective precepts on the Collection Fund.

The authorities who make a significant precept on the Collection Fund are:

|                             | <b>2008/09</b> |
|-----------------------------|----------------|
|                             | <b>£000</b>    |
| Lancashire County Council   | 39,913         |
| Lancashire Police Authority | 5,039          |
| Combined Fire Authority     | 2,229          |