

SOUTH RIBBLE

BOROUGH COUNCIL



*forward with
South Ribble*

STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2008



M. Nuttall BA (Hons) CPFA

Corporate Director (Resources)

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

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of South Ribble Borough Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Authority Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of South Ribble Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority and its income and expenditure for the year;

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures I read other information published with the Authority accounting statements, and consider whether it is consistent with the audited Authority accounting statements. This other information comprises the Financial Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority accounting statements and related notes.

Opinion

In my opinion the Authority's financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, South Ribble Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

The Council's former auditors KPMG issued their statutory report on the audit of the Council's best value performance plan for the financial year 2006/07 in December 2007. They did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

Certificate


I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Tim Watkinson
District Auditor
2nd Floor Aspinall House
Aspinall Close
Middlebrook
Bolton
BL6 6QQ
25th September 2008

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'I confirm that these accounts were approved by the Accounts Committee at the meeting held on 24th September 2008'

Signed on behalf of South Ribble Borough Council:

Chairman: 

Date: 24-09-08

EXPLANATORY FOREWORD**Introduction**

For the financial year 2007/08, the statements for South Ribble Borough Council (the Council) have been prepared in accordance with the new requirements of the 2007 Code of Practice on Local Authority Accounting in the United Kingdom as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The rationale for these developments is to align public sector accounting to a common framework which embraces generally accepted accounting practice, and these new requirements involve substantial changes to the preparation of the following statements:

- Financial Instruments have been reclassified as at 1 April 2007
- The fixed Asset Restatement Account and Capital Financing Account have been replaced by a Revaluation Reserve and Capital Adjustment Account.
- A new section is included on the accounting requirements for Local Area Agreement Grant.

A full note of the change in accounting policies is shown in *Note 31 on page 46*.

The Statement of Accounts comprises:

- Page 2 - **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 Corporate Director (Resources) in relation to the Statement of Accounts.
- Page 8 - **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 15 - **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 16 - **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 17 - **Consolidated 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 18 - **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 19 - **Cash Flow Statement** – Summarises the inflows and outflows of cash arising from the transactions with third parties for revenue and capital purposes.

Page 20 - **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 51 - **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 2007/08, as approved on 28th February 2007, was set at £14.497 million (including Parish Precepts of £0.223 million), and assumed a release from the General Reserve of £0.506 million

The Revised Budget, approved on 13th February 2008, forecast a lower net expenditure, with net contributions from earmarked reserves of £0.234 million and a release from the General Reserve of £0.203 million.

The actual net expenditure of the Council for 2007/08 amounted to £14,139 million (including Parish Precepts of £0.223 million), with net contributions to Earmarked Reserves of £0.417 million and a transfer to the General Reserve of £0.358 million.

A breakdown of the Earmarked Reserves is shown in note 20 of the Notes to the Main Financial Statements.

The Table below sets out the Council's net expenditure for 2007/08 and its funding.

<u>2007/08</u>	<u>Original Estimate</u>	<u>Revised Estimate</u>	<u>Actual</u>	<u>Variance to Revised Estimate</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Net Revenue Expenditure	15,033	14,629	13,482	1,147
Parish Council Precepts	223	223	223	0
Capital Contribution	86	82	17	65
Net additional amounts required*	(339)	(234)	417	(651)
Net Expenditure to be met by Government Grant and Local Taxpayers	<u>15,003</u>	<u>14,700</u>	<u>14,139</u>	<u>561</u>
Financed by:				
Revenue Support Grant	7,218	7,218	7,218	0
Parish Council Precepts	223	223	223	0
Precept on Collection Fund	<u>7,056</u>	<u>7,056</u>	<u>7,056</u>	<u>0</u>
Total Funding	<u>14,497</u>	<u>14,497</u>	<u>14,497</u>	<u>0</u>
Increase in General Fund Balance (Note 20)	(506)	(203)	358	(561)

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

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

EXPLANATORY FOREWORD

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

	<u>£'000</u>	<u>£'000</u>
Borough Council Net Budget Requirement (Revised Estimate)		14,700
Higher Income Receivable:		
Government Grants – additional funding announced after the budgets were set for Local Authority Business Growth Incentive (LABGI).	(293)	
Council Tax Collection – additional income from court and summons fees	(27)	
Increased income Licensing	(32)	
Increased income for Recycling	(21)	
Increased Planning Fee Income	(22)	
Lower Income:		
Investment Interest	21	
Land Charges Income	36	
Lower Costs:		
Employee Related Expenses - vacant posts	(166)	
Waste Management Contract Fee	(110)	
Housing Benefits	(167)	
Reduced Bad Debt Provision	(27)	
Increased Costs:		
Homelessness - Temporary Accommodation	13	
Concessionary Travel Costs	38	
Other (net)	(101)	
Revenue Budget underspend carried forward to 2008/09	(289)	
Net savings		(1,147)
Reduced Capital Contributions		(65)
Higher / (lower) Net Contributions to General Reserves		651
(Increase)/Reduction in General Fund Balance for Year		<u>(561)</u>
Borough Council Outturn Net Budget Requirement		<u>14,139</u>

EXPLANATORY FOREWORD

Capital Expenditure and Borrowing

Capital expenditure incurred by the Council totalled £2.743 million for 2007/08 and was spent on the following:

	<u>£'000</u>
Asset Management	176
Housing Grants	623
Other Grants	25
Information Technology	58
Playgrounds, Recreation Areas and Open Spaces	396
Regeneration	317
Vehicles and Plant	342
Sub total	<u>1,937</u>
Leisure centre assets	806
Total Capital Expenditure 2007/08	<u><u>2,743</u></u>

The capital programme was funded by; grants and contributions (41%), deferred purchase (29%), borrowing (12%), capital receipts (10%), earmarked reserves (8%) and contributions from revenue (1%).

The Council had long term borrowing, at 31 March 2008 of £3.308 million, with the Public Works Loans Board. There was no borrowing taken out during the year.

Council Tax and Business Rate Collection

The in-year collection rates for Council Tax and Business Rates were 97.98% (98% -2006/07) and 98.7% (98.7% -2006/07) respectively.

Council Tax gross arrears at 31st March 2008 were £1.909 million which is £0.038 million (1.94%) lower than at 31st March 2007. Business Rates arrears at 31st March 2008 were £0.710 million which is a £0.327 million (85.09%) increase above those at 31st March 2007.

Pension Liability

A full explanation of the Accrued Pension Liability can be found on page 30 in Note 12 of the 'Notes to the Main Financial Statements'.

STATEMENT OF RESPONSIBILITIES

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

The Council's Responsibilities

The Council shall:

- ◆ make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Director (Resources).
- ◆ manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ◆ approve the statement of accounts.
- ◆ be responsible for ensuring that the financial management and accounting control systems are adequate and effective, including risk management arrangements.

The Corporate Director (Resources) Responsibilities

As Corporate Director (Resources), I am responsible for the preparation of the Council's Statement of Accounts which, in terms of 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 Code'), is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2008.

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 Code.

I have also:

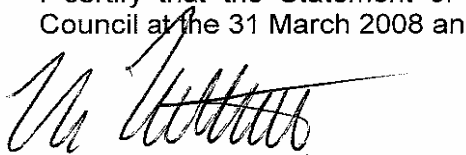
- ◆ kept proper accounting records which were up to date;
- ◆ taken reasonable steps for the prevention and detection of fraud and other irregularities.

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 services of the Council are to be found in Council's Best Value Performance Plan, which is published as a companion document.

Further information about the accounts is available from the Financial and Asset Management Service, 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 2008 and its income and expenditure for the year ended 31 March 2008



M Nuttall

Corporate Director (Resources) / Deputy Chief Executive

24th September 2008

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.¹

This statement explains how the Council complies with our local code² and also meets its statutory requirements.³

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 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.

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 2008. 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.

ANNUAL GOVERNANCE STATEMENT**3. Our Governance Environment**

The principal elements of the Council's governance arrangements in 2007/8 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 details the objectives, supporting improvement actions and links into the wider Community Strategy and aligns with the county-wide strategy and Lancashire Local Area Agreements.
- Corporate, community and county-wide strategies are linked and all parties have the opportunity to influence the planning process through widespread community consultation and debate.
- 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 portfolio, 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.
- The value for money strategy demonstrates the continued commitment to service improvement and financial savings. A programme of reviews will identify further opportunities for improving customer service and future efficiency savings.

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.
- The role and responsibilities of all members, senior officers and the Council's committee structure are clearly documented in the Council's constitution.
- The constitution also details the extent of delegated powers and includes procedural and contract standing orders and financial regulations.
- The responsibilities of statutory officers such as the Head of Paid Service, the Monitoring Officer and the Chief Financial Officer (Section 151) are clearly defined and a protocol assists with the effective exercise of those roles.
- Cabinet is supported and challenged by two Scrutiny Committees that 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.
- The Corporate Plan is supported by financial, risk and other cross cutting strategies and further deployed through, Portfolio, Service and individual performance plans.
- Cabinet, Scrutiny and Corporate and Senior Management Teams monitor overall performance on priorities, plans, projects and partnerships on a quarterly basis to ensure sustained focus on delivering the corporate plan.

ANNUAL GOVERNANCE STATEMENT

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 is recognised as maintaining high ethical standards and this is demonstrated by maximum marks in this element of the last three Use of Resources assessments.
- Our values of Integrity, Positive Attitude, Learning Organisation, Teamwork and Excellence are at the core of our business and they influence everything we do.
- The recent employee survey found that 89% of employees feel that the Council's core values are applied.
- The Standards Committee promotes and maintains high standards of conduct including instigating regular reviews and ongoing monitoring of ethical governance.
- Training is regularly provided to members and staff to both communicate and embed the adopted Codes of Conduct.
- Assurance of a robust system of control and an effective Internal Audit service is reported in the Use of Resources assessment and the Annual Audit letter.
- The Council takes a proactive approach to both prevent and detect fraud and this is supported by the Council's anti-fraud and whistle blowing 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 two Scrutiny Committees that play an active role in scrutinising decisions, monitoring performance, shaping policies and strategies and reviewing the effectiveness of partnerships and external organisations.
- The Policy & Service Review Scrutiny Committee also receive regular governance reports and monitor progress on governance and control matters including the annual governance statement, the external and internal audit programmes and annual reports.
- The Council has a Risk Management Policy and Strategy that 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.
- The governance framework is independently reviewed each year by the External Auditor through the Use of Resources inspection and by the work of internal audit.
- The Council maintains a robust Internal Audit service, which annually provides an independent and objective opinion on the internal control environment, verifies compliance with policies, laws and regulations, evaluates and makes recommendations to improve the effectiveness of risk management, value for money and governance processes.

ANNUAL GOVERNANCE STATEMENT

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

- The Council has strong political and managerial leadership and members and officers work in partnership to deliver the priorities, promote our values and work collaboratively across Lancashire.
- The 3 year Organisational Development Strategy (recently completed and replaced by an Our People Strategy) details the priority areas for both member and officer development and is aligned with the corporate plan. Six monthly monitoring is undertaken by the Senior Management Team and the Policy and Service Review 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.
- External consultants are used to support our initiatives where we do not have the appropriate capacity or skills to deliver our priority projects.

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 (recently refreshed), partnership, community and voluntary groups.
- Innovative approaches are taken to engage with the Black and Minority Ethnic and other hard to reach people.
- 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.
- Ambitions, new or changing services are well publicised and reinforced through press articles, the Council's newspaper, web site and area committees.
- The annual residents' survey demonstrates increased satisfaction with Council services.
- The Community Watchdog 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 the decision making process as well as providing community leadership at a local level.
- The integrated financial and corporate planning process includes comprehensive community consultation to ensure alignment of resources with the corporate priorities.

ANNUAL GOVERNANCE STATEMENT**4. Our Commitment to Excellence**

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

This year our robust governance arrangements are reflected in external assessments of Data Quality, Use of Resources, Comprehensive Performance Assessment and the annual report from the Council's external auditors.

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 portfolio and service improvement actions. It also imposes regular review and high level reporting of progress, which highlights those areas at risk of not being achieved so that remedial action can be taken. There are clear links between business, financial and organisational planning to ensure that resources are aligned to achieving the corporate objectives.

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

Risk Management continues to remain embedded. This year the Risk Management Strategy was revised, the strategic and operational risk registers reviewed, action plans developed to mitigate the key risks, further awareness and training sessions provided and progress was regularly reported to the Policy and Service Review Scrutiny Committee.

The Council actively seeks opportunities for other sources of funding and increases capacity by partnership working. This year shared service arrangements for Finance, Internal Audit and Risk Management are being developed to improve capacity, increase flexibility and resilience, and deliver value for money.

The results of the employee survey conducted in November 2007 have confirmed that many of the policies and actions set out in the organisational development strategy have been embedded within the culture of the council. It also demonstrates continued good progress when compared with the previous survey in 2005. The results were highlighted by the Local Government Chronicle judges during their visit to South Ribble in January 2008 and as part of the assessment for the Council of the Year award for which South Ribble was shortlisted.

ANNUAL GOVERNANCE STATEMENT

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

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

All recommendations and improvement actions are agreed with senior management and Corporate Management Team monitors this continuous improvement process. The Internal Audit service is subject to regular inspection by the Council's external auditors and in March 2008 they reviewed the effectiveness of Internal Audit against professional standards. They concluded that "Internal Audit meets all the standards of the CIPFA Code of Practice and provides an effective service to management at the Council".

During 2007/8 the Policy & Service Review Scrutiny Committee played a key role in the assurance gathering process by monitoring corporate governance and control matters. They reviewed the revised risk strategy, corporate risk register, risk mitigation action, received the external audit plan and report, challenged the governance improvement plan and monitored the delivery of the corporate objectives through regular progress reports.

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

The Community Watchdog Scrutiny Committee reviews for last year covered 'Meals on Wheels', prostate cancer screening, trade waste and the provision of dentistry in South Ribble.

Overall the Council has an excellent standards regime in place and this is evidenced by the results of the previous Use of Resources assessments. In February 2008 progress was reported to the Standards Committee on the most recent action that has been taken to further strengthen the Council's ethical arrangements.

The external audit review of the Council's data quality arrangements in October 2007 achieved level three – performing well. It reported "South Ribble Borough Council has a track record of using high quality information on costs to actively manage performance, improve value for money and target resources ". Five lines of enquiry were reviewed achieving level 3 (performing well) on three areas and level 4 (performing strongly), on the other two areas.

The third annual Use of Resources assessment reported an overall score of 4. Both the financial reporting and internal control elements received a maximum score of 4 demonstrating strong performance in these areas. All other elements scored 3 (performing well). The report concluded that the Council is performing strongly.

The annual audit and inspection letter received in March 2008 reported "The Council's achievements are continuing to meet the expectations of the local community. Overall public satisfaction with South Ribble Borough Council remains within the upper quartile of all district councils. The Council has established a track record for delivering wider community outcomes through effective partnership working and this is being maintained and extended."

ANNUAL GOVERNANCE STATEMENT

Assurance can be taken from the work of external inspectors and auditors that the Council maintains a strong financial position and satisfactory standards of control. They issued an unqualified opinion on the Council's financial accounts in September 2007 and reported that the Authority had adequate arrangements in place to achieve value for money.

In July 2007 the Council's CPA inspection rating had improved from good to excellent. This now places South Ribble Borough Council amongst the top 16 per cent of district councils in the country. It reported that "The Council demonstrates effective strategic and community leadershipthere is a shared commitment to working together to improve the quality of life for the people of South Ribble".

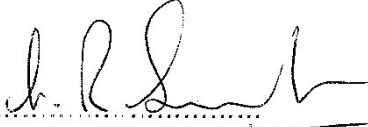
Our stated aim is to move beyond excellent to exceptional and the agenda is ambitious; however the Council is committed to continuous improvement of its governance arrangements.


5. Enhancing our Governance Arrangements

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

- Implement the project to deliver financial and assurance services with Chorley Borough Council.
- Continue to undertake regular reviews of our key partnership arrangements.
- Continue to deliver the Council's Business Continuity Strategy.
- Address any areas for improvement in financial controls that may be identified by the External Auditor in the Audit Memorandum and the ISA260 Communication.

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


Leader of the Council


Chief Executive

Date 8 September 08 (Signature of Chief Executive and Leading Member and date)

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

SOUTH RIBBLE BOROUGH COUNCIL – STATEMENT OF ACCOUNTS 2007/08

INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDED 31 MARCH 2008
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2006/07

2007/08

<u>Net Expenditure</u> £'000	Note	<u>Gross Expenditure</u> £'000	<u>Gross Income</u> £'000	<u>Net Expenditure</u> £'000
2,640	Central Services to the Public	23,144	(20,370)	2,774
8,793	Cultural, Environmental and Planning Services	13,793	(4,411)	9,382
1,609	Highways, Roads and Transport Services	2,733	(1,203)	1,530
1,355	Housing Services	1,027	(145)	882
1,427	Corporate and Democratic Core	1,306	(5)	1,301
(202)	9 Non Distributed Costs	1,772	(1,331)	441
15,622	Net Cost of Services	43,775	(27,465)	16,310
	(Surpluses)/deficits on trading undertakings not included in Net Cost of Services			
(422)	2	1,480	(1,483)	(3)
494	Interest Payable and similar charges	307	0	307
(1,065)	Interest and investment income	0	(1,352)	(1,352)
168	12 Pension interest cost & expected return on pension assets	3,543	(3,472)	71
2	Housing Capital Receipts Contribution to Government Pool	1	0	1
206	10 Parish Council Precepts	223	0	223
15,005	Net Operating Expenditure	49,329	(33,772)	15,557
(6,980)	Demand on the Collection Fund			(7,279)
(1,130)	General Government Grants			(1,037)
(5,851)	Non-domestic Rates Redistribution			(6,181)
1,044	(Surplus)/Deficit for the Year			1,060

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

<u>2006/07</u> <u>£000s</u>	<u>Note</u>		<u>2007/08</u> <u>£000s</u>
1,044		(Surplus)/Deficit for the year on the Income and Expenditure Account	1,060
(1,320)	11	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(1,418)
<hr/> (276)		(Increase)/Reduction in General Fund Balance for the year	<hr/> (358)
(2,904)	20	General Fund Balance brought forward	(3,180)
<hr/> (3,180)		General Fund Balance carried forward	<hr/> (3,538)

SOUTH RIBBLE BOROUGH COUNCIL – STATEMENT OF ACCOUNTS 2007/08

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2008

<u>2006/07</u> <u>Restated</u> <u>£'000</u>	<u>Note</u>		<u>2007/08</u> <u>£'000</u>	<u>£'000</u>
303	15	Fixed Assets <i>Intangible Fixed Assets</i>		174
		Tangible Fixed Assets		
		<u>Operational Assets:</u>		
23,729		Other Land and Buildings	23,610	
4,172		Vehicles, Plant, Furniture & Equipment	4,126	
87		Community Assets	86	
		<u>Non-operational Assets:</u>		
13,306		Investment Properties	13,189	
1,515		Surplus Assets Held for Disposal	1,515	
42,809		Total Tangible Fixed Assets		42,526
43,112		Total Fixed Assets		42,700
50	17	Long Term Investments	9,466	
114		Long Term Debtors	91	
43,276		Total Long Term Assets		52,257
		Current Assets		
134		Stock and Work in Progress	215	
4,687	18	Debtors	4,629	
18,446	17	Investments	7,414	
6		Cash in Hand	7	
23,273				12,265
		Current Liabilities		
(4,647)	19	Creditors	(3,922)	
(333)		Bank Overdraft	(537)	
(4,980)				(4,459)
18,293		Net Current Assets/(Liabilities)		7,806
61,569		Total Assets less Current Liabilities		60,063
(12)	22	Deferred Credits	(11)	
(2,334)		Government Grants - Deferred	(2,149)	
(2,805)	25	Government Grants Unapplied	(2,554)	
(1,901)	21	Deferred Liability	(2,241)	
(3,308)	17	Long Term Borrowing	(3,332)	
(12,861)	12	Net Liability Related to Defined Benefit Pension Schemes	(20,775)	
(23,221)				(31,062)
38,348		Total Assets less Liabilities		29,001
		Financed by:		
0	30	Revaluation Reserve	143	
36,370	20	Capital Adjustment Account	35,328	
3,440	20	Usable Capital Receipts Reserve	3,174	
(12,861)	12	Pensions Reserve	(20,775)	
8,062	20	Earmarked Reserves	8,351	
3,337	20	General Fund Reserves	2,780	
38,348		Total Net Worth		29,001

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<u>2006/07</u> <u>£'000s</u>	<u>Note</u>		<u>2007/08</u> <u>£'000</u>
1,044		(Surplus)/Deficit for the year on the Income and Expenditure Account	1,060
(407)		Surplus arising on revaluation of fixed assets	(143)
(3,007)	12	Actuarial (gains)/losses on pension fund assets and liabilities	7,588
214		Movement on Collection Fund Balance	913
(1,317)		Any other gains and losses required to be included	(72)
<u>(3,473)</u>		Total recognised (gains)/losses for the year	<u>9,346</u>

CASH FLOW STATEMENT

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

<u>2006/07</u> <u>£'000</u>	<u>Note</u>	<u>2007/08</u> <u>£'000</u>	<u>£'000</u>
Revenue Activities			
Cash Outflows:			
11,910		11,230	
11,008		12,947	
13,394		14,282	
25,757		26,789	
42,655		45,577	
104,724			110,825
Cash Inflows:			
(44,841)		(47,162)	
(5,851)		(6,181)	
(25,698)		(26,209)	
(1,177)	27	(1,037)	
(19,065)	27	(19,654)	
(117)		(124)	
(8,542)		(8,000)	
(913)	27	(940)	
(106,204)			(109,307)
(1,480)	26		1,518
Returns on Investments and Servicing of Finance			
262		139	
0		164	303
(997)			(976)
(735)			(673)
Capital Activities			
Cash Outflows			
1,449		1,008	
882		918	1,926
2,331			
Cash Inflows			
(1,040)	27	(721)	
(1,353)		(248)	
(2,393)			(969)
(62)			957
(2,277)			1,802
		Management of Liquid Resources	
2,473		(11,065)	
0		9,000	
2,473			(2,065)
Financing:			
Cash outflows			
447			466
Cash inflows			
(1,200)			0
(557)	28		203

NOTES TO THE MAIN FINANCIAL STATEMENTS**1 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 2007: a Statement of Recommended Practice and the Best Value Accounting Code of Practice 2006, 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 Statement.

e. Government Grants and Contributions

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

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

f. Retirement Benefits

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

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

NOTES TO THE MAIN FINANCIAL STATEMENTS**1 ACCOUNTING POLICIES (Continued)****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.

NOTES TO THE MAIN FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (Continued)

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, with a full year's depreciation being charged in the year of acquisition. Assets are individually assessed within the categories listed.

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

Services receive a capital charge for all fixed assets used in the provision of the service. Depreciation charges for non-operational assets are charged to non-distributable costs. For tangible assets, the charge covers the provision for depreciation, where appropriate.

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 "Usable 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

All services incur a capital charge and any impairment, where applicable, 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.

NOTES TO THE MAIN FINANCIAL STATEMENTS**1 ACCOUNTING POLICIES***(Continued)***l. Deferred Charges**

Deferred charges represent expenditure which has been properly capitalised but does not result in the creation of tangible fixed assets. Deferred charges are written out to the revenue account in the year they are incurred.

m. Leasing

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

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

n. Financial Liabilities

Borrowings are initially measured at fair value and carried at their amortised cost. The amount presented in the balance sheet is the outstanding principal payable plus interest accrued at 31st March.

o. Financial Assets**Investments**

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 31st March.

p. Stocks and Work In Progress

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

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

q. Interests in Companies and Other Entities

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

r. Interest

Interest paid on external borrowings is accrued and charged in the accounts in the period to which it relates. Interest earned on the external investment of surplus funds is accrued and credited to the Income and Expenditure Account.

s. 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.

NOTES TO THE MAIN FINANCIAL STATEMENTS

2. TRADING ACCOUNTS

2006/07

<u>Total</u> <u>£'000</u>		<u>Catering</u> <u>£'000</u>	<u>Markets</u> <u>£'000</u>	<u>2007/08</u>		<u>Total</u> <u>£'000</u>
				<u>Investment</u> <u>Properties</u> <u>£'000</u>		
	Income					
166	Charges to Internal Users	175	0	0		175
1,374	Charges to external Users	242	125	942		1,309
<u>1,540</u>	Total Income	<u>417</u>	<u>125</u>	<u>942</u>		<u>1,484</u>
	Expenditure					
223	Staff Costs	240	16	0		256
370	Premises	14	48	257		319
2	Transport	1	0	0		1
133	Direct Purchases	126	0	0		126
38	Materials	34	7	4		45
<u>766</u>	Total Direct Costs	<u>415</u>	<u>71</u>	<u>261</u>		<u>747</u>
352	Overheads	238	7	358		603
0	Capital Charges	0	0	130		130
<u>1,118</u>	Total Costs	<u>653</u>	<u>78</u>	<u>749</u>		<u>1,480</u>
<u>422</u>	Net Surplus/(Deficit)	<u>(236)</u>	<u>47</u>	<u>193</u>		<u>4</u>

3. AGENCY OPERATIONS

In addition to the service activities disclosed in the Income and Expenditure Account, the Council undertook certain other work on an agency basis. Since 1 July 2003, the Council was engaged in a partnership arrangement with Lancashire County Council (LCC). The agency arrangement ceased on the 1st July 2006 and from that date LCC has provided the Highways service directly. In 2006/7 income and costs as a result of this arrangement were treated as part of the Income and Expenditure Account, and the net costs are reimbursed to the Council.

Expenditure and income in respect of Highways Partnership activities are summarised below:

As at 31 March	<u>2007</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>
Direct Works Expenditure Reimbursed	<u>0</u>	<u>0</u>
Administration Costs	156	0
Reimbursement	(110)	0
Net Administration Costs Charged to Revenue	<u>46</u>	<u>0</u>

NOTES TO THE MAIN FINANCIAL STATEMENTS

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

Section 137 of the Local Government Act 1972, as amended 2000, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The Council's expenditure under this power was £117,410 mainly on donations to voluntary bodies working in the local area compared to £115,620 in 2006/07.

5. EXPENDITURE ON PUBLICITY

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

The relevant amounts are as follows:

Year ended 31 March	<u>2007</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>
<i>Purpose of Publicity</i>		
Required by Statute	26	39
Promotion of Economic Development	14	11
Recreational Facilities	15	25
Public Relations	30	35
Environmental Protection	1	5
Employee Recruitment	<u>22</u>	<u>42</u>
	<u>108</u>	<u>157</u>

6. BUILDING CONTROL STATEMENT

The Building (Local Authority) Charges Regulations 1998 gave Local Authorities the authority to set their Building Control Fees. The regulations require that full recovery of the cost of providing the building control service should be achieved over a three year continuous accounting period with effect from 1 April 1999, when the regulations came into force. In 2007/08, the fee earning deficit of £12,861 has been transferred to the Building Control Reserve. The balance on this reserve at 31 March 2008 is an accumulated surplus of £73,602.

Building Control Fee-earning Account – Summary

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

<u>2007/08</u>	<u>Fee</u> <u>Earning</u> <u>£'000</u>	<u>Non Fee</u> <u>Earning</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Income	340	0	340
Expenditure	(353)	(65)	(418)
Surplus/(Deficit) for Year	<u>(13)</u>	<u>(65)</u>	<u>(78)</u>

NOTES TO THE MAIN FINANCIAL STATEMENTS

7. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The Council is empowered by this Act to provide goods and services to other public bodies. In 2007/08 the income generated from the provision of goods and services under this Act amounted to £177,221 and the related expenditure was £148,125.

8. DISCLOSURE OF REMUNERATION OF SENIOR STAFF

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

In the 2007/08 financial year, there were nine employees to whom the requirement relates:

Year ended 31 March	<u>2007</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>
50,000 – 59,999	0	5
60,000 – 69,999	3	2
70,000 – 79,999	0	1
80,000 – 89,999	0	0
90,000 – 99,999	1	0
100,000 – 109,999	0	1

9. 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.

10. PARISH COUNCIL PRECEPTS

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

Year ended 31 March	<u>2007</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>
Farington	40	50
Hutton	13	14
Longton	18	19
Penwortham	120	125
Much Hoole	5	5
Little Hoole	7	7
Samlesbury and Cuerdale	<u>3</u>	<u>3</u>
Total	<u>206</u>	<u>223</u>

NOTES TO THE MAIN FINANCIAL STATEMENTS

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

The General Fund Balance compares the council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance, and the statement below gives the breakdown of the amounts additional to the surplus 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.

2006/07 £000		2007/08 £000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
(133)	Amortisation of intangible fixed assets	(135)
(1,589)	Depreciation and impairment of fixed assets	(2,111)
443	Government Grants Deferred amortisation	455
(882)	Write down of deferred charges to be financed from capital resources	(186)
0	Net Profit/(Loss) on sale of fixed assets	0
(1,563)	Net charges made for retirement benefits in accordance with FRS17	(1,719)
(3,724)		(3,696)
	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	
124	Minimum Revenue Provision for capital financing	178
99	Capital Expenditure charged in-year to the General Fund Balance	17
(1)	Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	(1)
1,218	Employer's contributions payable to Lancashire County Pension Fund and retirement benefits payable direct to pensioners	1,393
1,440		1,587
	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	
90	Voluntary Revenue Provision for capital financing	274
874	Net transfer to/from earmarked reserves	417
964		691
(1,320)	Net additional amount required to be credited to the General Fund Balance for the year	(1,418)

NOTES TO THE MAIN FINANCIAL STATEMENTS**12. PENSION COSTS**

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits through the Local Government Pension Scheme.

In 2007/08 the Council paid employer's pension contributions of £1,164,593 representing 15.6% of employees pensionable pay.

The Council also makes pension payments relating to added years' benefits, together with related increases. In 2007/08 these amounts totalled £207,298 which was equivalent to 2.8% of pensionable pay.

During 2007/08 there was an additional general payment to the fund, of £20,775, relating to non funded payments to employees made redundant as part of a staff rationalisation programme previously granted by the Council. This was equivalent to 0.3% of pensionable pay.

The Local Government Pension Scheme is administered by Lancashire County Council (LCC) and is a funded scheme, meaning that the employer (the Council) and employees pay contributions into a fund calculated at a level estimated to balance the pensions liabilities with investment assets. The scheme is a "defined benefits scheme" in that the scheme rules define the benefits payable quite independently of the contributions payable i.e. the benefits are not directly related to the investments of the scheme. Employers must contribute to any deficit where assets are insufficient to meet retirement benefits.

Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments, which needs to be recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on cash payable in the year, so the real cost of retirement benefits is reversed out of the Income and Expenditure Account after Net Operating Expenditure. The following transactions, in relation to the Local Government Pension Scheme, have been made in the Income and Expenditure Account during the year:

:

NOTES TO THE MAIN FINANCIAL STATEMENTS

12. PENSION COSTS (*Continued*)

Year ended 31 March	<u>2007</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>
Net Cost of Services:		
-Current Service Cost	(1,395)	(1,196)
-Curtailment / Settlement Gain	0	0
-Past Service Cost	0	(452)
Total Cost	<u>(1,395)</u>	<u>(1,648)</u>
Net Operating Expenditure		
-Interest Cost	(3,256)	(3,543)
-Expected Return on Assets in the Scheme	3,088	3,472
Pension Interest and Expected Return	<u>(168)</u>	<u>(71)</u>
Total Costs	(1,563)	(1,719)
Employers' Contributions Payable to the Scheme	1,218	1,393
Movement on Pensions Reserve	<u><u>(345)</u></u>	<u><u>(326)</u></u>

The underlying assets and liabilities for retirement benefits attributable to the Council are as follows

As at 31 March	<u>2007</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>
Estimated Liabilities in Scheme	(66,028)	(69,273)
Estimated Assets in Scheme	<u>53,167</u>	<u>48,498</u>
Net Asset / (Liability)	<u><u>(12,861)</u></u>	<u><u>(20,775)</u></u>

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The total liability of £20.78 million has a substantial impact by reducing the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, with the deficit being made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

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 assets and liabilities of the LCC Pension Fund were assessed by Mercer Human Resources Consulting Limited, an independent firm of actuaries. Estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2007.

NOTES TO THE MAIN FINANCIAL STATEMENTS

12. PENSION COSTS (Continued)

The main assumptions used in their calculations are as follows:

As at 31 March	<u>2007</u>	<u>2008</u>
	%	%
Financial Assumptions		
Rate of Inflation	3.10	3.60
Rate of Increase in Salaries	4.85	5.35
Rate of Increase in Pensions	3.10	3.60
Rate for Discounting Scheme Liabilities	5.40	6.10
Expected Rate of Return on Assets		
Equities	7.50	7.50
Government Bonds	4.70	4.60
Other Bonds	5.40	6.10
Property	6.50	6.50
Cash/Liquidity	5.25	5.25
Other	7.50	7.50

Assets in LCC's Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

As at 31 March	<u>2007</u>		<u>2008</u>	
	<u>£'000</u>	%	<u>£'000</u>	%
Equities	34,186	64.3	30,165	62.2
Government Bonds	4,466	8.4	3,443	7.1
Bonds	6,646	12.5	7,274	15.0
Property	3,721	7.0	2,910	6.0
Cash Liquidity	2,393	4.5	1,600	3.3
Other	1,755	3.3	3,106	6.4
	53,167	100.0	48,498	100.0

The FRS17 deficiency shows the excess of the accrued pension liabilities, assessed on a prescribed basis, compared with the market value of assets at a single point in time (i.e. 31 March 2008). It represents an actuarially calculated figure for accounting purposes, and uses different actuarial assumptions from the full valuation of the fund. Whilst successive year on year FRS17 figures can normally be expected to give a general indication of how the finances of the fund are progressing, they do not purport to give any indication of the outcome of the full valuation of the Pension Fund, which was carried out from April 2007 with its effects to be implemented from April 2008. The deficit for accounting purposes also includes liabilities in respect of added years enhancements for non-ill health early retirements, which are a charge directly on the Council's revenue account and not a charge to the Pension Fund.

NOTES TO THE MAIN FINANCIAL STATEMENTS

12. PENSION COSTS (Continued)

The actuarial losses identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008:

	<u>£'000</u>	<u>%</u>
Differences between the expected and actual return on assets	(4,254)	8.8
Differences between actuarial assumptions about liabilities and actual experience	572	0.8
Changes in the demographic and financial assumptions used to estimate liabilities	(3,906)	5.6
	<u>(7,588)</u>	

Comparative totals for 2006/07 3,007

Employer's pension costs increased based on a triennial actuarial review as at 31st March 2007 from 15.6% in 2007/08 to 17.4% in 2009/10. The rate increases to 16.5% for 2008/09. The next triennial actuarial review will be as calculated at 31st March 2010.

Movements on the Pension Reserve

	<u>2006/07</u>	<u>2007/08</u>
	<u>£'000</u>	<u>£'000</u>
Pension reserve brought forward	(15,523)	(12,861)
Actuarial gains/(losses) relating to pensions	3,007	(7,588)
Appropriation (from)/to the pension reserve	(345)	(326)
	<u>(12,861)</u>	<u>(20,775)</u>

Commutation of Pensions for Lump Sums on Retirement

Changes to the Local Government Pension Scheme permitted employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. The pension scheme actuary assumed that 50% of employees retiring after 6 April 2006 would take advantage of this change to the pension scheme. The 2007/2008 actuary advice continues to retain the 50% take-up assumptions on the basis that it is too early to judge whether recent experience is a reliable indication of the long term effects and that changing this assumption would have a relatively minor effect on the liability calculation. On this basis the Council continues to reflect the advice from the actuary within these statements.

13. AUDIT COSTS

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

Year ended 31 March	<u>2007</u>	<u>2008</u>
	<u>£'000</u>	<u>£'000</u>
Fees Payable in respect of external services carried out by the Appointed Auditor	78	93
Grant Claim Certification	20	20
Housing Reform Review	10	0

NOTES TO THE MAIN FINANCIAL STATEMENTS**14. 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 2007/08, the Grants Committee paid grants totalling £117,410 (£115,620 – 2006/07) to voluntary organisations in which 2 members declared an interest.

Councillors' allowances for the year 2007/08 totalled £171,727 (£174,520 – 2006/07). A detailed breakdown of these figures can be found in the Council's newspaper – Forward, which is distributed to all residents.

◆ Officers

If appropriate, Directors of the Council should complete a voluntary declaration of transactions involving related parties. There were no declarations made during the year to 31 March 2008.

◆ Other Local Authorities and Precepting Bodies

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

◆ Pension Fund

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

◆ New Progress Housing Association (NPHA)

Right to Buy – The Right to Buy Clawback agreement provides that payment is due to the Council where sales of housing stock transferred to NPHA exceed an agreed threshold. In 2007/08 this threshold was not exceeded and hence no monies were received.

◆ Partnerships, Companies and Trusts

Affordable Housing Partnership – with South Ribble Borough Council (SRBC), Chorley Borough Council and West Lancashire Council. SRBC manages the finances for the 'First Steps Grant Scheme' for the partnership. The grant for 2005/06 was £300,000 of which £86,910 was unallocated at 31st March 2008.

NOTES TO THE MAIN FINANCIAL STATEMENTS

14. RELATED PARTY TRANSACTIONS *(Continued)*

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 1st 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	£15,805
Leisure Services Fee	£453,619

NOTES TO THE MAIN FINANCIAL STATEMENTS

15. FIXED ASSETS

Intangible Fixed Assets

Purchased Software Licences

£'000

Cost

Cost brought forward as at 1 April 2007 543

Additions 5

Disposals (19)

Cost carried forward as at 31 March 2008 529

Amortisation

Accumulated Amortisation brought forward as at 1 April 2007 (240)

Charge for the year (131)

Disposals 8

Accumulated Amortisation carried forward as at 31 March 2008 (363)

Impairment

Balance at start of year 0

Charge for the year 7

Cost carried forward as at 31 March 2008 7

Net Book Value

Net Book Value as at 31 March 2007 303

Net Book Value as at 31 March 2008 173

NOTES TO THE MAIN FINANCIAL STATEMENTS

15. FIXED ASSETS (Continued)

Tangible fixed assets

	<u>Operational Assets</u>			<u>Non-Operational Assets</u>		<u>Total</u> <u>£'000</u>
	<u>Other Land and Buildings</u> <u>£'000</u>	<u>Vehicles Plant & Equip't</u> <u>£'000</u>	<u>Community Assets</u> <u>£'000</u>	<u>Investment Assets</u> <u>£'000</u>	<u>Surplus Assets held for disposal</u> <u>£'000</u>	
Cost						
Cost brought forward as at 1 April 2007	24,884	6,294	87	13,306	1,515	46,086
Additions	607	1,054	144	9	0	1,814
Disposals	0	(89)	0	0	0	(89)
Revaluation – General fall in Market price	0	0	0	(121)	0	(121)
Revaluation	5	0	(20)	4	0	(11)
Reclassification	(19)	0	19	0	0	0
Cost carried forward as at 31 March 2008	<u>25,477</u>	<u>7,259</u>	<u>230</u>	<u>13,198</u>	<u>1,515</u>	<u>47,679</u>
Depreciation						
Accumulated Depreciation brought forward as at 1 April 2007	1,156	2,122	0	0	0	3,278
Charge for the year	522	1,053	0	0	0	1,575
Disposals	0	(46)	0	0	0	(46)
Reclassification	0	0	0	0	0	0
Revaluations	(137)	0	0	0	0	(137)
Accumulated Depreciation carried forward as at 31 March 2008	<u>1,541</u>	<u>3,129</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,670</u>
Impairment						
Balance at start of year	0	0	0	0	0	0
Charge for the year	326	4	144	9	0	483
Accumulated Impairment carried forward as at 31 March 2008	<u>326</u>	<u>4</u>	<u>144</u>	<u>9</u>	<u>0</u>	<u>483</u>
Net Book Value						
as at 31 March 2007	<u>23,728</u>	<u>4,172</u>	<u>87</u>	<u>13,306</u>	<u>1,515</u>	<u>42,808</u>
as at 31 March 2008	<u>23,610</u>	<u>4,126</u>	<u>86</u>	<u>13,189</u>	<u>1,515</u>	<u>42,526</u>

NOTES TO THE MAIN FINANCIAL STATEMENTS

The Revaluation of Fixed Assets

During 2007/08 the valuations were carried out primarily by R Handscombe FRICS, who is the Council's Estates Surveyor. However because of the number and diversity of the assets the District Valuers service was commissioned to carry out a number of valuations. The basis of valuation is set out in the Statement of Accounting Policies.

	<u>Operational Assets</u>			<u>Non-Operational Assets</u>			<u>Total</u> <u>£'000</u>
	<u>Land & Bldgs</u> <u>£'000</u>	<u>Plant & Equip</u> <u>£'000</u>	<u>Community Assets</u> <u>£'000</u>	<u>Investment Assets</u> <u>£'000</u>	<u>Assets under construction</u> <u>£'000</u>	<u>Assets held for disposal</u> <u>£'000</u>	
31 March 2008	23,610	4,126	86	13,189	0	1,515	42,526
31 March 2007	23,728	4,172	87	13,306	0	1,515	42,808
31 March 2006	24,709	3,769	24	11,801	0	1,515	41,818
31 March 2005	18,821	1,309	0	9,049	0	0	29,179
31 March 2004	20,069	656	0	9,894	80	0	30,699
31 March 2003	21,243	152	0	9,824	0	0	31,219
31 March 2002	22,553	124	0	10,628	0	0	33,305

NOTES TO THE MAIN FINANCIAL STATEMENTS

15. FIXED ASSETS (Continued)

Overall Capital Expenditure and Financing

	<u>2006/07</u>		<u>2007/08</u>	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Opening Capital Financing Requirement		3,698		4,448
<i>Capital Investment</i>				
Fixed Assets	2,326		1,819	
De Minimis	0		5	
Deferred Charges	<u>882</u>		<u>918</u>	
		3,208		2,742
<i>Sources of Finance</i>				
Capital Receipts		(152)		(267)
Government Grants and Other Contributions		(1,483)		(692)
Sums Set Aside from Revenue				
Earmarked Reserves	(510)		(641)	
Revenue Financing	(99)		(17)	
Minimum Revenue Provision (MRP)	(124)		(178)	
Voluntary Revenue Provision (VRP)	(90)		(274)	
		<u>(823)</u>		<u>(1,110)</u>
Closing Capital Financing Requirement		<u>4,448</u>		<u>5,121</u>

	<u>2006/07</u>		<u>2007/08</u>	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<i>Explanation of movements in year</i>				
Increase in underlying need to borrowing (supported by Government Financial Assistance)		52		0
Increase in underlying need to borrowing (unsupported by Government Financial Assistance)		<u>698</u>		<u>673</u>
<i>Increase / Decrease in Capital Financing Requirement</i>		<u>750</u>		<u>673</u>

Commitments under Capital Contracts

There are no commitments under Capital Contracts as at 31 March 2008

NOTES TO THE MAIN FINANCIAL STATEMENTS

15. FIXED ASSETS (Continued)

Information on Leased Assets

The Council was committed to making operating lease payments of £0.112 million in relation to Vehicles, Plant and Equipment and £0.050 million in relation to Land and Buildings at 31 March 2008 for 2008/09, in respect of leases expiring.

	<u>Other Land and Buildings</u> £'000	<u>Vehicles, Plant and Equipment</u> £'000
Within one year	0	4
Between one and five years	0	108
After five years	50	0

Future minimum operating lease payments for the Council at 31 March 2008 were as follows:

Payable in the year ended 31 March	<u>£'000</u>	<u>£'000</u>
2009	50	112
2010	50	39
2011	50	28
2012	50	13
2013	50	0
Thereafter	50	0

Finance Leases

The following values of assets are held under finance leases by the authority, accounted for as part of Tangible Fixed assets.

<u>Vehicles, Plant and Equipment</u>	<u>Cost</u> £'000	<u>Depreciation</u> £'000	<u>Net Book Value</u> £'000
Value at 1 April 2007	1,192	(350)	842
Additions	0		0
Depreciation		(175)	(175)
Value at 31 March 2008	<u><u>1,192</u></u>	<u><u>(525)</u></u>	<u><u>667</u></u>

Outstanding obligations to make payments under these finance leases (excluding finance costs) as at 31 March 2008, accounted for as part of long-term liabilities, are as follows:

	<u>Vehicles, Plant and Equipment</u> £'000
Obligations Payable in 2008/09	157
Obligations Payable between 2009/10 and 2012/13	545
Obligations Payable after 2012/13	10
Total Liabilities at 31 March 2008	<u><u>712</u></u>

The aggregate finance charges allocated in 2007/08 in respect of finance leases is £0.044 million.

NOTES TO THE MAIN FINANCIAL STATEMENTS

15. FIXED ASSETS (Continued)

Statement of Major Fixed Assets

Major fixed assets held as at 31 March	<u>2007</u> <u>No.</u>	<u>2008</u> <u>No.</u>
Operational Buildings		
Depots	2	2
Administration Offices	4	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	14	15
Worden Park/Arts and Crafts	1	1
Car Parks	26	24
Museum	1	1
Community Assets		
Parks	3	3
Nature Reserves	2	2
Recreation Grounds/Playgrounds and Major Areas of Public Open Space	63	63
Non-Operational General – Investment Property		
Shops	11	12
Industrial Units (i)	68	67
Office Accommodation	13	13
Ground Leases (ii)	20	23
Market Premises	1	1
Surplus Assets for Disposal	4	4

16. DEFERRED CHARGES

The table below summaries the movements in deferred charges during the year.

	<u>Balance at</u> <u>31st March</u> <u>2007</u> <u>£'000</u>	<u>Expenditure</u> <u>in year</u> <u>£'000</u>	<u>Written off</u> <u>to revenue</u> <u>in year</u> <u>£'000</u>	<u>Balance at</u> <u>31 March</u> <u>2008</u> <u>£'000</u>
Disabled Facilities Grants	0	344	(344)	0
Other Housing Grants	0	388	(388)	0
Other	0	186	(186)	0
	0	918	(918)	0

NOTES TO THE MAIN FINANCIAL STATEMENTS

17. 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	<u>Long-Term</u>		<u>Current</u>	
	<u>2007</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>
Financial Liabilities at fair value*	3,193	3,417	0	0
Total Borrowings	3,193	3,417	0	0
Loans and Receivables	0	9,466	18,446	7,414
Total Investments	0	9,466	18,446	7,414

* Fair value of debt as at 31st March, as provided by the Public Works Loans Board.

b. Long Term Borrowing - Liquidity Risk

As the authority has ready access to borrowing from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows:

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

The amount presented in the balance sheet is the outstanding principal payable plus £0.024m interest accrued at 31st March 2008

c. Interest Rate Risk Exposure

The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. This includes maximum and minimum limits for fixed and variable interest rate exposure.

At 31st March 2008, all investments held were at fixed rates.

NOTES TO THE MAIN FINANCIAL STATEMENTS

17. FINANCIAL INSTRUMENTS (continued)

d. Credit Risk Exposure

The following analysis summarises the authority's potential maximum exposure to credit risk on its longer term investments, based on experience of default and uncollectability over the last five financial years

	Amount at 31 March 2008	Historical experience of default	Historical Experience adj. for Market conditions at 31 March 2008	Estimated maximum exposure to default and uncollectability
	£'000	%	%	£'000
	A	B	C	(AxC)
Deposits with banks				
- Principal	9,000	0.00	0.017	2

The historical experience of default has been taken from Moody's, a Councils credit rating organisation, and applies to the period 1982 -2005. Whilst the current credit crisis in International Markets has raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties.

18. DEBTORS

Analysis of debtors as at 31 March	<u>2007</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>
Government Departments	982	809
Other Local Authorities	755	186
Taxpayers	2,081	2,416
Other Debtors	<u>1,901</u>	<u>2,261</u>
	5,719	5,672
Less: Provision for Doubtful Debts	<u>(1,032)</u>	<u>(1,043)</u>
	<u>4,687</u>	<u>4,629</u>

19. CREDITORS

Analysis of creditors as at 31 March	<u>2007</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>
Government Departments	1,546	1,509
Other Local Authorities	587	506
Tax Payers	1,080	845
Other Creditors	<u>1,434</u>	<u>1,062</u>
	<u>4,647</u>	<u>3,922</u>

NOTES TO THE MAIN FINANCIAL STATEMENTS

20. FUND BALANCES AND RESERVES

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

	<u>Balance at 1 April 2007 (Restated)</u>	<u>Net Movement in Year</u>	<u>Balance at 31 March 2008</u>	<u>Further Detail of Movement</u>
<u>Reserve</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>Note</u>
Revaluation Reserve	0	143	143	30
Capital Adjustment Account	36,370	(1,042)	35,328	
Usable Capital Receipts	3,440	(266)	3,174	
Pensions Reserve	(12,861)	(7,914)	(20,775)	12
Sub Total	26,949	(9,079)	17,870	
General Fund Reserves:				
General Fund Balance	3,180	358	3,538	
Collection Fund	155	(913)	(758)	
Sub Total	3,335	(555)	2,780	
Earmarked Reserves:				
				Note 20
Area Committee	58	(2)	56	a
Asset Management	2,302	105	2,407	b
Borough Council Elections	68	(38)	30	c
Building Control	86	(12)	74	d
Housing Needs Survey	12	(4)	8	e
Information Communications Technology Strategy	1,446	153	1,599	f
Local Development Framework	215	(53)	162	g
Other Earmarked Reserves	452	79	531	h
Pension Fund	98	(30)	68	i
Public Open Space	2,122	3	2,125	j
Single Status/Equal Pay	1,196	0	1,196	k
Vehicle and Plant Replacement	6	40	46	l
Leisure Sites Repair & Mtne	0	49	49	m
Sub Total	8,062	289	8,351	
Total Reserves	38,346	(9,345)	29,001	

NOTES TO THE MAIN FINANCIAL STATEMENTS**20. FUND BALANCES AND RESERVES (continued)****Earmarked Reserves****a) Area Committee**

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

b) Asset Management

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

c) Borough Council Elections

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

d) Building Control

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

e) Housing Needs Survey

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

f) Information Technology Communications Strategy

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

g) Local Development Framework

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

h) Other Earmarked Reserves

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

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

j) Public Open Space Commuted Sums

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

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

l) Vehicle and Plant Replacement

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

m) Leisure Sites

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

NOTES TO THE MAIN FINANCIAL STATEMENTS

21. 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:

	<u>Deferred Purchase</u> £'000	<u>Finance Leases</u> £'000	<u>Total</u> £'000
Balance as at 1 April 2007	1,039	862	1,901
Additions in the year	806	0	806
Principal repaid during the year	<u>(316)</u>	<u>(150)</u>	<u>(466)</u>
Balance as at 31 March 2008	<u>1,529</u>	<u>712</u>	<u>2,241</u>

22. 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:

	<u>Mortgage Advances</u> £'000
Balance as at 1 April 2007	12
Principal repaid during the year	<u>(1)</u>
Balance as at 31 March 2008	<u>11</u>

23. LOCAL AREA AGREEMENT (LAA)

The LAA came into effect from 1 April 2006 and is aimed at improving co-ordination between central government, local authorities and partners, working through Local Strategic Partnerships (LSP). The purpose of the LAA is to lead to more control and solutions to national strategic priorities through services for Children and Young People, Healthy Communities & Older People, Safer & Stronger Communities, Economic Development and Neighbourhood Renewal.

Lancashire County Council is the accountable body for the Lancashire wide scheme and the partner bodies consist of local government bodies, community protection authorities, health bodies, private bodies and voluntary organisations.

The total grant funding received by Lancashire County Council as the accountable body for the Lancashire wide scheme in 2007/2008 was £28.093m.

Grant Received by the Council	2006/2007 £	2007/2008 £
LAA Allocation		
Safer & Stronger Communities	152,538	113,507
Waste Performance Efficiency Grant (WPEG)	0	90,594
Total	<u>152,538</u>	<u>204,101</u>

NOTES TO THE MAIN FINANCIAL STATEMENTS

24. POST BALANCE SHEET EVENTS

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

25. UNAPPLIED GRANTS AND CONTRIBUTIONS

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

	<u>Balance at 31</u> <u>March 2007</u> <u>£'000</u>	<u>Income</u> <u>£'000</u>	<u>Expenditure</u> <u>£'000</u>	<u>Balance at 31</u> <u>March 2008</u> <u>£'000</u>
1. S106 Contributions				
Open space schemes	(1,230)	(81)	318	(993)
Other	(768)	0	108	(660)
2. Other Grants & Contributions	(807)	(682)	588	(901)
Total	<u><u>(2,805)</u></u>	<u><u>(763)</u></u>	<u><u>1,014</u></u>	<u><u>(2,554)</u></u>

NOTES TO THE MAIN FINANCIAL STATEMENTS

26. CASH FLOW - RECONCILIATION OF REVENUE (DEFICIT)/ SURPLUS TO NET CASH FLOW FROM REVENUE ACTIVITIES

<u>2006/07</u> <u>£'000</u>		<u>2007/2008</u> <u>£'000</u>	<u>£'000</u>
(1,044)	Net (Deficit)/Surplus for Year per Income and Expenditure Account	(1,060)	
(214)	Add Collection Fund Surplus/(Deficit)	(913)	
<u>(1,258)</u>			(1,973)
	Non-cash Transactions		
233	Written Down Premium	0	
345	Net Increase/(Decrease) in Pensions Reserve	326	
(21)	Net Movement in Bad Debt Provision	(66)	
1,722	Depreciation of Fixed Assets	1,454	
0	Impairment Charge	652	
0	Amortisation	135	
(443)	Government Grants Deferred Amortisation	(455)	
882	Deferred Charges	186	
0	De Minimus Adjustment	5	
0	Borrowing – interest capitalisation	24	
0	ST Investments – interest capitalisation	(33)	
0	LT Investments – interest capitalisation	(466)	
(215)	Balance Sheet Transfer	(210)	
<u>2,503</u>			1,552
	Items on an Accrual Basis (*)		
357	(Decrease)/Increase in Creditors	(698)	
582	Decrease/(Increase) in Debtors	304	
0	ADC Debenture reclassification	50	
31	Decrease/(Increase) in Stocks/ WIP	(80)	
<u>970</u>			(424)
	Items within another classification		
(735)	Add/(Less) Servicing of Net Finance Costs		(673)
<u>1,480</u>	Net Cash Flow from Revenue Activities		<u>(1,518)</u>

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

NOTES TO THE MAIN FINANCIAL STATEMENTS

27. CASH FLOW - GOVERNMENT GRANTS

<u>2006/07</u> <u>£'000</u>		<u>2007/08</u> <u>£'000</u>	<u>£'000</u>
	Revenue		
(1,177)	Revenue Support Grant		(1,037)
	DWP Grants for Rebates:		
(13,471)	Rent Allowances	(13,647)	
(7)	Rent Rebates	(20)	
(4,898)	Council Tax	(5,268)	
(661)	Housing Benefit Admin.	(719)	
(28)	Fraud Investigation	0	
(19,065)			(19,654)
	Other Government Grants:		
(29)	Housing Subsidy - Defects	(29)	
(1)	Contaminated Land	(1)	
(9)	Implementation of Smoke free legislation	0	
(56)	Safer Communities/Domestic Violence	(266)	
(34)	Homelessness	(39)	
(629)	Local Authority Business Growth Initiative (LABGI)	(103)	
(35)	Performance Reward Grant – Revenue	(36)	
(120)	National Non Domestic Rates Pool Admin.	(121)	
0	Health Promotion	(42)	
0	Postal Vote	(14)	
0	Concessionary Travel	(84)	
0	Planning Delivery Grant	(196)	
0	Travellers Grant	(9)	
(913)			(940)
	Capital		
(201)	Housing Subsidy	(201)	
(397)	Housing Capital Grant	(374)	
(35)	Performance Reward Grant – Capital	(36)	
(86)	DEFRA Green Waste	0	
(132)	Planning Delivery Grant	(20)	
(189)	DWP Funding (Customer Relationship Management)	0	
(1,040)			(631)
(22,195)	Total Government Grants		(22,262)

NOTES TO THE MAIN FINANCIAL STATEMENTS

28. RECONCILIATION OF THE NET CASH FLOW

The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties. This movement in cash should be reflected in the increase or decrease in cash and cash equivalent between the 2006/07 and 2007/08 Consolidated Balance Sheet

The table below reconciles these movements in cash and cash equivalent:

Movement in Cash 2006/07 £000		2007 £000	2008 £000	Movement in Cash £000
<u>Management of liquid resources</u>				
11,674	Investments	18,446	7,381	(11,065)
(9,201)	Long-Term Investments	50	9,050	9,000
2,473		18,496	16,431	(2,065)
<u>Financing</u>				
(1,200)	Long-Term Borrowing	(3,308)	(3,308)	0
(464)	Deferred Liability	(1,901)	(2,241)	(340)
911	<i>Less: capital additions</i>			806
447				466
<u>Movement in cash balances</u>				
1	Cash in hand and at bank	6	7	1
556	Bank overdraft	(333)	(537)	(204)
557				(203)
2,277	TOTAL			(1,802)

29. CONTINGENT LIABILITY

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

The Council has received several equal pay claims which are currently being assessed by the Council's legal advisors. Therefore, at this point, the validity and financial implications of the claims have not been determined.

NOTES TO THE MAIN FINANCIAL STATEMENTS

30. PRIOR PERIOD ADJUSTMENTS

a. REVALUATION RESERVE

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve. The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £26.495m on the FARA at 31 March 2007 has been written off to the Capital Financing Account (credit balance £9.875m) to form the new Capital Adjustment Account with a balance of £36.370m. The Revaluation Reserve has been included in the balance sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2008.

b. UNAPPLIED GRANTS AND CONTRIBUTIONS

The 2007 SORP requires unapplied grants and contributions to be treated as receipts in advance in the balance sheet and not held as reserves. Therefore the balance of unapplied grants, Developers contributions, commuted sums and other contributions have been transferred to Unapplied Grants and Contributions.

The comparative figures for 2006/07 have been restated where required and the impact on the Balance sheet and other main statements is shown below:

Extract from Consolidated Balance Sheet				
2006/07 Original		2006/07 Restated	Movement	Note
£'000		£'000	£'000	
	Long Term Liabilities			
0	Government Grants and Contributions Unapplied	2,805	2,805	b
	Financed by:			
26,495	Fixed Asset Restatement Account	0	(26,495)	a
9,875	Capital Financing Account	0	(9,875)	a
0	Capital Adjustment Account	36,370	36,370	a
3,910	Usable Capital Receipts Reserve	3,440	(470)	b
10,397	Earmarked Reserves	8,062	(2,335)	b
50,677		50,677	0	

SOUTH RIBBLE BOROUGH COUNCIL – STATEMENT OF ACCOUNTS 2007/08

COLLECTION FUND ACCOUNT

Income and Expenditure Account for the year ended 31 March 2008

<u>2006/07</u>	See Note	<u>2007/08</u>	<u>£'000</u>	<u>£'000</u>
<u>Income</u>				
44,726	2	Income from Council Tax	47,194	
		<i>Transfers from General Fund</i>		
4,778		Council Tax Benefits	5,012	
49,504			52,206	
25,675	3	Income Collectable from Business Ratepayers		26,765
75,179				78,971
<u>Expenditure</u>				
Precepts and Demands				
36,362		Lancashire County Council	38,689	
6,953		South Ribble Borough Council	7,261	
4,125		Lancashire Police Authority	4,658	
1,995		Combined Fire Authority	2,124	
49,435			52,732	
Distribution of Collection Fund Surplus/(Deficit)				
148		Lancashire County Council	91	
28		South Ribble Borough Council	17	
17		Lancashire Police Authority	10	
8		Combined Fire Authority	5	
201			123	
Business Rates				
25,540		Payment to National Pool	26,715	
120		Cost of Collection Allowance	121	
25,660			26,836	
Bad and Doubtful debts/appeals				
152		Write-offs	231	
(55)		Provisions	(38)	
97			193	
75,393				79,884
(214)		Surplus/(deficit) for year		(913)
369		Surplus/(deficit) at 1 April 2007		155
155		Surplus/(deficit) at 31 March 2008		(758)

NOTES TO THE COLLECTION FUND ACCOUNT

1. GENERAL

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

2. COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities for the forthcoming year and dividing this by the council tax base (the total number of properties in each band multiplied by a factor to convert the number to a Band D equivalent adjusted for discounts: £36,980.32 for 2007/08 £36,476.60 for 2006/07). This basic amount of council tax for a Band D property (excluding Parish Precepts £1,419.91 for 2007/08 and £1,349.61 for 2006/07) 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	
		2006/2007	2007/2008
		£	£
A	0.67	899.74	946.61
B	0.78	1,049.70	1,104.38
C	0.89	1,199.65	1,262.15
D	1.00	1,349.52	1,419.91
E	1.22	1,649.52	1,735.44
F	1.44	1,949.43	2,050.99
G	1.67	2,249.35	2,366.52
H	2.00	2,699.22	2,839.82

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

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

NOTES TO THE COLLECTION FUND ACCOUNT

3. BUSINESS RATES

Business Rates are organised on a national basis. In 2005/2006 the Government introduced a Small Business Rate Relief Scheme. This results in there being two multipliers – one for small businesses at 44.1p in 2007/08 and one for larger businesses at 44.4p. 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 £26.8 million for 2007/08 (£25.7 million for 2006/07).

The rateable value for the Council's area at the end of the financial year 2007/08 was £70.1 million (£69.6 million in 2006/07).

4. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS

The deficit of £0.758 million which is carried forward on the Collection Fund at 31 March 2008 includes a surplus on Community Charge brought forward from previous years of £0.115 million.

After allowing for this there is a deficit of £0.873 million on the Collection Fund attributable to Council Tax. This will be distributed to the precepting authorities in proportion to the value of their respective precepts on the Collection Fund.

The authorities who make a significant precept on the collection fund are:

	2007/08
	£000
Lancashire County Council	38,689
Lancashire Police Authority	4,658
Combined Fire Authority	2,124