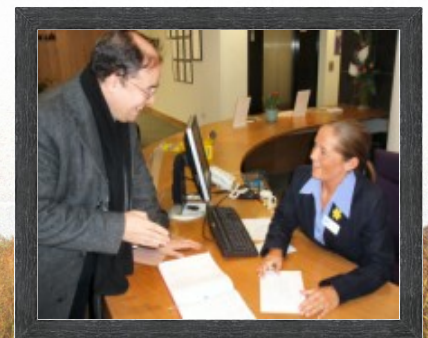


# South Ribble Borough Council STATEMENT OF ACCOUNTS YEAR ENDING 31 MARCH 2010



M. Nuttall BA (Hons) CPFA  
Deputy Chief Executive



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**SOUTH RIBBLE BOROUGH COUNCIL – STATEMENT OF ACCOUNTS 2009/10**

**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 **XX September 2010**

Signed on behalf of South Ribble Borough Council:

Chairman:

Date: **XX September 2010**

## EXPLANATORY FOREWORD

### Introduction

For the financial year 2009/10, the statements for South Ribble Borough Council (the Council) have been prepared in accordance with the requirements of the 2009 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 3 - **Explanatory Foreword** – Provides a guide to the most significant matters reported in the accounts.
- Page 7 - **Statement of Responsibilities for the Statement of Accounts** – Summarises the responsibilities of the Council and Deputy Chief Executive in relation to the Statement of Accounts.
- Page 12 - **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 20 - **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 21 - **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 22 - **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 23 - **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 24 - **Cash Flow Statement** – Summarises the inflows and outflows of cash arising from the transactions with third parties for revenue and capital purposes.
- Page 25 - **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 56 - **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 2009/10, as approved on 4<sup>th</sup> March 2009, was set at £15.183 million (including Parish Precepts of £0.238 million). In setting the budget no contribution from General Fund Balances was required.

The Revised Budget, approved on 10 February 2010, forecast higher net expenditure, with net contributions from earmarked reserves of £0.080 million and a release from the General Reserve of £0.185 million. This increase is largely accounted for by one-off costs associated with the restructuring of services to deliver future savings. These were not explicitly budgeted for in the original budget but were taken into account in determining the appropriate level for the General Fund Reserve.

The actual net expenditure of the Council for 2009/10 amounted to £15,323 million (including Parish Precepts of £0.238 million), with net contributions to Earmarked Reserves of £0.501 million and a transfer from the General Reserve of £0.089 million.

A breakdown of the Earmarked Reserves is shown in note 13 of the Notes to the Main Financial Statements.

The Table below sets out the Council's net expenditure for 2009/10 and its funding.

<b><u>2009/10</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	14,896	15,184	14,556	628
Parish Council Precepts	238	238	238	0
Capital Contribution	10	26	28	(2)
Net additional amounts required*	39	(80)	501	(581)
<b>Net Expenditure to be met by Government Grant and Local Taxpayers</b>	<b>15,183</b>	<b>15,368</b>	<b>15,323</b>	<b>45</b>
Financed by:				
Revenue Support Grant/Business Rates/Area Based Grant **	7,463	7,463	7,514	51
Parish Council Precepts	238	238	238	0
Precept on Collection Fund	7,482	7,482	7,482	0
<b>Total Funding</b>	<b>15,183</b>	<b>15,183</b>	<b>15,234</b>	<b>51</b>
<b>Reduction in General Fund Balance (Note 13)</b>	<b>0</b>	<b>(185)</b>	<b>(89)</b>	<b>96</b>

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

\*\* Changes in accounting practice in respect of Council Tax £27,000 (as explained in Note 2 of the Collection Fund Page 57) plus Area Based Grant of £23,000 which is now included in this line.

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

**Exceptional income and expenditure**

During the year the Council financed an impairment charge of £0.989 million in respect of investments in Icelandic Banks (note 10(d) refers). Whilst regulations permitted the deferment of this

**EXPLANATORY FOREWORD**

until 2010/11 the charge was made in 2009/10. In this way the effects of the impairment have been recognised and reflected in the financial statements at the earliest possible date. The Council is also in receipt of a value Added Tax (VAT) refund in the sum of (£0.515 million).

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>15,368</b>
Higher Income Receivable:		
Housing Benefit Subsidy	(175)	
VAT Refund	(515)	
Performance Reward Grant	(239)	
Planning Fee Income	(64)	
Waste Collection Charges	(91)	
Investment Property Income	(22)	
Lower Income:		
Court Costs Reclaimed	50	
Lower Costs:		
Publicity & Promotion	(27)	
Employee Related Expenses	(76)	
Stationery & Postage	(24)	
Transport Costs	(46)	
IT Services	(33)	
Increased Costs:		
Water Charges	27	
Bad Debt Provision	134	
Icelandic Deposits Impairment Charges	989	
Additional Efficiencies Achieved	(272)	
Revenue Budget underspend carried forward to 2010/11	(135)	
Other Variations (net)	(109)	
<b>Total Net savings</b>	<b>(628)</b>	
Reduced Capital Contributions	2	
Increased contribution to Earmarked Reserves	581	
<b>Reduction to General Fund Balance:</b>	<b>(45)</b>	
<b>Net Expenditure for Year</b>		<b>15,323</b>



**EXPLANATORY FOREWORD**

**Efficiency Savings**

The original budget for 2009/10 included an efficiency target totalling £2.280 million of which £1.725 million was allocated to specific services, £0.305 million related to savings for the re-phasing of the Capital Programme and the remaining £0.250 million was set as general efficiency for further development during the year.

At revised estimate the total efficiencies budget was reduced to £2.030 million, however, performance significantly improved and the actual outturn position achieved totalled £2.302 million, of which £1.384 million relates to ongoing savings that have a year on year benefit.

**Capital Expenditure and Borrowing**

Capital expenditure incurred by the Council totalled £2.230 million for 2009/10 and was spent on the following:

	<b>£'000</b>
Asset Management	79
Housing Grants	1,752
Information Technology and Communications	141
Legal and Member Support	17
Playgrounds, Recreation Areas and Open Spaces	164
Other Community Facilities	32
Regeneration	33
Vehicles, Plant and equipment	12
Sub total	2,230
Leisure centre assets	40
<b>Total Capital Expenditure 2009/10</b>	<b><u>2,270</u></b>

The capital programme was funded by; grants and contributions (86%), deferred purchase (2%) and contributions from revenue (12%).

**Council Tax and Business Rate Collection**

The in-year collection rates for Council Tax and Business Rates were 97.7% (97.64% in 2008/09) and 97.8% (98.28% in 2008/09) respectively.

Council Tax gross arrears at 31 March 2010 were £2.265 million which is £2.071 million (9.37%) higher than at 31 March 2009. Business Rates arrears at 31 March 2010 were £1.030 million which is a £0.376 million (57%) increase above those at 31 March 2009. A large amount of this increase can be attributed to the government's business rate deferral scheme.

**EXPLANATORY FOREWORD****Pension Liability**

The accounts show that the Pension Fund liabilities exceed assets at 31 March 2010 by £30m (31 March 2009 £20.6m). This is an actuarially calculated figure explained in detail in note 7. This impacts on the Council through increases in the employer's contribution rate, from 17.4% in the year of account to 18.3% in 2010/11.

**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
- Recovery of the Icelandic bank deposits

**STATEMENT OF RESPONSIBILITIES**

The following responsibilities are placed upon the Council and the Deputy Chief Executive 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 Deputy Chief Executive.
- ◆ manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ◆ approve the statement of accounts.

***The Deputy Chief Executives Responsibilities***

As Deputy Chief Executive, 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 presents fairly the position of South Ribble Borough Council at the 31 March 2010 and its Income and Expenditure Account for the year ended 31 March 2010.

M Nuttall

Deputy Chief Executive

Date: **XX September 2010**

**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 2009: a Statement of Recommended Practice and the Best Value Accounting Code of Practice 2008, 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. 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****l. 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.

**m. 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.

**n. 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.

**o. 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.

**p. 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.

**q. 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****1. 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.<sup>3</sup>

**2. 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 2010. During and beyond this period, further development and improvements have continued right up to the date of approval of the annual report and accounts. Further quality improvements are also planned for next year as detailed in section 5.

**3. Our Governance Environment**

The Local Code of Corporate Governance has recently been reviewed and is subject to approval by the full Council in August 2010. It promotes and demonstrates the Council's commitment to the principles of good governance and incorporates the organisational Values that permeate all aspects of Council activity.

The principal elements of the Council's governance arrangements in 2009/10 and our commitment to our local code are described below:

**3.1 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 aligns with the Sustainable Community Strategy and the 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.

### **3.2 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 explains how decisions are made; 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 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.
- Success in leadership and workforce related governance has been recognised in Employee Survey results and achievement of renowned standards and assessments through both Investors in People and the North West Member Development Charter Awards.
- 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.

### **3.3 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.
- 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 2009 employee survey found that at least 86% of employees feel that the Council's core values are applied.
- A cross party Standards Committee is at the heart of raising ethical standards and experienced independent members and local councillors continue to promote high standards.
- In addition bi-annual ethical governance audits are undertaken building on the Council's sound ethical arrangements.
- All Members have signed up to the Code of Conduct for Elected Members and staff the voluntary Code of Conduct for Employees.
- 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.

### **3.4 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 who play an active role in scrutinising decisions, monitoring performance, shaping policies and strategies and reviewing the effectiveness of partnerships and external organisations.
- The newly formed Governance Committee are responsible for reviewing the adequacy of the Council's governance arrangements. Following comprehensive training, they soon established themselves as enthusiastic, challenging and effective in their role. In 2009/10 they reviewed regular reports on governance, finance and risk. They closely monitored progress and control matters including the annual governance improvement plan, external and internal audit programmes, risk management, budget and financial investment reports.
- Assurance of strong internal control arrangements and an effective Internal Audit service which fully complies with professional standards is reported by external auditors in the Use of Resources assessment.
- 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 Council has a variety of control mechanisms to ensure compliance with legal requirements, public law and Council policy. These include the roles of the Monitoring Officer; the Chief Financial Officer (Section 151); the assurance work undertaken by both External and Internal Audit; and the Council's performance and committee reporting systems.
- 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.

### **3.5 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.

### **3.6 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.
- In 2009 the Place Survey results ranked South Ribble Borough Council in the national top quartile for overall satisfaction and treating people with respect.
- 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 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, enable the public to influence local/borough wide priorities and now include member surgeries and provide opportunities for the public to question the Leader and Chief Executive directly.
- The Council has a "You said – We did" campaign for residents to highlight investment and improvements to Council services over the year. In 2009 this was enhanced with the "Your Area" campaign which involves partners working together to address local issues and improve neighbourhoods.



### **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, in particular the Governance Committee supported by senior management, the assurance services 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.

The Council and its partners have a clear understanding of the diversity of the local community that is reflected in the Sustainable Community Strategy. The Local Strategic Partnership delivers against the Local Area Agreement (LAA) targets to maximise funding opportunities and target spending in the local area. In 2009 South Ribble Partnership completed a review of its governance arrangements to ensure they remain fit for purpose. This resulted in the introduction of a new constitution and financial regulations to cover the receipt and allocation of grant funding associated with the LAA. A range of community improvement projects were commissioned in March 2010 using grant received from the achievement of LAA targets.

Robust governance arrangements are also reflected in external assessments. In 2009 these included Use of Resources, Annual Audit Letter, Organisational Assessment, North West Member Development Charter and Customer Service Excellence.

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.

The Council has a good awareness of the capacity and resource needs to deliver its priorities. Regular reviews are needed to improve the business and ensure that capacity is invested in the priority areas. In 2009/10 a comprehensive C-Smart programme of reviews was completed that resulted in the transformation of a number of services whilst contributing a significant saving to the overall efficiency achievement of £2.302 million.

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 Values Framework is integrated with 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. Member development is integral to the governance agenda to keep members informed and engaged. This was recognised at the North West Member Development Charter assessment in September 2009. The inspectors concluded that members in South Ribble take their development seriously and we have been commended on a wide range of initiatives including personal development plans, member learning hours, succession planning arrangements and officer support.

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 and Risk Management frameworks remain embedded and the services maintain excellent working relationships with Members, Senior Management and the Council's External Auditors to provide an integrated approach to the delivery of assurance 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 overall progress is reported to the Governance Committee.



The Council prides itself on its approach to both preventing and tackling fraud. This year we have initiated and led a joint approach to counter money laundering activity in the region. This has resulted in the establishment of formal working arrangements involving the Department of Work & Pensions, Lancashire and Merseyside Police and other Lancashire councils. We have strengthened further our procedures for authorising covert surveillance activities and are able to report that we did not need to authorise any activity in the period from 1 April 2009 to the 31 March 2010.

Members play an active role in promoting and strengthening our governance arrangements this is demonstrated particularly by the Governance, Joint, Standards and Scrutiny Committees.

The newly formed Governance Committee are enthusiastic, challenging and effective. Following comprehensive training, they are quickly making an impact by monitoring governance and control matters. They have, in particular, enhanced member oversight and scrutiny of the Council's financial, risk, and audit arrangements. The committee is supported by a senior officer steering group and both contribute to the continuous improvement and strengthening of the governance environment.

The Joint Committee monitors service performance of the Synergy Partnership and is a good example of our effective governance of partnerships. During the first year of operation they have scrutinised the successful implementation of the Shared Financial and Assurance Services with Chorley Borough Council. In 2010 they will monitor the improvement plans that are aimed at further enhancing our financial management and assurance arrangements.

In 2009 the Standards Committee requested an ethical audit of the Council's arrangements, this included independent work undertaken by Internal Audit and focus group sessions with Members and the Employee Panel. The aim is to increase awareness, promote the work of the Committee and the governance agenda generally, but also, and more importantly, to continuously strengthen the Council's robust ethical arrangements and culture.

Both the Standards and Governance Committee are keen to ensure continued promotion of the Council's arrangements with the public. Following their recommendation we instigated a survey with the Citizen's panel late in 2009. The results are very encouraging and highlight that almost two thirds of respondents (64%) are satisfied that the Council operates a good level of ethical standards; they are aware of the code of conduct that local councillors must adhere to and are confident that appropriate action would be taken if a breach of the standards of the behaviour of a councillor was uncovered.

Last year the new Scrutiny Committee challenged corporate performance, championed value for money and held the Council and its partners to account. Each Cabinet Member reported on the performance of their portfolio. Partnerships were also a key focus to ensure they are providing value and delivering what residents expect. South Ribble Partnership, the merged Community Safety Partnership, South Ribble Leisure Trust, the Leyland Board and other partnerships have been scrutinised by the Committee.

The Scrutiny Committee acquired external funding to undertake a review of the quality of life in the Broadfield area using the "appreciative inquiry" approach. This is being implemented in partnership and has been showcased at a regional seminar. Other work includes a review of the community leadership and ward role of councillors and a review of health inequalities.

All members and key partners were involved in the "Your Area" campaign in 2009/10 to engage with their communities and gather information to inform neighbourhood plans. In the Place Survey 83% of residents are satisfied with their local area as a place to live.

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 value for money arrangements in December 2009. They reported that the transition to the shared service arrangement with Chorley Borough Council worked well and the annual governance statement reflected their understanding of

## **SOUTH RIBBLE BOROUGH COUNCIL – STATEMENT OF ACCOUNTS 2009/10**

the Council's arrangements to ensure effective stewardship of public monies and the outcome of its review of their effectiveness.

The annual Use of Resources assessment reported an overall score of 3 which means the Council is performing well. Some of the highlights are: a strong track record of managing finances; an impressive track record of delivering efficiencies; strong people management; sound systems of internal control and services which deliver sustainable outcomes, improve value for money and meet local needs.

The Organisational Assessment received in December 2009 reported South Ribble Borough Council “provides good services in response to what local people want. It is achieving good outcomes for all priorities and has a thorough understanding of the needs of the borough's diverse communities.”

In line with the Local Code; the Council is committed to continuous improvement of its governance arrangements and to the delivery of exceptional customer service.

### **5. Enhancing our Governance Arrangements**

The Council will take the following steps in the forthcoming financial year to build and strengthen our corporate governance arrangements:

- Further enhancing the Council's governance arrangements for key partnerships, including risk, finance, business continuity & ethical arrangements
- Revising the tendering and procurement processes to incorporate a review of the governance arrangements of new partners, contractors and suppliers
- Continuing to embed project management disciplines within the Council
- Further developing the management accounting process
- Revising & testing Business Continuity Plans following the recent senior management re-structure
- Rolling out officer training and awareness of the recently updated corporate governance policies and procedures

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

## References

1. 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”.
2. 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, Lancs, PR25 1DH
3. Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006.

## GLOSSARY

AAL 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 System of Internal Control	Comprises the organisation’s policies, procedures and operations in place to : 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	In 2009/10 this involved the following officers: Deputy Chief Executive 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.

# SOUTH RIBBLE BOROUGH COUNCIL – STATEMENT OF ACCOUNTS 2009/10

## INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDED 31 MARCH 2010

2008/09 Restated Net Expenditure £'000	2009/10 Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Note	
2,617	Central Services to the Public	28,109	(25,801)	2,308	
10,009	Cultural, Environmental and Planning Services	14,001	(4,945)	9,056	
1,188	Highways, Roads and Transport Services	2,553	(1,316)	1,237	
840	Housing Services	2,687	(1,952)	735	
1,173	Corporate and Democratic Core	1,083	(7)	1,076	
985	Non Distributed Costs	1,943	(2,047)	(104)	4
<b>16,812</b>	<b>Net Cost of Services</b>			<b>14,308</b>	
566	(Surpluses)/deficits on trading undertakings			522	1
1,865	Interest payable and similar charges			265	
(1,078)	Interest and investment income			(536)	
987	Pension interest cost and expected return on pension assets			1,714	7
1	Housing capital receipts contribution to Government pool				
232	Parish Council precepts			238	5
<b>19,385</b>	<b>Net Operating Expenditure</b>			<b>16,511</b>	
(7,599)	Demand on the Collection Fund			(7,719)	
(902)	General Government Grant			(1,400)	16
(6,482)	Non Domestic Rates Redistribution			(6,114)	
<b>4,402</b>	<b>(Surplus)/deficit for the year</b>			<b>1,278</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 6 to the Core Financial Statements.

<b>2008/09</b>		<b>2009/10</b>	<b>Note</b>
<b>Restated</b>		<b>£'000</b>	
<b>£'000</b>		<b>£'000</b>	
4,402	(Surplus)/deficit for the year on the Income & Expenditure Account	1,278	
(4,256)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund balance	(1,189)	6
<b>146</b>	<b>(Increase)/Reduction in the General Fund Balance for the year</b>	<b>89</b>	
(3,538)	General Fund balance brought forward	(3,392)	
<b>(3,392)</b>	<b>General Fund balance carried forward</b>	<b>(3,303)</b>	

# SOUTH RIBBLE BOROUGH COUNCIL – STATEMENT OF ACCOUNTS 2009/10

## THE BALANCE SHEET AS AT 31 MARCH 2010

Restated 2008/09 Note 19 £'000	Note	2009/10	
		£'000	£'000
	<b>9</b>	<b>Fixed Assets</b>	
<b>325</b>			<b>291</b>
			<b>Intangible Fixed Assets</b>
			<b>Tangible Fixed Assets</b>
			<u>Operational Assets:</u>
23,592		23,584	
4,646		3,879	
86		17	
			<u>Non-operational Assets:</u>
12,891		12,869	
1,235		1,719	
<b>42,450</b>			<b>42,068</b>
<b>42,775</b>			<b>42,359</b>
3,354	10a		0
85			77
<b>46,214</b>			<b>42,436</b>
			<b>Current Assets</b>
155		140	
3,872	11	6,922	
9,696	10a	9,163	
955		892	
<b>14,678</b>		<b>17,117</b>	
			<b>Current Liabilities</b>
(3,550)	12	(4,029)	
0		(475)	
0		0	
<b>(3,550)</b>		<b>(4,504)</b>	
<b>11,128</b>			<b>12,613</b>
<b>57,342</b>			<b>55,049</b>
(9)	15	(7)	
(2,352)		(2,106)	
(2,183)	17	(2,208)	
(1,864)	14	(1,423)	
(3,332)	10a	0	
(20,631)	7	(30,043)	
<b>(30,371)</b>			<b>(35,787)</b>
<b>26,971</b>			<b>19,262</b>
			<b>Financed by:</b>
623	13	2,378	
34,215	13	32,801	
(1,140)	13	23	
(63)		(37)	
3,070	13	3,065	
(20,631)	13	(30,043)	
7,472	13	7,739	
3,425	13	3,336	
<b>26,971</b>			<b>19,262</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>Restated 2008/09 £'000</b>	<b>Note</b>	<b>2009/10 £'000</b>
4,402	(Surplus)/Deficit for the year on the Income and Expenditure Account	1,278
(481)	Surplus arising on revaluation of fixed assets	(1,862)
(1,255)	Actuarial (gains)/losses on pension fund assets and liabilities	8,294
(283)	Movement on Collection Fund Balance	0
45	Any other gains and losses required to be included	(2)
(398)	<b>19</b> Removal of balances attributable to Precepting Authorities	0
<b>2,030</b>	<b>Total recognised (gains)/losses for the year</b>	<b>7,708</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.

Restated 2008/09 £'000	Note	2009/10	
		£'000	£'000
1,055			1,854
	<b>Net Cash Inflow/(Outflow) from Operating Activities</b>		
	<b>Returns on Investments and Servicing of Finance</b>		
	<b>Cash Outflows</b>		
(145)	Interest Paid	(57)	
(156)	Interest element of finance lease rental payments	(149)	
	<b>Cash Inflows</b>		
825	Interest Received	76	
<b>524</b>	<b>Net Cash Flow from Returns on Investment and Servicing of Finance</b>		<b>(130)</b>
	<b>Capital Activities</b>		
	<b>Cash Outflows</b>		
(2,325)	Purchase of Fixed Assets	(338)	
(907)	Other Capital Cash Payments	(1,885)	
	<b>Cash Inflows</b>		
3,050	Proceeds from Long Term Investments matured in the year	0	
895	Capital Grants Received	1,964	
6	Other Capital Cash Receipts	102	
<b>719</b>	<b>Net Cash Flow from Capital Activities</b>		<b>(157)</b>
<b>2,298</b>	<b>Net Cash Inflow/(Outflow) Before Financing</b>		<b>1,567</b>
	<b>Management of Liquid Resources</b>		
0	Net (increase)/decrease in Short Term Deposits	0	
(340)	Net increase/(decrease) in other liquid resources	1,687	
<b>(340)</b>			<b>1,687</b>
	<b>Financing</b>		
	<b>Cash outflows</b>		
0	Repayment of amounts borrowed	(2,836)	
(473)	Capital Element of Finance Lease/Deferred Purchase Payments	(481)	
	<b>Cash inflows</b>		
0	New Loans Raised	0	

**SOUTH RIBBLE BOROUGH COUNCIL – STATEMENT OF ACCOUNTS 2009/10**

<u>(473)</u>	<i>Net Cash Flow Inflow/(Outflow) from Financing</i>	<u>(3,317)</u>
<u>1,485</u>	<b>Net Increase/(Decrease) in Cash</b>	<u>(63)</u>

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**1. TRADING ACCOUNTS**

2008/09		2009/10			
Total £'000		Catering £'000	Markets £'000	Investment Properties £'000	Total £'000
<b>Income</b>					
218	Charges to Internal Users	211	0	0	211
1,438	Charges to external Users	228	135	1,013	1,376
<u>1,656</u>	<b>Total Income</b>	<u>439</u>	<u>135</u>	<u>1,013</u>	<u>1,587</u>
<b>Expenditure</b>					
315	Staff Costs	257	8	0	265
319	Premises	4	50	250	304
2	Transport	1	0	0	1
128	Direct Purchases	98	0	0	98
56	Materials	33	6	12	51
<u>820</u>	<b>Total Direct Costs</b>	<u>393</u>	<u>64</u>	<u>262</u>	<u>719</u>
594	Overheads	313	7	320	640
808	Capital Charges			750	750
<u>2,222</u>	<b>Total Costs</b>	<u>706</u>	<u>71</u>	<u>1,332</u>	<u>2,109</u>
<u>566</u>	<b>Net (Surplus)/Deficit</b>	<u>267</u>	<u>(64)</u>	<u>319</u>	<u>522</u>

**2. AUDIT COSTS**

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

	2009 £'000	2010 £'000
Fees Payable in respect of external services carried out by the Appointed Auditor	98	105
Grant Claim Certification	18	30

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**3. 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. Regulation 4 of the Accounts and Audit (Amendment N0.2) Regulations 2009 extends this and introduces a new legal requirement to increase transparency and accountability in Local Government for reporting remuneration for senior employees. This information is required for the first time in the notes to the 2009/10 Statement of Accounts.

In the financial year 2009/10 the number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

<b>Remuneration band</b>	<b>2009/2010 Number of employees</b>	<b>2008/2009 Number of employees</b>
£50,000 - £54,999	2	1
£55,000 - £59,999	5	6
£60,000 - £64,999	0	0
£65,000 - £69,999	0	0
£70,000 - £74,999	2	2
£75,000 - £79,999	1	1
£80,000 - £84,999	0	0
£85,000 - £89,999	0	0
£90,000 - £94,999	0	0
£95,000 - £99,999	0	0
£100,000 - £104,999	0	1
£105,000 - £109,999	1	1

## SOUTH RIBBLE BOROUGH COUNCIL – STATEMENT OF ACCOUNTS 2009/10

### NOTES TO THE MAIN FINANCIAL STATEMENTS

The following tables set out the remuneration disclosures for Senior Officers whose salary is equal to or more than £50,000 during the 2009/2010 and 2008/2009 financial years.

Post Title	Salary	Expense Allow'ces	Benefits In kind	Total Remuneration (excluding Pension Contributions)	Pension Contrib'ns	Total Remuneration (including pension contributions)
<b>2009/2010 Remuneration</b>	£	£	£	£	£	£
Chief Executive	107,746	1,310	398	109,454	18,267	127,721
Corporate Director (Resources)	77,428	1,170	280	78,878	13,245	92,123
Corporate Director (Environment and Community)	72,485	1,267	203	73,955	12,240	86,195
Corporate Director (Policy and Governance)	72,330	1,192		73,522	12,240	85,762
Head of Planning and Housing	57,836	1,285	306	59,427	9,678	69,105
Head of Street scene	57,495	1,261	95	58,851	9,678	68,529
Head of Corporate Governance	57,167	1,170		58,337	9,678	68,015
Head of Customer Contact and Business Improvement	57,014	1,200		58,214	9,678	67,892
Head of Regeneration and Healthy Communities	56,988	1,170	151	58,309	9,678	67,987
Head of Policy and Community Engagement	52,488	1,073		53,561	8,872	62,433
<b>2008/2009 Remuneration</b>						
Chief Executive	106,114	1,199	390	107,703	17,046	124,749
Corporate Director (Resources)	75,901	1,095	275	77,271	12,343	89,614
Corporate Director (Policy and Governance)	70,925	1,121		72,046	11,434	83,480
Corporate Director (Environment and Community)	70,725	1,123	199	72,047	11,434	83,481
Head of Planning and Housing	56,725	1,189	306	58,220	8,994	67,214
Head of Customer Contact and Business Improvement	56,114	1,176		57,290	8,942	66,232
Head of Streetscene	55,514	1,117	98	56,729	8,942	65,671
Head of Policy and Community Engagement	55,427	1,095		56,522	8,965	65,487
Head of Regeneration and Healthy Communities	54,409	1,095	161	55,665	8,797	64,462
Head of Corporate Governance	54,409	1,095		55,504	8,797	64,301

The employees listed in the table above also make contributions of between 7.2% and 7.5% to the pension fund.

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**4. 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.

**5. PARISH COUNCIL PRECEPTS**

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

Year ended 31 March	<b>2009</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Farington	50	50
Hutton	19	20
Longton	20	21
Penwortham	128	128
Much Hoole	6	6
Little Hoole	6	10
Samlesbury and Cuerdale	3	3
<b>Total</b>	<b><u>232</u></b>	<b><u>238</u></b>



**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**6. 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.

<b>2008/09 Restated £000</b>		<b>2009/10 £000</b>
	<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>	
(147)	Amortisation of intangible fixed assets	(150)
(2,805)	Depreciation and impairment of fixed assets	(2,629)
475	Government Grants Deferred amortisation	444
(202)	Revenue Expenditure Funded from Capital Under Statute – net cost	(6)
0	Net Profit/(Loss) on sale of fixed assets	0
(1,140)	Net charges relating to the impairment of financial assets	1,140
	Deferral of net discount on premature debt redemption	23
47	Adjustment to Council Tax income	27
(2,627)	Net charges made for retirement benefits in accordance with FRS17	(2,660)
<b>(6,399)</b>		<b>(3,811)</b>
	<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>	
205	Minimum Revenue Provision for capital financing	288
72	Capital Expenditure charged in-year to the General Fund Balance	27
(1)	Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	0
1,516	Employer's contributions payable to Lancashire County Pension Fund and retirement benefits payable direct to pensioners	1,542
<b>1,792</b>		<b>1,857</b>
	<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>	
255	Voluntary Revenue Provision for capital financing	264
96	Net transfer to/from earmarked reserves	501
<b>351</b>		<b>765</b>
<b>(4,256)</b>	<b>Net additional amount required to be credited to the General Fund Balance for the year</b>	<b>(1,189)</b>

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**7. 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.

**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>2008/09</b>	<b>2009/10</b>
	<b>£'000</b>	<b>£'000</b>
Net Cost of Services		
Current service costs	(1,410)	(839)
Curtailment/Settlement gain	(147)	0
Past service costs	(83)	(107)
Net Operating Expenditure		
Interest costs	(4,200)	(4,090)
Expected return on assets in the scheme	3,213	2,376
Net Charge to the Income & Expenditure Account	<u>(2,627)</u>	<u>(2,660)</u>
<b>Statement of Movement in the General Fund Balance</b>		
Reversal of net charges made for retirement benefits in accordance with FRS17	<u>2,627</u>	<u>2,660</u>
Actual amount charged against the General Fund Balance for pensions in the year – being employers contributions payable to the scheme	<u>1,516</u>	<u>(1,542)</u>

In addition to the recognised gains and losses included in the Income & Expenditure Account, an actuarial loss of £8.294m (2008/9 gain £1.255m) was 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 £24.283m.

**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>2008/9</b>	<b>2009/10</b>
	<b>£'000</b>	<b>£'000</b>
1 April	(69,273)	(58,433)
Current service cost	(1,410)	(839)
Interest cost	(4,200)	(4,090)
Contributions by scheme participants	(494)	(465)
Actuarial gains and (losses)	14,425	(18,240)
Benefits paid	2,749	2,969
Curtailment	(147)	0
Past service costs	(83)	(107)
<b>31 March</b>	<b>(58,433)</b>	<b>(79,205)</b>

Reconciliation of fair value of the scheme assets

	<b>Local Government Pension Scheme</b>	
	<b>2008/9</b>	<b>2009/10</b>
	<b>£'000</b>	<b>£'000</b>
1 April	48,399	37,802
Expected return on plan assets	3,213	2,376
Actuarial gains & (losses)	(13,071)	9,946
Employer contributions	1,516	1,542
Contributions by scheme participants	494	465
Benefits paid	(2,749)	(2,969)
<b>31 March</b>	<b>37,802</b>	<b>49,162</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 gain on scheme assets in the year was £12,322m

**Analysis of scheme assets**

	<b>Proportion of total Assets 2008/09</b>	<b>Proportion of total Assets 2009/10</b>
	<b>%</b>	<b>%</b>
Equity investments	61.2	66.0
Government Bonds	7.8	7.0
Other Bonds	12.3	12.0
Property	7.4	5.0
Cash/liquidity	4.9	4.0
Other assets	6.4	6.0
	<b>100.0</b>	<b>100.0</b>

**NOTES TO THE MAIN FINANCIAL STATEMENT**

**Scheme history**

	2005/06	2006/07	2007/08	2008/09	2009/10
	£'000	As restated £'000	As restated £'000	£'000	£'000
Present value of liabilities	(66,673)	(66,028)	(69,273)	(58,433)	(79,205)
Fair value of assets	50,439	53,061	48,399	37,802	49,162
<b>Surplus/(deficit) in the scheme</b>	<b>(16,234)</b>	<b>(12,967)</b>	<b>(20,874)</b>	<b>(20,631)</b>	<b>(30,043)</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 £30.0m 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 £1.516m.

**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>2008/09</b>	<b>2009/10</b>
Long term expected rate of return on assets in the scheme		
Equity investments	7.50%	7.5%
Government bonds	4.00%	4.5%
Other bonds	6.00%	5.2%
Property	6.50%	6.5%
Cash/liquidity	0.50%	0.5%
Other	7.50%	7.5%
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	21.20	21.20
Women	24.00	24.10
Longevity at 65 for future pensioners		
Men	22.20	22.20
Women	25.00	25.00
Rate of inflation	3.30%	3.30%
Rate of increase in salaries	5.05%	5.05%
Rate of increase in pensions	3.30%	3.30%
Rate for discounting scheme liabilities	7.10%	5.60%
Take up option to convert pension into lump sum	50%	50%

**NOTES TO THE MAIN FINANCIAL STATEMENT**

**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.

	2005/06	2006/07	2007/08	2008/09	2009/10
		As restated	As restated		
	%	%	%	%	%
Difference between the expected and actual return on assets	12.6	(0.7)	(15.5)	(34.6)	(20.2)
Experience gains and (losses) on liabilities	1.8	0	5.5	0	0

**Prepaid or Accrued Pension Contributions**

An amount of £0.136m is included in the creditors section of the Balance Sheet. This represents accrued pension contributions as at 31 March 2010. These were paid to the Lancashire County Pension Fund in April 2010.

## 8. 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 2009/10, the Council paid grants totalling £62,006 (£98,264 – 2008/09) to voluntary organisations in which no members declared an interest.

Councillors' allowances for the year 2009/10 totalled £168,501 (£166,016 – 2008/09). 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 complete a voluntary declaration of transactions involving related parties. The returns showed that in respect of the declarations made during the year to 31 March 2010 there were no material transactions.

### ◆ **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 7 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 2009/10 the Council received £11,521 under this agreement.

### ◆ **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 £52,439 was unallocated at 31 March 2010.

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**8. 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 2009/10 gross expenditure of £1,653,297 was incurred on the shared services which was fully funded by recharges of £810,778 to South Ribble Borough Council and £842,519 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	£17,111
Leisure Services Fee	£582,515



**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**9. FIXED ASSETS**

**(a) Intangible Fixed Assets**

<b>Purchased Software Licences</b>	<b>£'000</b>
<b>Cost</b>	
Cost brought forward as at 1 April 2009	835
Additions	117
Disposals	0
Cost carried forward as at 31 March 2010	<u>952</u>
<b>Amortisation</b>	
Accumulated Amortisation brought forward as at 1 April 2009	(511)
Charge for the year	(150)
Disposals	0
Accumulated Amortisation carried forward as at 31 March 2010	<u>(661)</u>
<b>Impairment</b>	
Balance at start of year	0
Charge for the year	0
Cost carried forward as at 31 March 2010	<u>0</u>
<b>Net Book Value</b>	
Net Book Value as at 31 March 2009	<b>325</b>
Net Book Value as at 31 March 2010	<b>291</b>

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**9. FIXED ASSETS (Continued)**

**(b) Tangible fixed assets**

	Operational Assets			Non-Operational Assets		Total £'000
	Other Land and Buildings £'000	Vehicles Plant & Equip't £'000	Community Assets £'000	Investment Assets £'000	Surplus Assets held for disposal £'000	
Certified valuation as at 1 April 2009	25,964	8,780	265	13,164	1,235	49,408
Additions	182	202	0	(1)	0	383
Disposals		(18)	0	0	0	(18)
Revaluation - reduction	(474)	0	(265)	(827)	(36)	(1,602)
Revaluation - increase	40	0	17	1,659	55	1,771
Reclassification	661	0	0	(1,126)	465	0
Cost carried forward as at 31 March 2010	26,373	8,964	17	12,869	1,719	49,942
<b>Depreciation</b>						
Accumulated Depreciation at 1 April 2009	(1,856)	(4,133)	0	0	0	(5,989)
Charge for the year	(600)	(970)	0	0	0	(1,570)
Disposals	0	18	0	0	0	18
Reclassification	0	0	0	0	0	
Revaluations	223	0	0	0	0	223
Accumulated Depreciation at 31 March 2010	(2,233)	(5,085)	0	0	0	(7,318)
<b>Impairment</b>						
Accumulated impairment at 1 April 2009	(516)	0	(179)	(273)	0	(968)
Charge for the year	(41)	0	179	273	0	411
Accumulated Impairment at 31 March 2010	(557)	0	0	0	0	(557)
<b>Net Book Value</b>						
as at 31 March 2009	23,592	4,647	86	12,891	1,235	42,451
as at 31 March 2010	23,583	3,879	17	12,869	1,719	42,067

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

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

During 2009/10 the valuations were carried out primarily by K.J.Property Consultancy. However because of the number and diversity of the assets R.Handscombe FRICS, who is the Council's Estates Surveyor, also carried 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 £'000
	Land & Buildings	Plant & Equip	Community Assets	Investment Assets	Assets held for disposal	
	£'000	£'000	£'000	£'000	£'000	
Valued at historic cost	177	8,964	0	0	0	9,141
Current cost – valuation date						
2009-10	0	0	0	6,133	1,719	7,852
2008-9	1,618	0	0	1,714	0	3,332
2007-8	4,466	0	15	88	0	4,569
2006-7	3,770	0	2	1,142	0	4,914
2005-6	16,343	0	0	3,546	0	19,889
2004-5	0	0	0	245	0	245
<b>Total</b>	<b>26,374</b>	<b>8,964</b>	<b>17</b>	<b>12,868</b>	<b>1,719</b>	<b>49,942</b>

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**9. FIXED ASSETS (Continued)**

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

	2008/09		2009/10	
	£'000	£'000	£'000	£'000
Opening Capital Financing Requirement		5,121		5,577
<b>Capital Investment</b>				
Fixed Assets	2,546		501	
De Minimis	1		0	
Revenue Expenditure Funded from Capital Under Statute	867		1,769	
		3,414		2,270
<b>Sources of Finance</b>				
Capital Receipts		(108)		(7)
Government Grants and Other Contributions		(1,348)		(1,961)
Sums Set Aside from Revenue				
Earmarked Reserves	(970)		(234)	
Revenue Financing	(72)		(28)	
Minimum Revenue Provision (MRP)	(205)		(288)	
Voluntary Revenue Provision (VRP)	(255)		(264)	
		(2,958)		(2,782)
<b>Closing Capital Financing Requirement</b>		<b>5,577</b>		<b>5,065</b>

**Explanation of movements in year**

	2008/09	2009/10
	£'000	£'000
Increase/(Decrease) in underlying need to borrow (supported by Government Financial Assistance)	0	0
(Decrease) in underlying need to borrow (unsupported by Government Financial Assistance)	456	(512)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>456</b>	<b>(512)</b>

**Commitments under Capital Contracts**

There were no commitments above £10,000 under capital contracts as at 31<sup>st</sup> March 2010.

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**9. FIXED ASSETS (Continued)**

**(e) Information on Leased Assets**

**Lease rental payments made in 2009/10**

Payments in 2008/09			Payments in 2009/10	
Finance leases	Operating leases		Finance leases	Operating leases
£'000	£'000		£'000	£'000
0	50	Land and other buildings	0	39
194	113	Vehicles plant and equipment	194	81
<u>194</u>	<u>163</u>		<u>194</u>	<u>120</u>

**Operating lease rental payments due to be made in 2010/11**

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	21
Between one and five years	0	13
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 2010/11	164
Obligations Payable between 2011/12 and 2014/15	164
Obligations Payable after 2014/15	0
<b>Total Liabilities at 31 March 2010</b>	<b><u>328</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 2009	1,192	(700)	492
Additions in 2009/10	0	0	0
Depreciation in 2009/10	0	(169)	(169)
<b>Value at 31 March 2010</b>	<b><u>1,192</u></b>	<b><u>(869)</u></b>	<b><u>323</u></b>

The aggregate finance charges allocated in 2009/10 in respect of finance leases is £0.029 million

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**9. FIXED ASSETS (Continued)**

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

Major fixed assets held as at 31 March	2009 No.	2010 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	17	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	64	64
<b>Non-Operational General – Investment Property</b>		
Shops	12	12
Industrial Units (i)	68	68
Office Accommodation	13	13
Ground Leases (ii)	22	22
Market Premises	1	1
Club Premises	1	1
Surplus Assets for Disposal	4	4

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**10. 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	
	2009 £'000	2010 £'000	2009 £'000	2010 £'000
Financial Liabilities at amortised cost	3,332	0	0	473
<b>Total Borrowings</b>	<b>3,332</b>	<b>0</b>	<b>0</b>	<b>473</b>
Loans and Receivables	3,354	0	9,696	9,163
<b>Total Investments</b>	<b>3,354</b>	<b>0</b>	<b>9,696</b>	<b>9,163</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 Measured at amortised cost		Financial assets Loans & Receivables	
	2009 £'000	2010 £'000	2009 £'000	2010 £'000
Interest expenses	301	185	0	0
Impairment losses	0	0	1,788	211
Interest income	0	0	(1,078)	(536)
	<b>301</b>	<b>185</b>	<b>710</b>	<b>(325)</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	
	2009 £'000	2010 £'000	2009 £'000	2010 £'000
<b>Financial Assets</b>				
Loans and receivables				
Investments	3,354	0	3,548	0
Short term Investments	9,696	9,163	9,696	9,163
Long Term Debtors	85	77	85	77
Current Debtors	3,872	6,922	3,872	6,922
<b>Total</b>	<b>17,007</b>	<b>16,162</b>	<b>17,201</b>	<b>16,162</b>
<b>Financial liabilities</b>				
Short & long term borrowings	3,332	472	3,499	490
Creditors	3,550	4,029	3,550	4,029
<b>Total</b>	<b>6,882</b>	<b>4,501</b>	<b>7,049</b>	<b>4,519</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 31/3/2010	Impairment
Landsbanki	26/06/2007	22/06/2009	£3,000,000	6.65%	£2,461,210	£1,049,255
Heritable	22/07/2008	23/10/2008	£1,000,000	5.85%	£424,940	£297,947
Heritable	23/09/2008	21/11/2008	£1,000,000	6.00%	£419,989	£297,424

The Government gave Councils a discretion to defer the cost of impairment until 2010/11, and the Council took advantage of this in 2008/9. However the full impairment charge has been made in 2009/10. An amount of £80,626 appears in the Income & Expenditure Account, and £1,564,000 has been charged against the General Fund Balance.

The current situation regarding recovery of these deposits is as follows:

**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 6 November 2009 and indicated that recoveries could total between 83% and 90%. The Council’s claim includes both principal and interest accrued up to April 22 2009 and assumes recovery of 85%.

Recovery is subject to the following risks and uncertainties

- The preferential status of certain creditors, including local authorities, has been challenged by other creditors. Court processes to resolve this have commenced but could take twelve months to resolve. Failure to secure preferential status would reduce the recoverable amount to an estimated 30% to 35%.
- 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**

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 2011, December 2011, December 2012 and December 2013. 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 28 January 2010 projected a return to creditors of between 79% and 85%. To date 35% has been recovered and further recoveries have been assumed at regular intervals to July 2013. In total 80% recovery has been assumed in producing these statements. 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 31 March £'000</b>	<b>Default risk</b>	<b>Exposure to default £'000</b>
Investments			
Impaired bank deposits	3,306	0	1,526
Other long term deposits with banks and financial institutions	5,857	0	0
Other short term deposits with banks and financial institutions	0	0	0
Sundry Debtors (see separate analysis)	2,425	0	0
	<b>11,588</b>	<b>0</b>	<b>1,526</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 continuing poor financial situation and in light of the impairment of the Icelandic investments.

In the above table the further default exposure of £1.526m is the potential additional impairment if the recoverable amount of the Landsbanki loan fell from 85% to 38%.

The sundry debtors are further analysed in the following table

	<b>£'000</b>
Not yet past due date	1,195
Up to three months past due date	102
Three to six months past due date	75
Six months to one year past due date	448
Beyond one year	605
	<b>2,425</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 Council prematurely repaid £2.8m of long term borrowing from the Public Works Loans Board in 2009/10. The remaining borrowing is due for repayment in 2010/11.

**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

	<b>£'000</b>
Gain - Increase in interest payable on variable rate borrowings	0
Gain - Increase in interest receivable on variable rate investments	(43)
Gain - Impact on Income and Expenditure Account	<u>(43)</u>
Loss - Decrease in fair value of fixed rate investments (no impact on Statement of Total Recognised Gains and Losses)	<u>9</u>
Gain - Decrease in fair value of fixed rate borrowing (no impact in I&E Account or STRGL)	<u>(8)</u>

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

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**11. DEBTORS**

Analysis of debtors as at 31 March	<b>Restated</b>	
	<b>2009</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Government Departments	843	3,114
Other Local Authorities	1,118	1,496
Taxpayers	1,071	450
Other Debtors	2,055	2,425
	<u>5,087</u>	<u>7,485</u>
Less: Provision for Doubtful Debts	(1,215)	(563)
	<u><b>3,872</b></u>	<u><b>6,922</b></u>

**12. CREDITORS**

Analysis of creditors as at 31 March	<b>Restated</b>	
	<b>2009</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Government Departments	1,466	621
Other Local Authorities	662	1,402
Tax Payers	165	20
Other Creditors	1,257	1,986
	<u>3,550</u>	<u>4,029</u>

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**13. FUND BALANCES AND RESERVES**

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

	<b>Restated Balance at 1 April 2009</b>	<b>Net Movement in Year</b>	<b>Balance at 31 March 2010</b>	<b>Further Detail of Movement</b>
<b>Reserve</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>Note</b>
Revaluation Reserve	623	1,755	2,378	
Capital Adjustment Account	34,215	(1,414)	32,801	
Capital Receipts Reserve	3,070	(5)	3,065	
Financial Instruments Adjustment Account	(1,140)	1,163	23	
Collection Fund Adjustment Account	(63)	26	(37)	
Pensions Reserve	(20,631)	(9,412)	(30,043)	7
<b>Sub Total</b>	<b>16,074</b>	<b>(7,887)</b>	<b>8,187</b>	
<b>General Fund Reserves:</b>				
General Fund Balance	3,392	(89)	3,303	
Collection Fund	33	0	33	
<b>Sub Total</b>	<b>3,425</b>	<b>(89)</b>	<b>3,336</b>	
<b>Earmarked Reserves:</b>				
Area Committee	53	(32)	21	a
Asset Management	2,099	319	2,418	b
Borough Council Elections	60	30	90	c
Building Control	5	(5)	0	d
Housing Needs Survey	17	(12)	5	e
Information Communications Technology Strategy	1,484	66	1,550	f
Local Development Framework	152	60	212	g
Other Earmarked Reserves	548	(129)	419	h
Pension Fund	38	(30)	8	i
Performance Reward Grant	0	239	239	j
Public Open Space	2,066	(118)	1,948	k
Single Status/Equal Pay	782	(157)	625	l
Vehicle and Plant Replacement	76	36	112	m
Leisure Sites Repair & Mtne	92	0	92	n
<b>Sub Total</b>	<b>7,472</b>	<b>267</b>	<b>7,739</b>	
<b>Total Reserves</b>	<b>26,971</b>	<b>(7,709)</b>	<b>19,262</b>	

**NOTES TO THE MAIN FINANCIAL STATEMENTS****13. 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 2012/13.

**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) Performance Reward Grant**

Performance Reward Grant received for the South Ribble Partnership for use on various projects across the borough.

**k) 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.

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

**m) Vehicle and Plant Replacement**

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

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**n) 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.

**14. 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 Purchase £'000</b>	<b>Finance Leases £'000</b>	<b>Total £'000</b>
Balance as at 1 April 2009	1,309	555	1,864
Additions in the year	40	0	40
Principal repaid during the year	(316)	(165)	(481)
<b>Balance as at 31 March 2010</b>	<b>1,033</b>	<b>390</b>	<b>1,423</b>

**15. 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 Advances £'000</b>
Balance as at 1 April 2009	9
Principal repaid during the year	(2)
<b>Balance as at 31 March 2010</b>	<b>7</b>

**16. GENERAL GOVERNMENT GRANTS**

The General Government Grant of £1,400k shown in the Income & Expenditure Account consists of the Revenue Support Grant.

**17. 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:



**NOTES TO THE MAIN FINANCIAL STATEMENTS**

	<u>Balance at 31</u> <u>March 2009</u> <u>£'000</u>	<u>Income</u> <u>£'000</u>	<u>Expenditure</u> <u>£'000</u>	<u>Balance at</u> <u>31 March</u> <u>2010</u> <u>£'000</u>
<b>1. S106 Contributions</b>				
Open space schemes	(666)	(54)	28	(692)
Other	(606)	(15)	33	(588)
<b>2. Other Grants &amp; Contributions</b>	(911)	(1,703)	1,926	(688)
<b>Total</b>	<u><u>(2,183)</u></u>	<u><u>(1,772)</u></u>	<u><u>1,987</u></u>	<u><u>(1,968)</u></u>

**18. 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 – The Council is involved in negotiations with two organisations regarding the revision of legal agreements. If the negotiations aren't successful this would result in a loss by the Council and the Council would have a claim against the third party under the provisions of the existing agreement. It is also likely to result in a claim against the Council for losses by a third party.

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

**19. RECONCILIATION OF RESTATEMENT ADJUSTMENTS MADE TO THE 2008/9 ACCOUNTS**

Changes have been made to the methods of accounting for National Non Domestic Rates and Council Tax in 2009/10. Details of the changes are given in the Collection Fund Account notes. This necessitated a restatement of the 2008/9 accounts. The changes made are as follows:

	<b>2008/9 Accounts £'000</b>	<b>Council Tax £'000</b>	<b>NNDR £'000</b>	<b>Restated 2008/9 £'000</b>
<b>Income &amp; Expenditure Account</b>				
Demand on the Collection Fund	(7,552)	(47)		(7,599)
<b>(Surplus)/deficit for year</b>	<b>4,449</b>	<b>(47)</b>		<b>4,402</b>
<b>Statement of Movement on the General Fund Balance</b>				
(Surplus)/deficit for the year	4,449	(47)		4,402
Net additional amount	(4,303)	47		(4,256)
<b>Reduction in GF balance for the year</b>	<b>146</b>	<b>0</b>		<b>146</b>
General Fund balance b/fwd	(3,538)			(3,538)
<b>General Fund Balance C/fwd</b>	<b>(3,392)</b>			<b>(3,392)</b>
<b>Balance Sheet</b>				
Debtors	4,483	(111)	(500)	3,872
Creditors	(4,559)	509	500	(3,550)
<b>Net current assets</b>	<b>10,730</b>	<b>398</b>	<b>0</b>	<b>11,128</b>
<b>Total Assets less Current Liabilities</b>	<b>56,944</b>	<b>398</b>	<b>0</b>	<b>57,342</b>
<b>Total Assets less Liabilities</b>	<b>26,573</b>	<b>398</b>	<b>0</b>	<b>26,971</b>
<b>Financed by</b>				
Collection Fund Adjustment Account	0	(63)	0	(63)
General Fund Reserves	2,964	461	0	3,425
<b>Total Net Worth</b>	<b>26,573</b>	<b>398</b>	<b>0</b>	<b>26,971</b>

**20. POST BALANCE SHEET EVENTS**

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

**21. DATE OF AUTHORISATION FOR ISSUE**

The statement of Accounts includes any necessary disclosures in respect of events after the balance sheet date up to the date indicated below:

\_\_\_\_\_ Mike Nuttall BA (Hons) CPFA

Date: xx September 2010

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

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

Restated 2008/2009 £'000	2009/2010	
	£'000	£'000
<b>Surplus/(Deficit) for the Year</b>		
(4,449)	Income and Expenditure Account	(1,278)
330	Collection Fund	0
(4,119)		(1,278)
<b>Non-cash Transactions</b>		
1,985	Depreciation & Impairment	2,778
1,239	Revaluation decreases written off to I&E Account during year	0
(476)	Deferred Grants amortised in year	(444)
(664)	Grants funding REFfCUS amortised/written off in year (1)	(1,756)
	Material impairment losses on investments	81
1,111	Pensions fund adjustment	1,118
3,195		1,777
<b>Adjustments for items reported separately on the Cash Flow</b>		
(1,077)	Interest and Investment Income	(536)
1,439	Interest payable and similar charges	36
156	Interest element of finance lease rental payments	149
866	Revenue Expenditure Funded from Capital Under Statute	1,769
<b>Items on an Accrual Basis (2)</b>		
60	(Increase)/Decrease in Stock	15
(727)	(Increase)/Decrease in Debtors	(1,170)
1,262	Increase/(Decrease) in Creditors	1,092
<b>1,055</b>	<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>1,854</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**

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

	Balance at 1 April 2009	Receipt/payment of interest accrued at 1 April 2009	Other cash flows In year	Non cash changes	Balance at 31 March 2010
	£'000	£'000	£'000	£'000	£'000
Cash	955	0	(63)	0	892
Short term invest's	9,696	(22)	(4,266)	3,755	9,163
Amounts relating to Major Preceptors & NNDR	(140)	0	2,859	0	2,719
<b>Sub total</b>	<b>10,511</b>	<b>(22)</b>	<b>(1,470)</b>	<b>3,755</b>	<b>12,774</b>
Loans due within One year	0	24	(496)	(3)	(475)
Loans due – more Than one year	(3,332)	0	3,332	0	0
Deferred liabilities	(1,864)	0	481	(40)	(1,423)
<b>Net Debt</b>	<b>5,315</b>	<b>2</b>	<b>1,847</b>	<b>3,712</b>	<b>10,876</b>

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

Restated 2008/09 £000		2009/10 £000
1,485	Increase/(decrease) in cash in year	(63)
307	Cash inflow/(outflow) from management of liquid resources	(1,429)
	Cash inflow from:	
0	New loans raised	0
	Cash outflow from	
0	Loans repaid	2,836
2	Payment of interest accrued at last balance sheet date	24
473	Deferred liabilities repaid	481
<b>2,267</b>		<b>1,849</b>
	Other non-cash changes	
47	Interest accrued at year end on short term investments	482
2,690	Transfers to/from long term investments	3,354
(902)	Impairment of short term investments	(81)
(96)	New deferred liabilities	(40)
(2)	Interest accrued at year end on loans & finance leases	(3)
<b>1,737</b>		<b>3,712</b>
<b>1,311</b>	Net debt brought forward	<b>5,315</b>
<b>5,315</b>	<b>Net debt carried forward</b>	<b>10,876</b>

**NOTES TO THE MAIN FINANCIAL STATEMENTS**

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

	2010 £'000	2009 £'000	Movement in the Year £'000
Short term investments	9,163	9,696	(533)
Short term deposits	0	0	0
NNDR	2,719	(140)	2,859
Cash	892	955	(63)
Bank overdraft	0	0	0
<b>Increase/(decrease) in year</b>	<b>12,774</b>	<b>10,511</b>	<b>2,263</b>

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

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

2008/09 £'000		2009/10 £'000
877	Capital activities	1,964
29,788	Revenue activities	33,156
0	European grants	0
<b>30,665</b>	<b>Total government grants</b>	<b>35,120</b>

ii) Analysis of revenue governments grants

2008/09 £'000		2009/10 £'000
22,404	Community services	25,669
0	Area Based Grant	24
6,482	NNDR receipt from the pool	6,063
902	Revenue Support Grant	1,400
<b>29,788</b>		<b>33,156</b>

**COLLECTION FUND**

**Income and Expenditure Account for the year ended 31 March 2010**

# SOUTH RIBBLE BOROUGH COUNCIL – STATEMENT OF ACCOUNTS 2009/10

Res tate d 200 8/09 £'00 0	Se e No te			2009/10	
				£'000	£'00 0
<b>Income</b>					
49,2 36	2	Income from Council Tax		50,549	
<i>Transfers from General Fund</i>					
5,33 1 (2)		Council Tax Benefits	5,991		
		Transitional Relief		(2)	5,9 89
5,32 9					
29,1 25	4	Income Collectable from Business Ratepayers	29,635		
<b>83,6 90</b>					<b>86, 17 3</b>
<b>Expenditure</b>					
Precepts and Demands					
39,9 13 7,59 9 5,03 9 2,22 9		Lancashire County Council	41,155		
		South Ribble Borough Council	7,787		
		Lancashire Police Authority	5,276		
		Combined Fire Authority	2,318	56,536	
54,7 80					
Distribution of Collection Fund Surplus/(Deficit)					
(431 ) (81)		Lancashire County Council	(358)		
		South Ribble Borough Council	(68)		
		Lancashire Police Authority	(45)		
		Combined Fire Authority	(20)	(491)	
(24) (588 )					
81		Adjustment to Previous Years Community Charge			
Business Rates					
28,9 33 121		Payment to National Pool	29,511		
		Cost of Collection Allowance	124	29,635	
29,0 54		58			





**NOTES TO THE COLLECTION FUND ACCOUNT**

**1. ACCOUNTING FOR COUNCIL TAX**

Billing authorities are required by statute to maintain a separate “Collection Fund” for the collection and distribution of amounts due in respect of council tax and national non domestic rates (NNDR). The key accounting features relating to council tax are

1. In its capacity as a billing authority an authority acts as an agent, collecting the tax on behalf of the major preceptors and itself.
2. The amount to be credited to the General Fund, under statute, is an authority’s precept or demand for the year plus its share of the previous years Collection Fund deficit or surplus. This may be more or less than the income actually accrued in the year in the Collection Fund.

**2. CHANGE IN ACCOUNTING PRACTICE**

Prior to 2009/10 the income included in the Income & Expenditure Account was the amount specified in sub paragraph 2 above. However for the year commencing April 1 2009, for both billing and major preceptors, the accrued income is to be brought into account. The difference between the regulatory charge and the accrued income, is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund balance.

Since the collection of Council Tax is in substance an agency arrangement, any debtor or creditor balances belong proportionately to the billing authority and the major preceptors. There is therefore a debtor creditor position between the billing authority and each major preceptor.

**3. COUNCIL TAX DETAILS OF CHARGE**

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: £37,134.00 for 2009/10 £37,057.55 for 2008/09). This basic amount of council tax for a Band D property (excluding Parish Precepts £1,516.09 for 2009/10 and £1,470.73 for 2008/09) 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	
		2008/2009 £	2009/10 £
A	0.67	980.49	1,010.73
B	0.78	1,143.90	1,179.18
C	0.89	1,307.32	1,347.64
D	1.00	1,470.73	1,516.09
E	1.22	1,797.56	1,853.00
F	1.44	2,124.39	2,189.92
G	1.67	2,451.22	2,526.82
H	2.00	2,941.46	3,032.18

**NOTES TO THE COLLECTION FUND ACCOUNT**

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.

<b>Band</b>	<b>Dwellings</b>	<b>Total Equivalent dwellings</b>	<b>Proportion of Band D Charge</b>	<b>Band D Equivalent</b>
A (disabled)	0	16.77	5:9	9.40
A	9,411	8,110.60	6:9	5,380.10
B	12,082	10,922.41	7:9	8,452.80
C	11,556	10,636.63	8:9	9,407.40
D	7,233	6,789.03	9:9	6,755.30
E	3,744	3,569.32	11:9	4,340.70
F	1,447	1,391.39	13:9	1,999.70
G	469	439.19	15:9	728.30
H	21	14.76	18:9	29.40
<b>Total</b>	<b>45,963</b>	<b>41,890.10</b>		<b>37,103.10</b>

**4. ACCOUNTING FOR BUSINESS RATES**

Up to 2008/9 amounts due to or from business taxpayers appeared as debtors and creditors in the Council's accounts.

However with effect from 2009/10 it has been acknowledged that billing authorities collect NNDR under what is in substance an agency arrangement. It therefore follows that:

1. NNDR income does not belong to the billing authority and is not included in its I&E account.
2. NNDR debtor and creditor balances with taxpayers are not recognised in the authority's balance sheet.
3. Cash collected belongs to the Government and any amounts over or under paid are recognised in the balance sheet as a Government debtor or creditor.

**5. NNDR DETAILS OF CHARGE**

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 at 48.1p in 2009/10 and one for larger businesses at 48.5p. 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 £29.6 million for 2009/10 (£29.0 million for 2008/09).

The rateable value for the Council's area at the end of the financial year 2009/10 was £70.0 million (£69.2 million in 2008/09).

**NOTES TO THE COLLECTION FUND ACCOUNT****5. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS**

The surplus of £33k which is carried forward on the Collection Fund at 31 March 2010 is a surplus of Community Charge income available to the Council. In previous years there would also have been a surplus or deficit on the fund representing the difference between the estimated and actual income credited to it. In 2009/10, and in the restated 2008/9 accounts, this difference, plus the major preceptors share of arrears and credits, is included as a debtor, representing the amount due to the Council from the major preceptors. At 31 March 2010 this totalled £0.810m (£0.951m at 31 March 2009)

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

	<b>2009/10</b>
	<b>£000</b>
Lancashire County Council	41,155
Lancashire Police Authority	5,276
Combined Fire Authority	2,318